Deloitte.

Policy, politics, and the prospects for tax extenders

October 28, 2014

Contents

Introduction

As we think about what Congress has accomplished on its tax legislative agenda now that lawmakers are in recess until after the November 4 midterm elections, developments around the extension of the 55 temporary tax provisions that expired at the end of 2013 remind us once again of the difference between "action" and "progress."

This publication highlights the current status of legislative efforts in the House and Senate to renew the expired tax extenders provisions; examines the political, procedural, and policy reasons why these provisions remain in limbo nearly a year after they expired; considers what action lawmakers may take in the post-election lame duck session; and provides a table listing each expired tax provision and its legislative status.

Overview

Since May, the House has approved a series of bills sent up from the Ways and Means Committee that would permanently extend the following expired tax provisions:

- The research and experimentation (R&E) credit;
- Bonus depreciation;
- Increased small business expensing limits under section 179;
- The enhanced deduction for charitable contributions of food inventory;
- The gross income exclusion for qualified charitable distributions from an individual retirement account for individuals age 70-1/2 and older;
- The increased percentage limits and extended carryforward period for qualified conservation contributions;
- The reduction in the recognition period for S corporation built-in gains tax; and
- The basis adjustment to stock of S corporations making charitable contributions of property.

In addition, permanent extensions of two other expired provisions — the subpart F exemption for active financing income and the lookthrough rule for payments between related controlled foreign corporations (CFCs) — were approved in the Ways and Means Committee earlier this year but have not received a vote on the House floor.

Several of the House-passed provisions — the R&E credit, bonus depreciation, increased section 179 expensing limits, and the S corporation incentives — were even *reapproved* as part of H.R. 4, an omnibus jobs bill that cleared the House shortly before lawmakers left Capitol Hill in September to hit the campaign trail.

The House has taken no action on dozens of other expired tax extenders, however.

Across the rotunda, the Senate Finance Committee has taken a more traditional approach to extenders. It approved legislation (S. 2260) in April that would retroactively extend for two years most — but not all — of the now-expired extenders provisions; but Senate leaders have been unable to move that bill through the chamber due to a partisan dispute over amendments.

So what's happening and how might the House and Senate reconcile their two distinctly different approaches to extenders legislation once they return to Washington for the post-election lame duck session in November?

Senate developments

Events in the Senate are relatively easy to explain from a political perspective. Recognizing that very few tax-related bills reach the Senate floor, Republicans appear to have been using the Finance Committee's extenders package as an opportunity to try to force votes on amendments, especially one to repeal the medical device excise tax that was enacted in the Patient Protection and Affordable Care Act (PPACA).

For his part, Majority Leader Harry Reid, D-Nev., had two reasons for wanting to keep a medical device amendment from coming to the Senate floor.

- First, he likely wanted to prevent Democratic incumbents who are viewed as vulnerable in the upcoming midterm congressional elections from having to cast difficult votes.

- Second, he recognizes that there may be support among some Senate Democrats for repealing the tax and that such an amendment conceivably could pass if enough of those Democrats break ranks and join Republicans in casting an "aye" vote. Reid may have been reluctant to let a bill clear the chamber that chips away at the president's signature health care legislation, both because of its substantive impact but also because he may suspect it could lead to an enhanced GOP effort to find other pieces of the PPACA to try to repeal.

Thus, Reid was able to use Senate parliamentary rules to prevent the extenders bill from being amended. But Republicans in turn blocked procedural motions — which require a 60-vote supermajority for passage — that would have allowed the underlying extenders legislation to move forward, so Reid ultimately pulled it from the floor. (A similar standoff has occurred on other bills, leading to finger-pointing by both sides as to who is to blame for the lack of legislative action in the Senate.)

Finance Committee Chairman Ron Wyden, D-Ore., and ranking Republican Orrin Hatch of Utah worked behind the scenes during the spring and summer to broker an agreement to allow a limited number of amendments on extenders, but those efforts proved unsuccessful; moreover, Finance Committee leaders had to devote an increasing amount of energy during the summer to patching the Highway Trust Fund before it ran out of money. That confluence of circumstances effectively put extenders legislation on ice in the Senate until after the November midterm elections.

House developments

The endgame for extenders in the House is more complicated. A straight two-year extension of expired tax provisions conceivably could win approval in the House, but Republican leaders probably would have to rely on Democratic votes for that to happen. That is because many rank-and-file House Republicans have become leery of what they perceive as “crony capitalism” in the traditional extenders process. This sentiment has been growing for some time and arguably was augmented by Ways and Means Committee Chairman Dave Camp’s, R-Mich., campaign for tax reform, which has highlighted the fact that many tax expenditures (whether temporary or permanent) work to the benefit of some taxpayers while implicitly imposing higher marginal rates on others to make up for the lost revenue.

Although there is broad bipartisan support for the most expensive of the traditional extenders provisions — the research credit, the subpart F active financing exception, and lookthrough rules for payments between related CFCs, to name just a few — the extenders list as a whole includes enough industry-specific items to make some House Republicans wary of supporting a broad package — like the one approved in the Senate Finance Committee — if it came up for a vote on the House floor.

To avoid exposing these intra-party fissures, Camp, House Speaker John Boehner, R-Ohio, and Republican leaders instead opted to move permanent extensions of discrete extenders provisions rather than another broad temporary package as Congress has done in the past.

Laying the groundwork for tax reform – Beyond addressing an immediate political concern, the strategy of advancing permanent tax extenders may serve two other purposes for House leaders. First, doing so could help cement the legacy of Ways and Means Chairman Camp, who did not seek re-election and is retiring from Congress at the end of this year. Although Camp was not able to get the House to take up the tax reform discussion draft that he unveiled in February, securing permanent status for key tax extenders would be an important achievement for him.

Second, making several of the larger extenders items permanent, rather than just renewing them for a year or two, would significantly alter the budget baseline for tax reform and make the task of overhauling the tax code easier for those who take up the challenge in the future. Camp’s discussion draft revealed the difficulty of meeting current revenue levels while also getting rates down to his target of 25 percent. Making certain extenders permanent would allow the next Ways and Means Committee chairman to pursue reform that includes less base broadening, more rate reduction, or some combination of the two.

Numbers exercise – According to the nonpartisan Joint Committee on Taxation (JCT) staff, enacting all of the permanent extenders provisions approved by the Ways and Means Committee would reduce federal revenues by about $730 billion over 10 years. That may not sound like much in an economy that is expected to generate an estimated $40 trillion in federal tax receipts over the same period. But it’s worth noting that the JCT staff also estimates that Camp’s February tax reform discussion draft would *raise* $730 billion from base-broadening proposals to:

- Amortize research and experimentation costs ($193 billion);
- Amortize advertising costs ($169 billion);
- Phase out the section 199 deduction ($116 billion);
- Impose an excise tax on systemically important financial institutions ($86 billion);
- Repeal LIFO accounting ($79 billion);
- End the tax exclusion for certain fringe benefits ($39 billion);
- Modify the rules for excluding gain on home sales ($16 billion);
- Impose new limitations on deductibility of executive compensation ($12 billion);
- Modify rules for related-party reinsurance ($9 billion);
- Repeal the percentage depletion allowance ($5 billion);
- Repeal the credit for adoption expenses ($5 billion); and
- Tax certain income from carried interests as ordinary income ($3 billion).

When viewed in this context, building a permanent extension of the largest extenders into the budget baseline would make tax reform much easier, because it would lower revenue targets and, in turn, give taxwriters more flexibility as they make decisions about what base broadeners would be necessary to achieve the desired level of rate reduction.

Important caveats – Given the enormous number of moving pieces in Camp's tax reform discussion draft, the JCT staff's revenue estimates are heavily laden with interactive effects. Because of this, the revenue score of any one item (like the $193 billion raised by requiring amortization of research and experimentation costs) may be higher or lower when considered on its own or if removed from this package. Nevertheless, the numbers show clearly why Camp's own staff has called the extenders process this year a "baseline building exercise."

Potential difficulties – But even though this approach may clear a path for tax reform, there are still potential downsides. First, if only the most popular extenders provisions are made permanent — or even renewed for four or five years — it becomes that much more difficult to address smaller or more targeted provisions that are left behind, especially now that the individual alternative minimum tax (AMT) has been permanently indexed for inflation and the annual AMT "patch" is no longer available to drive action on extenders legislation. As a result, removing additional "must-do" items from the extenders package likely means some provisions could become more vulnerable to remaining lapsed in the future.

Building permanent extenders into the baseline also could create challenges for the next House Budget Committee chairman. In 2015, the House GOP (which is expected to retain control of the House following the 2014 elections) is all but certain to want to propose balancing the budget within 10 years and to do so with only spending cuts. That was a challenge for current Budget Committee Chairman Paul Ryan, R-Wis., this year; but it will be even more difficult next year, since a relatively low-deficit year (2015) will be outside the 10-year budget window and a higher-deficit year (2025) will fall within it. Anything that makes extenders permanent — or even gives them a long-term lease on life — reduces projected revenue inside the budget window and therefore expands the already wide gap between spending and tax receipts, making the task of writing a budget that balances within a decade even more difficult.

Incongruities – It's also worth noting that there are some incongruities between Chairman Camp's extenders proposals and his tax reform proposals. Camp's tax reform draft calls for ending many temporary tax preferences and slowing down depreciation recovery periods. But his build-the-baseline exercise on extenders has so far proposed to revive — and even expand — two provisions that he wanted to eliminate as part of tax reform: bonus depreciation and the deduction for charitable contributions of food inventory. Moreover, some provisions that he proposed to retain in his tax reform draft have been enriched under his permanent extenders plan. For example, the permanent credit for research and experimentation expenses that Camp included in his February discussion draft is relatively inexpensive — $34.1 billion over 10 years, according to the JCT staff — in part because it excludes computer software as an eligible expense. But the permanent research credit legislation that the House approved in May omits that limitation *and* would increase the proposed permanent alternative simplified credit to 20 percent — above the 15 percent Camp called for in his tax reform discussion draft. (The JCT estimates that the House-approved bill would reduce federal revenues by $155.5 billion over 10 years.)

So what may happen?

We cannot say exactly how the extenders process may unfold when lawmakers come back to Capitol Hill for the lame duck session after the elections, but it would appear right now that enactment of a large swath of *permanent* provisions is likely out of the question. Democrats understand the long-term impact on the revenue baseline of what Camp is trying to achieve. Senate Democratic leaders have not taken up any of the House-approved permanent extenders bills and are likely to push for another short-term extension of these provisions instead. We do think it is possible, however, that we could see a permanent — or at least a long-term — extension of a few selected items as part of a broader short-term package. For example, there may be enough support in Congress for a permanent research credit and a longer-term (if not permanent) extension of section 179 expensing; but Senate Democrats are likely to agree to those only if they receive other, as yet unspecified, concessions from House Republicans. It is an open question as to whether there is sufficient common ground to build support for a package that gives a short-term extension to most of the nearly five-dozen extenders but includes a longer (if not permanent) extension for a few select items.

There are, however, obstacles that have to be overcome in order for extenders to be addressed this year, including:

- The apparent lack of any progress to date between the chambers in resolving their very different approaches to extenders legislation.
- The desire by many House Republicans to ensure that certain expired tax provisions are not renewed. The production tax credit for electricity produced by wind and other renewable energy sources is an example of an extender that has some strong Republican opposition in the House but remains a high priority for many members of both parties, especially in the Senate.
- Concern by Speaker Boehner that acting on a full extenders package that a substantial bloc of House Republicans may not support could make it more difficult for him to win the necessary 218 votes to be re-elected as speaker in January.
- Concern that if Republicans gain control of the Senate in the November elections, Majority Leader Reid may allocate many of the few legislative days in the lame duck session to voting on judicial and executive branch nominations.

There is ample bipartisan support to address many of the extenders for 2014 and 2015 prior to year-end, so we think the odds substantially favor passage of an extenders package before the end of the year. But like much in Washington today, what may be possible for policy reasons can be derailed for political reasons, making this an issue where sudden changes in fortune would not be surprising.

The tables that follow provide a high-level comparison of the extenders provisions approved by the House of Representatives and the Senate Finance Committee.

How the House and Senate extenders provisions stack up

The tables below compare the extenders provisions included in the separate bills that have cleared the House of Representatives since May, the omnibus jobs bill (H.R. 4) approved by the House in September, and the consolidated extenders package (S. 2260) approved by the Senate Finance Committee in April. Unless otherwise indicated, provisions generally would be effective retroactively to December 31, 2013.

General business credits and incentives		
Provision	**House proposal**	**Senate Finance Committee proposal**
Research and experimentation credit	**[H.R. 4438, H.R. 4]** Permanently extend modified version of alternative simplified research credit and repeal traditional 20 percent credit calculated using a base period. Modified credit would equal (1) 20 percent of qualified research expenses for the tax year that exceed 50 percent of a taxpayer's average qualified research expenses in the three preceding tax years, plus (2) 20 percent of basic research expenses for the tax year that exceed 50 percent of a taxpayer's average basic research expenses in the three preceding tax years, plus (3) 20 percent of all expenses (without regard to a base amount) paid to an energy research consortium for research conducted for the taxpayer. Taxpayers with no qualified research expenses in any of the preceding three tax years would be permitted to claim a reduced research credit at a rate of 10 percent.	Extend through Dec. 31, 2015. Expand to allow qualifying start-up companies (less than five years old and with less than $5 million in gross receipts) to claim the credit against their share of payroll taxes paid on employee wages; benefit capped at $250,000 per year.
Bonus depreciation	**[H.R. 4718, H.R. 4]** Extend permanently. Modify to (1) expand definition of qualified property to include qualified retail improvement property; (2) make permanent the special rule for allocation of bonus depreciation to a long-term contract; (3) index prior-law $8,000 increase in depreciation deduction limitation for certain passenger automobiles to automobile price inflation; and (4) allow taxpayers to claim bonus depreciation on trees and vines bearing fruits or nuts.	Extend through Dec. 31, 2015.
Election to accelerate AMT credits in lieu of first-year bonus depreciation	**[H.R. 4718, H.R. 4]** Extend permanently. Modify to limit bonus depreciation amount for a taxable year to the lesser of (1) 50 percent of the minimum tax credit for the first taxable year ending after Dec. 31, 2013, or (2) the minimum tax credit for the taxable year allocable to the adjusted net minimum tax imposed for taxable years ending before Jan. 1, 2014 (determined before the application of any tax liability limitation and determined on a first-in, first-out basis).	Extend through Dec. 31, 2015.

General business credits and incentives		
Provision	**House proposal**	**Senate Finance Committee proposal**
Subpart F exceptions for active financing income	[**H.R. 4429]** Permanent extension approved by the Ways and Means Committee but has ***not been voted on in the House***.	Extend through Dec. 31, 2015.
Lookthrough treatment of payments between related controlled foreign corporations under the foreign personal holding company rules	**[H.R. 4464]** Permanent extension approved by the Ways and Means Committee but has ***not been voted on in the House***.	Extend through Dec. 31, 2015.
15-year straight-line cost recovery for qualified leasehold improvements, qualified restaurant buildings and improvements, and qualified retail improvements	No provision.	Extend through Dec. 31, 2015.
Increased expensing limits ($500,000/$2 million) and expanded definition of section 179 property	**[H.R. 4457, H.R. 4]** Extend permanently. Expand to permanently treat off-the-shelf computer software as qualifying property; permanently treat qualified real property as eligible section 179 property; remove the limitation related to the amount of qualified real property that qualifies as section 179 property; and strike language in section 179(d)(1) that excludes air conditioning and heating units from the definition of qualifying property.	Extend through Dec. 31, 2015. Modify to index expensing limits to inflation.
Credit for certain expenditures for maintaining railroad tracks	No provision.	Extend through Dec. 31, 2015.
Mine rescue team training credit	No provision.	Extend through Dec. 31, 2015.
Employer wage credit for activated military reservists	No provision.	Extend through Dec. 31, 2015. Modify to (1) expand availability to employers of any size and (2) increase credit rate to 100 percent of eligible differential wage payments.
Three-year depreciation for race horses two years old or older	No provision.	Extend through Dec. 31, 2015. Expand to apply to any race horse regardless of age when placed in service.
Seven-year recovery period for motorsports entertainment complexes	No provision.	Extend through Dec. 31, 2015.
Accelerated depreciation for business property on an Indian reservation	No provision.	Extend through Dec. 31, 2015.

How the House and Senate extenders provisions stack up

General business credits and incentives		
Provision	**House proposal**	**Senate Finance Committee proposal**
Placed-in-service date for partial expensing of certain refinery property	No provision.	No provision.
Election to expense advanced mine safety equipment	No provision.	Extend through Dec. 31, 2015.
Special expensing rules for certain film and television productions	No provision.	Extend through Dec. 31, 2015. Expand to include qualified live theatrical productions.
Deduction allowable with respect to income attributable to domestic production activities in Puerto Rico	No provision.	Extend through Dec. 31, 2015.
Treatment of certain dividends of regulated investment companies (RICs)	No provision.	Extend through Dec. 31, 2015.
RIC qualified investment entity treatment under the Foreign Investment in Real Property Tax Act (FIRPTA)	No provision.	Extend through Dec. 31, 2015.
Special rules for qualified small business stock	No provision.	Extend through Dec. 31, 2015.
Reduction in recognition period for S corporation built-in gains tax	**[H.R. 4453, H.R. 4]** Extend permanently.	Extend through Dec. 31, 2015.
Temporary increase in limit on cover-over of rum excise tax revenues (from $10.50 to $13.25 per proof gallon) to Puerto Rico and the Virgin Islands	No provision.	Extend through Dec. 31, 2015.
Determination of low-income housing credit rate for credit allocations with respect to nonfederally subsidized buildings	No provision.	Extend through Dec. 31, 2015. Modify to establish 4 percent minimum credit rate for acquisition of existing housing that is not federally subsidized; existing housing that is also financed with tax-exempt bonds is considered federally subsidized for this purpose and is ineligible for 4 percent credit rate.
Treatment of military basic housing allowance under low-income housing tax credit	No provision.	Extend through Dec. 31, 2015.
Provisions from the Pension Protection Act of 2006 related to funding of multiemployer pension plans	No provision.	Extend for one year, through Dec. 31, 2015. (Currently set to expire at the end of 2014.)

Energy tax incentives		
Provision	**House proposal**	**Senate Finance Committee proposal**
Beginning-of-construction date for renewable power facilities eligible to claim the electricity production credit or investment credit in lieu of the production credit	No provision.	Extend through Dec. 31, 2015.
Credit for construction of new energy-efficient homes	No provision.	Extend through Dec. 31, 2015.
Credit for energy-efficient appliances	No provision.	No provision.
Deduction for energy-efficient commercial buildings	No provision.	Extend through Dec. 31, 2015. Modify to (1) permit tribal governments and nonprofits (as defined in section 501(c)(3)) to allocate the deduction to the person primarily responsible for designing the property, in the same manner as is allowed for public property and (2) update energy-efficiency standards for qualifying buildings.
Credit for energy-efficiency improvements to existing homes	No provision.	Extend through Dec. 31, 2015. Modify to (1) expand qualifying property to roofs and roof products that meet Energy Star program guidelines and (2) update energy-efficiency standards for certain qualifying property.
Alternative fuel vehicle refueling property (nonhydrogen refueling property)	No provision.	Extend through Dec. 31, 2015.
Incentives for biodiesel and renewable diesel: (1) Income tax credits for biodiesel fuel, biodiesel used to produce a qualified mixture, and small agribiodiesel producers; (2) Income tax credits for renewable diesel fuel and renewable diesel used to produce a qualified mixture; (3) Excise tax credits and outlay payments for biodiesel fuel mixtures; (4) Excise tax credits and outlay payments for renewable diesel fuel mixtures	No provision.	Extend through Dec. 31, 2015.
Special rule for sales or dispositions to implement Federal Energy Regulatory Commission (FERC) or state electric restructuring policy	No provision.	Extend through Dec. 31, 2015.

How the House and Senate extenders provisions stack up

Energy tax incentives		
Provision	**House proposal**	**Senate Finance Committee proposal**
Incentives for alternative fuel and alternative fuel mixtures: (1) Excise tax credits and outlay payments for alternative fuel; (2) Excise tax credits for alternative fuel mixtures	No provision.	Extend through Dec. 31, 2015. Modify to include liquefied hydrogen.
Second generation biofuel producer credit (formerly cellulosic biofuel producer credit)	No provision.	Extend through Dec. 31, 2015.
Special depreciation allowance for second generation biofuel plant property	No provision.	Extend through Dec. 31, 2015.
Credit for production of Indian coal	No provision.	Extend through Dec. 31, 2015.
Credit for two- or three-wheeled plug-in electric vehicles	No provision.	Extend credit for two-wheeled vehicles through Dec. 31, 2015. Eliminate credit for three-wheeled vehicles.
Alternative motor vehicle credit for qualified fuel cell vehicles	No provision.	Extend for one year, through Dec. 31, 2015. (Currently set to expire at the end of 2014.)

Infrastructure, economic development, and community assistance provisions		
Provision	**House proposal**	**Senate Finance Committee proposal**
New markets tax credit	No provision.	Extend through Dec. 31, 2015. Modify to permit clawback of unused credits to finance manufacturing communities tax credit allocated to communities that have experienced a major job loss event.
Work opportunity tax credit	No provision.	Extend through Dec. 31, 2015. Modify to (1) expand availability of the credit to employers hiring individuals who have exhausted regular benefits under state and federal unemployment compensation laws (credit rate of 40 percent on first $6,000 of wages paid to each such individual) and (2) provide that the definition of "empowerment zone" for purposes of the credit is the definition under section 1391 in effect as of Dec. 31, 2013.
New York Liberty Zone tax-exempt bond financing	No provision.	No provision.
Qualified zone academy bonds: allocation of bond limitation	No provision.	Extend through Dec. 31, 2015. Modify to (1) provide that the bonds cannot be issued as direct-pay bonds using the national limitation allocations or carryforwards from years after 2010; (2) provide that the definition of "empowerment zone" for purposes of the credit is the definition under section 1391 in effect as of Dec. 31, 2013; and (3) reduce the private business contribution requirement from 10 percent to 5 percent.
Empowerment zone incentives: (1) Designation of empowerment zone and additional empowerment zones; (2) Increased exclusion of gain on sale of qualified business stock of empowerment zone business; (3) Empowerment zone tax-exempt bonds; (4) Empowerment zone employment credit; (5) Increased section 179 expensing; (6) Nonrecognition of gain on rollover of empowerment zone investments	No provision.	Extend through Dec. 31, 2015.
Indian employment tax credit	No provision.	Extend through Dec. 31, 2015.
American Samoa economic development credit	No provision.	Extend through Dec. 31, 2015.

How the House and Senate extenders provisions stack up

Individual tax incentives		
Provision	**House proposal**	**Senate Finance Committee proposal**
Credit for health insurance costs of eligible individuals	No provision.	Extend through Dec. 31, 2015.
Deduction for state and local general sales taxes	No provision.	Extend through Dec. 31, 2015.
Above-the-line deduction for qualified tuition and related expenses	**[H.R. 3393]** Replace tuition credit, Hope Credit, and Lifetime Learning Credit with a permanent — but modified — version of the American Opportunity Tax Credit	Extend through Dec. 31, 2015.
Parity for exclusion from income for employer-provided mass transit and parking benefits	No provision.	Extend through Dec. 31, 2015. Expand to include expenses related to bike sharing programs.
Deduction for certain expenses of elementary and secondary school teachers	No provision.	Extend through Dec. 31, 2015.
Discharge of indebtedness on principal residence excluded from gross income of individuals	No provision.	Extend through Dec. 31, 2015.
Premiums for mortgage insurance deductible as qualified residence interest	No provision.	Extend through Dec. 31, 2015.
Child tax credit	**[H.R. 4935]** Expand current-law credit (which is already permanent) by (1) indexing $1,000 credit amount for inflation in calendar years beginning after 2014; (2) increasing beginning of phase-out range from $110,000 to $150,000 for married-joint filers ($75,000 for all other tax-payers); and (3) indexing beginning point of the income phase-outs for inflation to the nearest $1,000 in calendar years beginning after 2014.	No provision.

Provisions governing charitable giving, tax-exempt entities		
Provision	**House proposal**	**Senate Finance Committee proposal**
Tax-free distributions from individual retirement plans by individuals age 70-1/2 and older for charitable purposes	**[H.R. 4719]** Extend permanently.	Extend through Dec. 31, 2015.
Special rules for contributions of capital gain real property made for conservation purposes	**[H.R. 4719]** Extend permanently.	Extend through Dec. 31, 2015.
Enhanced charitable deduction for contributions of food inventory	**[H.R. 4719]** Extend permanently. Expand by (1) increasing contribution limit for C corps to 15 percent of taxpayer's net income for the taxable year, and increasing limit for a taxpayer that is not a C corp to 15 percent of aggregate net income for the taxable year from all trades or businesses from which such contributions were made for the taxable year; (2) providing five-year carryforward for qualifying food inventory contributions that exceed the 15 percent limit; and (3) adding presumptions that certain taxpayers may use in determining tax basis and fair market value of donated food inventory.	Extend through Dec. 31, 2015.
Modification of tax treatment of certain payments to controlling exempt organizations	No provision.	Extend through Dec. 31, 2015.
Basis adjustment to stock of S corporations making charitable contributions of property	**[H.R. 4453, H.R. 4]** Extend permanently.	Extend through Dec. 31, 2015.

Revenue-raising provisions		
Provision	**House proposal**	**Senate Finance Committee proposal**
Paid-preparer due diligence requirements for tax returns claiming child tax credit	No provision.	Require paid tax return preparers who prepare federal income tax returns claiming a child (or additional child) tax credit to meet due diligence requirements similar to those applicable to returns claiming the earned income tax credit (effective for tax years beginning after Dec. 31, 2014).
Continuous levy on Medicare providers	No provision.	Permit the Treasury Department to levy up to 100 percent of a payment to a Medicare provider to collect unpaid taxes (effective for payments made six months after the date of enactment).
Awards from Clean Coal Power Initiative	No provision.	Exclude grants and awards for Clean Coal Power Initiative from gross income (effective for payments received in tax years beginning after Dec. 31, 2011).

Contacts

Jon Traub
Managing Principal, Tax Policy
Deloitte Tax LLP
+1 202 220 2055
jtraub@deloitte.com

Jeff Kummer
Director of Tax Policy
Deloitte Tax LLP
+1 202 220 2148
jkummer@deloitte.com

Acknowledgements

Policy, politics, and the prospects for tax extenders was prepared by the Tax Policy Group of Deloitte Tax LLP under the direction of Jon Traub, Managing Principal, Tax Policy, and Jeff Kummer, Director of Tax Policy.