

HR 4154 EH

111th CONGRESS

1st Session

**H. R. 4154**

**AN ACT**

To amend the Internal Revenue Code of 1986 to repeal the new carryover basis rules in order to prevent tax increases and the imposition of compliance burdens on many more estates than would benefit from repeal, to retain the estate tax with a \$3,500,000 exemption, to reinstitute and update the Pay-As-You-Go requirement of budget neutrality on new tax and mandatory spending legislation, enforced by the threat of annual, automatic sequestration, and for other purposes.

*Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,*

**DIVISION A--PERMANENT ESTATE TAX RELIEF FOR FAMILIES, FARMERS,  
AND SMALL BUSINESSES ACT OF 2009**

**SECTION 1. SHORT TITLE; TABEL OF CONTENTS.**

(a) Short Title- This division may be cited as the 'Permanent Estate Tax Relief for Families, Farmers, and Small Businesses Act of 2009'.

(b) Table of Contents- The table of contents for this Act is as follows:

**DIVISION A--PERMANENT ESTATE TAX RELIEF FOR FAMILIES,  
FARMERS, AND SMALL BUSINESSES ACT OF 2009**

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Sec. 2. Retention of estate tax; repeal of carryover basis.

Sec. 3. Modifications to estate and gift taxes.

**DIVISION B--STATUTORY PAY-AS-YOU-GO ACT OF 2009**

Sec. 101. Short Title.

Sec. 102. Purpose.

Sec. 103. Definitions.

Sec. 104. PAYGO estimates and PAYGO scorecards.

Sec. 105. Annual report and sequestration order.

Sec. 106. Calculating a sequestration.

Sec. 107. Current policy adjustment to the CBO estimates.

Sec. 108. Application of BBEDCA.

Sec. 109. Technical corrections.

Sec. 110. Conforming amendments.

Sec. 111. Exempt programs and activities.

## **SEC. 2. RETENTION OF ESTATE TAX; REPEAL OF CARRYOVER BASIS.**

(a) In General- Subtitles A and E of title V of the Economic Growth and Tax Relief Reconciliation Act of 2001, and the amendments made by such subtitles, are hereby repealed; and the Internal Revenue Code of 1986 shall be applied as if such subtitles, and amendments, had never been enacted.

(b) Sunset Not To Apply- Section 901 of the Economic Growth and Tax Relief Reconciliation Act of 2001 shall not apply to title V of such Act.

(c) Conforming Amendments-

(1) Sections 511(d) and 521(b)(2) of the Economic Growth and Tax Relief Reconciliation Act of 2001, and the amendments made by such sections, are hereby repealed; and the Internal Revenue Code of 1986 shall be applied as if such sections, and amendments, had never been enacted.

(2) Subsection (c) of section 2511 of the Internal Revenue Code of 1986 is hereby repealed.

## **SEC. 3. MODIFICATIONS TO ESTATE AND GIFT TAXES.**

(a) \$3,500,000 Applicable Exclusion Amount- Subsection (c) of section 2010 of the Internal Revenue Code of 1986 (relating to applicable credit amount) is amended by striking all that follows `the applicable exclusion amount' and inserting ` . For purposes of the preceding sentence, the applicable exclusion

amount is \$3,500,000.'.

(b) Freeze Maximum Estate and Gift Tax Rates at 45 Percent- Subsection (c) of section 2001 of such Code is amended--

(1) by striking paragraph (2);

(2) by striking so much of paragraph (1) as precedes the table contained therein; and

(3) by striking the last 2 items in the table and inserting the following new item:

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 `Over \$1,500,000 \$555,800, plus 45 percent of the excess of such amount  
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(c) Effective Date- The amendments made by this section shall apply to estates of decedents dying, and gifts made, after December 31, 2009.

## **DIVISION B--STATUTORY PAY-AS-YOU-GO ACT OF 2009**

### **SEC. 101. SHORT TITLE.**

This division may be cited as the `Statutory Pay-As-You-Go Act of 2009'.

### **SEC. 102. PURPOSE.**

The purpose of this division is to reestablish a statutory procedure to enforce a rule of budget neutrality on new revenue and direct spending legislation.

### **SEC. 103. DEFINITIONS.**

As used in this division--

(1) The term `BBEDCA' means the Balanced Budget and Emergency Deficit Control Act of 1985.

(2) The definitions set forth in section 3 of the Congressional Budget and Impoundment Control Act of 1974 and in section 250 of BBEDCA shall apply to this division, except to the extent that they are specifically modified as follows:

(A) The term 'outyear' means a fiscal year that occurs one or more years after the budget year.

(B) In section 250(c)(8)(C), the reference to the food stamp program shall be deemed to be a reference to the Supplemental Nutrition Assistance Program.

(3) The term 'AMT' means the Alternative Minimum Tax for individuals under sections 55-59 of the Internal Revenue Code of 1986, the term 'EGTRRA' means the Economic Growth and Tax Relief Reconciliation Act of 2001 (Public Law 107-16), and the term 'JGTRRA' means the Jobs and Growth Tax Relief and Reconciliation Act of 2003 (Public Law 108-27).

(4)(A) The term 'budgetary effects' means the amounts by which PAYGO legislation changes direct spending or revenues relative to the baseline and shall be determined on the basis of estimates included by reference in the PAYGO Act or prepared under section 104(d)(3), as applicable. Budgetary effects that increase direct spending or decrease revenues are termed 'costs' and budgetary effects that increase revenues or decrease direct spending are termed 'savings'.

(B) For purposes of these definitions, off-budget effects shall be counted as budgetary effects unless such changes flow directly from amendments to title II of the Social Security Act and related provisions of the Internal Revenue Code of 1986 and debt service effects shall not be counted as budgetary effects.

(C) Solely for purposes of recording entries on a PAYGO scorecard, provisions in appropriations Acts are also considered to be budgetary effects for purposes of this division if such provisions make outyear modifications to substantive law, except that provisions for which the outlay effects net to zero over a period consisting of the current year, the budget year, and the 4 subsequent years shall not be considered budgetary effects. For purposes of this paragraph, the term, 'modifications to substantive law' refers to changes to or restrictions on entitlement law or other mandatory spending contained in appropriations Acts, notwithstanding section 250(c)(8) of BBEDCA. Provisions in appropriations Acts that are neither outyear modifications to substantive law nor changes in revenues have no budgetary effects for purposes of this division.

(D) If a provision is designated as an emergency requirement under this division and is also designated as an emergency requirement under the applicable rules of the House of Representatives, CBO shall not include the cost of such a provision in its estimate of the PAYGO legislation's budgetary effects.

(5) The term `debit' refers to the net total amount, when positive, by which costs recorded on the PAYGO scorecards for a fiscal year exceed savings recorded on those scorecards for that year.

(6) The term `entitlement law' refers to a section of law which provides entitlement authority.

(7) The term `PAYGO legislation' or a `PAYGO Act' refers to a bill or joint resolution that affects direct spending or revenue relative to the baseline. The budgetary effects of changes in revenues and outyear modifications to substantive law included in appropriation Acts as defined in paragraph (4) shall be treated as if they were contained in PAYGO legislation.

(8) The term `timing shift' refers to a delay of the date on which direct spending would otherwise occur from the ninth outyear to the tenth outyear or an acceleration of the date on which revenues would otherwise occur from the tenth outyear to the ninth outyear.

## **SEC. 104. PAYGO ESTIMATES AND PAYGO SCORECARDS.**

(a) Paygo Estimates- (1) A PAYGO Act shall include by reference an estimate of its budgetary effects as determined under section 308(a)(3) of the Congressional Budget Act of 1974, if timely submitted for printing in the Congressional Record by the chairs of the Committees on the Budget of the House of Representatives and the Senate, as applicable, before the vote on the PAYGO legislation. The Clerk of the House or the Secretary of the Senate, as applicable, shall also incorporate by reference such estimate printed in the relevant portion of the Congressional Record under section 308(a)(3) of the Congressional Budget Act of 1974 into the enrollment of a PAYGO Act. Budgetary effects that are not so included shall be determined under section 104(d)(3).

(2)(A) Section 308(a) of the Congressional Budget Act of 1974 is amended by adding at the end the following new paragraph:

`(3) CBO PAYGO ESTIMATES- Before a vote in either House on a PAYGO Act that, if determined in the affirmative, would clear such Act for enrollment, the chairs of the Committees on the Budget of the House and Senate, as applicable, shall request from the Director of the Congressional Budget Office an estimate of the budgetary effects of such Act under the Statutory Pay-As-You-Go Act of 2009. If such an estimate is timely provided, the chairs of the Committees on the Budget of the House of Representatives and the Senate shall post such estimate on their respective committee websites and cause it to be printed in the Congressional Record under the heading `PAYGO ESTIMATE'. For

purposes of this section, the Director of the Congressional Budget Office shall not count timing shifts in his estimates of the budgetary effects of PAYGO legislation (as defined in section 103 of the Statutory Pay-As-You-Go Act of 2009).'

(B) The side heading of section 308(a) of the Congressional Budget Act of 1974 is amended by striking `Reports on'.

(b) Section 308 of the Congressional Budget Act of 1974 is amended by adding at the end the following new subsection:

`(d) Scorekeeping Guidelines- The Director of the Congressional Budget Office shall provide estimates under this section in accordance with the scorekeeping guidelines determined under section 252(d)(5) of the Balanced Budget and Emergency Deficit Control Act of 1985. Upon agreement, the chairs of the Committees on the Budget of the House of Representatives and the Senate shall submit updates to such guidelines for printing in the Congressional Record.'

(c) Current Policy Adjustments for Certain Legislation- For purposes of calculating budgetary effects under this division, CBO shall adjust its estimates as described below for any provision of legislation designated as meeting the criteria in subsection (b), (c), or (d) of section 107 and which the chairman of the Committee on the Budget of the House of Representatives or the Senate, as applicable, designates as meeting those criteria. A single piece of legislation may contain provisions designated as meeting criteria in more than one of the subsections listed above. For appropriately designated provisions, CBO shall exclude from its estimates for purposes of this division any costs of a provision to the extent that those costs, when combined with all other excluded costs of any other previously designated provisions of enacted legislation under the same subsection of section 107, do not exceed the maximum applicable current policy adjustment defined under the applicable subsection of section 107 for the applicable 10-year period, using the most recent baseline estimates supplied by the Congressional Budget Office consistent with section 257 of the Balanced Budget and Emergency Deficit Control Act of 1985 used in considering a concurrent resolution on the budget; or, after the beginning of a new calendar year and before consideration of a concurrent resolution on the budget, using the most recent baseline estimates supplied by the Congressional Budget Office consistent with section 257 of the Balanced Budget and Emergency Deficit Control Act of 1985. CBO estimates of legislation containing a current policy designation under this subsection shall include a separate presentation of costs excluded from the calculation of budgetary effects for the legislation, as well as an updated total of all excluded costs of provisions within the same subsection of section 107.

(d) OMB Paygo Scorecards-

(1) IN GENERAL- OMB shall maintain and make publicly available a continuously updated document containing two PAYGO scorecards displaying the budgetary effects of PAYGO legislation as determined under section 308 of the Congressional Budget Act of 1974, applying the look-back requirement in subsection (e) and the averaging requirement in subsection (f), and a separate addendum displaying the estimates of the costs of provisions designated in statute as emergency requirements.

(2) ESTIMATES IN LEGISLATION- Except as provided in paragraph (3), in making the calculations for the PAYGO scorecards, OMB shall use the budgetary effects included by reference in the applicable legislation.

(3) OMB ESTIMATES- If legislation does not contain the estimate of budgetary effects under paragraph (2), then OMB shall score the budgetary effects of that legislation upon its enactment, based on the approaches to scorekeeping set forth in this division.

(4) 5-year SCORECARD- The first scorecard shall display the budgetary effects of PAYGO legislation in each year over the 5-year period beginning in the budget year.

(5) 10-year SCORECARD- The second scorecard shall display the budgetary effects of PAYGO legislation in each year over the 10-year period beginning in the budget year.

(e) Look-back to Capture Current-year Effects- For purposes of this section, OMB shall treat the budgetary effects of PAYGO legislation enacted during a session of Congress that occur during the current year as though they occurred in the budget year.

(f) Averaging Used to Measure Compliance Over 5-year and 10-year Periods- OMB shall cumulate the budgetary effects of a PAYGO Act over the budget year (which includes any look-back effects under subsection (e)) and--

(1) for purposes of the 5-year scorecard referred to in subsection (d)(4), the four subsequent outyears, divide that cumulative total by five, and enter the quotient in the budget-year column and in each subsequent column of the 5-year PAYGO scorecard; and

(2) for purposes of the 10-year scorecard referred to in subsection (d)(5), the nine subsequent outyears, divide that cumulative total by ten, and enter the quotient in the budget-year column and in each subsequent column of the 10-year PAYGO scorecard.

## **SEC. 105. ANNUAL REPORT AND SEQUESTRATION ORDER.**

(a) Annual Report- Not later than 14 days (excluding weekends and holidays) after Congress adjourns to end a session, OMB shall make publicly available and cause to be printed in the Federal Register an annual PAYGO report. The report shall include an up-to-date document containing the PAYGO scorecards, a description of any current policy adjustments made under section 104(c), information about emergency legislation (if any) designated under section 103(4)(D), information about any sequestration if required by subsection (b), and other data and explanations that enhance public understanding of this division and actions taken under it.

(b) Sequestration Order- If the annual report issued at the end of a session of Congress under subsection (a) shows a debit on either PAYGO scorecard for the budget year, OMB shall prepare and the President shall issue and include in that report a sequestration order that, upon issuance, shall reduce budgetary resources of direct spending programs by enough to offset that debit as prescribed in section 106. If there is a debit on both scorecards, the order shall fully offset the larger of the two debits. OMB shall include that order in the annual report and transmit it to the House of Representatives and the Senate. If the President issues a sequestration order, the annual report shall contain, for each budget account to be sequestered, estimates of the baseline level of budgetary resources subject to sequestration, the amount of budgetary resources to be sequestered, and the outlay reductions that will occur in the budget year and the subsequent fiscal year because of that sequestration.

## **SEC. 106. CALCULATING A SEQUESTRATION.**

(a) Reducing Nonexempt Budgetary Resources by a Uniform Percentage- OMB shall calculate the uniform percentage by which the budgetary resources of nonexempt direct spending programs are to be sequestered such that the outlay savings resulting from that sequestration, as calculated under subsection (b), shall offset the budget-year debit, if any on the applicable PAYGO scorecard. If the uniform percentage calculated under the prior sentence exceeds 4 percent, the Medicare programs described in section 256 (d) of BBEDCA shall be reduced by 4 percent and the uniform percentage by which the budgetary resources of all other nonexempt direct spending programs are to be sequestered shall be increased, as necessary, so that the sequestration of Medicare and of all other nonexempt direct spending programs together produce the required outlay savings.

(b) Outlay Savings- In determining the amount by which a sequestration offsets a budget-year debit, OMB shall count--

(1) the amount by which the sequestration in a crop year of crop support payments, pursuant to section 256(j) of BBEDCA, reduces outlays in the budget year and the subsequent fiscal year;

(2) the amount by which the sequestration of Medicare payments in the 12-month period following the sequestration order, pursuant to section 256(d) of BBEDCA, reduces outlays in the budget year and the subsequent fiscal year; and

(3) the amount by which the sequestration in the budget year of the budgetary resources of other nonexempt mandatory programs reduces outlays in the budget year and in the subsequent fiscal year.

## **SEC. 107. CURRENT POLICY ADJUSTMENT TO THE CBO ESTIMATES.**

(a) Purpose- The purpose of this section is to provide for adjustments of estimates of budgetary effects of PAYGO legislation for legislation affecting four areas of the budget--

(1) payments made under section 1848 of the Social Security Act (titled Payment for Physicians' Services);

(2) the Estate and Gift Tax under subtitle B of the Internal Revenue Code of 1986;

(3) the AMT; and

(4) provisions of EGTRRA or JGTRRA that amended the Internal Revenue Code of 1986 (or provisions in later statutes further amending the amendments made by EGTRRA or JGTRRA), other than--

(A) the provisions of those two Acts that were made permanent by the Pension Protection Act of 2006 (Public Law 109-280);

(B) amendments to the estate and gift tax referred to in paragraph (2);

(C) the AMT referred to in paragraph (3);

(D) the 35 percent bracket and that portion of the 33 percent bracket that applies to taxable income greater than \$200,000 for an individual and \$250,000 for a couple; and

(E) provisions in those two Acts relating to taxes rates on capital gains and dividends.

(b) Medicare Payments to Physicians-

(1) CRITERIA- Legislation that includes provisions amending or

superseding the system of payments under section 1848 of the Social Security Act shall trigger the current policy adjustment required by this division.

(2) ADJUSTMENT- The amount of the maximum current policy adjustment shall be the difference between--

(A) estimated net outlays attributable to the payments made to physicians under that section of the Social Security Act (as scheduled on July 15, 2009, to be in effect); and

(B) what those net outlays would have been if the nominal payment rates and related parameters in effect for 2009 had been in effect thereafter without change.

(c) Estate and Gift Tax-

(1) CRITERIA- Legislation that includes provisions amending the Estate and Gift Tax under subtitle B of the Internal Revenue Code of 1986 shall trigger the current policy adjustment required by this division.

(2) ADJUSTMENT- The amount of the maximum current policy adjustment shall be the difference between--

(A) total revenues projected to be collected under the Internal Revenue Code of 1986 (as scheduled on July 15, 2009, to be in effect); and

(B) what those revenue collections would have been if, on the date of enactment of the legislation meeting the criteria in paragraph (1), estate and gift tax law had instead been amended so that the tax rates, nominal exemption amounts, and related parameters in effect for tax year 2009 had remained in effect thereafter without change.

(d) Permanent Extension of Middle-Class Tax Cuts and AMT Relief-

(1) CRITERIA- Legislation that includes provisions extending middle-class tax cuts or AMT relief shall trigger the current policy adjustment required by this division if those provisions extend one or more of the following provisions--

(A) AMT relief for calendar year 2010 and subsequent years in such a manner that the number of AMT taxpayers is not estimated to exceed the number of AMT taxpayers in tax year 2008 in any year through the tenth year after enactment;

(B) the 10 percent bracket as in effect for tax year 2010, as provided for under section 101(a) of the Economic Growth and Tax Relief Reconciliation Act of 2001 and any later amendments through July 15, 2009;

(C) the child tax credit as in effect for tax year 2010, as provided for under section 201 of the Economic Growth and Tax Relief Reconciliation Act and any later amendments through July 15, 2009;

(D) tax benefits for married couples as in effect for tax year 2010, as provided for under title III of the Economic Growth and Tax Relief Reconciliation Act and any later amendments through July 15, 2009;

(E) the adoption credit as in effect in tax year 2010, as provided for under section 202 of the Economic Growth and Tax Relief Reconciliation Act of 2001 and any later amendments through July 15, 2009;

(F) the dependent care credit as in effect in tax year 2010, as provided for under section 204 of the Economic Growth and Tax Relief Reconciliation Act of 2001 and any later amendments through July 15, 2009;

(G) the employer-provided child care credit as in effect in tax year 2010, as provided for under section 205 of the Economic Growth and Tax Relief Reconciliation Act of 2001 and any later amendments through July 15, 2009;

(H) the education tax benefits as in effect in tax year 2010, as provided for under title IV of the Economic Growth and Tax Relief Reconciliation Act of 2001 and any later amendments through July 15, 2009;

(I) the 25 and 28 percent brackets as in effect for tax year 2010, as provided for under section 101(a) of the Economic Growth and Tax Relief Reconciliation Act of 2001 and any later amendments through July 15, 2009; and

(J) the 33 percent brackets as in effect for tax year 2010, as provided for under section 101(a) of the Economic Growth and Tax Relief Reconciliation Act of 2001 and any later amendment affecting taxpayers with taxable income of \$200,000 or less for individuals and \$250,000 or less for couples in calendar year 2010 and increased in each subsequent year by an amount equal to the cost of living adjustment determined under section 1(f)(3) of the

Internal Revenue Code of 1986 for the calendar year in which the taxable year begins, determined by substituting `calendar year 2008' for `calendar year 1992' in subparagraph (B) thereof.

(2) ADJUSTMENT- The amount of the maximum current policy adjustment shall be the difference between what total revenues would have been under the Internal Revenue Code of 1986 (as scheduled on July 15, 2009, to be in effect) and what revenues would be if legislation-

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(A) permanently extending the AMT exemption and brackets in effect in tax year 2009 but increased in tax year 2010 and each subsequent tax year as indicated under subsection (d)(2)(B), along with any additional amount necessary to prevent the number of taxpayers who must pay AMT from increasing; and

(B) permanently extending the provisions identified in paragraph (1),

were enacted on the same day as the legislation referred to in paragraph (1).

## **SEC. 108. APPLICATION OF BBEDCA.**

For purposes of this division--

(1) notwithstanding section 275 of BBEDCA, the provisions of sections 255, 256, 257, and 274 of BBEDCA, as amended by this division, shall apply to the provisions of this division;

(2) references in sections 255, 256, 257, and 274 to `this part' or `this title' shall be interpreted as applying to this division;

(3) references in sections 255, 256, 257, and 274 of BBEDCA to `section 254' shall be interpreted as referencing section 105 of this division;

(4) the reference in section 256(b) of BBEDCA to `section 252 or 253' shall be interpreted as referencing section 105 of this division;

(5) the reference in section 256(d)(1) of BBEDCA to `section 252 or 253' shall be interpreted as referencing section 106 of this division;

(6) the reference in section 256(d)(4) of BBEDCA to `section 252 or 253' shall be interpreted as referencing section 105 of this division;

(7) section 256(k) of BBEDCA shall apply to a sequestration, if any, under this division; and

(8) references in section 257(e) of BBEDCA to `section 251, 252, or 253' shall be interpreted as referencing section 104 of this division.

## **SEC. 109. TECHNICAL CORRECTIONS.**

(a) Section 250(c)(18) of BBEDCA is amended by striking `the expenses the Federal deposit insurance agencies' and inserting `the expenses of the Federal deposit insurance agencies'.

(b) Section 256(k)(1) of BBEDCA is amended by striking `in paragraph (5)' and inserting `in paragraph (6)'.

## **SEC. 110. CONFORMING AMENDMENTS.**

(a) Section 256(a) of BBEDCA is repealed.

(b) Section 256(b) of BBEDCA is amended by striking `origination fees under sections 438(c)(2) and 455(c) of that Act shall each be increased by 0.50 percentage point.' and inserting in lieu thereof `origination fees under sections 438(c)(2) and (6) and 455(c) and loan processing and issuance fees under section 428(f)(1)(A)(ii) of that Act shall each be increased by the uniform percentage specified in that sequestration order, and, for student loans originated during the period of the sequestration, special allowance payments under section 438(b) of that Act accruing during the period of the sequestration shall be reduced by the uniform percentage specified in that sequestration order.'.

(c) Section 256(c) of BBEDCA is repealed.

(d) Section 256(d) of BBEDCA is amended--

(1) by redesignating paragraphs (2), (3), and (4) as paragraphs (3), (5), and (6);

(2) by amending paragraph (1) to read as follows:

`(1) CALCULATION OF REDUCTION IN PAYMENT AMOUNTS- To achieve the total percentage reduction in those programs required by section 252 or 253, subject to paragraph (2), and notwithstanding section 710 of the Social Security Act, OMB shall determine, and the applicable Presidential order under section 254 shall implement, the percentage reduction that shall apply, with respect to the health insurance programs under title XVIII of the Social Security Act--

`(A) in the case of parts A and B of such title, to individual payments for services furnished during the one-year period

beginning on the first day of the first month beginning after the date the order is issued (or, if later, the date specified in paragraph (4)); and

` (B) in the case of parts C and D, to monthly payments under contracts under such parts for the same one-year period;

such that the reduction made in payments under that order shall achieve the required total percentage reduction in those payments for that period.';

(3) by inserting after paragraph (1) the following:

` (2) UNIFORM REDUCTION RATE; MAXIMUM PERMISSIBLE REDUCTION- Reductions in payments for programs and activities under such title XVIII pursuant to a sequestration order under section 254 shall be at a uniform rate, which shall not exceed 4 percent, across all such programs and activities subject to such order.';

(4) by inserting after paragraph (3), as redesignated, the following:

` (4) TIMING OF SUBSEQUENT SEQUESTRATION ORDER- A sequestration order required by section 252 or 253 with respect to programs under such title XVIII shall not take effect until the first month beginning after the end of the effective period of any prior sequestration order with respect to such programs, as determined in accordance with paragraph (1).';

(5) in paragraph (6), as redesignated, to read as follows:

` (6) SEQUESTRATION DISREGARDED IN COMPUTING PAYMENT AMOUNTS- The Secretary of Health and Human Services shall not take into account any reductions in payment amounts which have been or may be effected under this part, for purposes of computing any adjustments to payment rates under such title XVIII, specifically including--

` (A) the part C growth percentage under section 1853(c)(6);

` (B) the part D annual growth rate under section 1860D-2(b)(6); and

` (C) application of risk corridors to part D payment rates under section 1860D-15(e).'; and

(6) by adding after paragraph (6), as redesignated, the following:

` (7) EXEMPTIONS FROM SEQUESTRATION- In addition to the programs and activities specified in section 255, the following shall be exempt from sequestration under this part:

` (A) PART D LOW-INCOME SUBSIDIES- Premium and cost-sharing subsidies under section 1860D-14 of the Social Security Act.

` (B) PART D CATASTROPHIC SUBSIDY- Payments under section 1860D-15(b) and (e)(2)(B) of the Social Security Act.

` (C) QUALIFIED INDIVIDUAL (QI) PREMIUMS- Payments to States for coverage of Medicare cost-sharing for certain low-income Medicare beneficiaries under section 1933 of the Social Security Act.'

## **SEC. 111. EXEMPT PROGRAMS AND ACTIVITIES.**

(a) Designations- Section 255 of BBEDCA is amended by redesignating subsection (i) as (j) and striking ` 1998' and inserting in lieu thereof ` 2010'.

(b) Social Security, Veterans Programs, Net Interest, and Tax Credits- Subsections (a) through (d) of section 255 of BBEDCA are amended to read as follows:

` (a) Social Security Benefits and Tier I Railroad Retirement Benefits- Benefits payable under the old-age, survivors, and disability insurance program established under title II of the Social Security Act (42 U.S.C. 401 et seq.), and benefits payable under section 231b(a), 231b(f)(2), 231c(a), and 231c(f) of title 45, United States Code, shall be exempt from reduction under any order issued under this part.

` (b) Veterans Programs- The following program shall be exempt from reduction under any order issued under this part--

` All programs administered by the Department of Veterans Affairs.

` Special Benefits for Certain World War II Veterans (28-0401-0-1-701).

` (c) Net Interest- No reduction of payments for net interest (all of major functional category 900) shall be made under any order issued under this part.

` (d) Refundable Income Tax Credits- Payments to individuals made pursuant to provisions of the Internal Revenue Code of 1986 establishing refundable tax credits shall be exempt from reduction under any order issued under this part.'

(c) Other Programs and Activities, Low-income Programs, and Economic Recovery Programs- Subsections (g) and (h) of section 255 of BBEDCA are amended to read as follows:

` (g) Other Programs and Activities-

` (1)(A) The following budget accounts and activities shall be exempt from reduction under any order issued under this part:

` Activities resulting from private donations, bequests, or voluntary contributions to the Government.

` Activities financed by voluntary payments to the Government for goods or services to be provided for such payments.

` Administration of Territories, Northern Mariana Islands Covenant grants (14-0412-0-1-808).

` Advances to the Unemployment Trust Fund and Other Funds (16-0327-0-1-600).

` Black Lung Disability Trust Fund Refinancing (16-0329-0-1-601).

` Bonneville Power Administration Fund and borrowing authority established pursuant to section 13 of Public Law 93-454 (1974), as amended (89-4045-0-3-271).

` Claims, Judgments, and Relief Acts (20-1895-0-1-808).

` Compact of Free Association (14-0415-0-1-808).

` Compensation of the President (11-0209-01-1-802).

` Comptroller of the Currency, Assessment Funds (20-8413-0-8-373).

` Continuing Fund, Southeastern Power Administration (89-5653-0-2-271).

` Continuing Fund, Southwestern Power Administration (89-5649-0-2-271).

` Dual Benefits Payments Account (60-0111-0-1-601).

` Emergency Fund, Western Area Power Administration (89-5069-0-2-271).

- ˘ Exchange Stabilization Fund (20-4444-0-3-155).
- ˘ Federal Deposit Insurance Corporation, Deposit Insurance Fund (51-4596-4-4-373).
- ˘ Federal Deposit Insurance Corporation, FSLIC Resolution Fund (51-4065-0-3-373).
- ˘ Federal Deposit Insurance Corporation, Noninterest Bearing Transaction Account Guarantee (51-4458-0-3-373).
- ˘ Federal Deposit Insurance Corporation, Senior Unsecured Debt Guarantee (51-4457-0-3-373).
- ˘ Federal Housing Finance Agency, Administrative Expenses (95-5532-0-2-371).
- ˘ Federal Payment to the District of Columbia Judicial Retirement and Survivors Annuity Fund (20-1713-0-1-752).
- ˘ Federal Payment to the District of Columbia Pension Fund (20-1714-0-1-601).
- ˘ Federal Payments to the Railroad Retirement Accounts (60-0113-0-1-601).
- ˘ Federal Reserve Bank Reimbursement Fund (20-1884-0-1-803).
- ˘ Financial Agent Services (20-1802-0-1-803).
- ˘ Foreign Military Sales Trust Fund (11-8242-0-7-155).
- ˘ Hazardous Waste Management, Conservation Reserve Program (12-4336-0-3-999).
- ˘ Host Nation Support Fund for Relocation (97-8337-0-7-051).
- ˘ Internal Revenue Collections for Puerto Rico (20-5737-0-2-806).
- ˘ Intragovernmental funds, including those from which the outlays are derived primarily from resources paid in from other government accounts, except to the extent such funds are augmented by direct appropriations for the fiscal year during which an order is in effect.
- ˘ Medical Facilities Guarantee and Loan Fund (75-9931-0-3-551).
- ˘ National Credit Union Administration, Central Liquidity Facility (25-

4470-0-3-373).

˘ National Credit Union Administration, Corporate Credit Union Share Guarantee Program (25-4476-0-3-376).

˘ National Credit Union Administration, Credit Union Homeowners Affordability Relief Program (25-4473-0-3-371).

˘ National Credit Union Administration, Credit Union Share Insurance Fund (25-4468-0-3-373).

˘ National Credit Union Administration, Credit Union System Investment Program (25-4474-0-3-376).

˘ National Credit Union Administration, Operating fund (25-4056-0-3-373).

˘ National Credit Union Administration, Share Insurance Fund Corporate Debt Guarantee Program (25-4469-0-3-376).

˘ National Credit Union Administration, U.S. Central Federal Credit Union Capital Program (25-4475-0-3-376).

˘ Office of Thrift Supervision (20-4108-0-3-373).

˘ Panama Canal Commission Compensation Fund (16-5155-0-2-602).

˘ Payment of Vietnam and USS Pueblo prisoner-of-war claims within the Salaries and Expenses, Foreign Claims Settlement account (15-0100-0-1-153).

˘ Payment to Civil Service Retirement and Disability Fund (24-0200-0-1-805).

˘ Payment to Department of Defense Medicare-Eligible Retiree Health Care Fund (97-0850-0-1-054).

˘ Payment to Judiciary Trust Funds (10-0941-0-1-752).

˘ Payment to Military Retirement Fund (97-0040-0-1-054).

˘ Payment to the Foreign Service Retirement and Disability Fund (19-0540-0-1-153).

˘ Payments to Copyright Owners (03-5175-0-2-376).

- ˘ Payments to Health Care Trust Funds (75-0580-0-1-571).
- ˘ Payment to Radiation Exposure Compensation Trust Fund (15-0333-0-1-054).
- ˘ Payments to Social Security Trust Funds (28-0404-0-1-651).
- ˘ Payments to the United States Territories, Fiscal Assistance (14-0418-0-1-806).
- ˘ Payments to trust funds from excise taxes or other receipts properly creditable to such trust funds.
- ˘ Payments to widows and heirs of deceased Members of Congress (00-0215-0-1-801).
- ˘ Postal Service Fund (18-4020-0-3-372).
- ˘ Radiation Exposure Compensation Trust Fund (15-8116-0-1-054).
- ˘ Reimbursement to Federal Reserve Banks (20-0562-0-1-803).
- ˘ Salaries of Article III judges.
- ˘ Soldiers and Airmen's Home, payment of claims (84-8930-0-7-705).
- ˘ Tennessee Valley Authority Fund, except nonpower programs and activities (64-4110-0-3-999).
- ˘ Tribal and Indian trust accounts within the Department of the Interior which fund prior legal obligations of the Government or which are established pursuant to Acts of Congress regarding Federal management of tribal real property or other fiduciary responsibilities, including but not limited to Tribal Special Fund (14-5265-0-2-452), Tribal Trust Fund (14-8030-0-7-452), White Earth Settlement (14-2204-0-1-452), and Indian Water Rights and Habitat Acquisition (14-5505-0-2-303).
- ˘ United Mine Workers of America 1992 Benefit Plan (95-8260-0-7-551).
- ˘ United Mine Workers of America 1993 Benefit Plan (95-8535-0-7-551).
- ˘ United Mine Workers of America Combined Benefit Fund (95-8295-0-7-551).

- ˘ United States Enrichment Corporation Fund (95-4054-0-3-271).
- ˘ Universal Service Fund (27-5183-0-2-376).
- ˘ Vaccine Injury Compensation (75-0320-0-1-551).
- ˘ Vaccine Injury Compensation Program Trust Fund (20-8175-0-7-551).
- ˘ (B) The following Federal retirement and disability accounts and activities shall be exempt from reduction under any order issued under this part:
  - ˘ Black Lung Disability Trust Fund (20-8144-0-7-601).
  - ˘ Central Intelligence Agency Retirement and Disability System Fund (56-3400-0-1-054).
  - ˘ Civil Service Retirement and Disability Fund (24-8135-0-7-602).
  - ˘ Comptrollers general retirement system (05-0107-0-1-801).
  - ˘ Contributions to U.S. Park Police annuity benefits, Other Permanent Appropriations (14-9924-0-2-303).
  - ˘ Court of Appeals for Veterans Claims Retirement Fund (95-8290-0-7-705).
  - ˘ Department of Defense Medicare-Eligible Retiree Health Care Fund (97-5472-0-2-551).
  - ˘ District of Columbia Federal Pension Fund (20-5511-0-2-601).
  - ˘ District of Columbia Judicial Retirement and Survivors Annuity Fund (20-8212-0-7-602).
  - ˘ Energy Employees Occupational Illness Compensation Fund (16-1523-0-1-053).
  - ˘ Foreign National Employees Separation Pay (97-8165-0-7-051).
  - ˘ Foreign Service National Defined Contributions Retirement Fund (19-5497-0-2-602).
  - ˘ Foreign Service National Separation Liability Trust Fund (19-8340-0-7-602).

- ` Foreign Service Retirement and Disability Fund(19-8186-0-7-602).
- ` Government Payment for Annuitants, Employees Health Benefits (24-0206-0-1-551).
- ` Government Payment for Annuitants, Employee Life Insurance (24-0500-0-1-602).
- ` Judicial Officers' Retirement Fund (10-8122-0-7-602).
- ` Judicial Survivors' Annuities Fund (10-8110-0-7-602).
- ` Military Retirement Fund (97-8097-0-7-602).
- ` National Railroad Retirement Investment Trust (60-8118-0-7-601).
- ` National Oceanic and Atmospheric Administration retirement (13-1450-0-1-306).
- ` Pensions for former Presidents (47-0105-0-1-802).
- ` Postal Service Retiree Health Benefits Fund (24-5391-0-2-551).
- ` Public Safety Officer Benefits (15-0403-0-1-754).
- ` Rail Industry Pension Fund (60-8011-0-7-601).
- ` Retired Pay, Coast Guard (70-0602-0-1-403).
- ` Retirement Pay and Medical Benefits for Commissioned Officers, Public Health Service (75-0379-0-1-551).
- ` Special Benefits for Disabled Coal Miners (16-0169-0-1-601).
- ` Special Benefits, Federal Employees' Compensation Act (16-1521-0-1-600).
- ` Special Workers Compensation Expenses (16-9971-0-7-601).
- ` Tax Court Judges Survivors Annuity Fund (23-8115-0-7-602).
- ` United States Court of Federal Claims Judges' Retirement Fund (10-8124-0-7-602).
- ` United States Secret Service, DC Annuity (70-0400-0-1-751).

- ˘ Voluntary Separation Incentive Fund (97-8335-0-7-051).
- ˘ (2) Prior legal obligations of the Government in the following budget accounts and activities shall be exempt from any order issued under this part:
  - ˘ Biomass Energy Development (20-0114-0-1-271).
  - ˘ Check Forgery Insurance Fund (20-4109-0-3-803).
  - ˘ Credit liquidating accounts.
  - ˘ Credit reestimates.
  - ˘ Employees Life Insurance Fund (24-8424-0-8-602).
  - ˘ Federal Aviation Insurance Revolving Fund (69-4120-0-3-402).
  - ˘ Federal Crop Insurance Corporation Fund (12-4085-0-3-351).
  - ˘ Federal Emergency Management Agency, National Flood Insurance Fund (58-4236-0-3-453).
  - ˘ Federal Home Loan Mortgage Corporation (Freddie Mac).
  - ˘ Federal National Mortgage Corporation (Fannie Mae).
  - ˘ Geothermal resources development fund (89-0206-0-1-271).
  - ˘ Low-Rent Public Housing--Loans and Other Expenses (86-4098-0-3-604).
  - ˘ Maritime Administration, War Risk Insurance Revolving Fund (69-4302-0-3-403).
  - ˘ Natural Resource Damage Assessment Fund (14-1618-0-1-302).
  - ˘ Overseas Private Investment Corporation, Noncredit Account (71-4184-0-3-151).
  - ˘ Pension Benefit Guaranty Corporation Fund (16-4204-0-3-601).
  - ˘ San Joaquin Restoration Fund (14-5537-0-2-301).
  - ˘ Servicemembers' Group Life Insurance Fund (36-4009-0-3-701).
  - ˘ Terrorism Insurance Program (20-0123-0-1-376).

` (h) Low-income Programs- The following programs shall be exempt from reduction under any order issued under this part:

- ` Academic Competitiveness/Smart Grant Program (91-0205-0-1-502).
- ` Child Care Entitlement to States (75-1550-0-1-609).
- ` Child Enrollment Contingency Fund (75-5551-0-2-551).
- ` Child Nutrition Programs (with the exception of special milk programs) (12-3539-0-1-605).
- ` Children's Health Insurance Fund (75-0515-0-1-551).
- ` Commodity Supplemental Food Program (12-3507-0-1-605).
- ` Contingency Fund (75-1522-0-1-609).
- ` Family Support Programs (75-1501-0-1-609).
- ` Federal Pell Grants under section 401 Title IV of the Higher Education Act.
- ` Grants to States for Medicaid (75-0512-0-1-551).
- ` Payments for Foster Care and Permanency (75-1545-0-1-609).
- ` Supplemental Nutrition Assistance Program (12-3505-0-1-605).
- ` Supplemental Security Income Program (28-0406-0-1-609).
- ` Temporary Assistance for Needy Families (75-1552-0-1-609).'

(d) Economic Recovery Programs- Section 255 of BBEDCA is amended by adding the following after subsection (h):

` (i) Economic Recovery Programs- The following programs shall be exempt from reduction under any order issued under this part:

- ` All programs enacted in, or increases in programs provided by, the American Recovery and Reinvestment Act of 2009.
- ` Exchange Stabilization Fund-Money Market Mutual Fund Guaranty Facility (20-4274-0-3-376).
- ` Financial Stabilization Reserve (20-0131-4-1-376).

- ˘ GSE Mortgage-Backed Securities Purchase Program Account (20-0126-0-1-371).
- ˘ GSE Preferred Stock Purchase Agreements (20-0125-0-1-371).
- ˘ Office of Financial Stability (20-0128-0-1-376).
- ˘ Special Inspector General for the Troubled Asset Relief Program (20-0133-0-1-376).
- ˘ Troubled Asset Relief Program Account (20-0132-0-1-376).
- ˘ Troubled Asset Relief Program Equity Purchase Program (20-0134-0-1-376).
- ˘ Troubled Asset Relief Program, Home Affordable Modification Program (20-0136-0-1-604).'

Passed the House of Representatives December 3, 2009.

Attest:

Clerk.

111th CONGRESS

1st Session

**H. R. 4154**

**AN ACT**

To amend the Internal Revenue Code of 1986 to repeal the new carryover basis rules in order to prevent tax increases and the imposition of compliance burdens on many more estates than would benefit from repeal, to retain the estate tax with a \$3,500,000 exemption, to reinstitute and update the Pay-As-You-Go requirement of budget neutrality on new tax and mandatory spending legislation, enforced by the threat of annual, automatic sequestration, and for other purposes.

*END*