

**AMENDMENT IN THE NATURE OF A SUBSTITUTE
TO H.R. 1
OFFERED BY MR. CAMP OF MICHIGAN AND MR.
CANTOR OF VIRGINIA**

Strike all after the enacting clause and insert the following:

1 SECTION 1. SHORT TITLE, ETC.

2 (a) SHORT TITLE.—This Act may be cited as the
3 “Economic Recovery Act of 2009”.

4 (b) TABLE OF CONTENTS.—The table of contents of
5 this Act is as follows:

Sec. 1. Short title, etc.

TITLE I—TAX PROVISIONS

Sec. 100. References.

Subtitle A—Reduction in Individual Tax Rates For 2009 and 2010

Sec. 101. 10 percent rate bracket for individuals reduced to 5 percent for 2009 and 2010.

Sec. 102. 15 percent rate bracket for individuals reduced to 10 percent for 2009 and 2010.

Subtitle B—Alternative Minimum Tax Relief For Individuals

Sec. 111. Extension of alternative minimum tax relief for nonrefundable personal credits.

Sec. 112. Increase in alternative minimum tax exemption amounts for 2009 and 2010.

Subtitle C—First-Time Homebuyer Credit

Sec. 121. Extension and modification of first-time homebuyer credit.

Subtitle D—Tax Incentives For Business

PART 1—TEMPORARY INVESTMENT INCENTIVES

- Sec. 131. Special allowance for certain property acquired during 2009.
- Sec. 132. Temporary increase in limitations on expensing of certain depreciable business assets.

PART 2—5-YEAR CARRYBACK OF OPERATING LOSSES

- Sec. 136. 5-year carryback of operating losses.
- Sec. 137. Exception for TARP recipients.

PART 3—DEDUCTION FOR QUALIFIED SMALL BUSINESS INCOME

- Sec. 141. Deduction for qualified small business income.

PART 4—REPEAL OF WITHHOLDING TAX ON GOVERNMENT CONTRACTORS

- Sec. 146. Repeal of withholding tax on government contractors.

Subtitle E—Deduction For Qualified Health Insurance Costs of Individuals

- Sec. 151. Above-the-line deduction for qualified health insurance costs of individuals.

Subtitle F—Temporary Exclusion of Unemployment Compensation From Gross Income

- Sec. 161. Temporary exclusion of unemployment compensation from gross income.

Subtitle G—No Impact on Social Security Trust Funds

- Sec. 171. No impact on social security trust funds.

TITLE II—ASSISTANCE FOR UNEMPLOYED WORKERS

- Sec. 200. Short title.
- Sec. 201. Extension of emergency unemployment compensation program.
- Sec. 202. Additional eligibility requirements for emergency unemployment compensation.
- Sec. 203. Special transfers.

TITLE III—NO TAX INCREASES TO PAY FOR SPENDING

- Sec. 301. No Tax Increases to Pay for Spending.

1 TITLE I—TAX PROVISIONS

2 SEC. 100. REFERENCES.

3 Except as otherwise expressly provided, whenever in
4 this title an amendment or repeal is expressed in terms
5 of an amendment to, or repeal of, a section or other provi-
6 sion, the reference shall be considered to be made to a

1 section or other provision of the Internal Revenue Code
2 of 1986.

3 **Subtitle A—Reduction in Indi-**
4 **vidual Tax Rates For 2009 and**
5 **2010**

6 **SEC. 101. 10 PERCENT RATE BRACKET FOR INDIVIDUALS**
7 **REDUCED TO 5 PERCENT FOR 2009 AND 2010.**

8 (a) **IN GENERAL.**—Clause (i) of section 1(i)(1)(A) is
9 amended by inserting “(5 percent in the case of any tax-
10 able year beginning in 2009 or 2010)” after “10 percent”.

11 (b) **EFFECTIVE DATE.**—The amendment made by
12 this section shall apply to taxable years beginning after
13 December 31, 2008.

14 **SEC. 102. 15 PERCENT RATE BRACKET FOR INDIVIDUALS**
15 **REDUCED TO 10 PERCENT FOR 2009 AND 2010.**

16 (a) **IN GENERAL.**—Subsection (i) of section 1 is
17 amended by redesignating paragraph (3) as paragraph (4)
18 and by inserting after paragraph (2) the following new
19 paragraph:

20 “(3) **REDUCTION IN 15 PERCENT RATE FOR**
21 **2009 AND 2010.**—In the case of any taxable year be-
22 ginning in 2009 or 2010, ‘10 percent’ shall be sub-
23 stituted for ‘15 percent’ in the tables under sub-
24 sections (a), (b), (c), (d), and (e). The preceding

1 sentence shall be applied after application of para-
2 graph (1).”.

3 (c) EFFECTIVE DATE.—The amendment made by
4 this section shall apply to taxable years beginning after
5 December 31, 2008.

6 **Subtitle B—Alternative Minimum**
7 **Tax Relief For Individuals**

8 **SEC. 111. EXTENSION OF ALTERNATIVE MINIMUM TAX RE-**
9 **LIEF FOR NONREFUNDABLE PERSONAL**
10 **CREDITS.**

11 (a) IN GENERAL.—Paragraph (2) of section 26(a)
12 (relating to special rule for taxable years 2000 through
13 2008) is amended—

14 (1) by striking “or 2008” and inserting “2008,
15 2009, or 2010”, and

16 (2) by striking “2008” in the heading thereof
17 and inserting “2010”.

18 (b) EFFECTIVE DATE.—The amendments made by
19 this section shall apply to taxable years beginning after
20 December 31, 2008.

21 **SEC. 112. INCREASE IN ALTERNATIVE MINIMUM TAX EX-**
22 **EMPTION AMOUNTS FOR 2009 AND 2010.**

23 (a) IN GENERAL.—Paragraph (1) of section 55(d)
24 (relating to exemption amount) is amended—

1 (1) by striking “(\$69,950 in the case of taxable
2 years beginning in 2008)” in subparagraph (A) and
3 inserting “(\$55,000 in the case of taxable years be-
4 ginning in 2009 or 2010)”, and

5 (2) by striking “(\$46,200 in the case of taxable
6 years beginning in 2008)” in subparagraph (B) and
7 inserting “(\$38,750 in the case of taxable years be-
8 ginning in 2009 or 2010)”.

9 (b) EFFECTIVE DATE.—The amendments made by
10 this section shall apply to taxable years beginning after
11 December 31, 2008.

12 **Subtitle C—First-Time Homebuyer** 13 **Credit**

14 **SEC. 121. EXTENSION AND MODIFICATION OF FIRST-TIME** 15 **HOMEBUYER CREDIT.**

16 (a) EXTENSION OF CREDIT.—Subsection (i) of sec-
17 tion 36 (as redesignated by subsection (d)) is amended
18 by striking “July 1, 2009” and inserting “January 1,
19 2010”.

20 (b) REPEAL OF FIRST-TIME HOMEBUYER REQUIRE-
21 MENT.—

22 (1) IN GENERAL.—Subsection (a) of section 36
23 is amended by striking “an individual who is a first-
24 time homebuyer of a principal residence” and insert-

1 ing “an individual who purchases a principal resi-
2 dence”.

3 (2) CONFORMING AMENDMENTS.—

4 (A) Section 36(b)(1)(A) is amended by in-
5 serting “with respect to any taxpayer for any
6 taxable year” after “subsection (a)”.

7 (B) Section 36(c) is amended by striking
8 paragraph (1) and by redesignating paragraphs
9 (2) through (5) as paragraphs (1) through (4),
10 respectively.

11 (C) The heading of section 36 (and the
12 item relating to such section in the table of sec-
13 tions for subpart C of part IV of subchapter A
14 of chapter 1) are amended by striking “**FIRST-**
15 **TIME HOMEBUYER**” and inserting “**HOME-**
16 **BUYER**”.

17 (c) REPEAL OF RECAPTURE RULES.—

18 (1) IN GENERAL.—Paragraph (4) of section
19 36(f) is amended by adding at the end the following
20 new subparagraph:

21 “(D) WAIVER OF RECAPTURE FOR PUR-
22 CHASES IN 2009.—In the case of any credit al-
23 lowed with respect to the purchase of a prin-
24 cipal residence after December 31, 2008—

1 “(i) paragraph (1) shall not apply,
2 and

3 “(ii) paragraph (2) shall apply only if
4 the disposition or cessation described in
5 paragraph (2) with respect to such resi-
6 dence occurs during the 36-month period
7 beginning on the date of the purchase of
8 such residence by the taxpayer.”.

9 (2) CONFORMING AMENDMENT.—Subsection (g)
10 of section 36 is amended by striking “subsection
11 (c)” and inserting “subsections (c) and (f)(4)(D)”.

12 (d) DOWNPAYMENT REQUIREMENT.—Section 36 is
13 amended by redesignating subsection (h) as subsection (i)
14 and by inserting after subsection (g) the following new
15 subsection:

16 “(h) DOWNPAYMENT REQUIREMENT.—No credit
17 shall be allowed under subsection (a) to any taxpayer with
18 respect to the purchase of any residence unless such tax-
19 payer makes a downpayment of not less 5 percent of the
20 purchase price of such residence. For purposes of the pre-
21 ceding sentence, an amount shall not be treated as a
22 downpayment if such amount is repayable by the taxpayer
23 to any other person.”.

24 (e) EFFECTIVE DATE.—

1 (1) IN GENERAL.—Except as provided in para-
2 graph (2), the amendments made by this section
3 shall apply to residences purchased after December
4 31, 2008.

5 (2) DOWNPAYMENT REQUIREMENT.—The
6 amendment made by subsection (d) shall apply to
7 residences purchased after the date of the enactment
8 of this Act.

9 **Subtitle D—Tax Incentives For**
10 **Business**

11 **PART 1—TEMPORARY INVESTMENT INCENTIVES**

12 **SEC. 131. SPECIAL ALLOWANCE FOR CERTAIN PROPERTY**

13 **ACQUIRED DURING 2009.**

14 (a) IN GENERAL.—Paragraph (2) of section 168(k)
15 is amended—

16 (1) by striking “January 1, 2010” and insert-
17 ing “January 1, 2011”, and

18 (2) by striking “January 1, 2009” each place
19 it appears and inserting “January 1, 2010”.

20 (b) CONFORMING AMENDMENTS.—

21 (1) The heading for subsection (k) of section
22 168 is amended by striking “JANUARY 1, 2009” and
23 inserting “JANUARY 1, 2010”.

1 (2) The heading for clause (ii) of section
2 168(k)(2)(B) is amended by striking “PRE-JANUARY
3 1, 2009” and inserting “PRE-JANUARY 1, 2010”.

4 (3) Subparagraph (D) of section 168(k)(4) is
5 amended—

6 (A) by striking “and” at the end of clause
7 (i),

8 (B) by redesignating clause (ii) as clause
9 (v), and

10 (C) by inserting after clause (i) the fol-
11 lowing new clauses:

12 “(ii) ‘April 1, 2008’ shall be sub-
13 stituted for ‘January 1, 2008’ in subpara-
14 graph (A)(iii)(I) thereof,

15 “(iii) ‘January 1, 2009’ shall be sub-
16 stituted for ‘January 1, 2010’ each place it
17 appears,

18 “(iv) ‘January 1, 2010’ shall be sub-
19 stituted for ‘January 1, 2011’ in subpara-
20 graph (A)(iv) thereof, and”.

21 (4) Subparagraph (B) of section 168(l)(5) is
22 amended by striking “January 1, 2009” and insert-
23 ing “January 1, 2010”.

1 (5) Subparagraph (B) of section 1400N(d)(3)
2 is amended by striking “January 1, 2009” and in-
3 serting “January 1, 2010”.

4 (c) EFFECTIVE DATES.—

5 (1) IN GENERAL.—Except as provided in para-
6 graph (2), the amendments made by this section
7 shall apply to property placed in service after De-
8 cember 31, 2008, in taxable years ending after such
9 date.

10 (2) TECHNICAL AMENDMENT.—Section
11 168(k)(4)(D)(ii) of the Internal Revenue Code of
12 1986, as added by subsection (b)(3)(C), shall apply
13 to taxable years ending after March 31, 2008.

14 **SEC. 132. TEMPORARY INCREASE IN LIMITATIONS ON EX-**
15 **PENSING OF CERTAIN DEPRECIABLE BUSI-**
16 **NESS ASSETS.**

17 (a) IN GENERAL.—Paragraph (7) of section 179(b)
18 is amended—

19 (1) by striking “2008” and inserting “2008, or
20 2009”, and

21 (2) by striking “2008” in the heading thereof
22 and inserting “2008, AND 2009”.

23 (b) EFFECTIVE DATE.—The amendments made by
24 this section shall apply to taxable years beginning after
25 December 31, 2008.

1 **PART 2—5-YEAR CARRYBACK OF OPERATING**
2 **LOSSES**

3 **SEC. 136. 5-YEAR CARRYBACK OF OPERATING LOSSES.**

4 (a) IN GENERAL.—Subparagraph (H) of section
5 172(b)(1) is amended to read as follows:

6 “(H) CARRYBACK FOR 2008 AND 2009 NET
7 OPERATING LOSSES.—

8 “(i) IN GENERAL.—In the case of an
9 applicable 2008 or 2009 net operating loss
10 with respect to which the taxpayer has
11 elected the application of this subpara-
12 graph—

13 “(I) subparagraph (A)(i) shall be
14 applied by substituting any whole
15 number elected by the taxpayer which
16 is more than 2 and less than 6 for ‘2’,

17 “(II) subparagraph (E)(ii) shall
18 be applied by substituting the whole
19 number which is one less than the
20 whole number substituted under sub-
21 clause (II) for ‘2’, and

22 “(III) subparagraph (F) shall not
23 apply.

24 “(ii) APPLICABLE 2008 OR 2009 NET
25 OPERATING LOSS.—For purposes of this

1 subparagraph, the term 'applicable 2008
2 or 2009 net operating loss' means—

3 “(I) the taxpayer’s net operating
4 loss for any taxable year ending in
5 2008 or 2009, or

6 “(II) if the taxpayer elects to
7 have this subclause apply in lieu of
8 subclause (I), the taxpayer’s net oper-
9 ating loss for any taxable year begin-
10 ning in 2008 or 2009.

11 “(iii) ELECTION.—Any election under
12 this subparagraph shall be made in such
13 manner as may be prescribed by the Sec-
14 retary, and shall be made by the due date
15 (including extension of time) for filing the
16 taxpayer’s return for the taxable year of
17 the net operating loss. Any such election,
18 once made, shall be irrevocable.

19 “(iv) COORDINATION WITH ALTER-
20 NATIVE TAX NET OPERATING LOSS DEDUC-
21 TION.—In the case of a taxpayer who
22 elects to have clause (ii)(II) apply, section
23 56(d)(1)(A)(ii) shall be applied by sub-
24 stituting ‘ending during 2001 or 2002 or

1 beginning during 2008 or 2009' for 'end-
2 ing during 2001, 2002, 2008, or 2009'.".

3 (b) ALTERNATIVE TAX NET OPERATING LOSS DE-
4 DUCTION.—Subclause (I) of section 56(d)(1)(A)(ii) is
5 amended to read as follows:

6 “(I) the amount of such deduc-
7 tion attributable to the sum of
8 carrybacks of net operating losses
9 from taxable years ending during
10 2001, 2002, 2008, or 2009 and
11 carryovers of net operating losses to
12 such taxable years, or”.

13 (c) LOSS FROM OPERATIONS OF LIFE INSURANCE
14 COMPANIES.—Subsection (b) of section 810 is amended
15 by adding at the end the following new paragraph:

16 “(4) CARRYBACK FOR 2008 AND 2009 LOSSES.—

17 “(A) IN GENERAL.—In the case of an ap-
18 plicable 2008 or 2009 loss from operations with
19 respect to which the taxpayer has elected the
20 application of this paragraph, paragraph (1)(A)
21 shall be applied, at the election of the taxpayer,
22 by substituting ‘5’ or ‘4’ for ‘3’.

23 “(B) APPLICABLE 2008 OR 2009 LOSS FROM
24 OPERATIONS.—For purposes of this paragraph,

1 the term ‘applicable 2008 or 2009 loss from op-
2 erations’ means—

3 “(i) the taxpayer’s loss from oper-
4 ations for any taxable year ending in 2008
5 or 2009, or

6 “(ii) if the taxpayer elects to have this
7 clause apply in lieu of clause (i), the tax-
8 payer’s loss from operations for any tax-
9 able year beginning in 2008 or 2009.

10 “(C) ELECTION.—Any election under this
11 paragraph shall be made in such manner as
12 may be prescribed by the Secretary, and shall
13 be made by the due date (including extension of
14 time) for filing the taxpayer’s return for the
15 taxable year of the loss from operations. Any
16 such election, once made, shall be irrevocable.

17 “(D) COORDINATION WITH ALTERNATIVE
18 TAX NET OPERATING LOSS DEDUCTION.—In the
19 case of a taxpayer who elects to have subpara-
20 graph (B)(ii) apply, section 56(d)(1)(A)(ii) shall
21 be applied by substituting ‘ending during 2001
22 or 2002 or beginning during 2008 or 2009’ for
23 ‘ending during 2001, 2002, 2008, or 2009.’.”

24 (d) CONFORMING AMENDMENT.—Section 172 is
25 amended by striking subsection (k).

1 (e) EFFECTIVE DATE.—

2 (1) IN GENERAL.—Except as otherwise pro-
3 vided in this subsection, the amendments made by
4 this section shall apply to net operating losses aris-
5 ing in taxable years ending after December 31,
6 2007.

7 (2) ALTERNATIVE TAX NET OPERATING LOSS
8 DEDUCTION.—The amendment made by subsection
9 (b) shall apply to taxable years ending after 1997.

10 (3) LOSS FROM OPERATIONS OF LIFE INSUR-
11 ANCE COMPANIES.—The amendment made by sub-
12 section (d) shall apply to losses from operations aris-
13 ing in taxable years ending after December 31,
14 2007.

15 (4) TRANSITIONAL RULE.—In the case of a net
16 operating loss (or, in the case of a life insurance
17 company, a loss from operations) for a taxable year
18 ending before the date of the enactment of this
19 Act—

20 (A) any election made under section
21 172(b)(3) or 810(b)(3) of the Internal Revenue
22 Code of 1986 with respect to such loss may
23 (notwithstanding such section) be revoked be-
24 fore the applicable date,

1 (B) any election made under section
2 172(b)(1)(H) or 810(b)(4) of such Code with
3 respect to such loss shall (notwithstanding such
4 section) be treated as timely made if made be-
5 fore the applicable date, and

6 (C) any application under section 6411(a)
7 of such Code with respect to such loss shall be
8 treated as timely filed if filed before the appli-
9 cable date.

10 For purposes of this paragraph, the term "applica-
11 ble date" means the date which is 60 days after the
12 date of the enactment of this Act.

13 **SEC. 137. EXCEPTION FOR TARP RECIPIENTS.**

14 The amendments made by this part shall not apply
15 to—

16 (1) any taxpayer if—

17 (A) the Federal Government acquires, at
18 any time, an equity interest in the taxpayer
19 pursuant to the Emergency Economic Stabiliza-
20 tion Act of 2008, or

21 (B) the Federal Government acquires, at
22 any time, any warrant (or other right) to ac-
23 quire any equity interest with respect to the
24 taxpayer pursuant to such Act,

1 (2) the Federal National Mortgage Association
2 and the Federal Home Loan Mortgage Corporation,
3 and

4 (3) any taxpayer which at any time in 2008 or
5 2009 is a member of the same affiliated group (as
6 defined in section 1504 of the Internal Revenue
7 Code of 1986, determined without regard to sub-
8 section (b) thereof) as a taxpayer described in para-
9 graph (1) or (2).

10 **PART 3—DEDUCTION FOR QUALIFIED SMALL**
11 **BUSINESS INCOME**

12 **SEC. 141. DEDUCTION FOR QUALIFIED SMALL BUSINESS IN-**
13 **COME.**

14 (a) **IN GENERAL.**—Paragraph (1) of section 199(a)
15 is amended to read as follows:

16 “(1) **IN GENERAL.**—There shall be allowed as a
17 deduction an amount equal to the sum of—

18 “(A) 9 percent of the lesser of—

19 “(i) the qualified production activities
20 income of the taxpayer for the taxable
21 year, or

22 “(ii) taxable income (determined with-
23 out regard to this section) for the taxable
24 year, and

1 “(B) in the case of a qualified small busi-
2 ness for a taxable year beginning in 2009 or
3 2010, 20 percent of the lesser of—

4 “(i) the qualified small business in-
5 come of the taxpayer for the taxable year,
6 or

7 “(ii) taxable income (determined with-
8 out regard to this section) for the taxable
9 year.”.

10 (b) QUALIFIED SMALL BUSINESS; QUALIFIED SMALL
11 BUSINESS INCOME.—Section 199 is amended by adding
12 at the end the following new subsection:

13 “(e) QUALIFIED SMALL BUSINESS; QUALIFIED
14 SMALL BUSINESS INCOME.—

15 “(1) QUALIFIED SMALL BUSINESS.—

16 “(A) IN GENERAL.—For purposes of this
17 section, the term ‘qualified small business’
18 means any taxpayer for any taxable year if the
19 annual average number of employees employed
20 by such taxpayer during such taxable year was
21 500 or fewer.

22 “(B) AGGREGATION RULE.—For purposes
23 of subparagraph (A), any person treated as a
24 single employer under subsection (a) or (b) of
25 section 52 (applied without regard to section

1 1563(b)) or subsection (m) or (o) of section
2 414 shall be treated as 1 taxpayer for purposes
3 of this subsection.

4 “(C) SPECIAL RULE.—If a taxpayer is
5 treated as a qualified small business for any
6 taxable year, the taxpayer shall not fail to be
7 treated as a qualified small business for any
8 subsequent taxable year solely because the num-
9 ber of employees employed by such taxpayer
10 during such subsequent taxable year exceeds
11 500. The preceding sentence shall cease to
12 apply to such taxpayer in the first taxable year
13 in which there is an ownership change (as de-
14 fined by section 382(g) in respect of a corpora-
15 tion, or by applying principles analogous to
16 such ownership change in the case of a tax-
17 payer that is a partnership) with respect to the
18 stock (or partnership interests) of the taxpayer.

19 “(2) QUALIFIED SMALL BUSINESS INCOME.—

20 “(A) IN GENERAL.—For purposes of this
21 section, the term ‘qualified small business in-
22 come’ means the excess of—

23 “(i) the income of the qualified small
24 business which—

1 “(I) is attributable to the actual
2 conduct of a trade or business,

3 “(II) is income from sources
4 within the United States (within the
5 meaning of section 861), and

6 “(III) is not passive income (as
7 defined in section 904(d)(2)(B)), over

8 “(ii) the sum of—

9 “(I) the cost of goods sold that
10 are allocable to such income, and

11 “(II) other expenses, losses, or
12 deductions (other than the deduction
13 allowed under this section), which are
14 properly allocable to such income.

15 “(B) EXCEPTIONS.—The following shall
16 not be treated as income of a qualified small
17 business for purposes of subparagraph (A):

18 “(i) Any income which is attributable
19 to any property described in section
20 1400N(p)(3).

21 “(ii) Any income which is attributable
22 to the ownership or management of any
23 professional sports team.

1 “(iii) Any income which is attributable
2 to a trade or business described in sub-
3 paragraph (B) of section 1202(e)(3).

4 “(iv) Any income which is attributable
5 to any property with respect to which
6 records are required to be maintained
7 under section 2257 of title 18, United
8 States Code.

9 “(C) ALLOCATION RULES, ETC.—Rules
10 similar to the rules of paragraphs (2), (3),
11 (4)(D), and (7) of subsection (c) shall apply for
12 purposes of this paragraph.

13 “(3) SPECIAL RULES.—Except as otherwise
14 provided by the Secretary, rules similar to the rules
15 of subsection (d) shall apply for purposes of this
16 subsection.”.

17 (c) CONFORMING AMENDMENT.—Section 199(a)(2)
18 is amended by striking “paragraph (1)” and inserting
19 “paragraph (1)(A)”.

20 (d) EFFECTIVE DATE.—The amendments made by
21 this section shall apply to taxable years beginning after
22 December 31, 2008.

1 **PART 4—REPEAL OF WITHHOLDING TAX ON**
2 **GOVERNMENT CONTRACTORS**

3 **SEC. 146. REPEAL OF WITHHOLDING TAX ON GOVERNMENT**
4 **CONTRACTORS.**

5 Section 3402 is amended by striking subsection (t).

6 **Subtitle E—Deduction For Quali-**
7 **fied Health Insurance Costs of**
8 **Individuals**

9 **SEC. 151. ABOVE-THE-LINE DEDUCTION FOR QUALIFIED**
10 **HEALTH INSURANCE COSTS OF INDIVIDUALS.**

11 (a) **IN GENERAL.**—Part VII of subchapter B of chap-
12 ter 1 of the Internal Revenue Code of 1986 (relating to
13 additional itemized deductions) is amended by redesignig-
14 nating section 224 as section 225 and by inserting after
15 section 223 the following new section:

16 **“SEC. 224. COSTS OF QUALIFIED HEALTH INSURANCE.**

17 “(a) **IN GENERAL.**—In the case of an individual,
18 there shall be allowed as a deduction an amount equal to
19 the amount paid during the taxable year for coverage for
20 the taxpayer, his spouse, and dependents under qualified
21 health insurance.

22 “(b) **QUALIFIED HEALTH INSURANCE.**—For pur-
23 poses of this section, the term ‘qualified health insurance’
24 means insurance which constitutes medical care; except
25 that such term shall not include any insurance if substan-

1 tially all of its coverage is of excepted benefits described
2 in section 9832(c).

3 “(c) SPECIAL RULES.—

4 “(1) COORDINATION WITH MEDICAL DEDUC-
5 TION, ETC.—Any amount paid by a taxpayer for in-
6 surance to which subsection (a) applies shall not be
7 taken into account in computing the amount allow-
8 able to the taxpayer as a deduction under section
9 162(l) or 213(a). Any amount taken into account in
10 determining the credit allowed under section 35 shall
11 not be taken into account for purposes of this sec-
12 tion.

13 “(2) DEDUCTION NOT ALLOWED FOR SELF-EM-
14 PLOYMENT TAX PURPOSES.—The deduction allow-
15 able by reason of this section shall not be taken into
16 account in determining an individual’s net earnings
17 from self-employment (within the meaning of section
18 1402(a)) for purposes of chapter 2.”

19 (b) DEDUCTION ALLOWED IN COMPUTING AD-
20 JUSTED GROSS INCOME.—Subsection (a) of section 62 of
21 such Code is amended by inserting before the last sentence
22 the following new paragraph:

23 “(22) COSTS OF QUALIFIED HEALTH INSUR-
24 ANCE.—The deduction allowed by section 224.”

1 (c) CLERICAL AMENDMENT.—The table of sections
2 for part VII of subchapter B of chapter 1 of such Code
3 is amended by redesignating the item relating to section
4 224 as an item relating to section 225 and inserting before
5 such item the following new item:

“Sec. 224. Costs of qualified health insurance.”

6 (d) EFFECTIVE DATE.—The amendments made by
7 this section shall apply to taxable years beginning after
8 December 31, 2008.

9 **Subtitle F—Temporary Exclusion**
10 **of Unemployment Compensation**
11 **From Gross Income**

12 **SEC. 161. TEMPORARY EXCLUSION OF UNEMPLOYMENT**
13 **COMPENSATION FROM GROSS INCOME.**

14 (a) IN GENERAL.—Section 85 is amended by adding
15 at the end the following new subsection:

16 “(c) EXCLUSION OF AMOUNTS RECEIVED IN 2008
17 AND 2009.—Subsection (a) shall not apply to any unem-
18 ployment compensation received in 2008 or 2009.”

19 (b) EFFECTIVE DATE.—The amendment made by
20 subsection (a) shall apply to amounts received after De-
21 cember 31, 2007.

1 **Subtitle G—No Impact on Social**
2 **Security Trust Funds**

3 **SEC. 171. NO IMPACT ON SOCIAL SECURITY TRUST FUNDS.**

4 (a) **ESTIMATE BY SECRETARY OF THE TREASURY.—**

5 The Secretary of the Treasury shall annually estimate the
6 impact that the enactment of this Act has on the income
7 and balances of the trust funds established under section
8 201 or 1817 of the Social Security Act (42 U.S.C. 401,
9 1395i).

10 (b) **TRANSFER OF FUNDS.—**If, under subsection (a),
11 the Secretary of the Treasury estimates that the enact-
12 ment of this Act has a negative impact on the income and
13 balances of the trust funds established under section 201
14 or 1817 of the Social Security Act (42 U.S.C. 401, 1395i),
15 the Secretary shall transfer, not less frequently than quar-
16 terly, from the general revenues of the Federal Govern-
17 ment an amount sufficient so as to ensure that the income
18 and balances of such trust funds are not reduced as a re-
19 sult of the enactment of this Act.

20 **TITLE II—ASSISTANCE FOR**
21 **UNEMPLOYED WORKERS**

22 **SEC. 200. SHORT TITLE.**

23 This title may be cited as the “Assistance for Unem-
24 ployed Workers Act”.

1 **SEC. 201. EXTENSION OF EMERGENCY UNEMPLOYMENT**
2 **COMPENSATION PROGRAM.**

3 (a) **IN GENERAL.**—Section 4007 of the Supplemental
4 Appropriations Act, 2008 (Public Law 110–252; 26
5 U.S.C. 3304 note), as amended by section 4 of the Unem-
6 ployment Compensation Extension Act of 2008 (Public
7 Law 110–449; 122 Stat. 5015), is amended—

8 (1) by striking “March 31, 2009” each place it
9 appears and inserting “December 31, 2009”;

10 (2) in the heading for subsection (b)(2), by
11 striking “MARCH 31, 2009” and inserting “DECEM-
12 BER 31, 2009”; and

13 (3) in subsection (b)(3), by striking “August
14 27, 2009” and inserting “May 31, 2010”.

15 (b) **FINANCING PROVISIONS.**—Section 4004 of such
16 Act is amended by adding at the end the following:

17 “(e) **TRANSFER OF FUNDS.**—Notwithstanding any
18 other provision of law, the Secretary of the Treasury shall
19 transfer from the general fund of the Treasury (from
20 funds not otherwise appropriated)—

21 “(1) to the extended unemployment compensa-
22 tion account (as established by section 905 of the
23 Social Security Act) such sums as the Secretary of
24 Labor estimates to be necessary to make payments
25 to States under this title by reason of the amend-

1 ments made by section 201(a) of the Assistance for
2 Unemployed Workers Act; and

3 “(2) to the employment security administration
4 account (as established by section 901 of the Social
5 Security Act) such sums as the Secretary of Labor
6 estimates to be necessary for purposes of assisting
7 States in meeting administrative costs by reason of
8 the amendments referred to in paragraph (1).

9 There are appropriated from the general fund of the
10 Treasury, without fiscal year limitation, the sums referred
11 to in the preceding sentence and such sums shall not be
12 required to be repaid.”.

13 **SEC. 202. ADDITIONAL ELIGIBILITY REQUIREMENTS FOR**
14 **EMERGENCY UNEMPLOYMENT COMPENSA-**
15 **TION.**

16 Section 4001 of the Supplemental Appropriations
17 Act, 2008 (Public Law 110-252; 26 U.S.C. 3304 note)
18 is amended by adding at the end the following:

19 “Additional Eligibility Requirements

20 “(g)(1) IN GENERAL.—A State shall require as a
21 condition of eligibility for emergency unemployment com-
22 pensation under this Act for any week—

23 “(A) in the case of any individual described in
24 paragraph (2), that such individual—

1 “(i) have a secondary school diploma or its
2 recognized equivalent; or

3 “(ii) be making satisfactory progress in a
4 program that leads to a secondary school di-
5 ploma or its recognized equivalent; and

6 “(B) in the case of any individual described in
7 paragraph (3), that such individual participate in re-
8 employment services or in similar services (or, if
9 such services were ongoing as of when such indi-
10 vidual most recently exhausted regular compensation
11 before seeking emergency unemployment compensa-
12 tion, that such individual continue to participate in
13 such services), unless the State agency charged with
14 the administration of the State law determines
15 that—

16 “(i) such individual has completed such
17 services as of a date subsequent to the com-
18 mencement of emergency unemployment com-
19 pensation; or

20 “(ii) there is justifiable cause for such indi-
21 vidual’s failure to participate in such services.

22 “(2) INDIVIDUALS TO WHOM PARAGRAPH (1)(A) AP-
23 PLIES.—The requirements of paragraph (1)(A) shall apply
24 in the case of any individual who was under age 30 at
25 the time of filing an initial claim for the regular compensa-

1 tion that such individual most recently exhausted before
2 seeking emergency unemployment compensation.

3 “(3) INDIVIDUALS TO WHOM PARAGRAPH (1)(B) AP-
4 PLIES.—The requirements of paragraph (1)(B) shall
5 apply in the case of any individual who, as of the time
6 of filing an initial claim for the regular compensation that
7 such individual most recently exhausted before seeking
8 emergency unemployment compensation, was identified
9 under the State profiling system (described in section
10 303(j) of the Social Security Act) as being a claimant
11 who—

12 “(A) was likely to exhaust regular compensa-
13 tion; and

14 “(B) would need job search assistance services
15 to make a successful transition to new employment.

16 “(4) EFFECTIVE DATE.—This subsection shall apply
17 in the case of any individual filing an initial application
18 for emergency unemployment compensation after the end
19 of the 3-month period beginning on the date of the enact-
20 ment of this subsection.”.

21 **SEC. 203. SPECIAL TRANSFERS.**

22 (a) IN GENERAL.—Section 903 of the Social Security
23 Act (42 U.S.C. 1103) is amended by adding at the end
24 the following:

1 “Special Transfer in Fiscal Year 2009 for Benefits

2 “(f)(1) In addition to any other amounts, the Sec-
3 retary of the Treasury shall transfer from the Federal un-
4 employment account to the account of each State in the
5 Unemployment Trust Fund, within 30 days after the date
6 of the enactment of this subsection, the amount deter-
7 mined with respect to such State under paragraph (2).

8 “(2) The amount to be transferred under this sub-
9 section to a State account shall (as determined by the Sec-
10 retary of Labor and certified by such Secretary to the Sec-
11 retary of the Treasury) be equal to the amount obtained
12 by multiplying \$7,000,000,000 by the same ratio as would
13 apply under subsection (a)(2)(B) for purposes of deter-
14 mining such State’s share of any excess amount (as de-
15 scribed in subsection (a)(1)) that would have been subject
16 to transfer to State accounts, as of October 1, 2008, under
17 the provisions of subsection (a).

18 “(3) Any amount transferred to the account of a
19 State as a result of the enactment of this subsection may
20 be used by the State agency of such State only in the pay-
21 ment of cash benefits to individuals with respect to their
22 unemployment, exclusive of expenses of administration.

23 “Special Transfer in Fiscal Year 2009 for Administration

24 “(g)(1) In addition to any other amounts, the Sec-
25 retary of the Treasury shall transfer from the employment

1 security administration account to the account of each
2 State in the Unemployment Trust Fund, within 30 days
3 after the date of the enactment of this subsection, the
4 amount determined with respect to such State under para-
5 graph (2).

6 “(2) The amount to be transferred under this sub-
7 section to a State account shall (as determined by the Sec-
8 retary of Labor and certified by such Secretary to the Sec-
9 retary of the Treasury) be equal to the amount obtained
10 by multiplying \$500,000,000 by the same ratio as deter-
11 mined under subsection (f)(2) with respect to such State.

12 “(3) Any amount transferred to the account of a
13 State as a result of the enactment of this subsection may
14 be used by the State agency of such State only in the pay-
15 ment of expenses incurred by it for—

16 “(A) the improvement of unemployment benefit
17 and unemployment tax operations, including re-
18 sponding to increased demand for unemployment
19 compensation; and

20 “(B) staff-assisted reemployment services for
21 unemployment compensation claimants.”.

22 (b) REGULATIONS.—The Secretary of Labor may
23 prescribe any regulations, operating instructions, or other
24 guidance necessary to carry out the amendment made by
25 subsection (a).

1 **TITLE III—NO TAX INCREASES**
2 **TO PAY FOR SPENDING**

3 **SEC. 301. NO TAX INCREASES TO PAY FOR SPENDING.**

4 (a) FINDINGS.—The Congress finds that—

5 (1) according to the economic forecast released
6 by the non-partisan Congressional Budget Office on
7 January 7, 2009, unemployment in the United
8 States is expected to be above the level estimated for
9 calendar year 2008 until the year 2015, and

10 (2) raising taxes on families and employers dur-
11 ing times of high unemployment delays economic re-
12 covery and the creation of new jobs.

13 (b) DECLARATION OF POLICY.—It is the policy of the
14 United States that—

15 (1) outlays from the Treasury of the United
16 States that occur as a result of any provision of this
17 Act shall not be offset through the enactment of new
18 legislation that results in increases in revenues to
19 the Treasury of the United States, but, if such out-
20 lays are offset, such offsets shall be through the en-
21 actment of legislation that results in a reduction in
22 other outlays, and

23 (2) the effective rate of tax imposed on individ-
24 uals or businesses shall not be increased, whether by
25 operation of a provision of existing law or the enact-

1 ment of new legislation, during any year in which
2 unemployment is projected to exceed the level of un-
3 employment for calendar year 2008.

