For Immediate Release
January 23, 2009

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FINANCE CHAIRMAN UNVEILS ECONOMIC RECOVERY MEASURES TO CREATE JOBS, CUT TAXES, FOR WORKING FAMILIES AND BUSINESSES

Baucus, colleagues to champion green energy jobs, real help for families in Finance portion of American Recovery and Reinvestment Act of 2009

Washington, D.C. – Senate Finance Committee Chairman Max Baucus (D-Mont.) today unveiled an original Chairman's Mark of economic recovery provisions for inclusion in the American Recovery and Reinvestment Act of 2009, including $275 billion in tax cuts and investments that will create jobs in fields like green energy, highways, and health care, and provide relief for working families and businesses. The plan, which the Finance Committee will formally consider next week, also contains approximately $180 billion in additional investments to help Americans who have lost their jobs to keep their health care coverage and find new work, and to inject cash into struggling state economies. The Appropriations Committee will consider a separate and additional package of spending matters. The Finance Committee will consider its own Chairman's Mark on **Tuesday, January 27, at 10:00 a.m.** in **Room 215** of the **Dirksen Senate Office Building**.

"This country is in a world of economic hurt, and Congress has to act boldly now to stabilize the situation. With the right mix of tax cuts and investments, the American Recovery and Reinvestment Act will create green energy jobs, highway jobs, health care jobs, and other opportunities for folks to get back on their feet. We can make an immediate difference in folks' financial situations by cutting taxes for struggling families and businesses, too," said Baucus. **"A lot of discussion among Democrats and Republicans, with the President-Elect's team, and with economic experts is going into the development of the American Recovery and Reinvestment Act. Together with the provisions that the Appropriations Committee will approve, these Finance Committee measures are the best ways to get folks working and get our economy moving again."**

Tax cuts and investments to create and retain **JOBS** include:

- Tax cuts allowing businesses to write off more assets, freeing up cash for payroll and other expenses
- Approximately $30 billion in tax cuts and incentives to create jobs in green energy here at home, from wind and solar to energy efficiency
- Tax provisions to finance and create jobs in school construction
- Tax cuts and investments to create jobs on highways, building projects
- Investments to grow jobs and reduce health care costs through health information technology

Tax cuts and investments to help **FAMILIES** include:

- A tax cut to "Make Work Pay" by putting more cash in American workers' pockets through their regular paychecks
- Tax cuts for parents through increases in the child tax credit and the earned income tax credit
- Tax cuts to help families afford homes and college educations
- One-time payments to put more cash in the pockets of disabled veterans and beneficiaries of Social Security, Supplemental Security Income, and Railroad Retirement
- Investments to help with COBRA health coverage for those who have lost their jobs
- Investments in health care coverage for families moving from welfare to work
- An extension of Trade Adjustment Assistance for out-of-work Americans
- Additional unemployment insurance, Temporary Assistance to Needy Families, and enhanced child support enforcement to help family finances

The Baucus mark also provides billions in Federal funding to help states meet growing Medicaid costs and other expenses. It increases the statutory limit on the public debt from $11.315 billion to $12.140 billion.

A detailed staff summary of the Chairman's Mark of Finance elements for the American Recovery and Reinvestment Act of 2009 follows here:

TAX CUTS AND FINANCIAL RELIEF FOR FAMILIES AND INDIVIDUALS

Making Work Pay Credit. This proposal would provide an individual tax credit in the amount of 6.2 percent of earned income not to exceed $500 for single returns and $1000 for joint returns in 2009 and 2010. *This proposal is estimated to cost $142.2 billion over ten years.*

Seniors, Disabled Veterans and SSI. The proposal would provide a one-time payment of $300 to Social Security beneficiaries and SSI recipients receiving benefits from the Social Security Administration and Railroad Retirement beneficiaries. The proposal would also provide a one-time payment of $300 to veterans receiving disability compensation and pension benefits from the US Department of Veterans' Affairs. *This proposal is estimated to cost $17 billion over ten years.*

Temporary Suspension of Taxation of Unemployment Benefits. Under current law, all federal unemployment benefits are subject to taxation. The average unemployment benefit is approximately $300 per month. The proposal temporarily suspends federal income tax on the first $2,400 of unemployment benefits per recipient. Any unemployment benefits over $2,400 will be subject to federal income tax. This proposal is in effect for 2009. *This proposal is estimated to cost $4.7 billion over ten years.*

Expansion of the Earned Income Tax Credit. The proposal would expand EITC to provide an increased credit for 3 or more children and additional marriage penalty relief for married couples. *This proposal is estimated to cost $4.7 billion over ten years.*

Expansion of the Refundable Child Tax Credit. The proposal would increase the eligibility for the refundable child tax credit in 2009 and 2010 by lowering the threshold to $6,000. *This proposal is estimated to cost $10.5 billion over ten years.*

American Opportunity Tax Credit. The proposal would create a $2,500 higher education tax credit that is available for the first four years of college. The credit phases out for individual taxpayers with adjusted gross income of $80,000 ($160,000 married filing jointly). Thirty percent of the available credit is refundable. *This proposal is estimated to cost $12.9 billion over ten years.*

Computers as qualified education expenses in 529 Education Plans. 529 Education Plans are tax-advantaged savings plans that cover all qualified education expenses, including: tuition, room & board, mandatory fees and books. The mark would provide that computers and computer technology qualify as qualified education expenses. *This proposal is estimated to cost $6 million over ten years.*

Homeownership Tax Credit. This proposal modifies the $7,500 tax credit for home purchases that occur after 2008 and before July 1, 2009. The credit phases out for taxpayers with $75,000 and higher of AGI, or $150,000 and higher for joint filers. The credit need not be repaid unless the house is sold within 36 months of purchase. It is fully refundable. *This proposal is estimated to cost $2.6 billion over ten years.*

JOB-CREATING TAX CUTS AND FINANCIAL RELIEF FOR BUSINESSES

Increase of the Net Operating Loss Carry Back Period. The proposal would extend the carry back period for NOLs from 2 years to 5 years for NOLs arising in taxable years ending in 2008 and 2009. This provision would not apply to entities that received funding from TARP (Troubled Asset Relief Program). *This proposal is estimated to cost $17.2 billion over ten years.*

Delayed Recognition of Certain Cancellation of Debt Income. Certain businesses will be allowed to recognize cancellation of indebtedness income over 4 years for specified types of business debt repurchased by the business after December 31, 2008 and before January 1, 2011. *This proposal is estimated to cost $511 million over ten years.*

Extension of Elective Expensing (Section 179). The February 2008 stimulus bill increased the expensing limit to $250,000 and the phase-out to $800,000 for 2008. The proposal would extend the provisions to 2009. *This proposal is estimated to cost $41 million over ten years.*

Extension of Bonus Depreciation. The February 2008 stimulus bill allowed a trade or business to depreciate an additional 50 percent of the cost of an asset acquired and placed into service in 2008. This proposal would extend bonus depreciation for calendar year 2009 at 50 percent. *This proposal is estimated to cost $5.3 billion over ten years.*

Extension of Monetization of Accumulated AMT and R&D Credits in Lieu of Bonus Depreciation. This provision extends the provision contained in the Foreclosure Prevention Act of 2008 and allows AMT and loss taxpayers in 2009 to receive 20 percent of the value of their old AMT or research and development (R&D) credits to the extent such taxpayers invest in assets that qualify for bonus depreciation. The amount is capped at the lesser of 6 percent of outstanding and unused AMT and R&D credits or $30 million. *This proposal is estimated to cost $805 million over ten years.*

Expansion of the Work Opportunity Tax Credit (WOTC). The proposal would add homeless veterans and disadvantaged youth as qualified target groups for WOTC. *This proposal is estimated to cost $208 million over ten years.*

New Markets Tax Credit. The proposal would authorize an additional $1.5 billion for the 2008 allocation round and an additional $1.5 billion for the 2009 allocation round. Tax credits for 2009 allocations made after the date of enactment would be allowed against the alternative minimum tax. *This proposal is estimated to cost $1.05 billion over ten years.*

Industrial Development Bonds. The proposal would modernize certain tax exempt qualified small issue bonds or industrial development bonds (IDBs) for facilities that create or manufacture intangible property. The proposal would also clarify which physical components of any given facility are eligible for such tax exempt financing. *This proposal is estimated to cost $203 million over ten years.*

Duty Refund Recollection. This proposal would prohibit U.S. Customs and Border Protection (CBP) from demanding that U.S. lumber, steel, and other companies repay duties that CBP collected on Canadian and Mexican imports, and then distributed to the companies between 2001 and 2005. *This proposal is estimated to cost $90 million over ten years.*

Small Business Capital Gains. The provision increases the exclusion for individuals on the gain from the sale of certain small business stock held for more than five years from 50 percent to 75 percent. These changes are for stock issued after the date of enactment and before January 1, 2011. *This provision is estimated to cost $829 million over ten years.*

JOB-CREATING ENERGY TAX CUTS AND INCENTIVES

Long-term extension and modification of renewable energy production tax credit. The proposal would extend the placed-in-service date for wind facilities for three years (through December 31, 2012). The proposal would also extend the placed-in-service date through December 31, 2013 for certain other qualifying facilities: closed-loop biomass; open-loop biomass; geothermal; small irrigation; hydropower; landfill gas; waste-to-energy; and marine renewable facilities. *This proposal is estimated to cost $13.1 billion over 10 years.*

Temporary Election to Claim the Investment Tax Credit in Lieu of the Production Tax Credit. Under current law, facilities that produce electricity from solar facilities are eligible to take a 30 percent investment tax credit in the year the facility is placed in service. Facilities that produce electricity from wind, closed-loop biomass, open-loop biomass, geothermal, small irrigation, hydropower, landfill gas, waste-to-energy, and marine renewable facilities are eligible for a production tax credit, payable over a ten-year period. Because of current market conditions and the uncertain future tax positions of potential investors, it is difficult for many renewable projects to obtain financing. The proposal would allow facilities placed-in-service in 2009 and 2010 to elect the investment tax credit in lieu of the production tax credit. *This proposal is estimated to cost $218 million over 10 years.*

Five-year Carryback of General Business Credits. Businesses are allowed to carryback and carryforward certain tax attributes from one tax period to another. Under current law, general business credits may be carried back one year before the year that the credit arises and carried forward for five years after the year that the credit arises. The proposal would extend the carryback period for general business energy credits from one year to five years. *This proposal is estimated to cost $11 billion over ten years.*

Clean Renewable Energy Bonds ("CREBs"). The proposal would authorize an additional $1.6 billion of clean renewable energy bonds to finance facilities that generate electricity from renewable resources. *The proposal is estimated to cost $578 million over ten years.*

Energy-Efficient Existing Homes. The proposal would increase the value of the credit to 30 percent for 2009 and 2010, and set the per-dwelling limit of $1500 per taxpayer. The separate limitations on specific energy-efficient property and the current-law basis reduction for subsidized energy financing are eliminated. *The proposal is estimated to cost $4.3 billion over ten years.*

Conservation Bonds. This proposal authorizes an additional $2.4 billion in conservation bonds. *The proposal is estimated to cost $803 million over ten years.*

Alternative Refueling Stations. The proposal would increase the business credit for alternative refueling property from 30 percent (maximum $30,000) to 50 percent (maximum $50,000), and extends the credit for one year. The credit for individual alternative refueling property would be doubled, to $2000. The proposal would also increase the cap on hydrogen refueling property to $200,000, retaining its 30 percent cap. *This proposal is estimated to cost $54 million over ten years.*

Residential Energy Efficient Property. The proposal would remove the $2,000 cap on the 30 percent credit for solar thermal and geothermal property, as well as the $4000 cap on small wind property. The mark would also eliminate the current-law basis reduction for subsidized energy financing. *This proposal is estimated to cost $268 million over ten years.*

Business Energy Credit. The proposal would remove the cap on the investment tax credit for small wind property, and eliminate the current-law basis reduction for subsidized energy financing. *This proposal is estimated to cost $604 million over ten years.*

Energy Research Credit. The mark would provide an enhanced 20 percent R&D credit in taxable years beginning in 2009 and 2010 for research expenditures incurred in the fields of fuel cells, energy storage, renewable energy, energy conservation technology, efficient transmission and distribution of electricity, and carbon capture and sequestration. *This proposal is estimated to cost $18 million over ten years.*

Advanced Energy Investment Credit: The proposal would establish a new 30 percent investment tax credit for facilities engaged in the manufacture of advanced energy property. Credits are available only for projects certified by the Secretary of Treasury, in consultation with the Secretary of Energy, through a competitive bidding process. The Secretary of Treasury must establish a certification program no later than 180 days after date of enactment, and may allocate up to $2 billion in credits. Advanced energy property includes technology for the production of renewable energy, energy storage, energy conservation, efficient transmission and distribution of electricity, and carbon capture and sequestration. *This proposal is estimated to cost $1.4 billion over ten years.*

JOB-CREATING FINANCING OF PROJECTS THROUGH STATE AND LOCAL GOVERNMENTS

Improve Marketability of Tax Exempt Bonds. The proposal would increase the marketability of tax exempt bonds issued by States and by local governments in 2009 and 2010, thereby increasing available financing in four ways:

1. First, the mark eliminates the tax exempt interest on tax exempt private activity bonds as a preference item of the alternative minimum tax.
2. Second, the mark increases the market for bonds by expanding the ability of banks and brokers to invest in them.
3. Third, the mark raises the amount of bonds a small issuer can issue from $10 million to $30 million.
4. Finally, the mark expands the amount of bonds that can be issued by small issuers by applying this limit to each ultimate borrower. Under current law, the limit applies to the aggregate amount of bonds issued per issuer.

These proposals are estimated to cost $3.7 billion over ten years.

Build America Bonds. The proposal would provide State and local governments with a new tax credit bond option for new capital projects. Because the market for tax credits is currently small given current economic conditions, the mark would allow the State or local government to elect to receive a direct payment from the Federal government equal to the subsidy that would have otherwise been delivered through the Federal tax credit for bonds issued in 2009, 2010, and 2011. *This proposal is estimated to cost $6.8 billion over ten years.*

Qualified School Construction Bonds. The proposal would create a tax credit bond to fund new construction of schools. The mark allocates $5 billion for each of 2009 and 2010. The provision would also provide a specific allocation of $200 million for Indian schools for each of those years. *This proposal is estimated to cost $4.5 billion over ten years.*

Extension and Expansion of Qualified Zone Academy Bonds (QZAB). The proposal would extend the QZAB program to 2010. The proposal would also allocate $1.4 billion for 2009 and 2010. *This proposal is estimated to cost $1 billion over ten years.*

One Year Delay of Implementation of Three Percent Withholding on Government Contractors. The proposal would delay for one year the implementation of the provision enacted in 2005 that would require three percent withholding on payments made by government entities after December 31, 2010. *This proposal is estimated to cost $291 million over ten years.*

JOB-CREATING TAX CUTS AND INCENTIVES IN RECOVERY ZONES

Financial Assistance for National Recovery Zones. The proposal would create two new types of bonds: recovery zone infrastructure bonds and recovery zone facility bonds. The bonds would be allocated to States based on total unemployment.

1) Recovery zone infrastructure bonds would be a new type of tax credit bond which would be used to finance public infrastructure improvements within national recovery zones that would facilitate economic development within that zone. The total allocation would be $10 billion.

2) Recovery zone facility bonds would be a new type of tax-exempt private activity bond for capital investments in a national recovery zone. The total allocation would be $15 billion.

These proposals are estimated to cost $4.9 billion over ten years.

New Tax-Exempt Indian Bonds. Under current law, Tribal governments can only issue tax-exempt bonds for "essential government functions." There is no similar limitation on State and local governments. The proposal would allow Tribal governments to issue $2 billion of tax-exempt bonds under the same rules as State and local governments. *This proposal is estimated to cost $315 million over ten years.*

STATE FISCAL RELIEF THROUGH MEDICAID

Temporary Federal Medical Assistance Percentage (FMAP) Increase. This proposal would increase FMAP (Medicaid) funding to states as follows:

1. Funding distributed for a 27-month period beginning 10/1/2008 through 12/31/2010
2. Across-the-board FMAP increases to all states of 5.6 percent, with corresponding increase for territories
3. Additional bonuses in the form of a decrease in the state share based on increases in the unemployment rate
4. Maintenance of effort requirement related to eligibility
5. Limitation on enhanced FMAP for increases in income eligibility levels

The estimated cost of this proposal is $87 billion.

HELP WITH HEALTH CARE FOR WORKERS AND FAMILIES HURT BY THIS CRISIS

Premium Subsidies for COBRA Continuation Coverage for Unemployed Workers. This proposal would provide a 65 percent premium subsidy for individuals who lost their jobs after September to help cover the cost of COBRA premiums. It would be administered by the Treasury Department through a mechanism that allows employers (or health plans if they administer COBRA benefits) to receive a credit against payroll taxes. *This proposal is estimated to cost $25 billion over ten years.*

Transitional Medical Assistance (TMA). This proposal would provide a temporary extension of TMA, which allows former recipients of Temporary Assistance for Needy Families to retain Medicaid coverage for one year after they become employed and begin earning too much to otherwise remain eligible for Medicaid but too little to afford private coverage. TMA, which currently expires on June 30, 2009, would be extended through December 31, 2010. *This proposal is estimated to cost $1.3 billion over ten years.*

Extension of Qualified Individual (QI) program. This proposal would provide a temporary extension of the QI program, which provides aged and disabled individuals with incomes between 120% and 135% of FPL assistance by paying their Medicare Part B premiums. The QI program, which is slated to expire on December 31, 2009, would be extended for one year to December 31, 2010. Extending the QI program will keep these vulnerable populations insured. *This proposal is estimated to cost $562 million.*

Indian Health Provisions. These proposals from the Indian Health Care Improvement Act would eliminate cost-sharing (co-payments) for American Indians and Alaska Natives in Medicaid, exempt certain Indian property from inclusion in resource determinations for Medicaid and CHIP, exempt certain Indian property from estate recovery in Medicaid, require consultation with tribes on issues arising in Medicaid and CHIP, and make it easier for Indians to receive Medicaid benefits through Medicaid managed care organizations. *The estimated cost of these proposals is $25 million.*

JOB-CREATING INVESTMENTS IN HEALTH CARE

Health Information Technology Proposals in the Finance Committee. ***In addition to the provisions included in the Chairman's Mark, the Appropriations Committee Mark will include tandem policies addressing privacy of health information and additional funding through discretionary programs.*** The Finance proposals would:

1) Require the Health and Human Services (HHS) Secretary to implement an ongoing process for the development and adoption of health IT standards (for interoperability and minimum functionality), including the certification of systems as meeting those standards
2) Invest in the adoption and use of health IT systems by health care providers who serve Medicare and Medicaid patients

3) Beginning in 2011, providers participating in the Medicare program would be eligible for temporary bonus payments if they exhibit to the Secretary that they are meaningfully using a certified HIT system; those who do not eventually meaningfully use certified HIT would not receive full Medicare payments. Hardship exceptions would be available to providers who face significant barriers to adoption, such as limited access to the internet
4) Beginning in 2011, high-volume Medicaid providers would be eligible for a temporary payment to subsidize the adoption of a certified HIT system. Also beginning in 2011, high-volume Medicaid providers who meaningfully use certified HIT would be eligible for a temporary payment to offset the ongoing costs of supporting, maintaining, or upgrading certified HIT systems
5) The Secretary of HHS would adopt measures for determining the meaningful use of a certified HIT system. At minimum, measures would include the use of electronic prescribing technology, the exchange of health information with other providers to help coordinate care, and the reporting of clinical quality measures

These proposals are estimated to cost $17.9 billion.

The Finance Committee has also contributed to the finalization of a spending proposal on Comparative Effectiveness Research Funding. *It will be marked up in the Appropriations Committee, and not as part of the Chairman's Mark in Finance. This proposal would invest $700 million to fund immediate studies on the comparative effectiveness of various medical tests and treatments through the Agency for Healthcare Research and Quality and the National Institutes of Health. The proposal would also provide $400 million to the Secretary of Health and Human Services to fund additional new studies. This proposal is estimated to cost $1.1 billion.*

HELP FOR HURTING FAMILIES THROUGH UNEMPLOYMENT INSURANCE

Unemployment Compensation Modernization. This proposal would provide $500 million for administrative costs to be shared by all states; provide one-third of the allotted funds (based on a formula) to states that allow workers to count more recent wages by adopting the Alternative Base Period, and distribute remaining two-thirds funding to states that adopt two of the following reforms:

1) **Part-time work:** Provide some level of unemployment compensation benefits to individuals seeking part-time work. Currently, part-time workers who lose their jobs are only eligible if they are seeking full-time employment
2) **Compelling family reasons:** Provide unemployment compensation for workers who have left their jobs due to illness or disability of an immediate family member, the relocation of a spouse for employment, or domestic violence

3) **Training for dislocated workers:** Provide training benefits to unemployed workers laid off from a "declining" occupation who are enrolled in a state-approved training program for entry into a high-demand occupation
4) **Dependent assistance:** Pay unemployed workers at least an extra $15 per week for each of the worker's dependents. The state can choose to cap this provision at 50 percent of the single adult benefit or $50, whichever is lower

These proposals are estimated to cost $2.6 billion.

Temporary Assistance for States with Advances: This proposal would temporarily waive interest payments and the accrual in interest on loans received by state unemployment trust funds through December 31, 2010. *This proposal is estimated to cost $1.1 billion.*

Extension of Emergency Unemployment Compensation Program through December 2009: This proposal would make qualifying individuals eligible for an additional 20 weeks of unemployment benefits. In high unemployment states (defined as those with an unemployment rate above six percent), individuals would be eligible for an additional 33 weeks of benefits. *This proposal is estimated to cost $27 billion.*

Increase in Unemployment Compensation Benefits: This proposal would provide all individuals receiving unemployment benefits with an additional $ 25 in their weekly benefit. *This proposal is estimated to cost $9.3 billion.*

TEMPORARY ASSISTANCE TO NEEDY FAMILIES (TANF)

TANF Emergency Contingency Fund. The TANF Emergency Contingency Fund exists to provide states with relief during times of recession. This proposal would increase the amount available through Fiscal Year 2010. *This proposal is estimated to cost $3 billion.*

Extension of TANF Supplemental Grants. Supplemental grants provide additional assistance to states with high population growth and/or increased poverty. Seventeen states currently receive these grants, which expire in June 2009. This extension would provide qualifying states with the same grant amount in FY 2010 as it received in FY 2009. *This proposal is estimated to cost $319 million.*

TANF Carryover Funds. Currently States and tribes are permitted to reserve, without fiscal year limit, unused TANF grants. These reserves or "carry-over" funds can only be used for "cash welfare." The mark permits carry-over funds to be used for <u>any</u> TANF benefit or service. *There is no cost for this provision.*

FINANCIAL HELP FOR FAMILIES THROUGH CHILD SUPPORT ENFORCEMENT (CSE)

Reinstatement of Authority to Provide Federal Match for Child Support Enforcement (CSE). The Deficit Reduction Act of 2005 (P.L. 109-171) prohibits Federal matching/reimbursement of CSE incentive payments that are reinvested in the CSE program. This proposal would amend the Deficit Reduction Act of 2005 to repeal the cuts to child support enforcement funding for two years. *This proposal is estimated to cost $1.15 billion.*

HELP FOR WORKERS THROUGH TRADE ADJUSTMENT ASSISTANCE

Extension of the Trade Adjustment Assistance (TAA) programs for two years. The TAA for Workers program provides extended income support and training benefits for workers who lose their jobs because of increased imports or factory shifts to certain countries. The TAA for Firms program helps prevent layoffs entirely by assisting trade-distressed companies retool and become more competitive. Chairman Baucus – along with Senator Grassley, Chairman Rangel, and Rep. Camp – continue to work together on a robust, efficient, bipartisan expansion of Trade Adjustment Assistance. *This proposal is estimated to cost $108 million.*

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