

**Congressman Joseph Crowley**  
**Statement – Tax Extenders Hearing**  
**April 26, 2012**

Thank you Chairman Tiberi and Ranking Member Neal for conducting this hearing today on several expiring sections of the tax code.

While I appreciate that it is being held, I do want to say that I hope this is the last year we need to undertake this exercise. The reason is I believe strongly that Democrats and Republicans, the House and Senate, Congress and the White House need to come together, like we did in 1986, to develop a comprehensive re-write of the tax code.

Any tax re-write must be all inclusive, addressing both personal and business taxation.

Both businesses and households need greater certainty within the tax code to plan their budgets and meet their financial obligations. That cannot be done if Congress is establishing tax policy past deadline and in a piecemeal fashion, which is what has been happening year after year with respect to these tax extenders bills.

I am proud to be a member of this Committee, and take seriously our obligation to write and oversee the tax code. I want to reform the tax code so we promote growth, ensure simplicity, guarantee equity and lead to greater efficiency for all taxpayers. I think these goals are bipartisan, and I am willing to work with anyone – Democrats and Republicans alike – who is interested in putting forward a sound, stable and comprehensive tax policy proposal.

With respect to the issue at hand today, there are several tax extenders I would like to highlight. I will start with individual taxpayers and then shift to the expenditures focused on American job creators.

**INDIVIDUAL TAXPAYERS**

**Parity for exclusion from income for employer-provided mass transit and parking benefits (HR 2412)**

For individual taxpayers, I argue strongly that the Committee should extend the parity for exclusion from income for employer-provided mass transit and parking benefits.

In 2011, workers were able to set aside \$230 a month before taxes to cover the cost of either their transit commutes or for parking. Since the start of 2012, the commuter benefit has been reduced to \$125 a month, while those people who drive into work can now set aside \$240 a month before taxes to pay for parking expenses. I urge the Committee to raise the mass transit set aside to \$240 for 2012 to ensure parity between mass transit benefits and parking benefits.

Representing Queens and the Bronx, New York, a large number of my constituents -- and over 8.5 million people in total daily in the tri-state area -- take mass transit into New York City.

This tax break would continue an important benefit not only for those 8.5 million commuters who take the bus, subway, MetroNorth, PATH, or the Long Island Railroad into the City daily, but it would help any commuter across the country who uses mass transit to get to work.

Ultimately, this benefit saves each of these taxpayers hundreds of dollars per year in transportation costs, aside from the fact that it increases energy conservation as well as reduces traffic, congestion and smog.

This truly does benefit the working middle class.

### **Exclusion of discharge of indebtedness on principal residence (HR 4202)**

First enacted in 2007 when the foreclosure crisis began, this tax provision prevents struggling homeowners from a federal income tax liability as a result of mortgage debt forgiveness from a financial institution.

Before this law was enacted, there were situations in which homeowners could lose their home to the bank and then be faced with a tax bill for the “forgiven income” representing the difference between the value of their home and their outstanding mortgage. We cannot and should not roll back the clock on this needed change in tax policy. Let’s uphold the change made by Democrats in 2007 by extending this tax provision for troubled homeowners.

### **Extension of the Deductibility of Mortgage Insurance, including Premiums paid on FHA and VA Housing loans (HR 1018)**

Along with Representative Nunes, I am leading the charge to extend this bipartisan tax provision, which allows homeowners who are paying mortgage insurance to deduct these costs from their income taxes.

Besides serving as tax relief for homeowners, it is also another incentive to keep moving homeowners away from the exotic mortgages, like piggyback mortgages, that contributed, in part, to the recent home foreclosure crisis. With the fragile state of the housing sector in recent years, extension of the private mortgage insurance deduction is important to ensuring that there continues to be incentives aimed at stabilizing and strengthening the housing market, while doing so in a safe way.

In addition to helping those with traditional mortgage insurance, it will also extend these benefits to those with FHA, VA and Rural Housing mortgage loans as well.

## **EMPLOYERS**

I would also like to highlight my support for the following tax extenders focused on employers.

### **Research and Development Tax Credit (HR 942)**

The research and development tax credit was first created in 1981 to incentivize technological advances and the hiring of workers to perform R&D.

While Congress is exploring ways to re-write the tax code, including the possibility of eliminating all expenditures such as this one, we should not unilaterally take such drastic action unless and until we have successfully enacted real tax reform into law. The R&D tax credit incentivizes keeping ingenuity and brainpower on US soil – that’s a good thing.

Additionally, this tax credit can be utilized not only by large companies, like those in the high tech and pharmaceutical fields, but by smaller companies such as software developers and engineers. I urge the extension of the R&D tax credit for all American businesses.

### **Work Opportunity Tax Credit (HR 2082)**

The Work Opportunity Tax Credit, which was enacted as part of 1996 welfare reform law, provides businesses an incentive to hire new workers. Since its enactment, more than 7.5 million individuals have found employment through this program – at least 500,000 of them were from New York State. At least 15% of New York certifications come from the Designated Community Residents category, which covers Empowerment Zones and Enterprise Community residents.

In a recent study by Peter Cappelli a University of Pennsylvania Wharton Business School Labor economist found that WOTC was one of the most cost effective jobs programs Congress has enacted. Dr. Cappelli found that the WOTC program saved the government, on average, \$5,000 in federal public assistance payments for every year that the individual hired stayed in the workforce at a maximum cost to the government of \$1,500.

Just last year, the Committee expanded the WOTC program to include our returning wounded and unemployed heroes from the Iraq and Afghanistan Wars. I am pleased the Committee recognized the challenges facing our returning veterans and worked, in a bipartisan way, to address the issue. The enactment of the Returning Heroes and Wounded Warriors Work Opportunity Tax Credits will encourage employers to change their hiring practices and seek to hire veterans.

However, I am concerned that without the extension of the core WOTC program which expired at the end of last year, many of the same employers who participate in the traditional WOTC program will find that they cannot justify the cost of maintaining the WOTC infrastructure needed to make the veterans credit a success. This infrastructure includes recruitment outreach, training of hiring managers to assist job applicants in filing out the IRS pre-screening form, including the IRS form in their job application, collecting the information required to secure a certification, filing the form within 28 days as well as the added costs of training these new employees.

It is clear – the Committee ought to extend both the core WOTC provision, which expired at the end of 2011, and the Veterans Credit, which is scheduled to expire at the end of 2012.

### **Subpart F/Active Financing (HR 749)**

I urge the Committee to extend the active financing exception. This tax expenditure allows U.S. multinational financial services companies, such as Citibank which is the largest private sector employer in Queens County, New York, the ability to defer federal taxes on their non-U.S. financial-services income. This provision is needed as it allows US financial companies the ability to compete in overseas markets with non-U.S. banks

New York City is the global capital of capital, and to ensure it remains in this position it is essential that the active financing rules of Subpart F, which expired at the end of last year, be extended. To date, 20 members of the House Ways and Means Committee, both Republicans and Democrats, have cosponsored the legislation to make these rules permanent. The active financing rules are not a special incentive. Rather, they allow US banks, insurance companies and finance companies to apply the normative U.S. tax law allowing for the deferral of U.S. taxes on active foreign business income.

These rules also play an important role in financing the export of products manufactured in the U.S. Tax experts have testified that these rules should be permanent in the context of tax reform. In the meantime, as we continue to study and hopefully work towards meaningful, permanent tax reform, an extension of the active financing rules is critical to allowing our financial services companies to compete in foreign markets. Failure to extend these rules could result in the loss of global financial services markets to foreign companies and a decline in U.S. exports.

### **CFC Look Through (HR 2735)**

I would like to associate my remarks on the need to extend the CFC Look Through provision with those of Congressman Boustany, who has circulated a bipartisan letter to the Committee on this extender. The CFC Look Through provision helps ensure that the tax laws of this country put worldwide American companies on a level playing field with their counterparts from abroad. The CFC Look Through provision enables greater competitiveness and simplified business planning for American companies with activities abroad, like so many companies that are based in New York City, by leveling the playing field with respect to our international competitors.

### **Leasehold Depreciation (HR 1265)**

I urge the Committee to extend an important provision of tax law known as leasehold depreciation, which would allow a 15-year depreciation life for commercial leasehold improvements, otherwise known as the build-outs building owners make to customize office space to a tenant's business needs. This bill is good for developers, businesses, and the construction and building trades. With billions of dollars invested in leasehold improvements in commercial real estate annually, the impact of extending – until we undertake comprehensive tax reform – this expenditure is an important way to spur growth and employment in the construction field.

### **Section 181**

While many people may equate New York City with one industry – financial services – my city's economy is as varied and vibrant as its people.

For example, another key industry and job creator in New York is the entertainment industry. For this reason, I urge the Committee to extend the provision related to the production expenditures related to domestic film and television productions.

Known as Section 181 of the tax code, this provision was expanded several years ago so that a producer can expense up to \$15 million in the first year. For larger budget films and television shows, such as those produced in New York City, this is a valuable tax expenditure that has – and will if extended – helped incentivize the return of entertainment production to New York City, keeping thousands of unionized jobs here at home.

### **Section 179 – Small Business Expensing**

My hometown community is home to a large number of small businesses, such as those in the Queens neighborhood of Jackson Heights. I am a strong supporter of providing a more generous method for these businesses to write-off the costs of new investments or purchases, like equipment and technology. I urge the Committee to extend these benefits into 2013 at their 2012 rates, indexed for inflation.

### **New Market Tax Credit (NMTC) Program (HR 2655)**

The New Market Tax Credit program, enacted in December 2000, serves as the only federal tax credit program for commercial projects in low-income areas. This program is helping to create jobs and revitalize entire neighborhoods. Projects large and small that most financial specialists agree would never come to fruition are otherwise taking shape because of these tax credits.

These tax credits make riskier projects more viable by reducing the debt associated with development costs. Private investors pay less in taxes and the developer passes the savings on to the community by, for example, lowering rent per square foot. This program has been very helpful to economically disadvantaged areas of New York City and I urge its continuation.

Specifically, in New York City, the NMTC has provided a number of important benefits. For example, the New York Community Bank has received \$42 million in NMTC awards which they have in turn used to support close to \$200 million of distressed community projects in the past 5 years, all within the 5 boroughs of NYC. They have funded 18 projects City-wide including investing in business operations in Flushing and Corona, Queens, as well as in the Bronx.

### **Temporary Increase in Limit on Cover Over of Rum Excise Taxes to Puerto Rico and the Virgin Islands**

I would like to join with my colleagues from Puerto Rico and U.S. Virgin Islands lending my support for an extension of the existing tax provision to extend the modest increase in the limit on the cover over of rum excise taxes to Puerto Rico and the U.S. Virgin Islands. The purpose of the program is to provide budgetary support to the territorial governments and, historically, funding has been used primarily for economic development, health care, infrastructure, education and land conservation.

### **Build America Bonds:**

Finally, while I understand it is outside of the parameters of this hearing, I would like to voice my strong support for the Build America Bonds program.

An innovative bond program created in the Recovery Act, it has helped reshape a tax exempt municipal bond market that had slowed to a halt in 2008 due to the financial crisis. In the less than 2 years of its lifespan, it filled a massive capital investment vacuum and represented almost one quarter of the entire municipal bond issuance in the country, including an injection of over \$181 billion in capital investment nationwide.

Specifically, the Build America Bonds program channeled over \$20.5 billion in new infrastructure funding to New York State between 2009 and 2010 and helped fund local projects like Phase One of Willets Point in my Congressional District, the East Side Access project, and the Second Avenue Subway – all of which are vital infrastructure projects that have created well-paying, good jobs in New York City.

I would urge the Committee to reauthorize this very successful bond program.

Again, my thanks to the Chairman and Ranking Member for allowing me the opportunity to testify today. Thank you.