H.R. 4520, the American Jobs Creation Act of 2004

1. **Ends sanctions by repealing FSC-ETI. Compensates for lost benefits by permanently cutting corporate tax rates for domestic manufacturers, producers, farmers, and small corporations.**

   - Repeals FSC-ETI, thus ending tariffs on American manufacturers and farmers.

   - $13 billion of FSC-ETI transition relief is provided over three years.

   - To compensate for lost benefits, the top corporate tax rate is reduced from 35 percent to 32 percent for domestic manufacturers, producers, farmers, and small corporations.

2. **Provides pro-growth tax incentives for manufacturers, small businesses and farmers to help create more American jobs.**

   - Provides $4 billion of relief from the AMT (what the National Association of Manufacturers refers to as the "Anti-Manufacturing Tax"), including AMT relief for farmers.

   - Extends ethanol subsidy through 2010 and makes the Highway Trust Fund whole so that farm states automatically receive more highway funding.

   - Extends enhanced section 179 expensing for two years, making it easier for small businesses to invest in new equipment and grow their businesses.

   - Provides 50 percent bonus depreciation for small aircraft through 2005 (i.e., the same benefit provided to commercial aircraft under current law).

   - Includes 11 tax relief and simplification provisions for S Corporations and makes it easier for companies to qualify under Subchapter S.

   - Ensures that broad-based stock options are not subject to payroll taxes, thus preventing a tax increase on millions of workers and businesses.

   - Temporarily reduces tax rate on repatriated income (to 5.25 percent for one year) if the income is permanently reinvested in the United States.

   - Includes 16 other provisions to benefit small businesses, manufacturers and farmers. Many of these provisions have passed the House on several occasions.

3. **Enhances the competitiveness of U.S.-based companies engaged in exporting and/or manufacturing by greatly reducing double taxation. These companies receive more than 90 percent of FSC-ETI benefits under current law**.

   - Includes fundamental tax reforms to reduce double taxation on U.S. manufacturers that export and do business overseas.

   - Reducing double taxation gives U.S.-based companies an incentive to keep jobs in the United States rather than shutting down their U.S. operations and relocating abroad where it is cheaper to do business.

   - Fifteen of the 16 reforms in the bill are identical to provisions in the Senate bill. The one provision that is not identical (reducing foreign tax baskets from nine to two) is comparable to a provision in the Senate bill (20 year carryforward of foreign tax credits), but the House provision represents significant tax simplification.

   - Two attempts to strip these reforms from the Senate bill were defeated in the Senate by votes of 22-77 and 23-74.

4. Allows taxpayers to deduct their state income tax or state and local sales tax (whichever is greater) in 2004 and 2005.

5. Extends several tax provisions that expired in 2003 or are scheduled to expire in 2004, including the Research and Development (R&D) tax credit.

6. The bill includes several provisions to combat fuel fraud (which have already passed the House) and many provisions from the President's budget to reduce tax avoidance, crack down on tax shelters and close tax loopholes. The bill also extends customs and IRS user fees, which are scheduled to expire this year.

7. Repeals the government tobacco support program and transitions to a market-based system of tobacco production.

8. Temporarily suspends customs duties on certain ceiling fans, steam generators and reactor vessel heads. There is no U.S. production of these products. As a result, the duties serve no purpose except to increase prices for U.S. consumers. The provisions were included in the Energy Bill conference report that passed the House last year.