★ ★ COMMITTEE ON ★ ★
WAYS AND MEANS
CHAIRMAN PAUL RYAN

Summary of the Tax Provisions Included in the Surface Transportation and Veterans Health Care Choice Improvement Act of 2015, to be considered on the House floor during the week of July 27, 2015

This week, the House is expected to consider the Surface Transportation and Veterans Health Care Choice Improvement Act of 2015, legislation introduced by Chairman Shuster, Chairman Ryan, and Chairman Miller, to extend surface transportation programs through October 29, 2015, to provide sufficient funding for the extension, to provide emergency funding for the Department of Veterans Affairs, and to make certain changes to veteran-related tax provisions. Below is a summary of the provisions over which the Committee on Ways and Means has jurisdiction.

Sec. 4007. Amendments to Internal Revenue Code with respect to health coverage of veterans.

Sec. 4007(a): Exemption in determination of employer health insurance mandate.

Current Law: Under the Affordable Care Act's employer mandate, employers with 50 or more full-time employees pay a penalty if they decline to provide "affordable" health insurance to those employees.

Provision: The provision would exempt veterans enrolled in health care provided by the VA or TRICARE from being counted as part of the 50 full-time employee threshold. The House previously considered the Hire More Heroes Act as H.R. 22, which passed the House under suspension of the rules on January 6, 2015, by a vote of 412 to 0. *The Joint Committee on Taxation (JCT) estimates that this provision would reduce revenues by $816 million over fiscal years 2016-25.*

Sec. 4007(b): Eligibility for Health Savings Account not affected by receipt of medical care for service-connected disability.

Current Law: Individuals must be enrolled in a high-deductible health plan (and no other coverage) to be eligible to contribute pre-tax dollars to a Health Savings Account ("HSA"), a tax-advantaged health savings vehicle.

Provision: The provision, consisting of the Helping Veterans Save for Health Care Act of 2015, sponsored by Rep. Sam Johnson (R-TX), would provide that otherwise eligible veterans are not disqualified from contributing to an HSA on a pre-tax basis merely for receiving medical care under any laws administered by the VA for a service-connected disability. *JCT estimates that this provision would reduce revenues by $384 million over the 2016-2025 period.*

Sec. 2001. Extension of Highway Trust Fund expenditure authority.

Current Law: Program authority under the current Federal highway authorization law is scheduled to expire after July 31, 2015. While the specific details of this program authority fall under the Transportation and Infrastructure Committee's jurisdiction, general expenditure authority from the Highway Trust Fund (HTF) is codified in section 9503 of the Internal Revenue Code and is under the jurisdiction of the Ways and Means Committee.

Provision: The provision would extend, through October 29, 2015, the general expenditure authority for the Highway Trust Fund, as well as its expenditure authority for two related programs (the Sport Fish Restoration and Boating Trust Fund and the Leaking Underground Storage Tank (LUST) Trust Fund). *JCT estimates that this provision would not affect revenues over fiscal years 2015-25.*

Sec. 2002. Funding of Highway Trust Fund.

Current Law: The Congressional Budget Office estimates that the HTF requires an additional $8 billion to remain solvent through the end of 2015, while retaining the $5 billion cushion that the Department of Transportation (DOT) needs to make cash payments. Of this, $6 billion is required to keep the Highway Account solvent, and $2 billion is required to keep the Mass Transit Account solvent.

Provision: The provision would transfer $6.068 billion from the General Fund to the HTF's Highway Account, and would transfer $2 billion from the General Fund to the HTF's Mass Transit Account. The provision would be effective on the date of enactment. *JCT estimates that this provision would not affect revenues over fiscal years 2015-25.*

Sec. 2003. Modification of mortgage reporting requirements.

Current law: Mortgage lenders are required to report to the borrower and the IRS a Form 1098, which includes the name, address, and taxpayer identification number of the individual from whom the interest was received, and the amount of the interest and points received for the calendar year.

Provision: The provision would require that information reporting for mortgage interest also include the mortgage origination date, the amount of the outstanding principal on the mortgage as of the beginning of the calendar year, and the address of the property securing the mortgage. *JCT estimates that this provision would increase revenues by $1.806 billion over fiscal years 2015-25.*

Sec. 2004. Consistent basis reporting between estate and person acquiring property from decedent.

Current law: The basis of property acquired by a beneficiary from a decedent generally is the fair market value of the property on the date of the decedent's death. Similarly, property included in a decedent's gross estate for estate tax purposes generally also must be the fair market value on the date of death. However, due to a lack of information reporting, beneficiaries often are able to whipsaw the government by reporting a higher value (and therefore higher basis when the beneficiary ultimately sells the property) than the estate reported for estate tax purposes.

Provision: The estate would be required to report the value of the property used for estate tax purposes to the IRS and to the beneficiary receiving the property, and the estate would be subject to a penalty for failure to file such an information return. Any underpayment of tax due to the understatement of basis under this provision would be subject to a 20-percent accuracy-related penalty. This provision does not affect estate tax liability; it only affects the income tax liability of the beneficiary in the future when the beneficiary sells the property and realizes a gain, by ensuring the basis used to calculate gain is consistent with the value used for estate tax purposes. *JCT estimates that this provision would increase revenues by $1.542 billion over fiscal years 2015-25.*

Sec. 2005. Clarification of 6-year statute of limitations in case of overstatement of basis.

Current law: The IRS generally must assess taxes within three years after the date on which the taxpayer filed the return. However, if a taxpayer omits substantial income on a return (i.e., in excess of 25 percent of the amount of gross income that was stated on the return), any tax with respect to that return generally may be assessed within six years of the date on which the return was filed. The Supreme Court has ruled that the six-year statute of limitations does not apply to a return on account of the taxpayer ha0ving substantially overstated the adjusted basis of property, even though such overstatement results in an understatement of income upon the sale or exchange of such property.

Provision: In determining whether an amount greater than 25 percent of gross income was omitted from a return (thereby triggering the six-year statute of limitations), the proposal would provide that an understatement of gross income by reason of an overstatement of unrecovered cost or other basis is an omission of gross income. The provision would apply whether or not the amount of unrecovered cost or basis claimed is disclosed on the return. *JCT estimates that this provision would increase revenues by $1.206 billion over fiscal years 2015-25.*

Sec. 2006. Tax return due dates.

Current law: A C corporation or an S corporation is required to file its tax return by March 15 (or within two and a half months after the close of its tax year). A partnership is required to file its returns by April 15 (or within three and a half months after the close of its tax year), the same date that applies to individuals and sole proprietors.

Current law provides corporations with an automatic three-month extension of the filing due date, with corporations permitted to apply for an additional three-month extension (for a total of six months).

Provision: The schedule for filing tax returns would be modified as follows:

- A partnership and an S corporation would be required to file by March 15 (or two and a half months after the close of its tax year).
- A C corporation would be required to file by April 15 (or three and a half months after the close of its tax year).

The provision also would provide C corporations with an automatic six-month extension of the applicable filing date. In the case of calendar year C corporations, the automatic extension would be up to five months (September 15) until tax years beginning after December 31, 2025, at which time the extension would be up to six months (October 15). For C corporations with tax years ending on June 30, the current law filing date (September 15) would remain in effect until tax years beginning after December 31, 2025, and then would be extended to October 15 thereafter. *JCT estimates that this provision would increase revenues by $314 million over fiscal years 2015-25.*

Sec. 2007. Transfers of excess pension assets to retiree health accounts.

Current Law: The Highway Investment, Job Creation, and Economic Growth Act of 2012 (MAP-21) extended, through December 31, 2021, the rule allowing qualified transfers of excess assets of a defined benefit plan to retiree medical accounts, and expanded the rule to allow the transfer of such assets to fund the purchase of retiree group-term life insurance. No deduction is allowed for such transfers because the taxpayer already would have deducted the original contribution to the defined benefit plan.

Provision: The provision would extend through December 31, 2025 (i.e., four years) the rule allowing employers to transfer excess defined benefit plan assets to retiree medical accounts and retiree group-term life insurance, while denying them a deduction for such transfers. *JCT estimates that this provision would increase revenues by $172 million over fiscal years 2015-25.*

Sec. 2008. Equalization of Highway Trust Fund excise taxes on liquefied natural gas, liquefied petroleum gas, and compressed natural gas.

Current Law: Highway-use liquefied natural gas ("LNG") is subject to the motor fuel excise tax at 24.3 cents per gallon, the same as diesel. Liquefied petroleum gas (also known as propane, or "LPG") is taxed at 18.3 cents per gallon, the same as gasoline. By contrast, compressed natural gas (CNG) is taxed on an energy-equivalent basis, not on a volumetric basis like LNG and LPG.

Provision: The provision would tax LNG and LPG on an energy-equivalent basis relative to gasoline (LPG) and diesel (LNG). LNG produces approximately 58 percent of the energy of the same amount of diesel (74,700 Btu to 128,700 Btu), and would be taxed at 14.1 cents per gallon, 58 percent of the 24.3 cent per gallon tax imposed on diesel. LPG produces approximately 72 percent of the energy of the same amount of gasoline (83,500 Btu per gallon to 115,400 Btu per gallon), and would be taxed at 13.2 cents per gallon, 72 percent of the 18.3 cent per gallon tax imposed on gasoline. The provision would create uniform rules on measuring equivalency of LNG, LPG, and CNG. *JCT estimates that this provision would reduce revenues by $90 million over fiscal years 2015-25.*