

EMERGENCY ECONOMIC STABILIZATION ACT

SUMMARY

October 6, 2008

On Friday, October 3, 2008, President Bush signed the Emergency Economic Stabilization Act (“EESA”). The law establishes a framework for the Secretary of the Treasury to administer an economic recovery program that not only promotes liquidity and market stability, but also help to stabilize communities impacted by failures in the mortgage market, protect small institutions, student loans, retirement plans and multifamily properties.

The final version of the Act is divided into three sections. Division A of H.R. 1424 contains the EESA. Division B is the “Energy Improvement and Extension Act of 2008” and Division C includes the “Tax Extenders and Alternative Minimum Tax Relief Act of 2008.”

The key provisions of the final EESA track the various versions negotiated between Congress and the Administration over the past two weeks. Highlights include the following provisions:

Troubled Asset Relief Program: The Act authorizes the Treasury Secretary to create a program to purchase and manage troubled assets from qualifying financial institutions. The Secretary must create and manage the program to minimize conflicts of interest in hiring contractors and avoid unjust enrichment when purchasing troubled assets. The program is to be administered in such a way to avoid foreclosures and instead to restructure loans whenever reasonable so as to mitigate the effects of the financial crisis on homeowners. The Act creates several oversight bodies to ensure that the Secretary carries out the authorities granted under the Act consistent with its objectives and limitations.

Guarantee Program: The Act creates a Troubled Assets Insurance Financing Fund and authorizes the Secretary to establish a guarantee program for mortgage-related troubled assets originated or issued before March 14, 2008. The insurance program will guarantee principal and interest payments (not to exceed 100% of such payments) of troubled assets. The Secretary is to establish premiums, which must be sufficient to create reserves necessary to cover anticipated claims.

Warrants and Debt Instruments: The Secretary is required to obtain warrants from financial institutions from which the Secretary purchases \$100 million in troubled assets. The warrants must meet certain minimum guidelines depending on whether the institutions is publicly traded or not, and must contain certain anti-dilution and guarantee provisions.

Executive Compensation: If the Secretary makes a direct purchase of assets from a financial institution, the institution must adhere to certain standards for executive compensation. The standards include limits on incentive compensation that is tied to unnecessary or excessive risks, “claw-back” provisions to recoup bonus or incentive pay tied to criteria that are found to be inaccurate, and prohibitions on golden parachutes to senior executive officers. If the Secretary acquires over \$300 million in troubled assets by auction, the financial institution must be

prohibited from giving golden parachutes in any new contracts for senior executives. In addition, the financial institutions are restricted from deducting compensation over \$500,000 for senior executives under IRS §162(m).

Increase FDIC limits: The Act temporarily increases the deposit limits on FDIC insurance from \$100,000 to \$250,000 through the end of 2009.

Recoupment: The Act requires the OMB to report the net amount of TARP income to expense to Congress on the fifth anniversary of the Act and if there is a shortfall, the President is required to submit legislation to recover the shortfall from the financial industry.

The following section by section analysis highlights each provision from the Act.

DIVISION A.

Section 1. Short title and table of contents.

The Act is entitled and may be cited as the “Emergency Economic Stabilization Act of 2008.”

Section 2. Purposes.

The purpose of the Act is to immediately authorize the Secretary create and administer an economic recovery program designed to restore liquidity and stability to the financial system consistent with the limitations and obligations contained in the Act. The program must protect home values, college funds, retirement accounts, and life savings; preserve homeownership, promote jobs and economic growth; maximize overall returns to the taxpayers; and provide public accountability for the exercise of the authority.

Section 3. Definitions.

“**Appropriate Committees of Congress**” means

- (A) The Senate committees on Banking, Housing and Urban Affairs, Finance, Budget, and Appropriations;
- (B) House committees on Financial Services, Ways and Means, Budget and Appropriations.

“**Congressional Support Agencies**” includes the Congressional Budget Office and the Joint Committee on Taxation.

“**Financial Institution**” means any institution, including, but not limited to, any bank, savings association, credit union, security broker or dealer, or insurance company, established and regulated under the laws of the United States or any State, territory or possession of the United States, the District of Columbia, Commonwealth of Puerto Rico, Commonwealth of Northern Mariana Islands, Guam, American Samoa, or the United States Virgin Islands and having significant operations in the United States. The term excludes any central bank of, or institution owned by, a foreign government.

“**Fund**” means the Troubled Assets Insurance Financing Fund.

“**TARP**” means the Troubled Asset Relief Program.

“**Troubled Assets**” means residential or commercial mortgage or any security or other instrument based on or related to such mortgage that was originated or issued on or before March 14, 2008 and the purchase of which would promote financial market stability. The term also refers to any other financial instruments identified by the Secretary in consultation with the Chairman of the Federal Reserve.

TITLE I – TROUBLED ASSETS RELIEF PROGRAM

Sec. 101. Purchases of troubled assets.

In consultation with the Chairman of the Federal Reserve Board, the FDIC, the Office of the Comptroller of the Currency (“OCC”), the Director of the Office of Thrift Supervision (“OTS”) and the Secretary of Housing and Urban Development (“HUD”), the Treasury Secretary is authorized to establish the TARP to enable the Secretary to purchase troubled assets. The Act authorizes the Secretary to take any actions necessary to create and administer the program.

The Act creates an Office of Financial Stability (“OFS”) within the Treasury Department’s Office of Domestic Finance to implement any program under the TARP. The Secretary is required to publish TARP guidelines within two business days of the first purchase of troubled assets or within 45 days of the enactment of the Act, whichever is earlier. The guidelines will cover the mechanism for purchasing troubled assets, methods for pricing and valuing troubled assets, procedures for selecting asset managers, and criteria for identifying troubled assets for purchase.

The Secretary is required to take steps to ensure that assets are not purchased in a manner that promotes unjust enrichment including purchasing them at higher prices than what the seller paid for the asset. However, this requirement does not apply to assets acquired in a merger or acquisition or from a financial institution in conservatorship or receivership, or that has initiated bankruptcy proceedings under title 11.

Sec. 102 Insurance of troubled assets.

The Secretary is required to establish a program to guarantee troubled assets originated or issued before March 14, 2008 including mortgage-backed securities and report to Congress within 90 days about the guarantee program. The Secretary may guarantee the timely payment of principal and interest of troubled assets up to, but not exceeding, 100% of such payments.

The Secretary is required to collect premiums from participating financial institutions. The premiums must be sufficient to provide reserves and may vary based upon the credit risk associated with the particular troubled asset being guaranteed. The Secretary must publish the methodology for setting the premiums for a class of assets within 90 days.

The premiums must be deposited into a Troubled Assets Insurance Financing Fund and the Secretary is authorized to make payments from the Fund to administer the guarantee program. The Secretary may invest the balance of the Fund in U.S. Treasury securities or may hold the balance in cash on hand or on deposit.

Sec. 103 Consideration

The Secretary is to take the following objectives into consideration in exercising the authorities granted under the Act:

- Protecting the interests of taxpayers by maximizing overall returns and minimizing the impact on the national debt;
- Providing stability and preventing disruption to financial markets in order to limit the impact on the economy and protect American jobs, savings and retirement security;
- The need to help families keep their homes and to stabilize communities;
- The long-term viability of a particular financial institution in determining whether the purchase represents the most efficient use of funds;
- Ensuring that all financial institutions are eligible to participate in the program without discrimination based on size, geography, form of organization, size, type or number of assets eligible for purchase;
- Providing financial assistance to financial institutions including those serving low- and moderate-income populations and other underserved communities that were impacted by the economic downturn;
- Protecting the retirement security of Americans; and
- The utility of purchasing other real estate owned and instruments backed by mortgage on multifamily properties.

Sec. 104 Financial Stability Oversight Board

This board is established by the Act to review the Secretary and the OFS's exercise of authority and policies implemented under the Act, to make recommendations, and to report any suspected fraud, misrepresentation or malfeasance to the Special Inspector General for the TARP or the U.S. Attorney General. It may appoint a credit review committee to evaluate the exercise of the Secretary's purchase authority. Members of the board include the Secretary, the Federal Reserve Chairman, the Director of the Federal Home Finance Agency, the Chairman of the SEC and the Secretary of HUD. The board is to report to Congressional committees and the Congressional Oversight Committee on a quarterly basis.

Sec. 105 Reports

The Secretary is required to submit the following reports to Congress:

- A first report within 60 days of the first purchase or guarantee of troubled assets and every 30 days thereafter that includes the following information:
 - An overview of actions taken by the Secretary;
 - A report of the actual obligation and expenditure of the funds provided for administrative expenses during the reporting period included anticipated expenses;
 - A detailed financial statement including
 - All agreements made or renewed;
 - All insurance contracts entered into;

- All transactions including types of parties involved;
 - The nature of the assets purchased;
 - All projected costs and liabilities;
 - Operating expenses, including compensation for financial agents;
 - The valuation or pricing method used for each transaction; and
 - A description of the vehicles established to exercise such authority.
- Tranche reports to the “appropriate committees of Congress” within 7 days after the date on which commitments to purchase troubled assets first reach the \$50 billion threshold and 7 days after the Secretary exceeds each successive \$50 billion threshold. The reports must include the following information:
 - A description of all the transactions made during the reporting period;
 - A description of the pricing mechanism for the transactions;
 - A justification of the price paid for and other financial terms associated with the transactions;
 - A description of the impact of the exercise of such authority on the financial systems including specific data;
 - A description of the challenges that remain in the financial system including any benchmarks yet to be achieved; and
 - An estimate of additional actions under the authority provided under the Act.
- No later than April 30, 2009, the Secretary is required to submit a regulatory modernization report to Congress that
 - analyzes the current state of the regulatory system and its effectiveness at overseeing the participants in the financial markets; and
 - provides recommendations for improvements such as bringing participants in the financial markets that are currently outside the regulatory system subject to the system an enhancing the clearing and settlement of over-the counter swaps.

Sec. 106 Rights, Management, Sale of Troubled Assets, Revenues and Sale Proceeds

The Secretary is authorized to manage troubled assets purchased under the Act including revenues and portfolio risks associated with such assets throughout the term of the Act and after the general sunset date of December 31, 2009. The Secretary may sell or enter into securities loans, repurchase transactions or other financial transactions involving the troubled assets purchased upon terms and conditions authorized by the Secretary. The proceeds from the sale of assets purchased under the Act will go into the general fund for reduction of the public debt.

Sec. 107 Contracting Procedures

The Secretary is authorized to waive specific provisions of the Federal Acquisition Regulation when purchasing troubled assets if the Secretary makes a determination that urgent and compelling circumstances make compliance with the provision contrary to the public interest. If the Secretary decides to waive certain provisions as permitted, the Secretary must develop and implement standards and procedures to ensure the inclusion and utilization of minorities and women in the impacted solicitation or contract.

Sec. 108 Conflicts of Interest

The Secretary is required to issue regulations that address and manage or prohibit conflicts of interest that may arise in connection with the administration and execution of the Act.

Sec. 109 Foreclosure Mitigation Efforts

The Secretary must implement a plan that seeks to maximize assistance for homeowners and use the authority of the Secretary to encourage the servicers of the underlying mortgages acquired as a troubled asset to take advantage of the HOPE for homeowners Program. In addition, the Secretary may use loan guarantees and credit enhancement to facilitate loan modifications to prevent avoidable foreclosures.

The Secretary is also required to consent to reasonable requests for loss mitigation measures including term extensions, rate reductions, principal write downs, increase in the proportion of loans within a trust or other structure allowed to be modified, or removal of other limitations on modifications. The Secretary should consider the net present value to the taxpayer before consenting to modification requests.

Sec. 110 Assistance to Homeowners

Within 60 days after the EESA is enacted, each federal property manager holding mortgages, mortgage-backed securities and other assets secured by residential real estate must implement a plan to assist homeowners and encourage the servicers of underlying mortgages to take advantage of the Hope for Homeowners Program. Such assistance may include reducing interest rates, reducing loan principal, and other similar modifications such as continuing any existing governmental rental subsidies and protections. Each federal property manager must make reports to Congress that include information on the types of loan modifications made and the number of foreclosures occurring during any reporting period.

Sec. 111 Executive Compensation and Corporate Governance

If the Secretary purchases troubled assets directly from a financial institution and receives a meaningful equity or debt position in the financial institution as a result of the transaction, the Secretary must require that the financial institution meet “appropriate standards” for executive compensation and corporate governance. The standards include:

- limits on compensation that exclude incentives for senior executive officers of financial institutions to take unnecessary and excessive risks that threaten the value of the financial institution during the period that the Secretary holds an equity or debt position;
- “claw-back” provisions that recover any bonus or incentive compensation paid to senior executive officers based on statement of earnings, gains or other criteria that are later proven to be materially inaccurate; and
- prohibitions on making any golden parachutes to senior executive officers.

If the Secretary purchases troubled assets by auction and the purchase exceeds \$300 million, the financial institution must be prohibited from entering into new employment contracts with senior executive officers that provide golden parachutes in the event of involuntary termination, bankruptcy filing, insolvency or receivership. The Secretary must issue guidance to carry out this paragraph not later than two months after the date of the Act. These standards will only apply to arrangements entered into before the sunset date.

Sec. 112 Coordination with Foreign Authorities and Central Banks

The Secretary is directed to coordinate with foreign financial authorities and central banks to work toward establishing similar programs.

Sec. 113 Minimizing Long-Term Costs and Maximizing Benefits to Taxpayers

The Secretary must use the authority under the Act to minimize long-term costs and maximize value to the taxpayers. Specifically, the Act requires the Secretary to:

- hold assets to maturity or for resale for and until such time as the Secretary determines that the market is optimal for selling to maximize taxpayer benefit; and
- sell such assets at prices determined by the Secretary to maximize return on investment for the Federal Government;
- encourage private sector purchases of the troubled assets;
- use market mechanisms such as auctions and reverse auctions, where appropriate; and
- purchase assets at the lowest price consistent with the Act.

Financial institutions must grant warrants when the Secretary purchases at least \$100 million in troubled assets. Publicly traded institutions must give warrants granting nonvoting common stock or preferred stock or voting stock with respect to which the Secretary agrees not to exercise voting power. Privately held institutions must grant a warrant for common or preferred stock or execute a senior debt instrument. The warrants must be protected by anti-dilution provisions and the Secretary will have the following rights:

- The authority to sell, exercise or surrender a warrant or debt instrument;
- The ability to convert warrants to debt instruments if the institution ceases to be publicly traded;
- The authority to set the exercise price; and
- The right to require that the institution guarantee the availability of sufficient authorized shares necessary to honor the warrants.

Sec. 114 Market Transparency

The Secretary must make available to the public in electronic form, a description, a disclosure of amounts, and pricing of assets acquired within two business days of purchase, trade or other disposition.

Sec. 115 Graduated Authorization to Purchase

The \$700 billion will be allocated to the Secretary through the following schedule:

- Immediate authority to purchase \$250 billion in troubled assets;
- An additional \$350 billion following submission of written certification to Congress by the President;
- Additional purchases will be authorized after the President submits a written report to Congress detailing the plan of the Secretary to exercise authority to make additional purchases.

Sec. 116 Oversight and Audits

The Comptroller General is required to exercise ongoing oversight of the TARP that includes assessing the financial condition and internal controls of the program, its characteristics, disposition and management of assets acquired through the program. The Comptroller is required to submit reports every 60 days to the appropriate committees of Congress and to the Special Inspector General. The Comptroller will audit the programs, activities, receipts, expenditures and financial transactions of the TARP.

Sec. 117 Study and report on margin authority

The Comptroller General is required to complete a study and make a report to Congress to determine if leveraging and sudden deleveraging of financial institutions was a factor in the current financial crisis. The study is to examine the roles of the Federal Reserve, SEC, the Secretary and other banking agencies, the Federal Reserve's authority to regulate leverage, and the Federal Reserve's use of margin authority.

Sec. 118 Funding

The Secretary may use proceeds from the sale of Treasury securities to fund actions under the Act.

Sec. 119 Judicial Review

Actions by the Secretary that are found to be arbitrary, capricious, an abuse of discretion or not in accordance with the law will be set aside. No injunctions are permitted with respect to the purchase of assets, the insurance program, management and sale of assets or foreclosure mitigation efforts. All other injunctions must be considered on an expedited basis. No seller may sue unless permitted in a written contract. The Act preserves the rights in any residential mortgage loan acquired.

Sec. 120 Termination of Authority

The authorities granted under the Act will terminate on December 31, 2009 unless extended by certification to Congress.

Sec. 121 Special Inspector General for TARP

The Act directs that an Office of the Special Inspector General for the Troubled Asset Program be established to provide independent and objective leadership and coordination of audits and investigations related to the program, its administration and oversight, and reporting to the Congress. The President is to appoint a Special Inspector General within 30 days.

Sec. 122 Increase in Statutory Limit on the Public Debt

This section increases the statutory limit on the amount of money that the U.S. government may borrow or guarantee at any one time to \$11.315 trillion.

Sec. 123 Credit Reform

This section provides that the Federal Credit Reform Act will govern how costs and cash flows associated with the purchase or insurance of troubled assets are determined.

Sec. 124 Hope for Homeowners Amendments

The "HOPE for Homeowners Act of 2008" created a new program within FHA to back FHA-insured mortgages to distressed borrowers. The new mortgages offered by FHA-approved lenders refinance loans at a significant discount for homeowners facing difficulty meeting their mortgage payments. The Act amends this program as follows:

- Broadens coverage by including borrowers reset the terms of their mortgage and then meet the required mortgage debt-to-income ratio eligibility threshold.
- Gives the FHA board discretion to insure mortgages that exceed 90% of the appraised value.
- Authorizes the FHA to fully pay all indebtedness owed a subordinate lender in lieu of any future appreciation payments on the property.

Sec. 125 Congressional Oversight Panel

The Act creates an Oversight Panel made up of members of Congress to review the current state of the financial markets and the regulatory system and submit certain reports to Congress. The panel may hold hearings and receive evidence.

Sec. 126 FDIC Authority

Prohibits persons and institutions from implying or misrepresenting that any deposits are covered by the FDIC if the deposits are not and creates enforcement authorities in coordination with the FBI to enforce the prohibition.

Sec. 131 Exchange Stabilization Fund reimbursement

The Act requires the Secretary to reimburse the Exchange Stabilization Fund for funds used in the temporary guarantee program for the U.S. money market mutual fund industry. The Secretary cannot use the fund to establish any future guarantee program for the money market mutual fund industry.

Sec. 132 Authority to suspend mark-to-market accounting

The Act authorizes the SEC to suspend the application of mark-to market accounting standards for any issuer or any type of transaction if the SEC determines that doing so is in the public interest.

Sec. 133 Study on Mark-to-Market Accounting

The Act authorizes the SEC and Treasury department to conduct a study on the standard including:

- the effects of the standard on a financial institution's balance sheet;
- the impacts of such accounting on bank failures in 2008;
- the impact of such standards on the quality of financial information available to investors;
- the process used by the Financial Accounting Standards Board in developing accounting standards;
- the advisability and feasibility of modifications to such standards; and
- alternative accounting standards to those provided in Statement Number 157.

Sec. 134 Recoupment

Five years after the Act becomes effective, the Director of the OMB must submit a report to Congress on the net amount within the TARP. If there is a shortfall, the President must submit a legislative proposal that recoups from the financial industry an amount equal to the shortfall in order to ensure that the TARP does not add to the deficit or national debt.

Sec. 136 Temporary Increase in Deposit and Share Insurance Coverage

This section increases the standard maximum deposit insurance amount under the Federal Deposit Insurance Act from \$100,000 to \$250,000 through December 31, 2009.

Sec. 201 – 204 Budget-Related Provisions

These sections require that all information used by the Secretary in connection with the activities authorized by the Act be made available to congressional committees, that the OMB provide certain cost estimates and analysis to Congress and the President, that the President

include analysis of the budgetary effects of the TARP under the Act and an estimate of the current value of all assets purchased, sold and guaranteed.

Sec. 301 Gain or loss from sale or exchange of certain preferred stock

The Act treats any losses on sales of Fannie Mae and Freddie Mac preferred stock by financial institutions or holding companies as ordinary losses. It allows banks to obtain the tax benefit of the loss on the preferred stock and therefore reduces the need to obtain additional capital.

Sec. 302 Special Rules for Tax Treatment of Executive Compensation of Employers Participating in the TARP

The Act prevents employers who sold over \$300 million in troubled assets under the TARP from deducting compensation in excess of \$500,000 paid to its top five executives or any golden parachute payments to a covered executive under IRS §162(m). The compensation limit also applies to deferred compensation after certain reductions.

Sec. 303 Extension of exclusion of income from discharge of qualified principal residence indebtedness

The Act extends the current exclusion from gross income for the discharge of principal residence indebtedness from January 1, 2010 to January 1, 2014.

DIVISION B: ENERGY IMPROVEMENT AND EXTENSION ACT OF 2008

Title I: Energy Production Incentives

Subtitle A: Renewal Energy Incentives

This section extends and modifies certain energy incentives and tax credits, and creates new renewable energy bonds. A complete summary of these provisions may be found [here](#).

Subtitle B: Carbon Mitigation and Coal Provision

This section provides new tax credits for advanced coal electricity and coal gasification projects, creates solvency for the Black Lung Disability Trust Fund, credits for CO₂ capture, credits for coal used in certain manufacturing, and authorizes a review of the tax code to identify tax provision with the largest effect on carbon and other greenhouse gas emissions in order to estimate the magnitude of those effects. A further summary of these provisions may be found [here](#).

Title II: Transportation and Domestic Fuel Security

The provisions establish new credits for certain types of energy efficiencies in vehicles, bi-fuels and bio-diesel production, alternative fuel and bicycle credits, income treatment for alternative fuels and refinery expensing. Additional details are available [here](#).

Title III: Energy Conservation and Efficiency

Key provisions in this section include tax credit bonds for government initiatives designed to reduce greenhouse emissions, tax credits and deductions for energy-efficient homes, commercial buildings, appliances, and utility meters, and investments in recycling. Additional information is available [here](#).

Title IV: Revenue Provisions

These provisions freeze Section 199 deduction levels at 6% of a taxpayer's qualified production activities income, requires brokers of publicly traded securities (including mutual funds) to report cost basis information to shareholders and the IRS,¹ extends the Federal Unemployment Surtax, eliminates the distinction between certain oil and gas related income, and extends and increases the oil spill tax through 2017. Additional summary information is available [here](#).

¹ The cost basis reporting provisions generally apply to fund shares one year after they apply to other stocks. Additionally, the reporting deadline for sending year-end tax information to customers generally is extended from January 31 to February 15. The Act creates two reporting categories: One for fund shares acquired before January 1, 2012, and one for shares acquired after. Fund shareholders have no obligation to use any cost basis information provided voluntarily for shares acquired through 2011, but must use the cost basis information provided for shares acquired after. Memorandum of the Investment Company Institute, "Economic Stabilization Bill Enacted Today Includes Cost Basis Reporting, Flow-Through Extension, and Other Provisions," October 3, 2008.

DIVISION C: TAX EXTENDERS AND ALTERNATIVE MINIMUM TAX RELIEF

Title I: Alternative Minimum Tax

The provision increases the exemption amounts under the AMT to \$46,200 for individuals and \$69,950 for married filing jointly for 2008, allows personal credits against the AMT, and extends and modifies AMT credit allowances against incentive stock options. Additional summary information is available [here](#).

Title II: Extension of Individual Tax Provisions

The provision extends the availability of income tax deductions for sales taxes in states without a state income tax, the deduction for qualified higher education expenses, the deduction for up to \$250 for educational expenses, the real property tax deduction calculation for the standard deduction, and tax free contributions to IRA plans through 2009. It also extends treatment of certain dividends for Regulated Investment Companies, permits an estate tax look-through for RIC stock, and extends treatment of RICs as “Qualified Investment Entities.” Additional summary information is available [here](#).

Title III: Extension of Business Tax Provisions

These extensive provisions include the following:

- Extends current research and development tax credit and increases the alternative incremental research credit for the 2009 tax year;
- Extends credits for taxpayers who hold a qualified equity investment on a credit allowance date through 2009 (§302);
- Extends qualified tax deferrals for the U.S. parent of a foreign subsidiary engaged in banking, financing or other similar business through 2009 (§303);
- Extends the look-through rule for commonly controlled foreign corporations (§304);
- Extends 15-year straight-line cost recovery for qualified leasehold improvements and qualified restaurant improvements as well as the 15-year straight-line cost recovery for certain improvements to retail space (§305);
- Extends tax treatment for certain payments paid to a tax-exempt organization from a controlled entity (§306);
- Extends provision allowing a basis adjustment to stock of an S corporation that makes a contribution to charity (§307);
- Extends the temporary increase in the limit on cover over of rum excise tax revenues to Puerto Rico and the Virgin Islands (§308);
- Extends economic development tax relief for American Samoa (§309);
- Extends credit for the training of mine rescue team members (§310);
- Extension of expensing treatment for advanced mine safety equipment (§311);
- Extends a provision allowing a deduction for domestic production activities in Puerto Rico (§312);
- Extends provisions related to qualified zone academy bonds to help low-income school districts save on interest costs associated with public financing school renovations and repairs (§313);
- Business tax credit for employers of qualified employees that work and live on or near an Indian reservation. (§314);

- Extends placed-in-service date for the special depreciation recovery period for qualified Indian reservation property (§315);
- Extend and expand 50% tax credit for certain maintenance expenditures associated with railroad tracks (§316);
- Extends a special 7-year cost recovery period for property used for land improvement and support facilities at motor sports entertainment complexes (§317);
- Extends permission to expense costs associated with cleaning up contaminated environmental sites (§318);
- Extends “work opportunity tax credits” for those employed with Hurricane Katrina core disaster area. (§319);
- Extends an increase in the rehabilitation credit for structures in the “Gulf Opportunity Zone Act of 2005 (§320);
- Extends a provision that encourages business to contribute computer equipment and software to schools (§321);
- Special tax incentives are made available for investments within the District of Columbia (§322);
- Enhanced charitable deductions for contributions of book inventory to schools (§323); and
- Extends a provision that reduces import duties on a limited quantity of imported wool fabrics and places duties collected on the import of certain other wool products into the Wool Trust Fund (§325).

Additional summary information is available [here](#).

Title IV: Extension of Tax Administration Provisions

This provision permanently authorizes the IRS to use proceeds it receives from undercover operations to offset necessary expenses incurred in the operation as well permanently extending the current-law terrorist activity provisions. (§401-402)

Title V: Additional Tax Relief and Other Tax Provisions

This section contains a number of miscellaneous tax relief provisions including:

- lowering the eligibility threshold for the child tax credit;
- expanding the use of the domestic production deduction for television productions;
- exempting excise taxes on wooden practice arrows used by children;
- allowing commercial fishermen and others whose livelihoods were affected by the Exxon Valdez oil spill to average any settlement or judgment-related income over three years for tax purposes and make contributions to their retirement accounts;
- providing a five year recovery period for any equipment used in a farming business that is placed in service before January 1, 2010; and
- modifying the standards imposed on the tax return preparer penalty provisions.

In addition, this section contains the notable Paul Wellstone and Pete Domenici Mental Health Parity and Addiction Equity Act of 2008. This act requires private insurance plans that offer mental health and medical surgical benefits to offer them on par with one another. Any cost-sharing or benefit limits imposed on mental health and addiction recovery must not be any more restrictive than those imposed on other medical benefits.

Additional summary information about these provisions is available [here](#).

Title VI: Other Provisions

This section reauthorizes the Secure Rural Schools and Community Self-Determination Act of 2000 through 2011 and adjusts the funding distribution formula. It also transfers interest earned by the Abandoned Mine Reclamation Fund. Additional information is available [here](#).

Title VII: Midwestern Disaster Tax Relief

The section authorizes tax relief for victims of the Midwestern disaster related to floods, severe storms and tornadoes in Arkansas, Illinois, Indiana, Iowa, Kansas, Michigan, Minnesota, Missouri, Nebraska and Wisconsin identified by FEMA between May and August, 2008. The types of relief include the following:

- Waives the 10% penalty tax for distributions from an IRA or tax-favored retirement plan if it is a “qualified Disaster Recovery Assistance distribution;
- Allows distributions from home purchases made from Code Section 401(k) or 403(b) or IRA plans that were applied for and not finalized because of the disaster;
- Doubles the limitations on loans from a 401(k), 403(b), or a governmental 457(b) plan to allow victims to receive loans up to \$100,000 or 100% of the vested accrued benefit;
- Eliminates the 10% and \$100 floor for casualty loss deductions;
- Permits low income families to use 2007 income amount to determine eligibility for the refundable earned income credit and child tax credit;
- Grants an additional personal exemption for taxpayers who house up to four dislocated persons from the disaster;
- Ensures that individuals will not be taxed on personal debt that is discharged in response to damage suffered from the disasters;
- Extends the replacement period to five years for principal residences and business property in order to avoid recognizing gain;
- Grants employee retention credit to employers with 200 or fewer employees who continue to pay them while their business is inoperable;
- Doubles the hope Scholarship and Lifetime Learning Credit for students attending undergraduate or graduate institutions in the disaster area;
- Authorizes the Treasury Department to ensure that victims do not lose tax benefits because they have been displaced;
- Permits states to issue tax-exempt bonds to finance low-interest loans to taxpayers whose principal residence has been damaged as a result of the disaster;

- Authorizes each impacted state to issue a special class of qualified private activity bond outside of the state volume caps. Bond proceeds can be used to pay for acquisition, construction and renovation of nonresidential real property, qualified low income residential rental housing and public utility property;
- Authorizes states to allocate volumes of additional housing credit amounts based upon population data issued before the earliest applicable disaster date;
- Permits businesses to claim an additional first-year depreciation deduction equal to 50% of the cost of new real and personal property investments made in the disaster area;
- Increases by \$100,000 the amount of expensing available for qualifying expenditures made in the disaster area through 2011;
- Allows businesses to deduct 50% of the cost related to site cleanup and demolition;
- Extends deductibility of environmental remediation costs;
- Increases the rehabilitation credit for buildings damaged or destroyed in the disaster;
- Extends net operating loss carryback period from 2 to 5 years for net operating losses attributable to certain costs and losses;
- Authorizes impacted states to issue debt service tax credit bonds for credits against Federal income tax instead of interest payments to assist communities unable to meet their debt service requirements because of the disaster;
- Temporarily waives limits on charitable contributions for contributions dedicated to the disaster relief efforts;
- Increase standard mileage rate for charitable use of vehicles; and
- Excludes income mileage reimbursements for charitable volunteers.

Additional summary information on these provisions is available [here](#).

Title VIII: Hurricane Ike Disaster Tax Relief

This section allows Texas and Louisiana to allocate volumes of additional low-income housing credit amounts through 2010 and permits these states to issue special classes of qualified private activity bonds outside the state volume caps. Additional information is available [here](#).