

2-Sep-09

SELECTED PROVISIONS OF MAJOR TAX LEGISLATION BY ACT 1981 TO 2009

| PROVISION | Economic Recovery Tax Act of 1981 | Tax Equity and Fiscal Responsibility Act of 1982 | Deficit Reduction Act of 1984 | Tax Reform Act of 1986 | Omnibus Budget Reconciliation Act of 1987 |
|---------------------------|---|--|---|---|--|
| Tax Rates/Brackets | Reduced marginal tax rates by 23% over 3 years; reduced maximum estate tax rate from 70% to 50% over 4 years; indexed income brackets | | Postponed scheduled reduction in maximum estate tax rate, holding maximum rate at 55% | Lowered top marginal tax rate to 28% | |
| Deductions | New deduction for two-earner married couples; permitted unlimited marital deduction for estate and gift tax | | | Increased standard deduction for married filers and personal exemption; repealed two-earner deduction and state and local sales tax deduction; limited deductions for consumer interest, "passive" losses, medical expenses, business meals and entertainment, and miscellaneous expenses; phased in deductibility of health insurance costs of self-employed individuals | Limited mortgage interest deduction to debt less than \$1 million and home equity loans of less than \$100,000 |
| Exclusions | | | | Repealed exclusion of unemployment benefits | |
| AMT | Reduced top rate to 20% | Increased exemption to \$40,000 for joint filers and \$30,000 for single filers; increased tax rate to 20% for all income levels | | increased tax rate to 21%; introduced exemption phase-out | |

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| PROVISION | Economic Recovery Tax Act of 1981 | Tax Equity and Fiscal Responsibility Act of 1982 | Deficit Reduction Act of 1984 | Tax Reform Act of 1986 | Omnibus Budget Reconciliation Act of 1987 |
|---------------------------------|---|---|--|---|--|
| Capital Gains, Dividends | Reduced maximum capital gains rate to 20% | | Reduced long-term capital gains holding period from 1 year to 6 months | Repealed long-term capital gains exclusion | |
| 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 | |
| Tax Credits | Increased estate tax credit to exempt all estates of \$600,000 or less | | Increased EITC | Increased EITC; extended research and experimentation credit; created new low-income housing tax credit; repealed the investment tax credit | Extended 55% maximum estate tax rate |

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| PROVISION | Economic Recovery Tax Act of 1981 | Tax Equity and Fiscal Responsibility Act of 1982 | Deficit Reduction Act of 1984 | Tax Reform Act of 1986 | Omnibus Budget Reconciliation Act of 1987 |
|---|--|--|--|---|--|
| Business (Expensing, Depreciation) | Replaced facts and circumstances and the Asset Depreciation Range guidelines with Accelerated Cost Recover System; provided faster write-off of capital expenditures; allowed most equipment to be written off over 5 years and most structures over 15 years; allowed liberalized "safe-harbor" leasing rules | | | Lengthened capital cost recovery; reduced top corporate marginal tax rate to 34%; tightened corporate minimum tax | Reduced inter-corporate dividends received deduction; limited employer deductible contributions to defined benefit pension plans |
| Other | | Expanded information reporting; increased penalties on non-compliance; increased airport and airway trust fund taxes; cigarette excise taxes; and telephone excise tax; increased federal unemployment tax rate and base | Increased distilled spirits excise tax and extended telephone excise tax; placed state volume limitation on private purpose tax exempt bonds | Further tightened state volume limitations for private purpose tax-exempt bonds | Extended federal unemployment tax and telephone excise tax |

SELECTED PROVISIONS OF MAJOR TAX LEGISLATION BY ACT 1981 TO 2009--CONT.

| PROVISION | Omnibus Budget Reconciliation Act of 1989 | Omnibus Budget Reconciliation Act of 1990 | Omnibus Budget Reconciliation Act of 1993 | Taxpayer Relief Act of 1997 | Economic Growth and Tax Relief Reconciliation Act of 2001 |
|---------------------------|--|--|---|---|--|
| Tax Rates/Brackets | | Increased top statutory rate from 28% to 31% | Imposed new higher tax rates of 36% and 39.6% | | Gradually reduced the 28%, 31%, 36%, and 39.6% tax brackets to 25%, 28%, 33%, and 35% respectively; created a new 10% bracket |
| Deductions | | 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; created a 25% health insurance deduction for the self-employed | Reduced business meals and entertainment deduction | | Increased the standard deduction for joint filers (will be double that for single filer by 2009); limited tax deduction until 12/31/05 for qualified higher education expenses |
| Exclusions | | Created exclusions for employer-provided legal and educational assistance | | | Permanently extended exclusion of employer provided education assistance; excluded 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) |

SELECTED PROVISIONS OF MAJOR TAX LEGISLATION BY ACT 1981 TO 2009--CONT.

| PROVISION | Omnibus Budget Reconciliation Act of 1989 | Omnibus Budget Reconciliation Act of 1990 | Omnibus Budget Reconciliation Act of 1993 | Taxpayer Relief Act of 1997 | Economic Growth and Tax Relief Reconciliation Act of 2001 |
|---------------------------------|---|---|---|--|---|
| Capital Gains, Dividends | | Capped the capital gains rate at 28% | | Reduced capital gains tax rates from 28% and 15% to 20% and 10% respectively | |
| IRAs / Pension | 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 (joint) or \$34,000 (single) | 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; annual limitation on contributions to Education IRAs increased to \$2,000 |
| Tax Credits | Extended research and experimentation tax credit and allocation rules; extended low income housing credit | 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, and targeted jobs; extended non-conventional fuels credit; created new credit for ethanol production and oil recovery costs; created small-business oriented credit for accommodations for disabled persons | Extended EITC to single workers with no children earning \$9,000 or less | Introduced a \$500 per year child tax credit; introduced Hope and Lifetime Learning nonrefundable education credits; increased the unified estate tax credit from \$600,000 to \$1 million by 2006 | Child tax credit increased to \$1,000 (portion refundable), applicable to regular income and AMT; extended permanently the adoption credit for children other than special needs children, and allowance of credit against the AMT; established an employer-provided child care credit; increased the phase out of the EITC on joint returns by \$1,000 for 2002-2004, \$2,000 for 2005-2007; \$3,000 for 2007 and after; repealed reduction of the EITC by the amount of an individual's AMT |

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| PROVISION | Omnibus Budget Reconciliation Act of 1989 | Omnibus Budget Reconciliation Act of 1990 | Omnibus Budget Reconciliation Act of 1993 | Taxpayer Relief Act of 1997 | Economic Growth and Tax Relief Reconciliation Act of 2001 |
|---|---|--|---|---|--|
| Business (Expensing, Depreciation) | | | Increased corporate tax rate to 35% on income above \$10 million | | |
| Other | 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, and 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 | Indexed estate and gift tax parameters to inflation | Gradually reduced the estate and gift tax from 55% to 45% by 2007; increased estate and gift tax exemption from \$1 million in 2002 to \$3.5 million in 2009; repealed estate and generation-skipping transfer taxes (effective January 1, 2010) |

SELECTED PROVISIONS OF MAJOR TAX LEGISLATION BY ACT 1981 TO 2009--CONT.

| PROVISION | Job Creation and Worker Assistance Act of 2002 | Jobs and Growth Tax Relief Reconciliation Act of 2003 | Working Families Tax Relief Act of 2004 | American Jobs Creation Act of 2004 | Tax Increase Prevention and Reconciliation Act of 2005 |
|---------------------------|---|--|---|--|---|
| Tax Rates/Brackets | | Accelerated individual income tax rate reductions scheduled to begin in 2006 under EGTRRA to begin in 2003 | 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 | Extended standard deduction increase for married taxpayers through 2009 | | |
| Exclusions | | | | Repealed the exclusion for extraterritorial income; allowed transitional relief for taxpayers subject to the repeal by allowing an exclusion of 80% of extraterritorial income in 2005 and 60% in 2006 | Extended certain exemptions for income of controlled foreign corporations through 2008; accelerated adjustment of foreign earned income exemption for inflation from 2008 to 2006 |
| AMT | | Increased exemption to \$58,000 (married filing jointly and surviving spouses) and \$40,250 (all others) for 2003 and 2004 | Extended exemption through 2005 | | Increased exemption to \$42,500 for single filers and \$62,550 for married filers through 2006 |

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| PROVISION | Job Creation and Worker Assistance Act of 2002 | Jobs and Growth Tax Relief Reconciliation Act of 2003 | Working Families Tax Relief Act of 2004 | American Jobs Creation Act of 2004 | Tax Increase Prevention and Reconciliation Act of 2005 |
|---------------------------------|---|---|---|--|---|
| Capital Gains, Dividends | | Reduced (for regular income tax and AMT) the 10% and 20% rate of taxation on adjusted net capital gains and dividends to 5% and 15% respectively beginning after 5/6/03 | | | Extended the reductions in capital gains and dividends tax rates enacted by JGTRRA through 2010; subjected the sale or exchange of a musical composition or copyright to capital gains treatment (through 2010) |
| IRAs / Pension | | | | | Allowed taxpayers to convert traditional IRA balances into Roth IRAs; eliminated the income limit (\$100,000) on Roth IRA conversions starting in 2010 |
| 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.; extended allowance of nonrefundable personal credits against regular and minimum tax liability | Accelerated EGTRRA increase in the child tax credit to \$1,000 scheduled for 2005 to include 2003 and 2004 | Extended child tax credit for 2005 through 2009 (repealed scheduled reductions); increased refundability of the child tax credit from 10% to 15%; extended credit for increasing research activities, work opportunity tax credit, welfare-to-work tax credit | Allowed companies to carry foreign tax credits forward for 10 years (increased from 5); created business tax credit for biodiesel used as fuel in trade or business; extended through 2010 tax credit for alcohol used as fuel | |

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| PROVISION | Job Creation and Worker Assistance Act of 2002 | Jobs and Growth Tax Relief Reconciliation Act of 2003 | Working Families Tax Relief Act of 2004 | American Jobs Creation Act of 2004 | Tax Increase Prevention and Reconciliation Act of 2005 |
|---|---|--|---|---|---|
| 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 | Increased bonus depreciation or expensing for property acquired in 2001-2004 under EGTRRA from 30% to 50% (reverting to original after 2005) | | Extended the expensing of small business assets up to \$100,000 for two additional years; allowed a 15 year recovery period for depreciation of certain leasehold improvements; created a 9% deduction for domestic production activities; created a temporary holiday for dividend repatriation | Increased estimated tax payments for corporations with assets of at least \$1 billion for third quarters of 2006, 2012, 2013; delayed the payment date of certain corporate estimated taxes in September 2010 and 2011 |
| Other | Allowed for temporary extended unemployment compensation to extend up to an additional 13 weeks; allowed use of electronic 1099 forms; reauthorized TANF supplemental grants; and granted a 1-year extension of TANF contingency fund | Granted \$10 billion in temporary state fiscal relief for Medicaid assistance through 9/30/04 | Excluded the additional tax on distributions from Health Savings Accounts not used to qualify for medical expenses in the definition of regular tax liability | Created penalties for failure to disclose certain tax shelters and for promoters of abusive tax shelters; created a \$10 billion tobacco quota-holders buyout; included a series of tax breaks to narrow interests (deductions for whaling, more generous tax treatment of sonar fishing devices) | Imposed an excise tax penalty on certain tax-exempt entities for participation in prohibited tax shelter activities; repealed the binding contract exemption from the repeal of the tax exclusion for extraterritorial income |

SELECTED PROVISIONS OF MAJOR TAX LEGISLATION BY ACT 1981 TO 2009--CONT.

| PROVISION | Katrina Emergency Tax Relief Act of 2005 | Gulf Opportunity Zone Act of 2005 | Pension Protection Act of 2006 | Tax Relief and Health Care Act of 2006 | Mortgage Forgiveness Debt Relief Act of 2007 |
|---------------------------|---|--|---|--|--|
| Tax Rates/Brackets | | | | | |
| Deductions | Suspended limits on individual and corporate deductions for 2005 cash donations to Katrina relief efforts; expanded the deduction for donated food inventory and educational books in 2005; suspended limitations on deductions of casualty and theft losses for Katrina-related losses; created an additional \$500 personal exemption for individuals housing Katrina victims in 2005 or 2006 | Extended special treatment of charitable contributions to donations for Rita and Wilma relief efforts; extended suspension of limitation on casualty and theft loss deductions to Rita- and Wilma-related losses | | Extended through 2007 the allowance of sales tax deduction in lieu of deduction for state and local income tax, the deduction for teachers for school related expenses, the deduction for qualified tuition expenses, and the enhanced deduction for computer technology; allowed a deduction for certain energy efficient commercial building property through 2008 | |
| Exclusions | Excluded discharges of debt for Katrina victims | | Permanently extended EGTRRA modifications to qualified tuition program rules including tax-exempt withdrawals from qualified tuition accounts | | Excluded debt forgiven on a principal residence from taxable income through 2009 |
| AMT | | | | Allowed refundable long-term individual AMT credit with respect to certain long-term unused AMT credits existing before 1/1/13 | |

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| PROVISION | Katrina Emergency Tax Relief Act of 2005 | Gulf Opportunity Zone Act of 2005 | Pension Protection Act of 2006 | Tax Relief and Health Care Act of 2006 | Mortgage Forgiveness Debt Relief Act of 2007 |
|---------------------------------|--|--|--|--|---|
| Capital Gains, Dividends | | | | | |
| IRAs / Pension | Exempted from the early distribution penalty withdrawals of up to \$100,000 from retirement plans through 2006 for Katrina victims; allowed rollover contributions of distributions made for the purchase of a home not purchased due to Katrina | Extended special retirement fund rules to victims of Rita and Wilma | Made permanent certain EGTRRA provisions, including increases in annual contribution limits for IRAs and 401(k)s | Allowed one-time direct contribution to an HSA from an IRA | |
| Tax Credits | Extended the work opportunity tax credit to "Hurricane Katrina employees"; created an employee retention credit; allowed displaced individuals to use 2004 income to calculate EITC and refundable child tax credit | Extended the employee retention credit to employers in Rita- and Wilma-affected areas; modified the low-income housing tax credit; expanded the New Markets Tax Credit; temporarily increased the Hope Scholarship and Lifetime Learning Credits for students in the GO Zone; extended the use of 2004 income to calculate EITC and refundable child tax credit to individuals displaced by Rita and Wilma | Extended certain rules regarding coordination of Hope and Lifetime Learning Credit provisions from EGTRRA | Extended and modified new markets tax credit through 2008; extended and modified research tax credit through 2007; extended work opportunity tax credit and welfare-to-work tax credit for 2006 and combined and modified these for 2007; extended election to include combat pay in earned income for EITC; allowed credit for electricity produced from certain renewable resources through 2008 | |

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| PROVISION | Katrina Emergency Tax Relief Act of 2005 | Gulf Opportunity Zone Act of 2005 | Pension Protection Act of 2006 | Tax Relief and Health Care Act of 2006 | Mortgage Forgiveness Debt Relief Act of 2007 |
|---|---|---|---|--|---|
| Business (Expensing, Depreciation) | | For businesses in the GO Zone, allowed an additional first-year depreciation deduction; increased the maximum placed-in-service deduction; extended a provision for the expensing of environmental remediation costs; increased the expensing limit for timber growers; extended the net operating loss carryback period; and allowed an exclusion for housing provided to displaced employees. | | Extended accelerated depreciation for business property on Indian reservations; extended 15-year straight-line cost recovery for qualified leasehold and restaurant improvements; extended certain tax incentives for D.C. Zones and Gulf Opportunity Zones, provided manufacturing deduction for production activities in Puerto Rico | |
| Other | | Allowed affected states to issue GO Zone bonds for property renovation; permitted additional advance refunding for certain bonds | Established new minimum financing standards for single-employers and multiemployer defined benefit pension plans; increased the deduction limits for single-employers and multiemployer plans | Allowed a one-time rollover of HRA and health FSA funds into HSAs through 2011; repealed provision that limited the maximum deductible contribution to an HSA to that of a high-deductible insurance policy | |

SELECTED PROVISIONS OF MAJOR TAX LEGISLATION BY ACT 1981 TO 2009--CONT.

| PROVISION | Tax Increase Prevention Act of 2007 | Economic Stimulus Act of 2008 | Housing Assistance Tax Act of 2008 | Emergency Economic Stabilization Act of 2008 | American Recovery and Reinvestment Tax Act of 2009 |
|---------------------------|---|--------------------------------------|--|--|---|
| Tax Rates/Brackets | | | | | |
| Deductions | | | Allowed non-itemizing homeowners to deduct up to \$500 (\$1,000 for joint filers) of property taxes paid during 2008 | Extended through 2009 the property tax deduction for non-itemizers, the deduction for state and local sales taxes in lieu of state and local income taxes, the deduction for qualified tuition expenses, and the deduction for expenses of school teachers | Allowed a deduction for sales tax on new cars purchased in 2009 |
| Exclusions | | | | Extended the exclusion of debt forgiven on a principle residence from taxable income through 2012 | Exempts from taxation up to \$2,400 of unemployment compensation per person in 2009 |
| AMT | Increased exemption to \$44,350 for single filers; \$66,250 for married joint filers for 2007 | | Excluded tax-exempt interest on certain housing bonds from being a preference item | Increased exemption to \$46,200 for single filers; \$69,950 for married joint filers for 2008 | Increased exemption to \$46,700 for single filers; \$70,950 for married joint filers for 2009 |

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| PROVISION | Tax Increase Prevention Act of 2007 | Economic Stimulus Act of 2008 | Housing Assistance Tax Act of 2008 | Emergency Economic Stabilization Act of 2008 | American Recovery and Reinvestment Tax Act of 2009 |
|---------------------------------|--|--------------------------------------|---|---|--|
| Capital Gains, Dividends | | | | | |
| IRAs / Pension | | | | | |
| Tax Credits | | | Allowed a refundable credit for first-time homebuyers; increased and simplified the low income housing tax credit; increased the corporate AMT and research and development tax credits | Lowered the threshold for determining the refundable portion of the child tax credit to \$8,500 in 2008; extended the research tax credit and new markets tax credit through 2009 | Created the Making Work Pay Credit and the American Opportunity Tax Credit; increased the EITC credit rate to 45% for families with three or more children and increased the phaseout range by \$5,000 for joint filers in 2009; lowered the threshold for determining the refundable portion of the child tax credit to \$3,000 in 2009 and 2010; converted the first-time homebuyer credit to a refundable credit; expanded the Work Opportunity Tax Credit for 2009 and 2010 and the New Markets Tax Credit for 2008 and 2009 |

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| PROVISION | Tax Increase Prevention Act of 2007 | Economic Stimulus Act of 2008 | Housing Assistance Tax Act of 2008 | Emergency Economic Stabilization Act of 2008 | American Recovery and Reinvestment Tax Act of 2009 |
|---|--|--|---|--|--|
| Business (Expensing, Depreciation) | | For 2008, increased the limitation on expensing qualified investment to \$250,000; the maximum investment phaseout threshold to \$800,000; and the first-year depreciation allowance to 50 percent of the cost of qualifying investments | Delayed the start of new worldwide interest allocation rules; accelerated estimated tax payments for large corporations | Allowed financial institutions to treat gains or losses from the sale or exchange of Fannie Mae or Freddie Mac preferred stock as ordinary income or loss; added new limitations on the deductibility of executive compensation by employers participating in the troubled assets relief program | Extended through 2009 increased Section 179 expensing; allowed 50% bonus depreciation for 2009; increased the NOL carryback period to 5 years; allowed deferral of income on the buying back or exchanging of debt at a discount |
| Other | | Provided one-time rebate equal to the lesser of net income tax liability and \$600 (\$1,200) for individual (joint) filers. Ensured a minimum tax rebate of \$300 (\$600 for joint filers) for individuals with earnings plus Social Security plus veteran's benefits above \$3,000. Provided additional rebates of \$300 per qualified child. Reduced rebate by 5% of AGI above \$75,000 (\$150,000 for married joint filers) | Simplified the rules for tax-exempt housing bonds; temporarily extended the state and local mortgage revenue bond program | Extended and modified various renewable energy incentives, carbon mitigation and coal provisions, and transportation and domestic fuel security provisions | Allocated \$25 billion for recovery zone bonds to be issued in 2009 and 2010; extended and modified various energy conservation and renewable energy provisions |

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