

Bond-Related Economic Stimulus Tax Proposals

The chart below compares the tax provisions in the \$819 billion economic stimulus measure approved by the House Wednesday with the provisions in the nearly \$900 billion stimulus bill approved by the Senate Finance and Appropriations Committees Tuesday. The full Senate is expected to take up the bill this week. At least 60 Senators will have to approve "cloture" to limit debate on the bill and clear the way for a vote. Democratic leaders in the House and Senate would like to have a final bill to submit to President Obama before the President's Day recess, which begins after Feb. 13.

Bond Provision	Current Law	House Committee Bill	Senate Committee Chairman's Proposals
Alternative Minimum Tax	The individual AMT applies to non-housing and non-501(c)(3) private activity bonds and the corporate AMT applies to all tax-exempt securities except housing bonds	The individual and corporate AMT would be repealed for all tax-exempt bonds issued in 2009 or 2010. Estimated cost: \$481 million over 10 years	The individual and corporate AMT would be repealed for all tax-exempt bonds issued in 2009 or 2010. The individual AMT would be "patched" for one year to limit its application to middle income taxpayers. Estimated cost: \$481 million over 10 years
Bank Deductibility	Banks can deduct 80% of the cost of buying and carrying the tax-exempt bonds sold by issuers whose annual bond issuance is less than \$10 million.	The small issuer limit would be increased to \$30 million from \$10 million and the limit would apply to borrowers instead of issuers in conduit deals during 2009 and 2010.*	The small issuer limit would be increased to \$30 million from \$10 million and the limit would apply to borrowers instead of issuers in conduit deals during 2009 and 2010.*
De Minimis Rule on Corporations' Bond Indebtedness	Corporations with outstanding debt can invest in tax-exempt bonds and deduct 100% the interest cost of their own debt without proving they did not borrow to buy tax-exempts if their tax-exempt holdings do not exceed 2% of assets. The provision does not apply to banks.	Banks that invest in tax-exempt bonds issued during 2009 and 2010 could deduct 80% of their interest deduction to the extent their tax-exempt holdings do not exceed 2% of assets.*	Banks that invest in tax-exempt bonds issued during 2009 and 2010 could deduct 80% of their interest deduction to the extent their tax-exempt holdings do not exceed 2% of assets.*
Taxable Bond Option	No current law	An issuer of GO bonds could issue taxable debt in 2009 and 2010 and the federal government would pay the issuer a cash subsidy. For bonds issued after that, the subsidy to the issuer would be replaced with tax-credits to the investor. Estimated cost: \$18.270 billion over 10 years	An issuer of GO bonds could issue taxable debt in 2009, 2010 and 2011 and the federal government would pay the issuer a cash subsidy. For bonds issued after that, the subsidy to the issuer would be replaced with tax-credits to the investor. Estimated cost: \$6.796 billion over 10 years
Tribal Economic Development Bonds	Tribal governments can only issue tax-exempt bonds for projects that provide an "essential governmental function."	Tribal governments could issue up to \$2 billion in projects without this restriction in order to spur economic development. The treasury would be required to study whether to repeal the restriction. Estimated cost: \$315 million over 10 years	Tribal governments could issue up to \$2 billion in projects without this restriction in order to spur economic development. The Treasury would be required to study whether to repeal the restriction. Estimated cost: \$315 million over 10 years
Small Issue Industrial Development Bonds	Small issue IDBs can only be issued to finance a manufacturing facility, which is defined as a facility used in the manufacturing or production of tangible personal property.	No provision	Small issue IDBs could also be used to finance facilities that create or manufacture intangible facilities or projects, including their physical components. Estimated cost: \$203 million over 10 years
Recovery Zone Bonds	No provision	Two new categories of bonds would be created to finance investment in economic recovery zones, which would be areas of general stress. Up to \$10 billion of recovery zone economic development tax credit bonds and \$15 billion of recovery zone economic development private activity bonds would be authorized for use during 2009 and 2010. Estimated cost: \$5.989 billion over 10 years	Two new categories of bonds would be created to finance investment in economic recovery zones, which would be areas hit hard by unemployment. Up to \$10 billion of recovery zone economic development tax credit bonds and \$15 billion of recovery zone economic development private activity bonds would be authorized for use during 2009 and 2010. Each state would receive at least one percent of the amount of authorized bonds, and the remaining amount would be distributed based on unemployment. Estimated cost: \$4.931 billion over 10 years
Qualified School Construction Bonds	No provision	A new category of tax credit bonds would be created to finance the construction, rehabilitation of public school facilities or the acquisition of land for such facilities. Up to \$22 billion of these bonds could be issued during 2009 and 2010. Estimated cost: \$9.877 billion over 10 years	A new category of tax credit bonds would be created to finance the construction, rehabilitation of public school facilities or the acquisition of land for such facilities. Up to \$10 billion of these bonds could be issued during 2009 and 2010. Estimated cost: \$4.489 billion over 10 years
Qualified Zone Academy Bonds	QZABs are taxable, tax credit bonds that can be issued to finance renovations and repairs at existing school facilities. They cannot be used for new construction.	An additional \$1.4 billion of QZAB issuing authority would be provided to state and local governments in 2009 and 2010. Estimated cost: \$1.045 billion over 10 years	An additional \$1.4 billion of QZAB issuing authority would be provided to state and local governments in 2009 and 2010. Estimated cost: \$1.045 billion over 10 years
Clean Renewable Energy Bonds	CREBs are tax credit bonds that can be used to finance renewable energy projects.	An additional \$1.6 billion of CREBs would be authorized. They would have to be allocated one third each to state, local and tribal governments, public power providers, and electric cooperatives. Estimated cost: \$578 million over 10 years	An additional \$1.6 billion of CREBs would be authorized. They would have to be allocated one third each to state, local and tribal governments, public power providers, and electric cooperatives. Estimated cost: \$578 million over 10 years
Qualified Energy Conservation Bonds	Qualified Energy Conservation Bonds are tax credit bonds that can be used to finance initiatives to reduce greenhouse gas emissions.	An additional \$2.4 billion of these bonds could be issued to state, local and tribal governments. Estimated cost: \$803 million over 10 years	An additional \$2.4 billion of these bonds could be issued to state, local and tribal governments. Estimated cost: \$803 million over 10 years
3% Withholding on Government Contractors	State and local governments, after Dec. 31, 2010, must withhold 3% of payments made to contractors for property and services.	Provision would be repealed. Estimated cost: \$10.946 billion over 10 years	Effective date of provision would be delayed one year and would take effect after Dec. 31, 2010. Estimated cost: \$291 million over 10 years
High Speed Rail	High speed rail projects qualify for exempt facility private activity bonds if the trains travel at least 150 miles per hour.	No provision	High speed rail projects would qualify for exempt facility private activity bonds if the trains can reach a top speed of 150 miles per hour. Estimated cost: \$288 million over 10 years
Davis-Bacon Act	Workers must be paid prevailing wages on federally-funded construction projects.	Workers must be paid prevailing wages on projects financed with CREBs, QZABs, qualified school construction bonds, qualified energy conservation bonds and recovery zone economic development bonds.	Workers must be paid prevailing wages on projects financed with CREBs, QZABs, qualified school construction bonds, qualified energy conservation bonds and recovery zone economic development bonds.
Statutory Debt Limit	The statutory limit on public debt is \$11.315 trillion.	No provision	Debt Limit would be increased by \$825 billion to \$12.140 trillion

* Estimated combined cost for de minimis and bank deductibility provisions for each bill: \$3.234 billion over 10 years.

Source: House and Senate Committee documents