COMMITTEE ON FINANCE

NEWS RELEASE

Max Baucus, Chairman

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BAUCUS HAILS FINAL PASSAGE OF JOB-CREATION LEGISLATION

HIRE Act includes tax cuts, infrastructure investments to get Americans back to work

Washington, DC – Senate Finance Committee Chairman Max Baucus (D-Mont.) applauded final passage of tax cuts and infrastructure investments designed to create good-paying American jobs. The job-creation tax cuts passed today were originally proposed as part of a package authored by Baucus and Finance Committee Ranking Member Chuck Grassley (R-Iowa) in February.

"In Montana and across the country many folks want to work but can't find employment, so we must do everything we can to continue to create good-paying jobs," said Baucus. **"The bill we passed today is a targeted approach designed to get Americans back to work right away by creating jobs to rebuild our country's infrastructure and providing tax cuts for businesses to hire new workers. Passing the HIRE Act represents a critical victory in our job-creation agenda and we will continue working to get Americans back to work this year."**

The Hiring Incentives to Restore Employment (HIRE) Act, H.R. 2847, passed the Senate February 24, and was sent to the House of Representatives. The House modified and passed the bill March 4, and sent it back to the Senate. Today, the Senate passed the HIRE Act as modified with a bipartisan vote of 68 to 29, and the bill will now go to the President for his signature. The final bill, estimated to cost $17.6 billion, is fully offset and reduces the deficit by nearly $1 billion.

A summary of the HIRE Act passed today, including modifications by the House, follows below.

The Hiring Incentives to Restore Employment (HIRE) Act Summary of Provisions

JOB-CREATION PROVISIONS

Schumer-Hatch Jobs Payroll Tax Exemption. This proposal offers an exemption from Social Security payroll taxes for every worker hired after February 3, 2010, and before January 1, 2011, who has been unemployed for at least 60 days. The maximum value of the credit would be equal to 6.2 percent of wages up to $106,800, which is the Federal Insurance Contributions Act (FICA) wage cap. There would also be an additional $1,000 income tax credit for every new employee retained for 52 weeks, to be taken on the employer's 2011 income tax return.

House Modifications. The House modification provided an exemption from the railroad retirement tax for qualified employers, which is paid in lieu of the Social Security payroll tax for certain railroad employees. The House proposal also modified the income tax credit for retaining an employee for a consecutive 52 weeks to equal the lesser of $1,000 or 6.2 percent of the wages paid to the employee in 2010. The House also modified the income tax credit so employers in U.S. possessions, such as Puerto Rico or the Northern Mariana Islands, are eligible for the credit. The House modification also provided that allowable exemptions from the payroll taxes for the first calendar quarter of 2010 under the HIRE Act may only be treated as an advance payment of taxes owed for the second calendar quarter. This change was made in order to ease IRS implementation of the payroll tax exemption. *This proposal is estimated to cost $13.038 billion over ten years—about $80 million more than the original proposal passed by the Senate.*

Extension of Section 179 Expensing. This proposal extends 2008 and 2009 Section 179 expensing thresholds so that taxpayers may elect to write-off up to $250,000 of certain capital expenditures – subject to a phase-out once expenditures exceed $800,000 – in 2010 in lieu of depreciating those costs over time.

This proposal was not modified in the House. *This proposal is estimated to cost $35 million over ten years.*

Election to Convert Tax Credit Bonds to Build America Bonds. Under current law, tax credit bonds exist for school construction and energy projects. The legislation allows issuers to elect to convert these tax credit bonds into a Build America Bond. In other words, the legislation allows the tax credit bond to be converted into a bond with a direct subsidy to the issuer of the bond rather than the holder of the bond. The Senate legislation also decreased the subsidy provided in the conversion to 45 percent and 65 percent for small issuers.

House Modifications. The House modification eliminated the decrease in the subsidy level in the Senate legislation. Thus, the House restored the amount of the subsidy to the full amount that otherwise would be provided under a tax credit bond. *This proposal is estimated to cost $4.6 billion over ten years—about $2.1 billion more than the proposal passed by the Senate.*

Highway Trust Fund. This proposal extends highway and transit programs through calendar year 2010, and transfers $19.5 billion in interest foregone since 1998 from the General Fund to the Highway Trust Fund. It also halts annual payments the Highway Trust Fund makes to the General Fund as reimbursement for tax-exempt users of the highway program (e.g., state/local fleets and transit providers). This provision also repeals an $8.7 billion rescission of unobligated balances of contract authority, a provision which passed in the 2005 SAFETEA-LU legislation. *This proposal has no revenue effect.*

House Modifications. Under current law, states are to set aside 10 percent of federal-aid highway funding to go to disadvantaged business entities, defined as for-profit small business entities, earning less than an average of $19,570,000 over the preceding three years, owned and controlled by a socially and economically disadvantaged individual, including women. The House's revision to this section of the HIRE Act merely restated current law to clarify that it applies to Fiscal Year 2010 funds provided under this Highway Bill extension. *This change has no revenue effect.*

OFFSETS

Foreign Account Tax Compliance. These proposals include a comprehensive set of measures to reduce offshore noncompliance by giving the IRS new administrative tools to detect, deter and discourage offshore tax abuses. The proposals include: 30 percent withholding on U.S. source payments to foreign financial institutions, foreign trusts, and foreign corporations that do not agree to disclose their U.S. account holders and owners to the IRS; requiring taxpayers to disclose their foreign accounts on their U.S. tax returns; increasing the statute of limitations to six years for failure to report certain offshore transactions and income; clarifying when a foreign trust is considered to have a U.S. beneficiary; and treating substitute dividend and dividend equivalent payments to foreign persons as dividends for purposes of U.S. withholding.

> These proposals were not modified in the House. *This proposal is estimated to raise $8.7 billion over ten years.*

Delay Implementation of Worldwide Allocation of Interest. In 2004, Congress provided taxpayers with an election to take advantage of a rule for allocating interest expense between United States sources and foreign sources for purposes of determining a taxpayer's foreign tax credit limitation. Although enacted in 2004, this election was not available to taxpayers until taxable years beginning after 2008. Last year, the phase-in of this rule was delayed for two years, for taxable years beginning after 2010. In November of 2009, the phase-in of this rule was delayed for an additional seven years, for taxable years beginning after 2017. This proposal further delays the implementation to 2020.

> *House Modifications.* The House modification further delayed implementation by one year, to 2021. *This proposal is estimated to raise $9.9 billion over ten years—about $2.1 billion more than the proposal passed by the Senate.*

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