



For Immediate Release  
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**SUPPLEMENTAL SPENDING BILL KEEPS MINIMUM WAGE HIKE,  
SMALL BUSINESS TAX PACKAGE AGREEMENT**

*Baucus applauds additional funds for Children's Health Insurance Program as well*

*Washington, DC* – Final supplemental spending legislation approved by the Senate today includes a long-overdue minimum wage hike for America's workers, and a number of small business tax incentives shepherded to passage by Senate Finance Committee Chairman Max Baucus (D-Mont.). Baucus and House Ways and Means Committee Chairman Charles Rangel (D-N.Y.) hammered out the \$4.84 billion tax package for the first supplemental spending bill passed this year, and worked to retain the provisions in this second version of the legislation. The tax package offers assistance to many businesses that employ minimum-wage workers, who will soon get a \$2.10 raise in their hourly pay.

**“Thanks to this bill, America's minimum wage workers are finally going to get their pay raise, and small businesses will get needed tax cuts,”** said Baucus. **“There's more that the Finance Committee can do for American families and businesses this year, from education and health tax incentives to additional small business tax relief. But I'm satisfied that we've made a good start, and extremely pleased to finally get these provisions done.”**

Provisions in the Baucus-Rangel tax incentives package include measures to encourage the hiring of low-income and disadvantaged workers, to help growing businesses save when they buy new equipment, and to assist economic growth in the Gulf Opportunity Zone – the area still struggling to recover from Hurricanes Katrina, Rita, and Wilma. A summary of the revenue-neutral tax package, including offsets, can be found on the following pages. Additional information can be found on the Finance Committee website at <http://finance.senate.gov/sitepages/legislation.htm>.

The final supplemental spending bill also provides as much as \$650 million to cover shortfalls in Federal funding for the Children's Health Insurance Program. The actual expense of covering looming shortfalls in 11 states may be as low as \$396 million. Baucus, whose committee will take up legislation renewing the CHIP program shortly after Memorial Day, sought the emergency funds to help states avoid dropping children from CHIP coverage in the coming weeks. CHIP gets affordable health coverage to children whose parents make too much to qualify for Medicaid, but who cannot afford private health insurance.

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**“As we’ve brought a much-needed raise to hardworking Americans who make the minimum wage, we’re making sure that many of their children keep their health coverage,”** said Baucus. **“Senator Byrd and all the appropriators made good choices in this bill. The Finance Committee will work to build on the success of the Children’s Health Insurance Program, and to reach even more uninsured children through CHIP.”**

The bill also places a one-year moratorium on a new rule from the Centers for Medicare and Medicaid Services (CMS) that would limit Medicaid payments to public hospitals and nursing homes. CMS proposed the rule in an effort to keep states from abusing Medicaid financing arrangements to draw down funds to which they’re not entitled. But the Government Accountability Office (GAO) has found that CMS has not been clear with states about how financing can be arranged appropriately, and made major policy changes with little advance notice. Baucus and other colleagues feel that the currently proposed rule is a too-hasty answer that will result in more confusion.

The legislation passed by the Senate today will now be sent to the White House for signature into law.

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## Small Business Tax Relief Provisions

*H.R. 2206, U.S. Troops Readiness, Veterans' Health,  
and Iraq Accountability Act of 2007*

<b>Provision</b>	<b>Description</b>	<b>10-Year Cost</b>
WOTC	Extend WOTC for 3 1/2 years through August 31, 2011. Expand WOTC to allow credit to employers who hire disabled veterans and individuals in counties that have suffered significant population losses.	\$2.571 B
179 Expensing	One-year extension through 2010. Immediate increase in the expensing limit from \$112,000 to \$125,000 and phase-out level from \$450,000 to \$500,000. Extend 179 expensing for Go Zone businesses sthrough 2008.	\$68 M \$2 M
GO Zone Low Income Housing	Extends enhanced credit treatment for 2 additional years through 2010 and modifies the carryover allocation and Federally subsidized rules for certain low income housing credit buildings.	\$221 M
GO Zone Repairs and Reconstruction	Treats certain qualified GO Zone repairs or reconstruction as "qualified rehabilitation" for purposes of the mortgage revenue bond and Gulf Opportunity Zone bond rules. Calls for GAO study of certain tax incentives in the GO Zone.	\$16 M
Tip Credit	Allows employers to receive full tip credit despite increase in Federal minimum wage.	\$457 M
Family Business Tax Simplification	Allows an unincorporated business owned jointly by a married couple to file as a sole proprietorship instead of a partnership. Ensures that both spouses receive credit for paying Social Security and Medicare taxes.	\$0
Waiver of AMT Limitations on WOTC and Tip Credit	Allows WOTC and the tip credit to be taken under AMT.	\$617 M
S Corp Package	Several modifications to the S corporation rules that will help small businesses keep the tax benefits of being an S Corporation.	\$892 M
<b>TOTAL</b>		<b>\$4.844B</b>

## OFFSETS

ITEM	Description	10-Year Estimate
Increase in Minimum Wage	Reduction in the amount of credits taxpayers claim under the FICA/tip tax credit as a result of increase in the minimum wage.	\$ 457 M
Increase in Age of Minor Children Whose Unearned Income is Taxed as Parents' Income	Raises the age from under-18 to under-19 (under-24 if a student) at which a child's unearned income in excess of \$1700 is taxed at the parent's rate. Discourages the practice of transferring investments to one's child for the purpose of avoiding higher tax rates.	\$1.432 B
Modify Interest Suspension Rules	Modifies the rule that the IRS must stop charging interest and filing related penalties if the IRS fails to notify the taxpayer about a deficiency within 18 months after the taxpayer filed the return – extended to 36 months	\$2.430 B
Collection Due Process	Eliminates the requirement that the IRS hold a collection due process hearing before issuing a levy on delinquent employment taxes so these trust fund taxes are not allowed to pyramid. Taxpayers are still afforded CDP hearing once every two years.	\$288 M
Permanent IRS User Fees	Extends permanently IRS user fees.	\$90 M
Bad Checks	In general, the penalty remains at 2% of the check amount. The \$750 threshold is increased to \$1,250 and the \$15 fee is increased to \$25.	\$22 M
Expand Preparer Penalties	Expands preparer penalties to all types of tax returns (e.g., employment, excise, exempt orgs., estate and gift tax). Increases the amounts of the penalties, too.	\$82 M
Erroneous Refund Claim Penalty	Creates a new penalty on claims for refund that are filed without any reasonable basis.	\$98 M
<b>TOTAL</b>		<b>\$4.899 B</b>