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Legislative Bulletin……………………………….……………May 3, 2006

Contents:

Democrat Motion to Instruct Conferees on the Tax Relief Extension Reconciliation Act of 2005 (H.R. 4297) (*Larson, D-CT*)

Order of Business: On December 8, 2005, the House passed its version of H.R. 4297, the Tax Relief Extension Reconciliation Act of 2005 (see "Additional Background" section below) by a vote of 234-197 (http://clerk.house.gov/evs/2005/roll621.xml). On February 2, 2006, the Senate amended and passed its version of the bill by a vote of 66-31 (http://www.senate.gov/legislative/LIS/roll_call_lists/roll_call_vote_cfm.cfm?congress=109&session=2&vote=00010). Conferees were appointed on February 8, 2006. The pending item today is a Democrat motion to instruct the conferees on H.R. 4297.

Note: A motion to instruct is NEVER binding. That is, the conferees are never required to actually follow a motion's instructions, regardless of the vote on the motion.

Summary of Motion to Instruct: The Larson motion would provide the following instructions to conferees:

- **Raise taxes** on dividends and capital gains by allowing the tax cuts on such items to expire at the end of 2008. (The House's version did extend these tax cuts, and the motion today would instruct conferees to recede from the House position.)

- Agree to the provisions of Section 461 of the Senate's version of H.R. 4297, which would require oil companies with gross annual receipts of $1 billion and average daily crude oil production of at least 500,000 barrels to revalue their LIFO (last-in, first-out) inventories according to a revised accounting formula. *(Note: recent news reports indicate that negotiators have agreed to drop the LIFO provisions in conference, in accordance with House demands and demands from business and conservative interests off the Hill.)*

- Agree to the provisions of Section 462 of the Senate's version of H.R. 4297, which would eliminate (for oil companies with gross annual receipts of $1 billion and average daily crude oil production of at least 500,000 barrels) certain preferential tax treatment of geological and geophysical expenditures for U.S. oil exploration and development.

- Agree to the provisions of Section 470 of the Senate's version of H.R. 4297, which would eliminate a foreign tax credit to oil companies with gross annual receipts of over $1 billion and an average daily production of crude oil of at least 500,000 barrels, for amounts paid to a foreign country that does not have a generally applicable income tax and from which such oil companies receive an economic benefit.

NOTE: related motions to instruct conferees failed on February 8, 2006, by a vote of 185-207: http://clerk.house.gov/evs/2006/roll007.xml; on March 29th, by a vote of 192-229: http://clerk.house.gov/evs/2006/roll074.xml; and on April 6th, by a vote of 196-232: http://clerk.house.gov/evs/2006/roll094.xml. A motion **identical** to the Larson motion failed last week by a vote of 190-232: http://clerk.house.gov/evs/2006/roll109.xml.

Additional Background: Under the budget resolution (H.Con.Res. 95), the House Ways and Means Committee was instructed to report legislation reducing revenues by up to $70 billion over five years (which is a static score that does not account for any economic stimulative effects of certain tax cuts). This instruction serves to limit the total amount of tax relief that can receive reconciliation protection through Congress (meaning a mere simple majority—51 votes—is needed to pass the bill in the Senate, as opposed to a higher procedural hurdle—60 votes).

The House's version of tax reconciliation (H.R. 4297) would save taxpayers a net $5.8 billion in FY2006, $56.1 billion over five years, and $80.5 billion over ten years, according to the Joint Committee on Taxation (JCT). The Senate's version of tax reconciliation would save taxpayers a net $984.0 million in FY2006, $69.4 billion over five years, and $49.5 billion over ten years, according to JCT. Note: these figures are static scores and do not account for the stimulative effects that some tax cuts and tax-cut extensions have on the economy.

To read the RSC Legislative Bulletin on the House's version of tax reconciliation, visit this webpage: http://www.house.gov/pence/rsc/doc/LB_120805_taxreconcil.pdf.

Committee Action: A motion to instruct does not get referred to a committee.

Cost to Taxpayers: The motion itself, because it is non-binding, would not yield any costs or savings to taxpayers.

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