

Preserving America's Transit and Highways ("PATH") Act

Summary of Provisions in the Chairman's Mark

1. Modification to Heavy Vehicle Use Tax (HVUT)

Under current law, heavy highway vehicles pay an annual use tax of \$100, plus \$22 for every 1,000 pounds in excess of 55,000 pounds of gross vehicle weight. For vehicles over 75,000 pounds the tax is capped at \$550. Under federal weight standards, use of the interstate highway system is limited to vehicles 80,000 pounds or less. States may allow heavier vehicles to use roads outside the interstate highway system or on the interstates under varying exceptions. This provision would replace the \$550 cap for vehicles over 75,000 pounds, with a \$1,100 cap for vehicles over 97,000 pounds of gross vehicle weight. This provision does not alter in any way current weight limits or safety regulations. It merely aligns the tax treatment with the current reality on the roads. This provision is designed to improve tax compliance. *This provision is estimated to raise \$1.35 billion over 10 years.*

2. Additional Information on Returns Relating to Mortgage Interest

This provision would require information returns on mortgage interest to contain additional information including: the outstanding balance of the mortgage; the address of the encumbered property; property taxes, if any, paid from escrow; and the loan origination date. This requirement will not add any additional burden to taxpayers. The additional information is frequently provided to homeowners in various forms and is only designed to improve tax compliance. *This provision is estimated to raise \$2.2 billion over 10 years.*

3. Application of 6-year Statute of Limitations in Cases of Overstatement of Basis

Under current law, taxes generally are required to be assessed within three years after the date on which the taxpayer filed the return. However, if a taxpayer omits substantial income on a return (i.e., in excess of 25 percent of the amount of gross income that was stated in the return), any tax with respect to that return generally may be assessed within six years of the date on which the return was filed. The Supreme Court ruled that the six-year statute of limitations does not apply to a return on account of the taxpayer having substantially overstated the adjusted basis of property, the sale or exchange of which results in an understatement of gain.

This provision applies the 6-year statute of limitations in cases of overstatement of basis. The six-year statute of limitations would apply to a return on which the taxpayer claims an adjusted basis for any property that is more than 125 percent of the correct adjusted basis. This provision is designed to improve tax compliance by harmonizing the statute of limitations for

overstatement of basis and understatement of income, which are effectively the same. *This provision is estimated to raise \$1.3 billion over 10 years.*

4. Revocation or Denial of Passports for Delinquent Taxes

Under current law, the State Department may refuse to issue or renew a passport if the applicant owes child support in excess of \$2,500 or owes certain types of Federal debts. This provision requires the State Department to deny a passport (or renewal of a passport) to individuals with seriously delinquent tax debts in excess of \$50,000 and permits the Department to revoke any passport previously issued to such person. This provision is designed to improve tax compliance. *This provision is estimated to raise \$388 million over 10 years.*

5. Require Distributions of Inherited IRAs within 5 years

Under current law, holders of IRAs and 401(k)-type accounts are required to begin taking taxable distributions from those accounts once they reach age 70-1/2. However, they can stretch those distributions over many years if they leave their account to a very young beneficiary. When the account holder dies, the taxation of the account is then spread over the life of the beneficiary. This provision would require the retirement savings accounts to be distributed within five years of the death of the account holder, unless the beneficiary is within 10 years of the account holder's age, an individual with special needs, a minor, or the account holder's spouse. The provision also applies to qualified annuities and defined benefit pension benefits. This provision is designed to close an estate-tax planning loophole. *This provision is estimated to raise \$3.7 billion over ten years.*

Total: \$9 billion over ten years