SECTION-BY-SECTION SUMMARY OF H.R. 5771, THE "TAX INCREASE PREVENTION ACT OF 2014"

H.R. 5771 would extend, for one year (generally through the end of 2014), a number of tax relief provisions that expired either at the end of calendar year 2013 or during 2014, thus preventing tax increases on millions of families and businesses as the tax year 2014 filing season begins early next year. By enacting H.R. 5771, Congress can continue to pursue its efforts to make certain expiring tax provisions permanent to provide certainty and stability to families and businesses, without causing disruption for taxpayers trying to file their 2014 tax returns. In addition, H.R. 5771 corrects numerous technical and clerical errors in the tax code, as well as eliminating many superfluous provisions (known as "deadwood") that no longer serve any purpose.

Overall, the Joint Committee on Taxation (JCT) estimates that the legislation would reduce revenues by $44.7 billion over the ten-year budget window (fiscal years 2015 through 2024).

Section 1. Short title, etc. The short title is the "Tax Increase Prevention Act of 2014".

TITLE I – CERTAIN EXPIRING PROVISIONS

Subtitle A – Individual Tax Extenders

Section 101. Extension of deduction for certain expenses of elementary and secondary school teachers. The provision would extend through 2014 the above-the-line deduction for the eligible expenses of elementary and secondary school teachers. The deduction is capped at $250 and covers expenses that otherwise would have to be itemized. According to JCT, this provision would reduce revenues by $214 million over 2015-2024.

Section 102. Extension of exclusion from gross income of discharge of qualified principal residence indebtedness. The provision would extend through 2014 the exclusion from gross income of a discharge of qualified principal residence indebtedness. According to JCT, this provision would reduce revenues by $3.143 billion over 2015-2024.

Section 103. Extension of parity for employer-provided mass transit and parking benefits. The provision would extend through 2014 the maximum monthly exclusion amount for transit passes and van pool benefits so that these transportation benefits match the exclusion for qualified parking benefits. These fringe benefits are excluded from an employee's wages for payroll tax purposes, and from gross income for income tax purposes. According to JCT, this provision would reduce revenues by $10 million over 2015-2024.

Section 104. Extension of mortgage insurance premiums treated as qualified residence interest. The provision would extend through 2014 the treatment of qualified mortgage insurance premiums as interest for purposes of the mortgage interest deduction. This deduction phases out ratably for taxpayers with adjusted gross income of $100,000 to $110,000 (half those amounts for married taxpayers filing separately). According to JCT, this provision would reduce revenues by $919 million over 2015-2024.

Section 105. Extension of deduction of State and local general sales taxes. The provision would extend through 2014 the option to take an itemized deduction for State and local general sales taxes in lieu of an itemized deduction for State and local income taxes. The taxpayer may either deduct the actual amount of sales tax paid in the tax year, or, alternatively, an amount prescribed by the Internal Revenue Service (IRS). According to JCT, this provision would reduce revenues by $3.142 billion over 2015-2024.

Section 106. Extension of special rule for contributions of capital gain real property made for conservation purposes. The provision would extend through 2014 an enhanced deduction for contributions of capital gain real property for conservation purposes. This provision also would extend the enhanced deduction for certain individual and corporate farmers and ranchers. A qualified conservation contribution is a contribution of a real property interest to a qualified organization, exclusively for conservation purposes. According to JCT, this provision would reduce revenues by $129 million over 2015-2024.

Section 107. Extension of above-the-line deduction for qualified tuition and related expenses. The provision would extend through 2014 the above-the-line deduction for qualified tuition and related expenses for higher education. The deduction is capped at $4,000 for an individual whose adjusted gross income (AGI) does not exceed $65,000 ($130,000 for joint filers) or $2,000 for an individual whose AGI does not exceed $80,000 ($160,000 for joint filers). According to JCT, this provision would reduce revenues by $300 million over 2015-2024.

Section 108. Extension of tax-free distributions from individual retirement plans for charitable purposes. The provision would extend through 2014 the ability of individuals at least 70½ years of age to exclude from gross income qualified charitable distributions from Individual Retirement Accounts (IRAs. The exclusion may not exceed $100,000 per taxpayer in any tax year. According to JCT, this provision would reduce revenues by $384 million over 2015-2024.

Subtitle B – Business Tax Extenders

Section 111. Extension of research credit. The provision would extend through 2014 the research and development (R&D) tax credit. The R&D credit generally allows taxpayers a 20 percent credit for qualified research expenses or a 14 percent alternative simplified credit. According to JCT, this provision would reduce revenues by $7.629 billion over 2015-2024.

Section 112. Extension of temporary minimum low-income housing tax credit rate for non-Federally subsidized buildings. The provision would extend application of the temporary 9 percent minimum credit rate for the low income housing tax credit for non-Federally subsidized new buildings to allocations made before January 1, 2015. According to JCT, this provision would reduce revenues by less than $500,000 over 2015-2024.

Section 113. Extension of military housing allowance exclusion for determining whether a tenant in certain counties is low-income. The provision would extend through 2014 the exclusion of military basic housing allowances from the calculation of income for determining eligibility as a low-income tenant for purposes of low-income housing tax credit buildings. According to JCT, this provision would reduce revenues by less than $500,000 over 2015-2024.

Section 114. Extension of Indian employment tax credit. The provision would extend through 2014 the Indian employment tax credit. The Indian employment credit provides a credit on the first $20,000 of qualified wages paid to each qualified employee who works on an Indian reservation. According to JCT, this provision would reduce revenues by $62 million over 2015-2024.

Section 115. Extension of new markets tax credit. The provision would authorize the allocation of an additional $3.5 billion of new markets tax credits for 2014. The credit encourages taxpayers to make loans to, or invest in, businesses in low-income communities. According to JCT, this provision would reduce revenues by $978 million over 2015-2024.

Section 116. Extension of railroad track maintenance credit. The provision would extend through 2014 the railroad track maintenance tax credit. The credit is equal to 50 percent of all qualified railroad track maintenance expenditures paid during the tax year. According to JCT, this provision would reduce revenues by $207 million over 2015-2024.

Section 117. Extension of mine rescue team training credit. The provision would extend through 2014 the mine rescue team training tax credit. Employers may take a credit equal to the lesser of 20 percent of the training program costs incurred, or $10,000. According to JCT, this provision would reduce revenues by $3 million over 2015-2024.

Section 118. Extension of employer wage credit for employees who are active duty members of the uniformed services. The provision would extend through 2014 the 20 percent employer wage credit (only available to employers with 50 or fewer employees) for employees called to active military duty. _According to JCT, this provision would reduce revenues by $1 million over 2015-2024.

Section 119. Extension of work opportunity tax credit. The provision would extend through 2014 the work opportunity tax credit. According to JCT, this provision would reduce revenues by $1.375 billion over 2015-2024.

Section 120. Extension of qualified zone academy bonds. The provision would authorize the issuance of $400 million of qualified zone academy bonds during 2014. The bond proceeds are used for school renovations, equipment, teacher training, and course materials at a qualified zone academy, provided that private entities have promised to donate certain property and services to the academy with a value equal to at least 10 percent of the bond proceeds. According to JCT, this provision would reduce revenues by $126 million over 2015-2024.

Section 121. Extension of classification of certain race horses as 3-year property. The provision would extend the 3-year recovery period for race horses to property placed in service during 2014. According to JCT, this provision would have no revenue effect over 2015-2024.

Section 122. Extension of 15-year straight-line cost recovery for qualified leasehold improvements, qualified restaurant buildings and improvements, and qualified retail improvements. The provision would extend the 15-year recovery period for qualified leasehold improvements, qualified restaurant property, and qualified retail improvement property to property placed in service during 2014. According to JCT, this provision would reduce revenues by $2.382 billion over 2015-2024.

Section 123. Extension of 7-year recovery period for motorsports entertainment complexes. The provision would extend the 7-year recovery period for motorsport entertainment complexes to property placed in service during 2014. According to JCT, this provision would reduce revenues by $33 million over 2015-2024.

Section 124. Extension of accelerated depreciation for business property on an Indian reservation. The provision would extend accelerated depreciation for qualified Indian reservation to property placed in service during 2014. According to JCT, this provision would reduce revenues by $79 million over 2015-2024.

Section 125. Extension of bonus depreciation. The provision would extend 50 percent bonus depreciation to property acquired and placed in service during 2014 (2015 for certain property with a longer production period). This provision would continue to allow taxpayers to elect to accelerate the use of AMT credits in lieu of bonus depreciation under special rules for property placed in service during 2014. The provision would also continue a special accounting rule involving long-term contracts and a special rule for regulated utilities. According to JCT, this provision would reduce revenues by $1.492 billion over 2015-2024.

Section 126. Extension of enhanced charitable deduction for contributions of food inventory. The provision would extend through 2014 the enhanced deduction for charitable contributions of inventory of apparently wholesome food for non-corporate business taxpayers. According to JCT, this provision would reduce revenues by $143 million over 2015-2024.

Section 127. Extension of increased expensing limitations and treatment of certain real property as section 179 property. The provision would extend the small business expensing limitation and phase-out amounts in effect from 2010 to 2013 ($500,000 and $2 million) to property placed in service during 2014. These amounts currently are $25,000 and $200,000, respectively. The special rules that allow expensing for computer software, qualified leasehold improvement property, qualified restaurant property, and qualified retail improvement property also would be extended through 2014. According to JCT, this provision would reduce revenues by $1.434 billion over 2015-2024.

Section 128. Extension of election to expense mine safety equipment. The provision would extend the election to expense mine safety equipment to property placed in service during 2014. This election allows mining companies to expense 50 percent of the cost of qualified mine safety equipment in the year the equipment is placed into service. According to JCT, this provision would have no revenue effect over 2015-2024.

Section 129. Extension of special expensing rules for certain film and television productions. The provision would extend through 2014 the special expensing provision for qualified film and television productions. In general, only the first $15 million of costs may be expensed. According to JCT, this provision would reduce revenues by $6 million over 2015-2024.

Section 130. Extension of deduction allowable with respect to income attributable to domestic production activities in Puerto Rico. The provision would extend through 2014 the eligibility of domestic gross receipts from Puerto Rico for the domestic production deduction. According to JCT, this provision would reduce revenues by $109 million over 2015-2024.

Section 131. Extension of modification of tax treatment of certain payments to controlling exempt organizations. The provision would extend through 2014 the modification of the tax treatment of certain payments by a controlled entity to an exempt organization. According to JCT, this provision would reduce revenues by $18 million over 2015-2024.

Section 132. Extension of treatment of certain dividends of regulated investment companies. The provision would extend through 2014 provisions allowing for the pass-through character of interest-related dividends and short-term capital gains dividends from regulated investment companies to non-resident aliens. According to JCT, this provision would reduce revenues by $97 million over 2015-2024.

Section 133. Extension of RIC qualified investment entity treatment under FIRPTA. The provision would extend through 2014 the treatment of regulated investment companies as qualified investment entities, and, therefore, not subject to withholding under the Foreign Investment in Real Property Tax Act (FIRPTA). In general, under FIRPTA, all nonresident alien real property gains are subject to U.S. withholding. However, the provision would not apply with respect to any payment made before the date of enactment that was actually withheld upon. According to JCT, this provision would reduce revenues by $44 million over 2015-2024.

Section 134. Extension of subpart F exception for active financing income. The provision would extend through 2014 the exception from subpart F income for active financing income. According to JCT, this provision would reduce revenues by $5.082 billion over 2015-2024.

Section 135. Extension of look-through treatment of payments between related controlled foreign corporations under foreign personal holding company rules. The provision would extend through 2014 the look-through treatment for payments of dividends, interest, rents, and royalties between related controlled foreign corporation. According to JCT, this provision would reduce revenues by $1.154 billion over 2015-2024.

Section 136. Extension of temporary exclusion of 100 percent of gain on certain small business stock. The provision would extend the temporary exclusion of 100 percent of the gain on certain small business stock for non-corporate taxpayers to stock acquired before January 1, 2015, and held for more than five years. This provision also would extend the rule that eliminates such gain as an AMT preference item. According to JCT, this provision would reduce revenues by $881 million over 2015-2024.

Section 137. Extension of basis adjustment to stock of S corporations making charitable contributions of property. The provision would extend through 2014 the rule providing that a shareholder's basis in the stock of an S corporation is reduced by the shareholder's pro rata share of the adjusted basis of property contributed by the S corporation for charitable purposes. According to JCT, this provision would reduce revenues by $51 million over 2015-2024.

Section 138. Extension of reduction in S-corporation recognition period for built-in gains tax. The provision would extend, to sales of assets occurring during 2014, the rule reducing to five years (rather than ten years) the period for which an S corporation must hold its assets following conversion from a C corporation to avoid the tax on built-in gains. According to JCT, this provision would reduce revenues by $94 million over 2015-2024.

Section 139. Extension of empowerment zone tax incentives. The provision would extend through 2014 the tax benefits for certain businesses and employers operating in empowerment zones. Empowerment zones are economically distressed areas, and the tax benefits available include tax-exempt bonds, employment credits, increased expensing, and gain exclusion from the sale of certain small-business stock. According to JCT, this provision would reduce revenues by $251 million over 2015-2024.

Section 140. Extension of temporary increase in limit on cover over of rum excise taxes to Puerto Rico and the Virgin Islands. The provision would extend the $13.25 per proof gallon excise tax cover-over amount paid to the treasuries of Puerto Rico and the U.S. Virgin Islands to rum imported into the United States during 2014. Absent the extension, the cover-over amount would be $10.50 per proof gallon. According to JCT, this provision would increase outlays by $168 million over 2015-2024.

Section 141. Extension of American Samoa economic development credit. The provision would extend through 2014 the existing credit for taxpayers currently operating in American Samoa. According to JCT, this provision would reduce revenues by $14 million over 2015-2024.

Subtitle C – Energy Tax Extenders

Section 151. Extension of credit for nonbusiness energy property. The provision would extend through 2014 the credit for purchases of nonbusiness energy property. The provision allows a credit of 10 percent of the amount paid or incurred by the taxpayer for qualified energy improvements, up to $500. According to JCT, this provision would reduce revenues by $832 million over 2015-2024.

Section 152. Extension of second generation biofuel producer credit. The provision would extend through 2014 the cellulosic biofuels producers credit. According to JCT, this provision would reduce revenues by $25 million over 2015-2024.

Section 153. Extension of incentives for biodiesel and renewable diesel. The provision would extend through 2014 the $1.00 per gallon production tax credit for biodiesel, and the small agri-biodiesel producer credit of 10 cents per gallon. The provision also extends through 2014 the $1.00 per gallon production tax credit for diesel fuel created from biomass. According to JCT, this provision would reduce revenues by $1.297 billion over 2015-2024.

Section 154. Extension of production credit for Indian coal facilities placed in service before 2009. The provision would extend through 2014 the $2 per ton production tax credit for coal produced on land owned by an Indian tribe, if the facility was placed in service before 2009. According to JCT, this provision would reduce revenues by $38 million over 2015-2024.

Section 155. Extension of credits with respect to facilities producing energy from certain renewable resources. The provision would extend the production tax credit (PTC) for wind and certain other renewable sources of electricity to facilities for which construction has commenced by the end of 2014. According to JCT, this provision would reduce revenues by $9.576 billion over 2015-2024.

Section 156. Extension of credit for energy-efficient new homes. The provision would extend through 2014 the tax credit for manufacturers of energy-efficient residential homes. An eligible contractor may claim a tax credit of $1,000 or $2,000 for the construction or manufacture of a new energy efficient home that meets qualifying criteria. According to JCT, this provision would reduce revenues by $267 million over 2015-2024.

Section 157. Extension of special allowance for second generation biofuel plant property. The provision would extend through 2014 50 percent bonus depreciation for cellulosic biofuel facilities. According to JCT, this provision would reduce revenues by less than $500,000 over 2015-2024.

Section 158. Extension of energy efficient commercial buildings deduction. The provision would extend through 2015 the above-the-line deduction for energy efficiency improvements to lighting, heating, cooling, ventilation, and hot water systems of commercial buildings. According to JCT, this provision would reduce revenues by $127 million over 2015-2024.

Section 159. Extension of special rule for sales or dispositions to implement FERC or State electric restructuring policy for qualified electric utilities. The provision would extend through 2014 a rule that permits taxpayers to elect to recognize gain from qualifying electric transmission transactions ratably over an eight-year period beginning in the year of sale (rather than entirely in the year of sale) if the amount realized from such sale is used to purchase exempt utility property within the applicable period. According to JCT, this provision would have no revenue effect over 2015-2024.

Section 160. Extension of excise tax credits relating to certain fuels. The provision would extend through 2014 the $0.50 per gallon alternative fuel tax credit and alternative fuel mixture tax credit. According to JCT, this provision would reduce revenues by $397 million over 2015-2024.

Subtitle D –Extenders Relating to Multiemployer Defined Benefit Pension Plans

Section 171. Extension of automatic extension of amortization periods. The provision would extend through 2015 the ability of multiemployer pension (ME) plans to take an additional five years to amortize funding shortfalls. The proposal was enacted in the Pension Protection Act of 2006 (PPA), but expires at the end of 2014. ME plans generally have 15 years to amortize shortfalls and can seek Treasury approval for an additional ten years. A plan receiving such Treasury approval may not combine the two extensions. According to JCT, this provision, along with section 172, would reduce revenues by $28 million over 2015-2024.

Section 172. Extension of shortfall funding method and endangered and critical rules. The provision would extend through 2015 the special rules for three categories of severely underfunded ME plans. It also would extend through 2015 the ability of ME plans to generally start or stop using the shortfall funding method without obtaining approval from Treasury. Endangered (yellow zone) plans are either less than 80 percent funded or projected not to meet minimum required contributions within seven years. A plan is seriously endangered (orange zone) if both are the case. In general, critical (red zone) plans generally must be either less than 65 percent funded or projected to be unable to meet minimum required contributions or pay promised benefits within four to ten years. Yellow and orange zone plans must adopt a funding improvement plan under which the plan is projected to reduce underfunding by one-third or one-fifth over ten or 15 years, respectively. Red zone plans must adopt a rehabilitation plan under which the plan is projected to emerge from critical status in ten years, or if not possible using all reasonable measures, use all reasonable measures to postpone insolvency. Yellow zone and orange zone plans are generally prohibited from increasing benefits or reducing contributions. Red zone plans are permitted to cut certain ancillary vested benefits. In addition, red zone plans are effectively exempt from the minimum required contribution rules. Plans using the shortfall funding method amortize shortfalls on a different basis than a number of years, such as units of production, which could result in a longer amortization period than is otherwise applicable (generally 15 years, although plans may take an additional 5 years, as noted above). Before PPA, plans were generally required to obtain Treasury approval to start or stop using the shortfall funding method. According to JCT, this provision, along with section 171, would reduce revenues by $28 million over 2015-2024.

TITLE II – TECHNICAL CORRECTIONS

Sections 201-220. A number of tax provisions enacted in recent years contain technical and clerical errors that Congress did not intend when the legislation was enacted. These technical and clerical errors create confusion for taxpayers and complicate administration of the tax laws. Title II – the Tax Technical Corrections Act of 2014 – would make technical and clerical corrections to recently enacted tax legislation, including the:

- American Taxpayer Relief Act of 2012 (Pub. L. No. 112-240)
- Middle Class Tax Relief and Job Creation Act of 2012 (Pub. L. No. 112-96)
- FAA Modernization and Reform Act of 2012 (Pub. L. No. 112-95)
- Regulated Investment Company Modernization Act of 2010 (Pub. L. 111-325)
- Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010 (Pub. L. No. 111-312)
- Creating Small Business Jobs Act of 2010 (Pub. L. No. 111-240)
- American Recovery and Reinvestment Act of 2009, Division B (Pub. L. No. 111-5)
- Emergency Economic Stabilization Act of 2008 (Pub. L. No 110-343)
- Heroes Earnings Assistance and Relief Tax Act of 2008 (Pub. L. No. 110-245)
- Economic Stimulus Act of 2008 (Pub. L. No. 110-185)
- Tax Technical Corrections Act of 2007 (Pub. L. No. 110-172)
- Tax Relief and Health Care Act of 2006 (Pub. L. No. 109-432)
- Safe, Accountable, Flexible, Efficient Transportation Equity Act of 2005: A Legacy for Users (SAFETEA-LU) (Pub. L. No. 109-59)
- American Jobs Creation Act of 2004 (Pub. L. No. 108-357)

In general, the amendments made by the technical and clerical corrections contained in title II would take effect as if included in the original legislation to which each amendment relates. According to JCT, the provisions would have no revenue effect over 2015-2024.

Section 221. Deadwood provisions. Under current law, there are numerous provisions that relate to past tax years (and generally are no longer applied in computing taxes for open tax years), involve situations that were narrowly defined and unlikely to recur, or otherwise have outlived their usefulness. These types of provisions are often referred to as "deadwood" provisions. The provision would repeal these current-law deadwood provisions. These provisions generally would be effective on the date of enactment, although the tax treatment of any transaction occurring before that date, of any property acquired before that date, or of any item taken into account before that date, would not be affected by these provisions. According to JCT, the provisions would have no revenue effect over 2015-2024.

TITLE III – JOINT COMMITTEE ON TAXATION

Sec. 301. Increased refund and credit threshold for Joint Committee on Taxation review of C corporation return. Generally, the IRS may not issue a refund or credit of any income or certain other taxes in excess of $2 million until JCT staff reviews the facts surrounding the proposed refund or credit and communicates any concerns back to the IRS, which can then modify the refund or credit at its discretion. Under the provision, the threshold for JCT review of refunds or credits with respect to returns filed by C corporations would be increased to $5 million. The provision would be effective on the date of enactment, except with respect to pending refund or credit reports that have been transmitted by the IRS to JCT prior to such date. According to JCT, the provision would have a negligible revenue effect over 2015-2024.

TITLE IV – BUDGETARY EFFECTS

Section 401. Budgetary Effects. The provision provides for the bill's treatment for PAYGO purposes.