Highway bill – Finance Division Summary

EXTENSIONS

1. **Extension of Trust Fund Expenditure Authority and Related Taxes.** Extends authority to spend from the Surface Transportation trust fund, the Sportfish Restoration and Boating trust fund, and the Leaking Underground Storage Tank trust fund through October 1, 2021. Extends related tax authorities through October 1, 2023.

2. **General fund transfers.** Transfers savings obtained from the bill's offsets into the Surface Transportation trust fund.

3. **Deposit Motor Vehicle Penalties in the Highway Trust Fund.** The provision would deposit the civil penalties related to motor vehicle safety in the highway trust fund instead of in the Treasury's General Fund. *Offset estimate: $550 million*

TAX COMPLIANCE

1. **Modification of mortgage information reporting requirements.** Current law requires lenders to provide the IRS with each borrower's name, address, and taxpayer identification number, as well as the amount of interest paid in a given year (including discount points) on a mortgage. This provision would require lenders to also provide the origination date of the mortgage, the amount of outstanding principal at the end of a calendar year, and the property's address – all of which would help reduce inaccurate reporting. The provision would apply to returns and statements the due date for which (determined without regard to extensions) is after December 31, 2016, and is estimated to raise $1.806 billion over 10 years.

2. **Require consistency between estate tax value and income tax basis of assets acquired from a decedent.** Many years after inheriting property, beneficiaries can overstate the value of a piece of property at the date of inheritance on their income tax returns and, as a result, understate their income tax liability on profits made when they sell it. This provision would require those estates with positive estate tax liability to provide the IRS the value of a piece of property upon the owner's death. The provision would apply to transfers for which an estate tax return is filed after the date of enactment, and is estimated to raise $1.542 billion over 10 years.

3. **Clarify the 6-year statute of limitations in the case of overstatement of basis.** Current law gives the IRS six years to reassess taxpayers who substantially understate income (by 25

percent or more). The Supreme Court ruled that this statute does not apply in cases where taxpayers misrepresent the “basis” (or original cost) of a piece of property and, as a result, substantially understate their tax liability when they sell it. This provision would make the intent of the law clear and affirm that the six-year rule also applies in cases where any overstatement of basis results in a substantial omission of income. The provision would apply to returns filed after the date of enactment as well as to returns filed on or before the date of enactment if the assessment period is still open with respect to those returns as of the date of enactment, and is estimated to raise $1.206 billion over 10 years.

4. **Change the filing due dates of certain tax and information returns.** These provisions would modify the rules on tax return-filing deadlines for partnerships, S corporations, and C corporations. Such modifications would provide for a better flow of required tax return information between entities and those who invest in them, allowing for improved compliance by taxpayers, improved accuracy of tax and information returns, and a reduced number of amended returns. In general, these provisions would apply to returns for taxable years beginning after December 31, 2015, and are estimated to raise $0.285 billion over 10 years.

5. **Revocation or denial of passport in case of certain unpaid taxes.** This provision would authorize the Federal government to deny the application for a passport when an individual has more than $50,000 (indexed for inflation) of unpaid federal taxes which the IRS is collecting through enforcement action. It would also permit the Federal government to revoke a passport for such individuals. Before revocation, however, the Federal government would be allowed to limit a previously issued passport only for return travel to the United States or to issue a limited passport that only permits return travel to the United States. The provision would be effective on January 1, 2016, and is estimated to raise $0.398 billion over 10 years.

6. **Reform of rules related to qualified tax collection contracts.** These provisions would require the federal government to use private debt collection agencies to help facilitate the collection of taxes owed the government. The provisions incorporate safeguards such as narrowing the class of receivables subject to collection and giving priority to previously approved contractors to protect taxpayer rights and privacy. The provisions would generally be effective upon date of enactment and are estimated to raise $2.384 billion over 10 years.

7. **Allow employers to transfer excess defined-benefit-plan assets to retiree medical accounts and group-term life insurance.** The Highway, Investment, Job Creation, and Economic Growth Act of 2012 (MAP-21) gave employers this option through the end of 2021. This provision would extend the rule through the end of 2025. Offset estimate: $172 million.

FEES & RECEIPTS

1. **Extend deposits of TSA (security service) fees in the general fund**. Current law mandates that certain TSA fees be deposited in the general fund through 2024. This provision merely extends the deposits of TSA fees into the general fund by two years, pulling more funds into the 10-year window. *Offset estimate: $3.5 billion.*

2. **Index customs user fees to inflation**. Customs user fees are collected by the U.S. Customs service to offset inspection costs. The proposal would index the fees to inflation, so the real cost of the fees would remain the same over time, instead of decreasing as inflation diminished the value of the fees. *Offset estimate: $5.7 billion.*

3. **Change the fixed dividend rate paid by the Federal**. The fixed 6.0% interest rate in current law was put in place in the 1930s, in part to assure that the Federal Reserve System gained bank membership. That assurance is no longer necessary. The overly generous 6.0% rate will be reduced to 1.5% for large banks (over $1 billion in consolidated assets) and maintained at 6.0% for banks under that threshold. *Offset estimate: $17.1 billion.*

4. **Provide for drawdown and sale of crude oil from the Strategic Petroleum Reserve (SPR).** The SPR has a 727 million barrel capacity; as of June 26, 2015, it held 693.7 million barrels. This provision, with emergency protection, calls for the Secretary of Energy to draw down and sell 101 million barrels of crude oil from the SPR over the period of fiscal years 2018 through 2025. *Offset estimate: $9.0 billion.*

5. **Extend the expiration date for enterprise guarantee fees**. As compensation for providing a guarantee on repayment of the mortgages underlying mortgage-backed securities, Fannie Mae and Freddie Mac charge mortgage lenders guarantee fees. These fees are set to decline by 10 basis points (a basis point is one hundredth of one percent) at the end of 2021. This provision would extend the current level of fees through 2025. The regulator for Fannie Mae and Freddie Mac recently completed a review of the guarantee fees and found “no compelling economic reason to change the general level of fees” which are continued by this provision. *Offset estimate: $1.9 billion.*

OUTLAYS

1. **Rescind unused TARP funds (funds that have not been committed in contracts) for the Hardest Hit Fund program**. Since its inception, the HHF has been criticized by the Special Inspector General for TARP as being ineffective, without objectives, and poorly administered. House prices have sufficiently recovered, and foreclosure activities have sufficiently abated, so that funds in this would be better put to use for Americans in infrastructure investments. *Offset estimate: $1.7 billion.*

2. **Strike the requirement that the Office of National Resources Revenue (ONRR) pay interest on overpayments**. ONRR, which is part of the Department of the Interior, believes that some lessees overpay deliberately in order to engage in "banking with ONRR" and that the ONRR interest rate is in some cases greater than that offered by other interest earning mechanisms. This provision is part of the President's FY 2016 budget. *Offset estimate: $320 million.*