

111TH CONGRESS  
1ST SESSION

# H. R. 470

To amend the Internal Revenue Code of 1986 to provide for permanent tax incentives for economic growth.

---

## IN THE HOUSE OF REPRESENTATIVES

JANUARY 13, 2009

Mr. GARRETT of New Jersey (for himself, Mr. PRICE of Georgia, and Mr. JORDAN of Ohio) introduced the following bill; which was referred to the Committee on Ways and Means, and in addition to the Committee on Appropriations, for a period to be subsequently determined by the Speaker, in each case for consideration of such provisions as fall within the jurisdiction of the committee concerned

---

## A BILL

To amend the Internal Revenue Code of 1986 to provide for permanent tax incentives for economic growth.

1 *Be it enacted by the Senate and House of Representa-*  
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE.**

4 (a) SHORT TITLE.—This Act may be cited as the  
5 “Economic Recovery and Middle-Class Tax Relief Act of  
6 2009”.

7 (b) TABLE OF CONTENTS.—

Sec. 1. Short title.

TITLE I—INCENTIVES FOR ECONOMIC GROWTH

Subtitle A—Income Tax Reductions

- Sec. 101. 2003 tax reductions made permanent.  
 Sec. 102. 5 percent reduction in individual income tax rates.  
 Sec. 103. Repeal of alternative minimum tax on individuals.  
 Sec. 104. Reduction in corporate marginal income tax rates.

Subtitle B—Reduction of Income Taxes on Capital Assets

- Sec. 111. Indexing of certain assets for purposes of determining gain or loss.  
 Sec. 112. Reduced capital gains rate for corporations.

Subtitle C—Other Provisions Related to Businesses

- Sec. 121. Repeal of certain limitations on the expensing of section 179 property.  
 Sec. 122. Research credit made permanent.  
 Sec. 123. 7-year carryback of net operating losses.

Subtitle D—Other Provisions Relating to Individuals

- Sec. 131. Child tax credit increased and made permanent.  
 Sec. 132. Distributions not required from individual retirement plans at age 70½.  
 Sec. 133. No IRA distribution during 2009 included in gross income.

TITLE II—ACROSS-THE-BOARD RESCISSIONS IN NON-DEFENSE  
 DISCRETIONARY SPENDING FOR FISCAL YEAR 2009

- Sec. 201. Across-the-board rescissions in non-defense discretionary spending for fiscal year 2009.

TITLE III—INCREASED INCENTIVES FOR EDUCATION

- Sec. 301. Increased deduction for qualified higher education expenses.  
 Sec. 302. Increased deduction for interest on student loans.

1           **TITLE I—INCENTIVES FOR**  
 2                   **ECONOMIC GROWTH**  
 3           **Subtitle A—Income Tax Reductions**

4           **SEC. 101. 2003 TAX REDUCTIONS MADE PERMANENT.**

5           Section 303 of the Jobs and Growth Tax Relief Rec-  
 6           onciliation Act of 2003 is hereby repealed.

7           **SEC. 102. 5 PERCENT REDUCTION IN INDIVIDUAL INCOME**  
 8                   **TAX RATES.**

9           (a) IN GENERAL.—Section 1 of the Internal Revenue  
 10          Code of 1986 (relating to tax imposed on individuals) is

1 amended by adding at the end the following new sub-  
2 section:

3 “(j) RATE REDUCTIONS AFTER 2007.—

4 “(1) IN GENERAL.—In the case of taxable years  
5 beginning in a calendar year after 2007, the reduced  
6 percentage specified in the following table shall be  
7 substituted for the otherwise applicable tax rate in  
8 the tables under subsections (a), (b), (c), (d), and  
9 (e).

<b>“Otherwise applicable tax rate</b>	<b>Reduced percent- age</b>
10 .....	9.5
15 .....	14.25
25 .....	23.75
28 .....	26.6
33 .....	31.35
35 .....	33.25

10 “(2) ADJUSTMENT OF TABLES.—The Secretary  
11 shall adjust the tables prescribed under subsection  
12 (f) to carry out this subsection.”.

13 (b) EFFECTIVE DATE.—The amendment made by  
14 this subsection shall apply to taxable years beginning after  
15 December 31, 2007.

16 (c) REPEAL OF EGTRRA SUNSET OF RATE REDUC-  
17 TIONS.—Title IX of the Economic Growth and Tax Relief  
18 Reconciliation Act of 2001 shall not apply to the amend-  
19 ments made by section 101 of such Act.

1 **SEC. 103. REPEAL OF ALTERNATIVE MINIMUM TAX ON INDIVIDUALS.**  
 2

3 (a) IN GENERAL.—Section 55(a) of the Internal Revenue Code of 1986 (relating to alternative minimum tax  
 4 imposed) is amended by adding at the end the following  
 5 new flush sentence:  
 6

7 “For purposes of this title, the tentative minimum tax on  
 8 any taxpayer other than a corporation for any taxable year  
 9 beginning after December 31, 2008, shall be zero.”.

10 (b) EFFECTIVE DATE.—The amendment made by  
 11 this section shall apply to taxable years beginning after  
 12 December 31, 2008.

13 **SEC. 104. REDUCTION IN CORPORATE MARGINAL INCOME TAX RATES.**  
 14

15 (a) GENERAL RULE.—Paragraph (1) of section 11(b)  
 16 of the Internal Revenue Code of 1986 is amended—

17 (1) by inserting “and” at the end of subparagraph  
 18 (A),

19 (2) by striking “but does not exceed \$75,000,”  
 20 in subparagraph (B) and inserting a period,

21 (3) by striking subparagraphs (C) and (D), and

22 (4) by striking the last 2 sentences.

23 (b) PERSONAL SERVICE CORPORATIONS.—Paragraph  
 24 (2) of section 11(b) of such Code is amended by  
 25 striking “35 percent” and inserting “25 percent”.

1 (c) CONFORMING AMENDMENTS.—Paragraphs (1)  
 2 and (2) of section 1445(e) of such Code are each amended  
 3 by striking “35 percent” and inserting “25 percent”.

4 (d) EFFECTIVE DATE.—The amendments made by  
 5 this section shall apply to taxable years beginning after  
 6 December 31, 2008, except that the amendments made  
 7 by subsection (c) shall take effect on the date of the enact-  
 8 ment of this Act.

## 9 **Subtitle B—Reduction of Income** 10 **Taxes on Capital Assets**

### 11 **SEC. 111. INDEXING OF CERTAIN ASSETS FOR PURPOSES** 12 **OF DETERMINING GAIN OR LOSS.**

13 (a) IN GENERAL.—Part II of subchapter O of chap-  
 14 ter 1 (relating to basis rules of general application) is  
 15 amended by redesignating section 1023 as section 1024  
 16 and by inserting after section 1022 the following new sec-  
 17 tion:

### 18 **“SEC. 1023. INDEXING OF CERTAIN ASSETS FOR PURPOSES** 19 **OF DETERMINING GAIN OR LOSS.**

20 “(a) GENERAL RULE.—

21 “(1) INDEXED BASIS SUBSTITUTED FOR AD-  
 22 JUSTED BASIS.—Solely for purposes of determining  
 23 gain or loss on the sale or other disposition by a tax-  
 24 payer (other than a corporation) of an indexed asset  
 25 which has been held for more than 3 years, the in-

1       dexed basis of the asset shall be substituted for its  
2       adjusted basis.

3               “(2) EXCEPTION FOR DEPRECIATION, ETC.—  
4       The deductions for depreciation, depletion, and am-  
5       ortization shall be determined without regard to the  
6       application of paragraph (1) to the taxpayer or any  
7       other person.

8               “(3) WRITTEN DOCUMENTATION REQUIRE-  
9       MENT.—Paragraph (1) shall apply only with respect  
10      to indexed assets for which the taxpayer has written  
11      documentation of the original purchase price paid or  
12      incurred by the taxpayer to acquire such asset.

13      “(b) INDEXED ASSET.—

14              “(1) IN GENERAL.—For purposes of this sec-  
15      tion, the term ‘indexed asset’ means—

16                      “(A) common stock in a C corporation  
17                      (other than a foreign corporation), or

18                      “(B) tangible property,  
19      which is a capital asset or property used in the trade  
20      or business (as defined in section 1231(b)).

21              “(2) STOCK IN CERTAIN FOREIGN CORPORA-  
22      TIONS INCLUDED.—For purposes of this section—

23                      “(A) IN GENERAL.—The term ‘indexed  
24      asset’ includes common stock in a foreign cor-

1           poration which is regularly traded on an estab-  
2           lished securities market.

3           “(B)   EXCEPTION.—Subparagraph   (A)  
4           shall not apply to—

5                   “(i) stock of a foreign investment  
6                   company,

7                   “(ii) stock in a passive foreign invest-  
8                   ment company (as defined in section  
9                   1296),

10                   “(iii) stock in a foreign corporation  
11                   held by a United States person who meets  
12                   the requirements of section 1248(a)(2),  
13                   and

14                   “(iv) stock in a foreign personal hold-  
15                   ing company.

16           “(C) TREATMENT OF AMERICAN DEPOSI-  
17           TORY RECEIPTS.—An American depository re-  
18           ceipt for common stock in a foreign corporation  
19           shall be treated as common stock in such cor-  
20           poration.

21           “(c) INDEXED BASIS.—For purposes of this sec-  
22           tion—

23                   “(1) GENERAL RULE.—The indexed basis for  
24                   any asset is—

1           “(A) the adjusted basis of the asset, in-  
2           creased by

3           “(B) the applicable inflation adjustment.

4           “(2) APPLICABLE INFLATION ADJUSTMENT.—  
5           The applicable inflation adjustment for any asset is  
6           an amount equal to—

7           “(A) the adjusted basis of the asset, multi-  
8           plied by

9           “(B) the percentage (if any) by which—

10           “(i) the gross domestic product  
11           deflator for the last calendar quarter end-  
12           ing before the asset is disposed of, exceeds

13           “(ii) the gross domestic product  
14           deflator for the last calendar quarter end-  
15           ing before the asset was acquired by the  
16           taxpayer.

17           The percentage under subparagraph (B) shall be  
18           rounded to the nearest  $\frac{1}{10}$  of 1 percentage point.

19           “(3) GROSS DOMESTIC PRODUCT DEFLATOR.—

20           The gross domestic product deflator for any cal-  
21           endar quarter is the implicit price deflator for the  
22           gross domestic product for such quarter (as shown  
23           in the last revision thereof released by the Secretary  
24           of Commerce before the close of the following cal-  
25           endar quarter).



1       “(d) SUSPENSION OF HOLDING PERIOD WHERE DI-  
2 MINISHED RISK OF LOSS; TREATMENT OF SHORT  
3 SALES.—

4           “(1) IN GENERAL.—If the taxpayer (or a re-  
5 lated person) enters into any transaction which sub-  
6 stantially reduces the risk of loss from holding any  
7 asset, such asset shall not be treated as an indexed  
8 asset for the period of such reduced risk.

9           “(2) SHORT SALES.—

10           “(A) IN GENERAL.—In the case of a short  
11 sale of an indexed asset with a short sale period  
12 in excess of 3 years, for purposes of this title,  
13 the amount realized shall be an amount equal  
14 to the amount realized (determined without re-  
15 gard to this paragraph) increased by the appli-  
16 cable inflation adjustment. In applying sub-  
17 section (c)(2) for purposes of the preceding sen-  
18 tence, the date on which the property is sold  
19 short shall be treated as the date of acquisition  
20 and the closing date for the sale shall be treat-  
21 ed as the date of disposition.

22           “(B) SHORT SALE PERIOD.—For purposes  
23 of subparagraph (A), the short sale period be-  
24 gins on the day that the property is sold and  
25 ends on the closing date for the sale.

1       “(e) TREATMENT OF REGULATED INVESTMENT  
2 COMPANIES AND REAL ESTATE INVESTMENT TRUSTS.—

3               “(1) ADJUSTMENTS AT ENTITY LEVEL.—

4                       “(A) IN GENERAL.—Except as otherwise  
5 provided in this paragraph, the adjustment  
6 under subsection (a) shall be allowed to any  
7 qualified investment entity (including for pur-  
8 poses of determining the earnings and profits of  
9 such entity).

10                      “(B) EXCEPTION FOR CORPORATE SHARE-  
11 HOLDERS.—Under regulations—

12                               “(i) in the case of a distribution by a  
13 qualified investment entity (directly or in-  
14 directly) to a corporation—

15                                       “(I) the determination of whether  
16 such distribution is a dividend shall be  
17 made without regard to this section,  
18 and

19   “(II) the amount treated as gain  
20 by reason of the receipt of any capital  
21 gain dividend shall be increased by the  
22 percentage by which the entity’s net  
23 capital gain for the taxable year (de-  
24 termined without regard to this sec-  
25 tion) exceeds the entity’s net capital

1 gain for such year determined with re-  
2 gard to this section, and

3 “(ii) there shall be other appropriate  
4 adjustments (including deemed distribu-  
5 tions) so as to ensure that the benefits of  
6 this section are not allowed (directly or in-  
7 directly) to corporate shareholders of quali-  
8 fied investment entities.

9 For purposes of the preceding sentence, any  
10 amount includible in gross income under section  
11 852(b)(3)(D) shall be treated as a capital gain  
12 dividend and an S corporation shall not be  
13 treated as a corporation.

14 “(C) EXCEPTION FOR QUALIFICATION  
15 PURPOSES.—This section shall not apply for  
16 purposes of sections 851(b) and 856(c).

17 “(D) EXCEPTION FOR CERTAIN TAXES IM-  
18 POSED AT ENTITY LEVEL.—

19 “(i) TAX ON FAILURE TO DISTRIBUTE  
20 ENTIRE GAIN.—If any amount is subject to  
21 tax under section 852(b)(3)(A) for any  
22 taxable year, the amount on which tax is  
23 imposed under such section shall be in-  
24 creased by the percentage determined  
25 under subparagraph (B)(i)(II). A similar

1 rule shall apply in the case of any amount  
2 subject to tax under paragraph (2) or (3)  
3 of section 857(b) to the extent attributable  
4 to the excess of the net capital gain over  
5 the deduction for dividends paid deter-  
6 mined with reference to capital gain divi-  
7 dends only. The first sentence of this  
8 clause shall not apply to so much of the  
9 amount subject to tax under section  
10 852(b)(3)(A) as is designated by the com-  
11 pany under section 852(b)(3)(D).

12 “(ii) OTHER TAXES.—This section  
13 shall not apply for purposes of determining  
14 the amount of any tax imposed by para-  
15 graph (4), (5), or (6) of section 857(b).

16 “(2) ADJUSTMENTS TO INTERESTS HELD IN  
17 ENTITY.—

18 “(A) REGULATED INVESTMENT COMPA-  
19 NIES.—Stock in a regulated investment com-  
20 pany (within the meaning of section 851) shall  
21 be an indexed asset for any calendar quarter in  
22 the same ratio as—

23 “(i) the average of the fair market  
24 values of the indexed assets held by such

1 company at the close of each month during  
2 such quarter, bears to

3 “(ii) the average of the fair market  
4 values of all assets held by such company  
5 at the close of each such month.

6 “(B) REAL ESTATE INVESTMENT  
7 TRUSTS.—Stock in a real estate investment  
8 trust (within the meaning of section 856) shall  
9 be an indexed asset for any calendar quarter in  
10 the same ratio as—

11 “(i) the fair market value of the in-  
12 dexed assets held by such trust at the close  
13 of such quarter, bears to

14 “(ii) the fair market value of all as-  
15 sets held by such trust at the close of such  
16 quarter.

17 “(C) RATIO OF 80 PERCENT OR MORE.—If  
18 the ratio for any calendar quarter determined  
19 under subparagraph (A) or (B) would (but for  
20 this subparagraph) be 80 percent or more, such  
21 ratio for such quarter shall be 100 percent.

22 “(D) RATIO OF 20 PERCENT OR LESS.—If  
23 the ratio for any calendar quarter determined  
24 under subparagraph (A) or (B) would (but for

1           this subparagraph) be 20 percent or less, such  
2           ratio for such quarter shall be zero.

3           “(E) LOOK-THRU OF PARTNERSHIPS.—For  
4           purposes of this paragraph, a qualified invest-  
5           ment entity which holds a partnership interest  
6           shall be treated (in lieu of holding a partnership  
7           interest) as holding its proportionate share of  
8           the assets held by the partnership.

9           “(3) TREATMENT OF RETURN OF CAPITAL DIS-  
10          TRIBUTIONS.—Except as otherwise provided by the  
11          Secretary, a distribution with respect to stock in a  
12          qualified investment entity which is not a dividend  
13          and which results in a reduction in the adjusted  
14          basis of such stock shall be treated as allocable to  
15          stock acquired by the taxpayer in the order in which  
16          such stock was acquired.

17          “(4) QUALIFIED INVESTMENT ENTITY.—For  
18          purposes of this subsection, the term ‘qualified in-  
19          vestment entity’ means—

20                 “(A) a regulated investment company  
21                 (within the meaning of section 851), and

22                 “(B) a real estate investment trust (within  
23                 the meaning of section 856).

24          “(f) OTHER PASS-THRU ENTITIES.—

25                 “(1) PARTNERSHIPS.—

1           “(A) IN GENERAL.—In the case of a part-  
2           nership, the adjustment made under subsection  
3           (a) at the partnership level shall be passed  
4           through to the partners.

5           “(B) SPECIAL RULE IN THE CASE OF SEC-  
6           TION 754 ELECTIONS.—In the case of a transfer  
7           of an interest in a partnership with respect to  
8           which the election provided in section 754 is in  
9           effect—

10           “(i) the adjustment under section  
11           743(b)(1) shall, with respect to the trans-  
12           feror partner, be treated as a sale of the  
13           partnership assets for purposes of applying  
14           this section, and

15           “(ii) with respect to the transferee  
16           partner, the partnership’s holding period  
17           for purposes of this section in such assets  
18           shall be treated as beginning on the date  
19           of such adjustment.

20           “(2) S CORPORATIONS.—In the case of an S  
21           corporation, the adjustment made under subsection  
22           (a) at the corporate level shall be passed through to  
23           the shareholders. This section shall not apply for  
24           purposes of determining the amount of any tax im-  
25           posed by section 1374 or 1375.

1           “(3) COMMON TRUST FUNDS.—In the case of a  
 2           common trust fund, the adjustment made under sub-  
 3           section (a) at the trust level shall be passed through  
 4           to the participants.

5           “(4) INDEXING ADJUSTMENT DISREGARDED IN  
 6           DETERMINING LOSS ON SALE OF INTEREST IN ENTI-  
 7           TY.—Notwithstanding the preceding provisions of  
 8           this subsection, for purposes of determining the  
 9           amount of any loss on a sale or exchange of an in-  
 10          terest in a partnership, S corporation, or common  
 11          trust fund, the adjustment made under subsection  
 12          (a) shall not be taken into account in determining  
 13          the adjusted basis of such interest.

14          “(g) DISPOSITIONS BETWEEN RELATED PERSONS.—

15                 “(1) IN GENERAL.—This section shall not apply  
 16                 to any sale or other disposition of property between  
 17                 related persons except to the extent that the basis  
 18                 of such property in the hands of the transferee is a  
 19                 substituted basis.

20                 “(2) RELATED PERSONS DEFINED.—For pur-  
 21                 poses of this section, the term ‘related persons’  
 22                 means—

23                         “(A) persons bearing a relationship set  
 24                         forth in section 267(b), and



1           “(B) persons treated as single employer  
2           under subsection (b) or (c) of section 414.

3           “(h) TRANSFERS TO INCREASE INDEXING ADJUST-  
4           MENT.—If any person transfers cash, debt, or any other  
5           property to another person and the principal purpose of  
6           such transfer is to secure or increase an adjustment under  
7           subsection (a), the Secretary may disallow part or all of  
8           such adjustment or increase.

9           “(i) SPECIAL RULES.—For purposes of this section—

10           “(1) TREATMENT OF IMPROVEMENTS, ETC.—If  
11           there is an addition to the adjusted basis of any tan-  
12           gible property or of any stock in a corporation dur-  
13           ing the taxable year by reason of an improvement to  
14           such property or a contribution to capital of such  
15           corporation—

16           “(A) such addition shall never be taken  
17           into account under subsection (c)(1)(A) if the  
18           aggregate amount thereof during the taxable  
19           year with respect to such property or stock is  
20           less than \$1,000, and

21           “(B) such addition shall be treated as a  
22           separate asset acquired at the close of such tax-  
23           able year if the aggregate amount thereof dur-  
24           ing the taxable year with respect to such prop-  
25           erty or stock is \$1,000 or more.

1 A rule similar to the rule of the preceding sentence  
2 shall apply to any other portion of an asset to the  
3 extent that separate treatment of such portion is ap-  
4 propriate to carry out the purposes of this section.

5 “(2) ASSETS WHICH ARE NOT INDEXED ASSETS  
6 THROUGHOUT HOLDING PERIOD.—The applicable in-  
7 flation adjustment shall be appropriately reduced for  
8 periods during which the asset was not an indexed  
9 asset.

10 “(3) TREATMENT OF CERTAIN DISTRIBUTIONS.—A distribution with respect to stock in a  
11 corporation which is not a dividend shall be treated  
12 as a disposition.  
13

14 “(4) SECTION CANNOT INCREASE ORDINARY  
15 LOSS.—To the extent that (but for this paragraph)  
16 this section would create or increase a net ordinary  
17 loss to which section 1231(a)(2) applies or an ordi-  
18 nary loss to which any other provision of this title  
19 applies, such provision shall not apply. The taxpayer  
20 shall be treated as having a long-term capital loss in  
21 an amount equal to the amount of the ordinary loss  
22 to which the preceding sentence applies.

23 “(5) ACQUISITION DATE WHERE THERE HAS  
24 BEEN PRIOR APPLICATION OF SUBSECTION (a)(1)  
25 WITH RESPECT TO THE TAXPAYER.—If there has

1       been a prior application of subsection (a)(1) to an  
2       asset while such asset was held by the taxpayer, the  
3       date of acquisition of such asset by the taxpayer  
4       shall be treated as not earlier than the date of the  
5       most recent such prior application.

6       “(j) REGULATIONS.—The Secretary shall prescribe  
7       such regulations as may be necessary or appropriate to  
8       carry out the purposes of this section.

9       “(k) TERMINATION.—For purposes of this section,  
10      the term ‘indexed asset’ shall not include any asset ac-  
11      quired after December 31, 2009.”.

12      (b) CLERICAL AMENDMENT.—The table of sections  
13      for part II of subchapter O of chapter 1 is amended by  
14      striking the item relating to section 1023 and by inserting  
15      after the item relating to section 1022 the following new  
16      items:

      “Sec. 1022. Indexing of certain assets for purposes of determining gain or loss.  
      “Sec. 1023. Cross references.”.

17      (c) EFFECTIVE DATE.—The amendments made by  
18      this section shall apply to sales and other dispositions of  
19      indexed assets after the date of the enactment of this Act,  
20      in taxable years ending after such date.

1 **SEC. 112. REDUCED CAPITAL GAINS RATE FOR CORPORA-**  
2 **TIONS.**

3 (a) IN GENERAL.—Section 1201 of the Internal Rev-  
4 enue Code of 1986 is amended by striking “35 percent”  
5 both places it appears and inserting “15 percent”.

6 (b) ALTERNATIVE MINIMUM TAX.—Section 55(b) of  
7 such Code is amended by adding at the end the following  
8 new paragraph:

9 “(5) MAXIMUM RATE OF TAX ON NET CAPITAL  
10 GAIN OF CORPORATIONS.—The amount determined  
11 under paragraph (1)(B)(i) shall not exceed the sum  
12 of—

13 “(A) the amount determined under such  
14 paragraph computed at the rates and in the  
15 same manner as if this paragraph had not been  
16 enacted on the taxable excess reduced by the  
17 net capital gain, plus

18 “(B) the amount determined under section  
19 1201.”.

20 (c) TECHNICAL AMENDMENTS.—

21 (1) Section 1445(e)(1) of such Code, as amend-  
22 ed by section 104, is amended by striking “25 per-  
23 cent (or, to the extent provided in regulations, 15  
24 percent)” and inserting “15 percent”.

1           (2) Section 1445(e)(2) of such Code, as so  
2           amended, is amended by striking “25 percent” and  
3           inserting “15 percent”.

4           (3) Section 7518(g)(6)(A) of such Code is  
5           amended by striking “(34 percent in the case of a  
6           corporation)”.

7           (4) Section 607(h)(6)(A) of the Merchant Ma-  
8           rine Act, 1936 is amended by striking “(34 percent  
9           in the case of a corporation)”.

10          (d) EFFECTIVE DATE.—

11           (1) IN GENERAL.—Except as provided in para-  
12          graph (2), the amendments made by this section  
13          shall apply to taxable years beginning after Decem-  
14          ber 31, 2008.

15           (2) WITHHOLDING.—The amendment made by  
16          subsection (c)(2) shall apply to amounts paid after  
17          the date of the enactment of this Act.

## 18           **Subtitle C—Other Provisions**

### 19           **Related to Businesses**

#### 20          **SEC. 121. REPEAL OF CERTAIN LIMITATIONS ON THE EX-**

#### 21                           **PENSING OF SECTION 179 PROPERTY.**

22           (a) IN GENERAL.—Section 179 of the Internal Rev-  
23          enue Code of 1986 is amended by striking subsection (b)  
24          and by redesignating subsections (c), (d), and (e) as sub-  
25          sections (b), (c), and (d), respectively.

1 (b) EXPENSING OF SECTION 1250 PROPERTY.—Sub-  
 2 paragraph (B) of section 179(c)(1) of such Code, as redes-  
 3 ignated by subsection (a), is amended by inserting “or sec-  
 4 tion 1250 property (as defined in section 1250(c))” after  
 5 “section 1245 property (as defined in section  
 6 1245(a)(3))”.

7 (c) CONFORMING AMENDMENTS.—

8 (1) Subsection (c) of section 179 of such Code,  
 9 as redesignated by subsection (a), is amended by  
 10 striking paragraphs (6) and (8), and by redesign-  
 11 ating paragraphs (7), (9), and (10) as paragraphs  
 12 (6), (7), and (8), respectively.

13 (2) Paragraph (6) of section 179(c) of such  
 14 Code, as redesignated by paragraph (1) and sub-  
 15 section (a), is amended by striking “paragraphs (2)  
 16 and (6)” and inserting “paragraph (2)”.

17 (3) Section 179 of such Code, as amended by  
 18 subsection (a), is amended by striking subsection  
 19 (d).

20 (4) Sections 42(d)(2)(B)(i), 1397D(d)(1),  
 21 1400B(b)(4)(A)(i), and 1400F(b)(4)(A)(i) of such  
 22 Code are each amended by striking “section  
 23 179(d)(2)” and inserting “section 179(c)(2)”.

24 (5) Subclause (I) of section 42(d)(2)(D)(iii) of  
 25 such Code is amended—

1 (A) by striking “section 179(d)” and in-  
2 serting “section 179(c)”, and

3 (B) by striking “section 179(d)(7)” and  
4 inserting “section 179(c)(6)”.

5 (6)(A) Subpart B of part III of subchapter U  
6 of chapter 1 of such Code is hereby repealed.

7 (B) The table of subparts for such part III is  
8 amended by striking the item relating to subpart B.

9 (7)(A) Part III of subchapter X of chapter 1 of  
10 such Code is amended by striking section 1400J.

11 (B) The table of sections for such part is  
12 amended by striking the item relating to section  
13 1400J.

14 (C) Paragraph (3) of section 1400E(b) of such  
15 Code is amended by striking “sections 1400F and  
16 1400J” and inserting “section 1400F”.

17 (8) Clause (iv) of section 1400L(b)(2)(A) of  
18 such Code is amended by striking “section 179(d)”  
19 and inserting “section 179(c)”.

20 (9) Section 1400L of such Code is amended by  
21 striking subsection (f).

22 (d) EFFECTIVE DATE.—The amendments made by  
23 this section shall apply to property placed in service in  
24 taxable years beginning after December 31, 2008.

1 **SEC. 122. RESEARCH CREDIT MADE PERMANENT.**

2 (a) IN GENERAL.—Section 41 of the Internal Rev-  
3 enue Code of 1986 (relating to credit for increasing re-  
4 search activities) is amended by striking subsection (h).

5 (b) CONFORMING AMENDMENT.—Paragraph (1) of  
6 section 45C(b) of such Code is amended by striking sub-  
7 paragraph (D).

8 (c) EFFECTIVE DATE.—The amendments made by  
9 this section shall apply to amounts paid or incurred after  
10 December 31, 2009.

11 **SEC. 123. 7-YEAR CARRYBACK OF NET OPERATING LOSSES.**

12 (a) IN GENERAL.—Clause (i) section 172(b)(1)(A) of  
13 the Internal Revenue Code of 1986 is amended by striking  
14 “2 taxable years” and inserting “7 taxable years”.

15 (b) CONFORMING AMENDMENTS.—

16 (1) Paragraph (1) of section 172(b) of such  
17 Code is amended by striking subparagraphs (F),  
18 (G), (H), (I), and (J).

19 (2) Section 172 of such Code is amended by  
20 striking subsections (i), (j), and (k) and by redesign-  
21 ating subsection (l) as subsection (i).

22 (c) EFFECTIVE DATE.—

23 (1) IN GENERAL.—Except as provided in para-  
24 graph (2), the amendments made by this section  
25 shall apply to net operating losses for taxable years  
26 ending after December 31, 2007.



1           (2) ELECTION.—In the case of a net operating  
 2           loss for a taxable year ending during 2008, any elec-  
 3           tion made under section 172(b)(3) of the Internal  
 4           Revenue Code of 1986 may (notwithstanding such  
 5           section) be revoked before January 1, 2010.

6           **Subtitle D—Other Provisions**  
 7           **Relating to Individuals**

8   **SEC. 131. CHILD TAX CREDIT INCREASED AND MADE PER-**  
 9           **MANENT.**

10          (a) INCREASED CREDIT.—Subsection (a) of section  
 11          24 of the Internal Revenue Code of 1986 is amended by  
 12          striking “\$1,000” and inserting “\$5,000”.

13          (b) INCREASED CREDIT NOT REFUNDABLE.—Sub-  
 14          paragraph (A) of section 24(d)(1) of such Code is amend-  
 15          ed to read as follows:

16                   “(A) the credit which would be allowed  
 17                   under this section—

18                           “(i) without regard to this subsection  
 19                           and the limitation under section 26(a)(2)  
 20                           or subsection (b)(3), as the case may be,  
 21                           and

22                           “(ii) if subsection (a) were applied by  
 23                           substituting ‘\$1,000’ for ‘\$5,000’, or”.

1 (c) EFFECTIVE DATE.—The amendments made by  
 2 this section shall apply to taxable years beginning after  
 3 December 31, 2008.

4 **SEC. 132. DISTRIBUTIONS NOT REQUIRED FROM INDIVIDUAL RETIREMENT PLANS AT AGE 70½.**

6 Paragraph (9) of section 401(a) of the Internal Revenue Code of 1986 (relating to required distributions) is  
 7 amended by adding at the end the following new subparagraph:  
 9 graph:

10 “(I) EXCEPTION FOR INDIVIDUAL RETIREMENT PLANS.—The requirements of this paragraph shall not apply to any individual retirement plan for any calendar year after 2009.”.

14 **SEC. 133. NO IRA DISTRIBUTION DURING 2009 INCLUDED IN GROSS INCOME.**

16 Subsection (d) of section 408 of the Internal Revenue Code of 1986 (relating to individual retirement accounts)  
 17 is amended by adding at the end the following new paragraph:  
 19 graph:

20 “(10) DISTRIBUTIONS DURING 2009.—

21 “(A) IN GENERAL.—Gross income of an  
 22 individual for the taxable year does not include  
 23 any distribution during 2009 from an individual  
 24 retirement plan (other than a plan described in  
 25 subsection (k) or (p)) to the extent such dis-

1           tribution is otherwise includible in gross in-  
2           come.

3                   “(B) APPLICATION OF SECTION 72.—Not-  
4           withstanding section 72, in determining the ex-  
5           tent to which an amount is treated as otherwise  
6           includible in gross income for purposes of sub-  
7           paragraph (A), the aggregate amount distrib-  
8           uted from an individual retirement plan shall be  
9           treated as includible in gross income to the ex-  
10          tent that such amount does not exceed the ag-  
11          gregate amount which would have been so in-  
12          cludible if all amounts from all individual retire-  
13          ment plans were distributed. Proper adjust-  
14          ments shall be made in applying section 72 to  
15          other distributions in such taxable year and  
16          subsequent taxable years.”.

1 **TITLE II—ACROSS-THE-BOARD**  
2 **RESCISSIONS IN NON-DE-**  
3 **FENSE DISCRETIONARY**  
4 **SPENDING FOR FISCAL YEAR**  
5 **2009**

6 **SEC. 201. ACROSS-THE-BOARD RESCISSIONS IN NON-DE-**  
7 **FENSE DISCRETIONARY SPENDING FOR FIS-**  
8 **CAL YEAR 2009.**

9 (a) ACROSS-THE-BOARD RESCISSIONS.—There is  
10 hereby rescinded an amount equal to 1 percent of—

11 (1) the budget authority provided (or obligation  
12 limitation imposed) for fiscal year 2009 for any non-  
13 defense discretionary account in any fiscal year 2009  
14 appropriation Act;

15 (2) the budget authority provided in any ad-  
16 vance appropriation for fiscal year 2009 for any  
17 non-defense discretionary account in any prior fiscal  
18 year appropriation Act; and

19 (3) the contract authority provided in fiscal  
20 year 2009 for any program that is subject to a limi-  
21 tation contained in any fiscal year 2009 appropria-  
22 tion Act for any non-defense discretionary account.

23 (b) NON-DEFENSE DISCRETIONARY ACCOUNT.—For  
24 purposes of subsection (a), the term “non-defense discre-

1 tionary account” means any discretionary account, other  
2 than—

3 (1) any account included in a Department of  
4 Defense Appropriations Act;

5 (2) any account included in a Military Quality  
6 of Life and Veterans Affairs Appropriations Act; or

7 (3) any account for Department of Energy de-  
8 fense activities included in an Energy and Water  
9 Development Appropriations Act.

10 (c) PROPORTIONATE APPLICATION.—Any rescission  
11 made by subsection (a) shall be applied proportionately—

12 (1) to each discretionary account and each item  
13 of budget authority described in such subsection;  
14 and

15 (2) within each such account and item, to each  
16 program, project, and activity (with programs,  
17 projects, and activities as delineated in the appro-  
18 priation Act or accompanying reports for the rel-  
19 evant fiscal year covering such account or item, or  
20 for accounts and items not included in appropriation  
21 Acts, as delineated in the most recently submitted  
22 President’s budget).

23 (d) SUBSEQUENT APPROPRIATION LAWS.—In the  
24 case of any fiscal year 2009 appropriation Act enacted  
25 after the enactment of this section, any rescission required

1 by subsection (a) shall take effect immediately after the  
2 enactment of such Act.

3 (e) OMB REPORT.—Within 30 days after the enact-  
4 ment of this section (or, if later, 30 days after the enact-  
5 ment of any fiscal year 2009 appropriation Act), the Di-  
6 rector of the Office of Management and Budget shall sub-  
7 mit to the Committees on Appropriations of the House  
8 of Representatives and the Senate a report specifying the  
9 account and amount of each rescission made pursuant to  
10 subsection (a).

## 11 **TITLE III—INCREASED** 12 **INCENTIVES FOR EDUCATION**

### 13 **SEC. 301. INCREASED DEDUCTION FOR QUALIFIED HIGHER** 14 **EDUCATION EXPENSES.**

15 (a) IN GENERAL.—Paragraph (2) of section 222(b)  
16 of the Internal Revenue Code of 1986 (relating to dollar  
17 limitations on qualified tuition and related expenses) is  
18 amended to read as follows:

19 “(2) DOLLAR LIMITATIONS.—

20 “(A) IN GENERAL.—In the case of any  
21 taxable year beginning after 2008, the applica-  
22 ble dollar amount shall be equal to—

23 “(i) in the case of a taxpayer whose  
24 adjusted gross income for the taxable year

1 does not exceed \$75,000 (\$150,000 in the  
2 case of a joint return), \$6,000,

3 “(ii) in the case of a taxpayer not de-  
4 scribed in clause (i) whose adjusted gross  
5 income for the taxable year does not ex-  
6 ceed \$90,000 (\$180,000 in the case of a  
7 joint return), \$2,000, and

8 “(iii) in the case of any other tax-  
9 payer, zero.

10 “(B) ADJUSTED GROSS INCOME.—For  
11 purposes of this paragraph, adjusted gross in-  
12 come shall be determined—

13 “(i) without regard to this section and  
14 sections 199, 911, 931, and 933, and

15 “(ii) after application of sections 86,  
16 135, 137, 219, 221, and 469.”.

17 (b) EFFECTIVE DATE.—The amendment made by  
18 this section shall apply to taxable years beginning after  
19 December 31, 2008.

20 **SEC. 302. INCREASED DEDUCTION FOR INTEREST ON STU-**  
21 **DENT LOANS.**

22 (a) INCREASED DEDUCTION.—Paragraph (1) of sec-  
23 tion 223(b) of the Internal Revenue Code of 1986 (relat-  
24 ing to interest on education loans) is amended to read as  
25 follows:

1           “(1) MAXIMUM DEDUCTION.—Except as pro-  
2       vided in paragraph (2), the deduction allowed by  
3       subsection (a) for the taxable year shall not exceed  
4       \$3,750.”.

5       (b) EXPANDED INCOME ELIGIBILITY.—Subclause  
6       (II) of section 223(b)(2)(B)(i) of such Code is amended  
7       by striking “\$50,000 (\$100,000” and inserting “\$75,000  
8       (\$150,000”.

9       (c) EFFECTIVE DATE.—The amendments made by  
10      this section shall apply to taxable years beginning after  
11      December 31, 2008.

○