



WAYS AND MEANS

REPUBLICANS | KEVIN BRADY, REPUBLICAN LEADER

Reforming the Tax Extender Process

Led by House Republicans, this package creates pro-growth certainty by reforming the one-year expiring temporary tax extenders for the first time since 2015. It also makes permanent strongly supported tax incentives, including from the Tax Cuts and Jobs Act, extends other traditional tax items for 5 years rather than year-to-year, and eliminates outdated provisions.

We hope to include an agreement very close to what is outlined below in the year end legislative package.

- **Permanent.**
 - Craft Beverage, with modifications to address importation issue (makes permanent a TCJA provision).
 - 7.5 percent medical expense deduction (makes permanent a TCJA provision).
 - Short-Line Railroad Maintenance Tax Credit (at a lower 40 percent rate).
 - Energy-efficient commercial buildings deduction (with updated standards).
 - Higher Learning Tuition deduction (this higher learning tuition deduction is made permanent by increasing the phase-out limits in the permanent Lifetime Learning Credit).
 - Volunteer firefighter income exclusion of state tax benefits (SECURE Act provision).

- **Repeal / Not Extended.**
 - Second generation biofuels property depreciation.
 - Special rule for dispositions to implement Federal Energy Regulatory Commission (FERC) or State electric restructuring policy.

- **2025 Extensions** (Note: TCJA individual provisions also expire in 2025, so this lines up the extension of these policies with extension of critical TCJA policies).
 - New Markets Tax Credit.
 - Work Opportunity Tax Credit (WOTC).
 - CFC look-through.
 - Family Leave Credit (TCJA provision).
 - Employer Paid Student Loan Income Exclusion (CARES Act provision).
 - Motorsports Depreciation.
 - Empowerment Zones (repeal section 179 (which are obsolete) and capital gains benefits (which are expired)).
 - Film and Live Performances Expensing.
 - Oil Spill Liability Trust Fund.
 - Principal Residence COD at \$750,000 (Reduced from \$2 million)

- **Remaining provisions extended an additional year through 2021.** (Note: EBITDA and R&D Expensing expire in 2021).
 - Private mortgage insurance (PMI) deduction.
 - Health Coverage Tax Credit.
 - Alternative fuels/mixture credit.
 - Second generation biofuels credit.
 - Nonbusiness energy property credit.
 - 2-wheel electric plug-in credit.
 - Fuel cell motor vehicles credit.
 - Energy efficient homes credit.
 - Alt fuel vehicle refueling property credit.
 - Renewable electricity credit.
 - American Samoa Economic Development Tax Credit.
 - Racehorse depreciation.
 - Indian business property depreciation.
 - Indian coal credit.
 - Indian employment credit.
 - Mine rescue training credit.
 - Black Lung Trust Fund.

Green Energy

- Extensions.
 - Wind – 1 extra year with the 40 percent haircut.
 - Solar – 2 extra years at the reduced 26 percent credit amount.
 - Section 45Q Carbon Capture – 2 extra years (extended through 2025).
- Expansions of Existing Credits.
 - Offshore Wind – through 2025.
 - Waste heat to power property added to investment tax credit.

Other Policies

- 30-year ADS for Real Property Trades or Businesses (TCJA fix).
 - Will allow Real Property Trades or Businesses that elect out of interest limitation to use 30-year ADS depreciation for residential rental property placed in service before TCJA.
- LIHTC 4 percent minimum.
 - Creates a permanent 4 percent rate for calculating credits for specified acquisition and housing bond financed developments.
- Modernize definition of Life Insurance Contracts (Section 7702).
 - Updates an outdated fixed interest rate test with a floating interest rate test to qualify as a life insurance contract for tax purposes.
- Disaster Tax Relief for 2020 Presidentially Declared Disasters (other than COVID-19).
 - With additional LIHTC allocation for disaster zones (similar to last year’s disaster tax relief legislation).

- Employee retention tax credit (ERTC) modifications.
 - Modifies the ERTC for 2020 by allowing businesses with PPP loans to qualify.
 - Extends and expands the ERTC through June 30, 2021.
- Minimum age for distributions during working retirement.
 - Allows construction and building trades worker age 55 or older to receive benefits and continue to work.
- Temporary rule preventing partial plan termination.
 - Relaxes rules regarding partial plan terminations to provide businesses additional time to rehire workforce to pre-pandemic levels.
- Temporary allowance of full deduction for business meals.
 - For 2021 and 2022 only, increased the business meal deduction from 50 percent to 100 percent of such expenses.
- Temporary special rule for determination of earned income.
 - Provides taxpayers a 2019 look-back rule for earned income for purposes of EITC and refundable child tax credit.
- Certain charitable contributions deductible by non-itemizers.
 - Extends through 2021 the CARES Act above-the-line deduction for charitable giving of \$300 for single filers and \$600 for joint filers.
- Modification of limitations on charitable contributions.
 - Extends through 2021 the CARES Act increased limit on charitable deductions by individuals to 100 percent of adjusted gross income and corporations to 25 percent of taxable income.
- Rollover for health and dependent care flexible spending arrangements.
 - Allows unused balances to be rolled over from 2020 to 2021 and from 2021 to 2022.