

SELECTED PROVISIONS OF MAJOR TAX LEGISLATION BY ACT 1981 to 2006

| PROVISION | ERTA 1981 | TRA 1986 | OBRA 1989 | OBRA 1990 | OBRA 1993 | TRA 1997 | EGTRRA 2001 |
|---------------------|---|---|----------------------------|--|---|---|--|
| Tax Rates | Reduced marginal tax rates by 23% over 3 years, Reduced maximum estate tax rate from 70 to 50% | Lowered top marginal tax rate to 28% | | Increased top statutory rate from 28 to 31% | Imposed new higher tax rates of 36% and 39.6% | | Reduced the 28%, 31%, 36%, and 39.6% tax brackets by about one percentage point annually to 25%, 28%, 33%, and 35% respectively |
| Tax Brackets | Indexed income brackets | | | | | | Created a new 10% rate on the first \$12,000 of income for a married couple (\$10,000 for HOH, \$6,000 for individual), increases to \$14,000 from 2008 for joint filers and \$7,000 for single filers |
| Deductions | New deduction for two-earner married couples, permitted unlimited marital deduction for estate and gift tax | Increased standard deduction to \$5,000 for married filers, increased personal exemption to \$2,000; Repealed two-earned deduction, state and local sales tax deduction; Limited consumer interest deduction, deductibility of "passive" losses, medical expenses deductions, deduction for business meals and entertainment, and miscellaneous expense deduction; Phased in deductibility of health insurance costs of self-employed individuals | | Limited the value of high income itemized deductions; Temporarily created the personal exemption phase out applicable to the range of taxable income between \$150,000 and \$275,000; 25% health insurance deduction for self-employed | Reduced business meals and entertainment deduction | | Increased the standard deduction for joint filers (will be 2x single filer by 2009); limited tax deduction until 12/31/05 for qualified higher education expenses |
| Exclusions | | Repealed exclusion of unemployment benefits | | Exclusions for employer-provided legal and educational assistance | | | Permanently extends exclusion of employer provided education assistance; excludes any fringe benefit for qualified retirement planning service |
| AMT | | | Modified the corporate AMT | Increased the individual AMT rate from 21 to 24%; Reduced AMT preference treatment of energy items | Increased tax rates and exemption amounts under AMT | Repealed the AMT for small business; Modified the depreciation adjustment used in AMT calculation; Repealed the AMT installment method adjustment for farmers | Increased exemption by \$4,000 for married couples filing jointly and surviving spouses and by \$2,000 for other filing categories (to \$35,750 and \$49,000) |

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| IRAs / Pension | Extended eligibility for IRAs to include active participants in employer pension plans; Increased Keogh annual contribution limit to \$15,000 | Limited IRA eligibility and pension contributions | Limited tax deductions and exclusions for employee stock ownership plans | | Expanded the taxable portion of Social Security benefits from 50% to 85% when modified AGI goes above \$44,000 for joint, \$34,000 for single filers | Extended AGI phaseouts for deductible IRAs, allowed tax-free withdrawals from first-time home purchases, created new Roth and Education IRAs | Annual dollar contribution limit raised to \$3,000 for 2002-2004, \$4,000 for 2005-2007, and \$5,000 for 2008 and thereafter; Annual contribution limits for 401(k)s increased to \$15,000 over four years; Increases from \$500 to \$2,000 annual limitation on contributions to Education IRAs |
| Tax Credits | Increased estate tax credit to exempt all estates of \$600,000 or less | EITC: Increased earned income tax credit; Extended research and experimentation credit, initiated new low-income housing tax credit; Repealed the investment tax credit | Extended research and experimentation tax credit and allocation rules and low income housing credit | EITC: Adjusted EITC benefit levels and phase-in and phase-out rates for family size; Created a low-income credit for the premium costs of health insurance; Extended tax credits for research, business energy, targeted jobs; Extended non-conventional fuels credit; Created new credit for ethanol production, oil recovery costs; Created small-business oriented credit for accommodations for disabled persons | EITC: Extended EITC to single workers with no children earning \$9,000 or less | Child Tax Credit: introduced a \$500 per year; Introduced HOPE and Lifetime Learning nonrefundable education credits; Reduced the unified estate tax credit from \$600,000 to \$1 million by 2006, indexed other estate and gift tax parameters | Child Tax Credit increased to \$1,000 (portion refundable), applicable to regular income and AMT; extends permanently the adoption credit for children other than special needs children, and allowance of credit against the AMT; Establishes an employer-provided child care credit. EITC: increases the phase out of the earned income credit on joint returns by \$1,000 for 2002-2004, \$2,000 for 2005-2007; \$3,000 for 2007 +, also repeals reduction of the credit by amount of an individual's AMT |
| Business (Expensing, Depreciation) | Replaced facts and circumstances and the Asset Depreciation Range guidelines with Accelerated Cost Recover System; faster write-off of capital expenditures; most equipment written off over 5 years, structures over 15 years, liberalized "safe-harbor" leasing rules | Lengthened capital cost recovery; Reduced top corporate marginal tax rate to 34 percent, tightened corporate minimum tax; | | | Increased corporate tax rate to 35% on income above \$10 million | | |
| Capital Gains, Dividends | Reduced maximum capital gains rate to 20% | Repealed long-term capital gains exclusion | | Capped the capital gains rate at 28% | | Reduced capital gains tax rates from 28% and 15% to 20% and 10% respectively | |

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|-----------------------------------|-----------|---|---|--|---|----------|--|
| Tax Compliance / Penalties | | | | | | | |
| Other | | Further tightened state volume limitations for private purpose tax-exempt bonds | Increased fees and excise taxes on air travel, ozone-depleting chemicals, and oil spill liability; Repealed completed contract method of accounting | Imposed new excise taxes on autos, boats, airplanes, furs; Increased motor fuels taxes; Increased taxes on tobacco and alcoholic beverages; Extended and increased Airport and Airway trust fund taxes | Extended the itemized deduction limitation and the personal exemption phase-out | | Gradually reduced the estate and gift tax from 55% to 45% by 2007, increased exemption from \$1 million in 2002 to \$3.5 million in 2009, repealed estate and generation-skipping transfer taxes (effective January 1, 2010) |

Sources: Joint Committee on Taxation budget estimates and technical explanations; Library of Congress public law summaries.

| PROVISION | JCWA 2002 | JGTRRA 2003 | WFTRA 2004 | AJCA 2004 | TIPRA 2005 | PPA 2006 |
|---------------------|-----------|--|--|---|---|--|
| Tax Rates | | Individual income tax rate reductions scheduled to begin in 2006 under EGTRRA begin in 2003 | | | | |
| Tax Brackets | | Revises the expansion of the 10% bracket to \$14,000 through 2004 and \$12,000 for 2005 to 2007 for joint filers | Extended the doubled 15% bracket for joint filers and the 10% bracket | | | |
| Deductions | | Accelerated Increase in the Standard Deduction for joint filers from EGTRRA to begin in 2003 rather than gradually to 2009 | Extends standard deduction increase for married taxpayers 2005 thru 2009 | | | |
| Exclusions | | | | Repeals the exclusion for extraterritorial income (ETI ruled illegal by WTO); Allowed transitional relief for taxpayers subject to the ETI repeal by allowing a tax exclusion of 80% in 2005 and 60% in 2006 of extraterritorial income | Extends certain exemptions for income of controlled foreign corporations thru 2008; Foreign earned income exemption is adjusted for inflation beginning in 2006 instead of 2008 | Permanently extends EGTRRA modifications to qualified tuition program rules including tax exempt withdrawals from qualified tuition accounts |
| AMT | | Increases \$49,000 and \$35,750 for 2001-2004 exemptions to \$58,000 and \$40,250 for 2003 and 2004 respectively | Exemption extended through 2005 | | Exemption increased to \$42,500 for single filers; \$62,550 for married filers (extended through 2006) | |

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|---|---|---|---|--|---|--|
| IRAs / Pension | | | | | Allows taxpayers to convert traditional IRA balances into Roth IRAs; eliminates the income limit (\$100,000) on Roth IRA conversions starting in 2010 | Makes permanent certain EGTRRA provisions, including increases in annual contribution limits for IRAs, 401(k)s |
| Tax Credits | Expanded the work opportunity tax credit to include certain NY Liberty Zone business employees (against both regular and alternative minimum tax); extended credit for qualified electric vehicles, work opportunity credit, welfare-to-work credit, etc., extension of allowance of nonrefundable personal credits against regular and minimum tax liability | Child Tax Credit: Accelerated increase to \$1000 from EGTRRA scheduled for 2005 to include 2003 and 2004 | Child Tax Credit extended 2005-2009 (repealed scheduled reductions) and made refundable up to 15% from 10%; Extension of expiring provisions: credit for increasing research activities, work opportunity tax credit, welfare-to-work tax credit | Allows companies to carry foreign tax credits forward for 10 years (increased from 5); business tax credit for biodiesel used as fuel in trade or business; extends through 2010 tax credit for alcohol used as fuel | | Extends certain rules regarding coordination of Hope and lifetime learning credit provisions from EGTRRA |
| Business (Expensing, Depreciation) | Allowed an additional first year 30% depreciation allowance for property acquired between 9/10/01 and 9/11/04 for both regular tax and AMT purposes; Extended the net operating loss carryback period from 2 to 5 years for such business losses between those same dates | Bonus depreciation or expensing for property acquired in 2001-2004 under EGTRRA increased from 30% to 50% (reverts to original after 2005) | | Expensing of small business assets up to \$100,000 was extended for two additional years; 15 year recovery period for depreciation of certain leasehold improvements; 9% deduction for domestic production activities; temporary holiday for dividend repatriation | Increases estimated tax payments for corporations with assets of at least \$1 billion for third quarters of 2006, 2012, 2013, delays the payment date of certain corporate estimated taxes in Sept. 2010 and 2011 | |
| Capital Gains, Dividends | | Reduces for regular income tax and AMT, the 10% and 20% adjusted net capital gains rates to 5% and 15% respectively beginning after 5/6/03; taxation of dividends at the above net capital gain rates | | | Reductions in capital gains and dividends tax rates enacted by JGTRRA extended through 2010; sale or exchange of a musical composition or copyright is subject to capital gains treatment (through 12/31/10) | |

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|-----------------------------------|---|---|---|--|---|--|
| Tax Compliance / Penalties | | | | Penalties for failure to disclose certain tax shelters and for promoters of abusive tax shelters | Imposes an excise tax penalty on certain tax-exempt entities for participation in prohibited tax shelter activities | |
| Other | Allows for temporary extended unemployment compensation to extend up to an additional 13 weeks; Allows use of electronic 1099 forms; Reauthorizes TANF supplemental grants, 1 year extension of TANF contingency fund | Temporary state fiscal relief: \$10 billion for Medicaid assistance through 9/30/04 | Medicare: exclusion of the additional tax on distributions from Health Savings Accounts not used to qualify for medical expenses in the definition of regular tax liability | \$10 billion tobacco quota-holders buyout; series of tax breaks to narrow interests (deductions for whaling, more generous tax treatment of sonar fishing devices) | Repeals the binding contract exemption from the repeal of the tax exclusion for extraterritorial income | Establishes new minimum financing standards for single-employers and multiemployer defined benefit pension plans and increases the deduction limits for single-employers and multiemployer plans |