



Why The Tax Cut Extenders Package is Not Pork

The tax extenders package added to the financial rescue plan is not a compilation of tax earmarks intended to reward special interests. To the contrary, the bill contains extensions of dozens of provisions of general applicability that are widely supported across the political spectrum but that must be renewed on a temporary basis, including:

- **AMT Patch:** Includes a one-year patch of the AMT. If it is not extended, it will subject 21 million additional families to the Alternative Minimum Tax on their 2008 income, with the total tax increase exceeding \$62 billion on American families.
- **Research and Development Tax Credit:** Encourages cutting edge research – and the good jobs it supports – to be conducted here in the U.S.
- **State and Local Sales Taxes:** Allows taxpayers to deduct state and local sales taxes from their federal income tax returns. This is particularly important in states such as Washington, Tennessee, Texas, and Florida which have no state income tax.
- **Renewable Tax Credits:** Encourages the installation of wind, solar and biomass power plants, helping reduce our dependence on imported oil.
- **Clean Coal:** Tax credits for construction of clean coal facilities.
- **Other Tax Incentives:** Benefits for improving the energy efficiency of homes, appliances, and businesses; Deductions for higher education costs and for the unreimbursed classroom expenses of teachers; Expensing of the clean-up of brownfields, helping to give new life to abandoned industrial areas.

THE PACKAGE INCLUDES NEW PROVISIONS THAT ARE ALSO IMPORTANT, INCLUDING:

- **Disaster Relief:** A package of disaster tax relief, for both specific areas (those impacted by Hurricane Ike and Midwestern floods) as well as broad changes that are applicable to any Presidentially-declared disaster area.
- **Refinery Expensing:** extends both the refinery expensing contract requirement and the placed-in-service requirement for this expensing provision for two years. The bill also qualifies refineries directly processing shale or tar sands for this provision.
- **Payment in Lieu of Taxes:** Increases existing funding and fully funds the program through FY2012.
- **Secure Rural Schools:** Reauthorization of the popular secure rural schools program.
- **Mental Health Parity**
- **Hybrids:** New tax credits for plug-in hybrid vehicles.

SUGGESTIONS OF SPECIFIC ITEMS THAT ARE TAX “PORK” OR “EARMARKS” ARE OFF BASE:

- Americans for Tax Reform (ATR) released a statement condemning the notion that tax cuts are earmarks:

“Calling tax cuts ‘earmarks’ is very unhelpful and completely wrong from a fiscal conservative perspective. There is no such thing as a ‘tax earmark.’ Earmarks are spending. There are appropriations earmarks. There are authorization earmarks. There are no ‘tax earmarks.’ To claim that there are puts tax deductions and credits (which is what we’re talking about here) on the same par

as bridges to nowhere.” ([Full Release Here](#))

- The extension of a provision on excise tax cover-over of rum made in Puerto Rico and the Virgin Islands but sold in the U.S. is consistent with general tax policy on the treatment of excise taxes paid.
- Similarly, a provision extending the provision giving Section 199 manufacturing treatment to manufacturing in Puerto Rico ensures businesses on that island are not treated less favorably than others in the United States and does not apply to any particular set of taxpayers.
- A provision on excise taxes on practice arrows used by Boy Scouts and summer camps that costs less than \$2 million over ten years is necessary to ensure that the excise tax on these arrows is not greater than the cost of the arrows themselves.
- The extension of provisions giving tax benefits for the purchase of mine safety equipment and the training of mine rescue teams are broadly applicable. These were first enacted in the 2006 Tax Relief and Health Care Act, in the wake of serious underground mining accidents.
- A provision relating to the Exxon Valdez case is hardly an earmark; it would allow more than 30,000 victims of the oil spill, who are located across the country, to income average eventual damages and to deposit some of those funds in retirement savings vehicles, like IRAs.
- A provision extending current law tax relief for railroad track maintenance will allow short-line railroads, of which there are over 500 today, to make track improvements to accommodate the heavier rail cars being used today.
- The Wool Trust Fund provision extends a program already in existence to suspend tariffs on wool fabric, thus reducing costs for U.S. suit makers. At the same time, it creates a fund for U.S. wool fabric makers to provide resources to improve their competitiveness.
- The extension of faster depreciation for motorsports tracks benefits dozens and dozens of facilities around the country and represents an effort to conform the depreciation period to the useful life of this type of property. Moreover, this is not a permanent tax cut; it instead allows faster recovery of expenses that would otherwise be deductible. As such, the provision costs less over ten years than it does in its first year.
- **The film and television provision allows a single-year deduction for all film and television productions up to \$15 million (\$20 million if the costs are incurred in economically depressed areas). The provision is not limited in scope or geography – it applies to all film and television productions throughout the country, in any state. Also, current law limits qualifying films to those produced directly "by the taxpayer," which excludes partnerships and S corporation shareholders. The provision treats these parties consistently with other taxpayers who produce films.**
- The District of Columbia tax incentives, including a first-time homebuyer's tax credit and other provisions, has helped revitalize large parts of our nation's capital after years of blight and neglect.
- The provision relating to economic development in American Samoa affects a population of nearly 60,000 by providing a tax incentive to U.S. companies with income in the Territory. This credit applies equally across industries; eligibility is not limited open to any employer, provided they meet the tests in the bill of being a U.S. company with a possessions' corporation and actually generate income in American Samoa.
- Tax incentives for employment and business expenses on or near Indian Reservations are not earmarks. Native Americans and Alaskan Natives make up 2.1 million people in the United States; forty percent of Native Americans live on reservations.

If you have any questions regarding specific questions relating to the tax provisions, please contact the Ways and Means Republican staff.