

**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.

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
7 section or other provision of the Internal Revenue Code
8 of 1986.

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

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

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

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

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

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

18 “(3) **REDUCTION IN 15 PERCENT RATE FOR**
19 **2009 AND 2010.**—In the case of any taxable year be-
20 ginning in 2009 or 2010, ‘10 percent’ shall be sub-
21 stituted for ‘15 percent’ in the tables under sub-
22 sections (a), (b), (c), (d), and (e). The preceding
23 sentence shall be applied after application of para-
24 graph (1).”.

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

4 **Subtitle B—Alternative Minimum**
5 **Tax Relief For Individuals**

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

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

12 (1) by striking “or 2008” and inserting “2008,
13 2009, or 2010”, and

14 (2) by striking “**2008**” in the heading thereof
15 and inserting “**2010**”.

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

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

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

23 (1) by striking “(\$69,950 in the case of taxable
24 years beginning in 2008)” in subparagraph (A) and

1 inserting “(\$55,000 in the case of taxable years be-
2 ginning in 2009 or 2010)”, and

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

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

10 **Subtitle C—First-Time Homebuyer** 11 **Credit**

12 **SEC. 121. EXTENSION AND MODIFICATION OF FIRST-TIME** 13 **HOMEBUYER CREDIT.**

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

18 (b) REPEAL OF FIRST-TIME HOMEBUYER REQUIRE-
19 MENT.—

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

25 (2) CONFORMING AMENDMENTS.—

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

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

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

14 (c) REPEAL OF RECAPTURE RULES.—

15 (1) IN GENERAL.—Paragraph (4) of section
16 36(f) is amended by adding at the end the following
17 new subparagraph:

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

22 “(i) paragraph (1) shall not apply,
23 and

24 “(ii) paragraph (2) shall apply only if
25 the disposition or cessation described in

1 paragraph (2) with respect to such resi-
2 dence occurs during the 36-month period
3 beginning on the date of the purchase of
4 such residence by the taxpayer.”.

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

8 (d) DOWNPAYMENT REQUIREMENT.—Section 36 is
9 amended by redesignating subsection (h) as subsection (i)
10 and by inserting after subsection (g) the following new
11 subsection:

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

20 (e) EFFECTIVE DATE.—

21 (1) IN GENERAL.—Except as provided in para-
22 graph (2), the amendments made by this section
23 shall apply to residences purchased after December
24 31, 2008.

1 (2) DOWNPAYMENT REQUIREMENT.—The
2 amendment made by subsection (d) shall apply to
3 residences purchased after the date of the enactment
4 of this Act.

5 **Subtitle D—Tax Incentives For** 6 **Business**

7 **PART 1—TEMPORARY INVESTMENT INCENTIVES**

8 **SEC. 131. SPECIAL ALLOWANCE FOR CERTAIN PROPERTY** 9 **ACQUIRED DURING 2009.**

10 (a) IN GENERAL.—Paragraph (2) of section 168(k)
11 is amended—

12 (1) by striking “January 1, 2010” and insert-
13 ing “January 1, 2011”, and

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

16 (b) CONFORMING AMENDMENTS.—

17 (1) The heading for subsection (k) of section
18 168 is amended by striking “JANUARY 1, 2009” and
19 inserting “JANUARY 1, 2010”.

20 (2) The heading for clause (ii) of section
21 168(k)(2)(B) is amended by striking “PRE-JANUARY
22 1, 2009” and inserting “PRE-JANUARY 1, 2010”.

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

1 (A) by striking “and” at the end of clause

2 (i),

3 (B) by redesignating clause (ii) as clause

4 (v), and

5 (C) by inserting after clause (i) the fol-

6 lowing new clauses:

7 “(ii) ‘April 1, 2008’ shall be sub-

8 stituted for ‘January 1, 2008’ in subpara-

9 graph (A)(iii)(I) thereof,

10 “(iii) ‘January 1, 2009’ shall be sub-

11 stituted for ‘January 1, 2010’ each place it

12 appears,

13 “(iv) ‘January 1, 2010’ shall be sub-

14 stituted for ‘January 1, 2011’ in subpara-

15 graph (A)(iv) thereof, and”.

16 (4) Subparagraph (B) of section 168(l)(5) is

17 amended by striking “January 1, 2009” and insert-

18 ing “January 1, 2010”.

19 (5) Subparagraph (B) of section 1400N(d)(3)

20 is amended by striking “January 1, 2009” and in-

21 sserting “January 1, 2010”.

22 (c) EFFECTIVE DATES.—

23 (1) IN GENERAL.—Except as provided in para-

24 graph (2), the amendments made by this section

25 shall apply to property placed in service after De-

1 cember 31, 2008, in taxable years ending after such
2 date.

3 (2) TECHNICAL AMENDMENT.—Section
4 168(k)(4)(D)(ii) of the Internal Revenue Code of
5 1986, as added by subsection (b)(3)(C), shall apply
6 to taxable years ending after March 31, 2008.

7 **SEC. 132. TEMPORARY INCREASE IN LIMITATIONS ON EX-**
8 **PENSING OF CERTAIN DEPRECIABLE BUSI-**
9 **NESS ASSETS.**

10 (a) IN GENERAL.—Paragraph (7) of section 179(b)
11 is amended—

12 (1) by striking “2008” and inserting “2008, or
13 2009”, and

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

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

19 **PART 2—5-YEAR CARRYBACK OF OPERATING**
20 **LOSSES**

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

22 (a) IN GENERAL.—Subparagraph (H) of section
23 172(b)(1) is amended to read as follows:

24 “(H) CARRYBACK FOR 2008 AND 2009 NET
25 OPERATING LOSSES.—

1 “(i) IN GENERAL.—In the case of an
2 applicable 2008 or 2009 net operating loss
3 with respect to which the taxpayer has
4 elected the application of this subpara-
5 graph—

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

10 “(II) subparagraph (E)(ii) shall
11 be applied by substituting the whole
12 number which is one less than the
13 whole number substituted under sub-
14 clause (II) for ‘2’, and

15 “(III) subparagraph (F) shall not
16 apply.

17 “(ii) APPLICABLE 2008 OR 2009 NET
18 OPERATING LOSS.—For purposes of this
19 subparagraph, the term ‘applicable 2008
20 or 2009 net operating loss’ means—

21 “(I) the taxpayer’s net operating
22 loss for any taxable year ending in
23 2008 or 2009, or

24 “(II) if the taxpayer elects to
25 have this subclause apply in lieu of

1 subclause (I), the taxpayer's net oper-
2 ating loss for any taxable year begin-
3 ning in 2008 or 2009.

4 “(iii) ELECTION.—Any election under
5 this subparagraph shall be made in such
6 manner as may be prescribed by the Sec-
7 retary, and shall be made by the due date
8 (including extension of time) for filing the
9 taxpayer's return for the taxable year of
10 the net operating loss. Any such election,
11 once made, shall be irrevocable.

12 “(iv) COORDINATION WITH ALTER-
13 NATIVE TAX NET OPERATING LOSS DEDUC-
14 TION.—In the case of a taxpayer who
15 elects to have clause (ii)(II) apply, section
16 56(d)(1)(A)(ii) shall be applied by sub-
17 stituting ‘ending during 2001 or 2002 or
18 beginning during 2008 or 2009’ for ‘end-
19 ing during 2001, 2002, 2008, or 2009’.”.

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

23 “(I) the amount of such deduc-
24 tion attributable to the sum of
25 carrybacks of net operating losses

1 from taxable years ending during
2 2001, 2002, 2008, or 2009 and
3 carryovers of net operating losses to
4 such taxable years, or”.

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

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

9 “(A) IN GENERAL.—In the case of an ap-
10 plicable 2008 or 2009 loss from operations with
11 respect to which the taxpayer has elected the
12 application of this paragraph, paragraph (1)(A)
13 shall be applied, at the election of the taxpayer,
14 by substituting ‘5’ or ‘4’ for ‘3’.

15 “(B) APPLICABLE 2008 OR 2009 LOSS FROM
16 OPERATIONS.—For purposes of this paragraph,
17 the term ‘applicable 2008 or 2009 loss from op-
18 erations’ means—

19 “(i) the taxpayer’s loss from oper-
20 ations for any taxable year ending in 2008
21 or 2009, or

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

1 “(C) ELECTION.—Any election under this
2 paragraph shall be made in such manner as
3 may be prescribed by the Secretary, and shall
4 be made by the due date (including extension of
5 time) for filing the taxpayer’s return for the
6 taxable year of the loss from operations. Any
7 such election, once made, shall be irrevocable.

8 “(D) COORDINATION WITH ALTERNATIVE
9 TAX NET OPERATING LOSS DEDUCTION.—In the
10 case of a taxpayer who elects to have subpara-
11 graph (B)(ii) apply, section 56(d)(1)(A)(ii) shall
12 be applied by substituting ‘ending during 2001
13 or 2002 or beginning during 2008 or 2009’ for
14 ‘ending during 2001, 2002, 2008, or 2009’.”.

15 (d) CONFORMING AMENDMENT.—Section 172 is
16 amended by striking subsection (k).

17 (e) EFFECTIVE DATE.—

18 (1) IN GENERAL.—Except as otherwise pro-
19 vided in this subsection, the amendments made by
20 this section shall apply to net operating losses aris-
21 ing in taxable years ending after December 31,
22 2007.

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

1 (3) LOSS FROM OPERATIONS OF LIFE INSUR-
2 ANCE COMPANIES.—The amendment made by sub-
3 section (d) shall apply to losses from operations aris-
4 ing in taxable years ending after December 31,
5 2007.

6 (4) TRANSITIONAL RULE.—In the case of a net
7 operating loss (or, in the case of a life insurance
8 company, a loss from operations) for a taxable year
9 ending before the date of the enactment of this
10 Act—

11 (A) any election made under section
12 172(b)(3) or 810(b)(3) of the Internal Revenue
13 Code of 1986 with respect to such loss may
14 (notwithstanding such section) be revoked be-
15 fore the applicable date,

16 (B) any election made under section
17 172(b)(1)(H) or 810(b)(4) of such Code with
18 respect to such loss shall (notwithstanding such
19 section) be treated as timely made if made be-
20 fore the applicable date, and

21 (C) any application under section 6411(a)
22 of such Code with respect to such loss shall be
23 treated as timely filed if filed before the appli-
24 cable date.

1 For purposes of this paragraph, the term “applica-
2 ble date” means the date which is 60 days after the
3 date of the enactment of this Act.

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

5 The amendments made by this part shall not apply
6 to—

7 (1) any taxpayer if—

8 (A) the Federal Government acquires, at
9 any time, an equity interest in the taxpayer
10 pursuant to the Emergency Economic Stabiliza-
11 tion Act of 2008, or

12 (B) the Federal Government acquires, at
13 any time, any warrant (or other right) to ac-
14 quire any equity interest with respect to the
15 taxpayer pursuant to such Act,

16 (2) the Federal National Mortgage Association
17 and the Federal Home Loan Mortgage Corporation,
18 and

19 (3) any taxpayer which at any time in 2008 or
20 2009 is a member of the same affiliated group (as
21 defined in section 1504 of the Internal Revenue
22 Code of 1986, determined without regard to sub-
23 section (b) thereof) as a taxpayer described in para-
24 graph (1) or (2).

1 **PART 3—DEDUCTION FOR QUALIFIED SMALL**

2 **BUSINESS INCOME**

3 **SEC. 141. DEDUCTION FOR QUALIFIED SMALL BUSINESS IN-**

4 **COME.**

5 (a) IN GENERAL.—Paragraph (1) of section 199(a)
6 is amended to read as follows:

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

9 “(A) 9 percent of the lesser of—

10 “(i) the qualified production activities
11 income of the taxpayer for the taxable
12 year, or

13 “(ii) taxable income (determined with-
14 out regard to this section) for the taxable
15 year, and

16 “(B) in the case of a qualified small busi-
17 ness for a taxable year beginning in 2009 or
18 2010, 20 percent of the lesser of—

19 “(i) the qualified small business in-
20 come of the taxpayer for the taxable year,
21 or

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

1 (b) QUALIFIED SMALL BUSINESS; QUALIFIED SMALL
2 BUSINESS INCOME.—Section 199 is amended by adding
3 at the end the following new subsection:

4 “(e) QUALIFIED SMALL BUSINESS; QUALIFIED
5 SMALL BUSINESS INCOME.—

6 “(1) QUALIFIED SMALL BUSINESS.—

7 “(A) IN GENERAL.—For purposes of this
8 section, the term ‘qualified small business’
9 means any taxpayer for any taxable year if the
10 annual average number of employees employed
11 by such taxpayer during such taxable year was
12 500 or fewer.

13 “(B) AGGREGATION RULE.—For purposes
14 of subparagraph (A), any person treated as a
15 single employer under subsection (a) or (b) of
16 section 52 (applied without regard to section
17 1563(b)) or subsection (m) or (o) of section
18 414 shall be treated as 1 taxpayer for purposes
19 of this subsection.

20 “(C) SPECIAL RULE.—If a taxpayer is
21 treated as a qualified small business for any
22 taxable year, the taxpayer shall not fail to be
23 treated as a qualified small business for any
24 subsequent taxable year solely because the num-
25 ber of employees employed by such taxpayer

1 during such subsequent taxable year exceeds
2 500. The preceding sentence shall cease to
3 apply to such taxpayer in the first taxable year
4 in which there is an ownership change (as de-
5 fined by section 382(g) in respect of a corpora-
6 tion, or by applying principles analogous to
7 such ownership change in the case of a tax-
8 payer that is a partnership) with respect to the
9 stock (or partnership interests) of the taxpayer.

10 “(2) QUALIFIED SMALL BUSINESS INCOME.—

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

14 “(i) the income of the qualified small
15 business which—

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

18 “(II) is income from sources
19 within the United States (within the
20 meaning of section 861), and

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

23 “(ii) the sum of—

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

1 “(II) other expenses, losses, or
2 deductions (other than the deduction
3 allowed under this section), which are
4 properly allocable to such income.

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

8 “(i) Any income which is attributable
9 to any property described in section
10 1400N(p)(3).

11 “(ii) Any income which is attributable
12 to the ownership or management of any
13 professional sports team.

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

17 “(iv) Any income which is attributable
18 to any property with respect to which
19 records are required to be maintained
20 under section 2257 of title 18, United
21 States Code.

22 “(C) ALLOCATION RULES, ETC.—Rules
23 similar to the rules of paragraphs (2), (3),
24 (4)(D), and (7) of subsection (c) shall apply for
25 purposes of this paragraph.

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

2 “(a) IN GENERAL.—In the case of an individual,
3 there shall be allowed as a deduction an amount equal to
4 the amount paid during the taxable year for coverage for
5 the taxpayer, his spouse, and dependents under qualified
6 health insurance.

7 “(b) QUALIFIED HEALTH INSURANCE.—For pur-
8 poses of this section, the term ‘qualified health insurance’
9 means insurance which constitutes medical care; except
10 that such term shall not include any insurance if substan-
11 tially all of its coverage is of excepted benefits described
12 in section 9832(e).

13 “(c) SPECIAL RULES.—

14 “(1) COORDINATION WITH MEDICAL DEDUC-
15 TION, ETC.—Any amount paid by a taxpayer for in-
16 surance to which subsection (a) applies shall not be
17 taken into account in computing the amount allow-
18 able to the taxpayer as a deduction under section
19 162(l) or 213(a). Any amount taken into account in
20 determining the credit allowed under section 35 shall
21 not be taken into account for purposes of this sec-
22 tion.

23 “(2) DEDUCTION NOT ALLOWED FOR SELF-EM-
24 PLOYMENT TAX PURPOSES.—The deduction allow-
25 able by reason of this section shall not be taken into
26 account in determining an individual’s net earnings

1 from self-employment (within the meaning of section
2 1402(a)) for purposes of chapter 2.”.

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

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

9 (c) CLERICAL AMENDMENT.—The table of sections
10 for part VII of subchapter B of chapter 1 of such Code
11 is amended by redesignating the item relating to section
12 224 as an item relating to section 225 and inserting before
13 such item the following new item:

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

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

17 **Subtitle F—Temporary Exclusion**
18 **of Unemployment Compensation**
19 **From Gross Income**

20 **SEC. 161. TEMPORARY EXCLUSION OF UNEMPLOYMENT**
21 **COMPENSATION FROM GROSS INCOME.**

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

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

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

7 **TITLE II—ASSISTANCE FOR**
8 **UNEMPLOYED WORKERS**

9 **SEC. 200. SHORT TITLE.**

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

12 **SEC. 201. EXTENSION OF EMERGENCY UNEMPLOYMENT**
13 **COMPENSATION PROGRAM.**

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

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

21 (2) in the heading for subsection (b)(2), by
22 striking “MARCH 31, 2009” and inserting “DECEM-
23 BER 31, 2009”; and

24 (3) in subsection (b)(3), by striking “August
25 27, 2009” and inserting “May 31, 2010”.

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

3 “(e) TRANSFER OF FUNDS.—Notwithstanding any
4 other provision of law, the Secretary of the Treasury shall
5 transfer from the general fund of the Treasury (from
6 funds not otherwise appropriated)—

7 “(1) to the extended unemployment compensa-
8 tion account (as established by section 905 of the
9 Social Security Act) such sums as the Secretary of
10 Labor estimates to be necessary to make payments
11 to States under this title by reason of the amend-
12 ments made by section 201(a) of the Assistance for
13 Unemployed Workers Act; and

14 “(2) to the employment security administration
15 account (as established by section 901 of the Social
16 Security Act) such sums as the Secretary of Labor
17 estimates to be necessary for purposes of assisting
18 States in meeting administrative costs by reason of
19 the amendments referred to in paragraph (1).

20 There are appropriated from the general fund of the
21 Treasury, without fiscal year limitation, the sums referred
22 to in the preceding sentence and such sums shall not be
23 required to be repaid.”.

1 **SEC. 202. ADDITIONAL ELIGIBILITY REQUIREMENTS FOR**
2 **EMERGENCY UNEMPLOYMENT COMPENSA-**
3 **TION.**

4 Section 4001 of the Supplemental Appropriations
5 Act, 2008 (Public Law 110–252; 26 U.S.C. 3304 note)
6 is amended by adding at the end the following:

7 “Additional Eligibility Requirements

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

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

13 “(i) have a secondary school diploma or its
14 recognized equivalent; or

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

18 “(B) in the case of any individual described in
19 paragraph (3), that such individual participate in re-
20 employment services or in similar services (or, if
21 such services were ongoing as of when such indi-
22 vidual most recently exhausted regular compensation
23 before seeking emergency unemployment compensa-
24 tion, that such individual continue to participate in
25 such services), unless the State agency charged with

1 the administration of the State law determines
2 that—

3 “(i) such individual has completed such
4 services as of a date subsequent to the com-
5 mencement of emergency unemployment com-
6 pensation; or

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

9 “(2) INDIVIDUALS TO WHOM PARAGRAPH (1)(A) AP-
10 PLIES.—The requirements of paragraph (1)(A) shall apply
11 in the case of any individual who was under age 30 at
12 the time of filing an initial claim for the regular compensa-
13 tion that such individual most recently exhausted before
14 seeking emergency unemployment compensation.

15 “(3) INDIVIDUALS TO WHOM PARAGRAPH (1)(B) AP-
16 PLIES.—The requirements of paragraph (1)(B) shall
17 apply in the case of any individual who, as of the time
18 of filing an initial claim for the regular compensation that
19 such individual most recently exhausted before seeking
20 emergency unemployment compensation, was identified
21 under the State profiling system (described in section
22 303(j) of the Social Security Act) as being a claimant
23 who—

24 “(A) was likely to exhaust regular compensa-
25 tion; and

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

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

8 **SEC. 203. SPECIAL TRANSFERS.**

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

12 “Special Transfer in Fiscal Year 2009 for Benefits

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

19 “(2) The amount to be transferred under this sub-
20 section to a State account shall (as determined by the Sec-
21 retary of Labor and certified by such Secretary to the Sec-
22 retary of the Treasury) be equal to the amount obtained
23 by multiplying \$7,000,000,000 by the same ratio as would
24 apply under subsection (a)(2)(B) for purposes of deter-
25 mining such State’s share of any excess amount (as de-

1 scribed in subsection (a)(1)) that would have been subject
2 to transfer to State accounts, as of October 1, 2008, under
3 the provisions of subsection (a).

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

9 “Special Transfer in Fiscal Year 2009 for Administration

10 “(g)(1) In addition to any other amounts, the Sec-
11 retary of the Treasury shall transfer from the employment
12 security administration account to the account of each
13 State in the Unemployment Trust Fund, within 30 days
14 after the date of the enactment of this subsection, the
15 amount determined with respect to such State under para-
16 graph (2).

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

23 “(3) Any amount transferred to the account of a
24 State as a result of the enactment of this subsection may

1 be used by the State agency of such State only in the pay-
2 ment of expenses incurred by it for—

3 “(A) the improvement of unemployment benefit
4 and unemployment tax operations, including re-
5 sponding to increased demand for unemployment
6 compensation; and

7 “(B) staff-assisted reemployment services for
8 unemployment compensation claimants.”.

9 (b) REGULATIONS.—The Secretary of Labor may
10 prescribe any regulations, operating instructions, or other
11 guidance necessary to carry out the amendment made by
12 subsection (a).

13 **TITLE III—NO TAX INCREASES**
14 **TO PAY FOR SPENDING**

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

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

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

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

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

3 (1) outlays from the Treasury of the United
4 States that occur as a result of any provision of this
5 Act shall not be offset through the enactment of new
6 legislation that results in increases in revenues to
7 the Treasury of the United States, but, if such out-
8 lays are offset, such offsets shall be through the en-
9 actment of legislation that results in a reduction in
10 other outlays, and

11 (2) the effective rate of tax imposed on individ-
12 uals or businesses shall not be increased, whether by
13 operation of a provision of existing law or the enact-
14 ment of new legislation, during any year in which
15 unemployment is projected to exceed the level of un-
16 employment for calendar year 2008.

