



Legislative Bulletin.....July 28, 2006

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H.R. 5970 — Estate Tax and Extension of Tax Relief Act

NOTE: It appears that this bill violates the budget by about \$3.9 billion dollars.

H.R. 5970— Estate Tax and Extension of Tax Relief Act—as introduced (Thomas, R-CA)

Order of Business: The bill is scheduled to be considered on Friday, July 28th, subject to a closed rule, which itself was subject to H.Res. 958, which would waive clause 6(a) of House Rule XIII (requiring a two-thirds vote to consider a rule on the same day it is reported from the Rules Committee).

Summary: H.R. 5970 contains the following provisions:

- a 41% minimum wage increase;
- the Abandoned Mine Land Fund language discussed in a memo distributed yesterday to all RSC offices (\$4.9 billion in new mandatory spending);
- a permanent lowering (but not repeal) of the death tax, similar to what the House passed last month (H.R. 5638);
- the tax extenders pulled from the tax reconciliation bill before passage (such as the state sales tax deduction and R&D tax credit); and
- a variety of other tax provisions.

41% Minimum Wage Increase

H.R. 5970 would increase the federal minimum wage from \$5.15-per-hour to \$7.25-per-hour over three years—a 41% increase. The minimum wage would first increase to \$5.85 in 2007, then to \$6.55 in 2008, and finally to \$7.25 in 2009. See “Additional Background” below for more information on the federal minimum wage.

Tips could be counted towards meeting any future minimum wage increases by employers in those states where state law prohibits tips from being calculated as part of the minimum wage.

Abandoned Mine Land Fund. H.R. 5970 would modify the Abandoned Mine Land Fund, in accordance with the following details:

Background: The Abandoned Mine Land (AML) fund was created in 1977 as part of the Surface Mining Control and Reclamation Act. The purpose of the AML was to provide for reclamation and environmental cleanup of abandoned mines in place prior to August 3, 1977.

To finance these activities, fees were placed on coal production and the receipts placed in the AML. Specifically, production fees of 35 cents per ton of surface mined coal, 15 cents per ton of coal mined underground and 10 cents per ton of lignite are collected from coal producers at all active coal mining operations. The authorization to collect these fees was scheduled to expire at the end of FY 2004, but has been subsequently extended a number of times, most recently through FY 2007.

Under current law, AML receipts are split between states and the federal government. Federal funding is discretionary and subject to annual appropriations. In recent years, the value of these receipts has not been fully appropriated. However, a notional “interest” on these AML receipts is paid from general revenues to the United Mine Workers Combined Benefit Fund (CBF), to pay the health benefits of retirees of coal companies who have left the industry or gone bankrupt.

Proposed AML Fix: The AML proposal—championed by Sen. Rick Santorum and Rep. Barbara Cubin (an RSC Member who distributed information strongly advocating the fix in an “RSC Item,” dated July 26, 2006, that we commend to your attention)—would make a number of changes to the program. While extending the AML fees for 15 years, it would *reduce* the fees on coal by 10% in 2008, and by a total of 20% in 2013, and thereafter—meaning that coal companies would be contributing less to the AML program.

In addition, the program would be converted from discretionary to mandatory, *costing \$4.9 billion over ten years in new direct spending* according to CBO. The cost is generated from three new spending items: (1) a repayment to states *from general revenues* of any unobligated balances (i.e. the value of the AML fees not appropriated); (2) the removal of a cap on the amount of general fund “interest” transfers to the CBF (currently the transfer is capped at \$70 million annually); and (3) the expansion of the CBF’s beneficiaries to include two new health plans for retired mine workers.

Budget Implications: Since the AML program is currently discretionary, the proposed conversion to a mandatory program would add \$4.9 billion in new entitlement spending. Furthermore, CBO estimates that the proposed fix would increase the deficit by \$3.9 billion over ten years. (CBO credits the fix for bringing in \$1 billion over ten years by extending the fees, albeit at a lower rate. This extension offsets the full cost of \$4.9 billion over ten years.) In addition, by removing these spending items from the appropriations process, it frees up an equivalent amount under the budget to be spent on other discretionary items.

Supporters of the AML fix contend that there is no real cost to the taxpayer—that only coal money is being used to pay for coal problems (“revenue that the federal government receives

from the coal industry”). Specifically, supporters believe that receipts currently being collected under the Mineral Leasing Act (MLA) from coal-related rents, royalties, bonuses and lease sales should fund the AML program. Under current law these MLA revenues do not go to the AML but fund other activities. However, in the proposed AML fix this would not change—MLA revenues would still not be deposited in the AML or support the AML program.

AML supporters propose to spend an equivalent amount of general fund tax dollars *as if the MLA receipts had been credited to the AML trust fund*. Unfortunately, these MLA receipts are already accounted for, and the fix neither brings in sufficient new revenues nor redirects the existing MLA revenues to the AML program. However, this does not change the fact that if enacted, the fix would cause the federal government to spend more than it would before—all at the same time that the AML coal fees are being reduced.

In a letter to Senator Enzi, the Administration concurred with the analysis above, stating:

The Administration opposes the proposed amendments to SMCRA because they would create new mandatory spending and extend health benefits to new groups of former coal industry employees at the taxpayer’s expense. In addition, the amendments do not substantially contribute to the reclamation of abandoned coal sites.

Bottom Line: *In short, the AML proposal would require coal companies to pay less in fees, states and retired workers to receive more in benefits, and the federal government to cover the difference.* Some conservatives may be concerned that this is not a good deal for the American taxpayer. CBO estimates that it will cost taxpayers \$4.9 billion over ten years, and the House Budget Committee has confirmed that without offsets, it will violate the FY 2007 budget resolution.

Death Tax

- Unifies the estate tax (a.k.a. “death tax”), gift tax, and generation-skipping transfer tax so that gifts made during life are not given less-favorable tax treatment (as they often are currently) than gifts made at death (in a will).

- Phases-in an increased death tax exemption beginning in 2010, as follows:
 - \$3.75 million in 2010;
 - \$4 million in 2011;
 - \$4.25 million in 2012;
 - \$4.5 million in 2013;
 - \$4.75 million in 2014; and
 - \$5 million in 2015 and thereafterThat is, taxable estates valued at these levels or less in each respective year would owe no estate tax.

- Indexes the \$5 million exemption after 2015 for inflation annually, using the Consumer Price Index-linked cost-of-living adjustment formula in current tax law (26 U.S.C. 1(f)(3)) and setting calendar year 2014 as the basis. Adjustments would be

rounded to the nearest \$100,000 and would also apply to the provisions regarding the transfer of unused exemptions to a surviving spouse.

- Links the estate tax rate directly to the capital gains tax rate, so that if the capital gains tax rate changes, so will the estate and gift tax rate. Specifically, estates valued between \$5 million and \$25 million (indexed for inflation) would be taxed at the capital gains tax rate (currently 15%, set to increase to 20% in 2011, unless extended).
- Estates valued at \$25 million or above (indexed for inflation) would be taxed as follows:
 - 40% in 2010;
 - 38% in 2011;
 - 36% in 2012;
 - 34% in 2013;
 - 32% in 2014; and
 - 30% in 2015 and thereafter
- Retains the step-up basis for valuing property acquired from a decedent. (The step-up basis moves the value of an asset from what it was when the decedent acquired it to the value when the asset was passed to a surviving family member. This way, when the surviving family member sells the asset (for example) in the future, the capital gain—and hence the capital gains tax—would be lower.)
- Repeals the deduction of state death taxes currently allowed to be taken when calculating the value of a taxable estate for federal purposes, beginning in 2010. (Federal law allows for the value of a taxable estate to be reduced by the amount of death taxes paid to a state or the District of Columbia. H.R. 5970 would repeal this deduction.) **NOTE: this provision is effectively a tax increase.**
- Repeals the portions of the first Bush tax cut (Public Law 107-16) regarding the treatment of the estate and gift taxes in 2010 and beyond, and removes the estate and gift taxes from the January 1, 2011, sunset date of the law. In other words, the provisions of H.R. 5970 would be permanent.
- Allows any unused exemption of a deceased person to carry over to a surviving spouse (and be added on to the surviving spouse's exemption).
- Sets the effective date of all provisions above at January 1, 2010.

Tax Extenders. H.R. 5970 would extend through the end of 2007 (except where noted) the following provisions that have expired or are about to expire:

- **Higher Education Expenses.** Allows taxpayers (including non-itemizers) to deduct up to \$4,000 (depending on income) of tuition and other higher education enrollment expenses, in lieu of claiming the HOPE or Lifetime Learning tax credits.

- **New Markets Tax Credit.** Extends thru 2008 the New Markets Tax Credit (a credit to taxpayers who invest in businesses located in qualified low-income neighborhoods). The bill also requires that the Secretary of the Treasury prescribe regulations to ensure that non-metropolitan counties receive a proportional allocation of qualified equity investments.
- **State and Local Sales Taxes.** Allows all taxpayers to deduct either their applicable state and local *sales* taxes (actual or estimated) or their applicable state and local *income* taxes.
- **Research and Development (R&D) Tax Credit.** Extends the R&D tax credit. Effective January 1, 2007, the value of the alternative incremental credit would increase. Adds a new alternative simplified credit.
- **WOTC.** Allows employers to claim the maximum \$2,400 Work Opportunity Tax Credit (WOTC) when they hire individuals from eight “target” groups (such as families receiving public assistance, high-risk youths, ex-felons, qualified veterans, and food stamp recipients under the age of 35 [up from age 25 in current law]). The credit applies only to cash wages. Combines the WOTC with the WTW credit in 2007 (see subsequent paragraph). Key modifications of the combined credit include expanded eligibility for WOTC (raised age ceiling for food stamp recipients from 25 to 40), revised eligibility requirements for ex-felons (without regard to family income), and a modification of the filing deadline for WOTC claimants from 21 to 28 days.
- **WTW.** Allows employers to claim the Welfare to Work (WTW) tax credit when they hire individuals who have received public assistance for 18 months or who have exhausted their benefits. The maximum credit is \$3,500 during the employee’s first year of employment and \$5,000 during the second year. The credit applies to cash wages and to certain non-cash benefits paid to qualified employees. Combines the WOTC with the WTW credit in 2007 (see previous paragraph).
- **Combat Pay.** Gives military personnel the option of including combat pay in the earned income credit calculation.
- **Qualified Zone Academy Bonds.** Allows for the issuance of Qualified Zone Academy Bonds (QZABs), which are tax-credit bonds issued by states and local governments to help repair schools, purchase school equipment, and train teachers in economically distressed areas. Unlike typical tax-exempt bonds, QZAB holders may claim a federal income tax credit in lieu of receiving tax-free interest payments. The bond issuer must secure private-sector contributions of cash, equipment, training, or other property and services equal to 10% of the bond proceeds. No more than \$400 million in QZABs can be issued nationwide each year (distributed in proportion to each state’s population in poverty). Issuers would have to reasonably expect to, and actually spend, 95% of the proceeds from the sale of QZABs on QZAB property within five years of the date of issuance.

- **Teacher Classroom Expenses.** Allows qualified teachers (including those who do not itemize their deductions) to deduct up to \$250 of out-of-pocket expenses incurred to purchase books, supplies, computers, and other classroom equipment.
- **Brownfield Expensing.** Allows taxpayers to immediately deduct (against the AMT and regular tax calculations) all the costs incurred in cleaning up certain contaminated sites (“brownfields”) not included on the national priorities list. The bill also expands the definition of an eligible contaminated site to include sites contaminated by petroleum products.
- **District of Columbia.** Allows certain District of Columbia businesses in economically depressed zones to claim certain tax benefits (such as a 20% wage credit, an additional \$35,000 of small business expensing for qualified property, expanded tax-exempt-bond financing for certain facilities, and a zero capital gains rate for the sale of certain qualified assets). In addition, the bill allows first-time homebuyers in the District to claim a maximum \$5,000 (phased-down for higher-income individuals) nonrefundable tax credit for the purchase of a principal residence.
- **Indian Reservations.** Allows employers on Indian reservations to receive a 20% tax credit on the first \$20,000 of wages and employee health insurance costs to the extent these costs exceed the amount paid by the employer in 1993. Also allows businesses located on Indian reservations to accelerate their depreciation schedules for property that is primarily used to conduct business on the reservation.
- **Leasehold Improvements.** Reduces the depreciation period for certain interior improvements to nonresidential property being leased by tenants from 39 years to 15 years.
- **Restaurant Improvements and Construction.** Reduces the depreciation period for certain improvements to restaurants AND new restaurant construction from 39 years to 15 years.
- **Rum Excise Tax Transfers.** Distilled spirits are subject to an excise tax equal to \$13.50 per-proof-gallon. Of the total amount collected on imported rum, \$13.25 per-proof-gallon is transferred to Puerto Rico and the Virgin Islands.
- **Mental Health Parity.** Imposes a \$100 per day excise tax penalty (up to a cap) on group health plans that fail to implement mental health parity (i.e. on plans that impose dollar limits for mental health benefits that are different from the limits on other medical benefits).
- **Computer Equipment.** Allows for an enhanced tax deduction for corporate donations of certain computer equipment to schools or public libraries (within three years of the equipment’s purchase or construction). “Enhanced” means higher than the price the corporation paid for the equipment (calculated by a specific formula).

- **Archer MSAs**. Allows individuals and employers to make tax-deductible contributions to an Archer MSA (medical savings account) to pay for health care expenses. The distributions are tax-free when used to pay for eligible medical expenses and are subject to a penalty when not used for medical expenses before age 65.
- **Oil And Gas from Marginal Wells**. Allows independent oil and gas producers to use the “percentage depletion” method of accounting (without a cap) when filing their tax returns. Under this method of accounting, 15% of the taxpayer’s gross income from an oil- or gas-producing property can be deducted each year.
- **American Samoa**. Allows certain domestic corporations to claim tax credits (determined by a formula) for their investment and business activities in American Samoa.
- **New York Liberty Zone**. Repeals the current New York Liberty Zone incentives (including special bonus depreciation, accelerated leasehold improvement recovery, increased Section 179 expensing, and the extended replacement period for involuntary conversions) and replaces them with a maximum \$1.75 billion credit against withholding taxes payable by the City and State of New York that could be used to finance qualifying transportation projects in the City of New York.
- **IRS Undercover Operations and Disclosure**. Extends the IRS’ authority to use income earned by an undercover operation to pay additional expenses incurred in such undercover operation. Also extends the IRS’ authority to share certain tax information with certain other federal and/or state authorities in order to: (1) facilitate combined employment tax reporting, (2) investigate terrorist activities, and (3) facilitate the repayment of student loans that are contingent on income.

Other Provisions (highlights):

- **Incentive Stock Options—AMT**. Allows individuals to take advantage of a refundable credit with respect to certain long-term unused AMT credits existing prior to January 1, 2013. The annual credit amount, subject to a phase-out, is the greater of (1) the lesser of \$5,000 or the amount of the long-term unused AMT credit, or (2) 20% of the amount of the long-term unused AMT credit.
- **Mine Safety**. Extends through the end of 2008 the 50% expensing for certain equipment expenditures related to safety equipment for underground U.S. mines and the tax credits for certain mine rescue team training programs.
- **Whistleblowers**. Reforms the reward program for individuals who provide information to the Secretary of the Treasury regarding violations of the tax laws. The provision establishes a reward range for such “whistleblowers” of 15% to 30% of proceeds collected by the IRS (subject to certain exceptions) where the amount in dispute exceeds \$2 million. The bill would also provide the Secretary with regulatory

authority to create a Whistleblower Office within the IRS to administer the reward program.

- **Vaccines**. Adds the meningococcal and human papillomavirus vaccines to the list of taxable vaccines.
- **Permanency of Reconciliation Provisions**. Makes permanent a variety of provisions in the *Tax Increase Prevention and Reconciliation Act of 2005* that were temporary:
 - ❑ **Environmental Cleanup Funds**. Exempts environment cleanup settlement funds, escrow accounts, and similar funds from federal taxation, if certain standards and requirements are met (as detailed in the legislation).
 - ❑ **Active Trade or Business Test**. Modifies the definition of “active conduct of a trade or business” (as it relates to certain corporate distributions) to treat a corporation and the corporation’s separate affiliated group (i.e. holding company) as one corporation. The Ways & Means Committee asserts that this provision has the effect of, “allow[ing] corporations to avoid costly and inefficient internal restructurings prior to engaging in certain corporate distributions to their shareholders.”
 - ❑ **Veterans’ Mortgages**. Makes all veterans (not just ones who served prior to 1977, as in current law) eligible to participate in state home mortgage programs funded by Qualified Veterans’ Mortgage Bonds (which are aimed at financing affordable mortgages for veterans). Veterans would have to apply for financing under such a program within 25 years of the last day of active military service. The bill also alters the caps on bond issues so that the current-law formula is replaced with phased-in hard-dollar limits for participating states and removes the cap altogether in 2011 and thereafter.
 - ❑ **Self-Created Musical Works**. Treats the sale or exchange of self-created musical works as capital gains (rather than as regular income, as under current law).
 - ❑ **Tonnage Tax**. Reduces from 10,000 to 6,000 the minimum deadweight tons required for U.S.-flagged vessels (that participate in commercial foreign trade) to opt into the alternative tonnage tax regime. The Ways & Means Committee reports that this regime is generally more favorable for vessels (i.e. offers them lower tax assessments). This tonnage revision would expire at the end of 2010.
 - ❑ **Permanent University Fund**. Codifies and makes more favorable the IRS regulations that govern the tax treatment of tax-exempt bonds issued by the Permanent University Fund (which is used to finance the activities of certain state universities).

- **Great Lakes Shipping.** Permanently modifies the treatment of shipping within the Great Lakes to ensure that vessel operators in this region can qualify for the alternative tonnage tax regime.
- **Veterans Mortgages.** makes affordable mortgages more accessible to veterans by providing them with a one-time exception (thru December 31, 2007) from the mortgage revenue bond first-time homebuyer requirement.
- **Mortgage Insurance Premiums.** Establishes an itemized deduction for the cost of premiums for mortgage insurance on a qualified personal residence, phased-out ratably by 10% for each \$1,000 by which the taxpayer's adjusted gross income exceeds \$100,000.
- **Timber Gains.** Creates a new 60% deduction against gross income for qualified timber capital gains, effective from the date of enactment of this legislation through the end of 2007.
- **Rural Renaissance Bonds.** Authorizes the issuance of up to \$200 million of tax credit bonds to finance certain rural development projects.
- **Spouse Travel Deductions.** Allows employers to deduct the cost of travel expenses incurred by an employee on behalf of a spouse accompanying the employee on business-related travel.

Additional Background:

41% Minimum Wage Increase

- **Establishment.** The Fair Labor Standards Act of 1938 established the (federal) hourly minimum wage rate at 25 cents an hour for covered workers. Since then, it has been raised 19 separate times. The minimum wage does not rise automatically; raises require separate legislative action by Congress and the President.
- **Recently Raised Twice.** Since Republicans won control of Congress in 1994, the federal minimum wage has been raised twice: once in October 1996 (from \$4.25 to \$4.75) and again in September 1997 (from \$4.75 to \$5.15). The minimum wage remains at \$5.15 an hour today.
- **Application.** The federal minimum wage applies to employees of businesses that do at least \$500,000 in business a year—and to employees of smaller firms if the employees are engaged in interstate commerce or in the production of goods for commerce (such as employees who work in transportation or communications or who regularly use the mails or telephones for interstate communications).
- **Exceptions.** The federal minimum wage does not apply to all workers. For example, current law exempts full-time students working part-time in certain industries, youth

under age 20 in their first 90 consecutive calendar days of employment, and tipped workers in retail and service industries from the federal minimum wage.

- Enforcement. The federal minimum wage is enforced by the Department of Labor's Wage and Hour Division: <http://www.dol.gov/esa/whd/>.
- State Minimum Wages. Some states have a minimum wage requirement that is higher than the federal minimum wage. Where that is the case, *the higher standard prevails*. As of spring 2006, 18 states plus the District of Columbia have minimum wages that are higher than the federal minimum wage, whereas 25 states plus Puerto Rico and Guam have minimum wages at the federal level. The remaining states and territories have either no state minimum wage or a state minimum wage below the federal one. <http://www.dol.gov/esa/minwage/america.htm>
- Starting Wage. The federal minimum wage is overwhelmingly a starting—rather than a permanent living—wage. Research by economists at Miami University of Ohio and Florida State University found that minimum wage employees are over five times more likely to be new entrants to the labor force.
- The Market Has Pushed Wages Upward. Each year fewer workers earn the federal minimum wage. In 1980, according to the Congressional Research Service, over 15% of hourly paid workers earned the federal minimum wage, while in 2005, only 2.5% of hourly paid workers earned the federal minimum wage.
- Most Minimum Wage Earners Don't Stay That Way. According to the Coalition for Job Opportunities, 85% of individuals who would be impacted by a minimum wage hike are teens living with their working parents, adults living alone, or second earners. As these employees gain skills, they receive significant raises, with more than 65% receiving a raise within one year. The median full-time minimum wage employee receives a 14% raise, nearly three times that of all employees.

For more talking points on the federal minimum wage, please see this RSC document: http://www.house.gov/pence/rsc/doc/LA_071706_minimumwage.doc.

Death Tax

The death and gift tax relief provided in the first Bush tax cut (Public Law 107-16, the Economic Growth and Tax Relief Reconciliation Act of 2001) will end at the start of 2011. Without further legislative action, the estate tax exemption will drop to \$1 million per person and the maximum estate tax rate will increase to 55% (with a possible 5% surtax) in 2011, after years of decreasing estate tax rates and increasing exemptions.

More specifically, current law for phasing out and eliminating the estate, gift, and generation-skipping transfer taxes is as follows:

- Phases-out the estate tax beginning in 2002 by eliminating the 5% surtax and the rates in excess of 50% and increases the exemption to \$1 million.
- Continues to phase out the estate tax as follows:

Calendar Year	Exemption	Highest Estate and Gift Tax Rate
2002	\$1 million	50%
2003	\$1 million	49%
2004	\$1.5 million	48%
2005	\$1.5 million	47%
2006	\$2 million	46%
2007	\$2 million	45%
2008	\$2 million	45%
2009	\$3.5 million	45%
2010	Estate tax repealed	Top Individual Rate (for gift tax)
2011 and after	Estate and gift taxes fully reinstated to pre-2002 levels	Estate and gift taxes fully reinstated to pre-2002 levels

- Beginning in 2010, the “stepped up” basis for valuation of inherited assets would be replaced with the “carryover basis,” thereby imposing a capital gains tax on the difference between what the deceased paid for an asset and the current market value of the asset (upon sale of the asset). An exemption of \$1.3 million in gained value (\$4.3 million for a surviving spouse) would be allowed.

In order to comply with reconciliation procedures under the Congressional Budget Act of 1974 (i.e. section 313 of the Budget Act, under which a point of order may be lodged in the Senate), the tax-cut bill included a “sunset” provision, under which the law and all the tax-cut provisions in it expire at the end of 2010.

On April 13, 2005, the House passed H.R. 8, which would fully and permanently repeal the death tax, by a vote of 272-162: <http://clerk.house.gov/evs/2005/roll102.xml>. On June 8, 2006, the Senate failed to get cloture on the motion to proceed to H.R. 8 by a vote of 57-41 (60 votes required): http://www.senate.gov/legislative/LIS/roll_call_lists/roll_call_vote_cfm.cfm?congress=109&session=2&vote=00164. On June 22, 2006, the House passed a compromise death tax measure, similar to the language in H.R. 5970 today, by 269-156: <http://clerk.house.gov/evs/2006/roll315.xml>. The Senate has not acted on H.R. 5638.

To read the RSC Legislative Bulletin on H.R. 8, visit this webpage: <http://www.house.gov/pence/rsc/doc/LB%2004-13-05--death%20tax%20etc.pdf>.

To read the RSC Legislative Bulletin on H.R. 5638, visit this webpage:
http://www.house.gov/pence/rsc/doc/LB_062206_deathtaxcompromiseamended.doc.

To read an RSC document on impending tax increases, visit this webpage:
http://www.house.gov/pence/rsc/doc/BU_June%202006_Impending%20Tax%20Increases.doc.

Tax Extenders

To read the RSC Legislative Bulletin on the tax reconciliation bill, as it first passed the House, visit this webpage: http://www.house.gov/pence/rsc/doc/LB_120805_taxreconcil.pdf.

To read the RSC Legislative Bulletin on the tax reconciliation bill, as it was signed into law, visit this webpage: http://www.house.gov/pence/rsc/doc/LB_051006_taxreconcilconfrpt.doc.

Committee Action: H.R. 5970 was introduced on July 28, 2006, and brought directly to the floor without committee consideration.

Administration Position: A Statement of Administration Policy (SAP) for H.R. 5970 is unavailable.

41% Minimum Wage Increase

It is unclear whether the President would sign a minimum wage increase into law.

Death Tax

The SAP for H.R. 5638 described the bill as a “step in the right direction”:
<http://www.whitehouse.gov/omb/legislative/sap/109-2/hr5638sap-h.pdf>. The Administration strongly supports passage of H.R. 8, fully repealing the death tax:
<http://www.whitehouse.gov/omb/legislative/sap/109-1/hr8sap-h.pdf>

Cost to Taxpayers:

NOTE: It appears that this bill violates the budget by about \$3.9 billion dollars.

A Joint Committee on Taxation revenue estimate for H.R. 5970 reports that H.R. 5970 would save taxpayers a net \$15.7 billion in FY2007, \$52 billion over the FY2007-FY2011 period, and \$309.8 billion over the FY2007-FY2016 period. CBO confirms that the Abandoned Mine Land Fund provisions would increase mandatory spending by \$40 million in FY2007, \$2.1 billion over the FY2007-FY2011 period, and \$4.9 billion over the FY2007-FY2016 period.

Although raising the federal minimum wage would have no DIRECT cost to the federal government (since it is just a federal mandate on private industry), a dynamic analysis, which

CBO is not allowed to do, would clearly show that raising the federal minimum wage reduces employment, thereby reducing tax payments to the federal government and increasing federal benefit payments.

Does the Bill Expand the Size and Scope of the Federal Government?: No.

Does the Bill Contain Any New State-Government, Local-Government, or Private-Sector Mandates?: Although a formal analysis of the mandates is unavailable, the bill does not appear to contain any.

Constitutional Authority: A committee report citing constitutional authority for H.R. 5970 is unavailable. Article I, Section 8, Clause 1 grants Congress the power to “lay and collect Taxes, Duties, Imposts and Excises...,” and the 16th Amendment grants Congress the power to “lay and collect taxes on incomes, from whatever source derived,....”

Outside Organizations:

41% Minimum Wage Increase: An increase in the federal minimum wage is being opposed by:

- American Beverage Licensees
- American Hotel and Lodging Association
- Americans for Prosperity Foundation
- Bowling Proprietors’ Association of America
- Citizens Against Government Waste
- Coalition of Licensed Beverage Associations
- Food Marketing Institute
- FreedomWorks
- International Association of Amusement Parks and Attractions
- International Foodservice Distributors Association
- International Franchise Association
- International Pizza Hut Franchise Holders Association
- National Association of Chain Drug Stores
- National Association of Convenience Stores
- National Association of Manufacturers
- National Association of Theater Owners
- National Club Association
- National Council of Agricultural Employers
- National Council of Chain Restaurants
- National Federation of Independent Business
- National Franchise Association
- National Grocers Association
- National Restaurant Association
- National Retail Federation
- Small Business & Entrepreneurship Council
- Society of American Florists
- Tire Industry Association
- U.S. Chamber of Commerce

The Heritage Foundation released a paper strongly opposing the notion of increasing the minimum wage.

Death Tax: Many conservative groups are remaining publicly neutral on a less-than-full-repeal of the death tax; although most are still calling for full and permanent repeal of the death tax. Some groups have expressed concerns that passing this bill might take the wind out of the sails of the full-repeal movement.

Americans for Tax Reform supports this bill overall. Other entities, like the American Conservative Union, Citizens Against Government Waste, the Free Enterprise Fund, and the American Family Business Institute, continue to express concerns about a less-than-full-repeal of the death tax, saying it includes too much compromise and that it harms the full-repeal effort.

The Heritage Foundation released a paper strongly opposing the notion of compromising on full repeal.

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