



For Immediate Release
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**SENATE MOVES TO PROTECT WORKING AMERICANS
THREATENED BY LOOMING FINANCIAL CRISIS;
BILL INCLUDES BAUCUS PROTECTIONS FOR TAXPAYERS,
TAX RELIEF TO PROMOTE JOBS, ENERGY, FAMILIES**

*Finance Chairman says plan “not perfect,” but “unfortunately necessary”
to stop credit freeze from hurting American communities*

Washington, DC – The United States Senate voted tonight to fight the economic crisis decimating America’s financial sector and threatening the availability of credit to American families and businesses, passing the Emergency Economic Stabilization Act of 2008 – a financial rescue plan that will allow the U.S. Treasury to purchase bad assets threatening the solvency of American financial institutions. Finance Committee Chairman Max Baucus (D-Mont.) supported the bill only after negotiating a fairer deal and strong protections for taxpayers, including:

- cuts to executive compensation and “golden parachute” severance plans for companies participating in the rescue plan, as well as tougher tax treatment of executive pay
- a special Inspector General to fight waste, fraud and abuse in the Treasury program
- tax relief for struggling homeowners
- help for community banks suffering losses from the collapse of Fannie Mae and Freddie Mac.

On Tuesday evening, the rescue plan was also modified to include bipartisan, Senate-passed, Baucus-championed tax relief promoting jobs, energy, and families. The additional measures include approximately \$18 billion in job-creating alternative energy tax incentives, protection for 20 million Americans from the alternative minimum tax, extensions of expiring tax cuts for businesses and families – including the college tuition tax deduction, the state and local sales tax deduction, the teacher tax credit, and the research and development tax credit – natural disaster relief, and parity for mental health treatment.

“Like most Americans, I’d rather let Wall Street pick up after itself, but the outrageous mess that started there is threatening Main Street and Congress has to act,” said Baucus. **“This plan isn’t perfect, but it’s unfortunately necessary to keep the financial crisis from creeping even further into our communities, keeping our businesses and families from getting the credit they need, causing job layoffs and deeper economic hurt at home. I’m supporting this plan tonight to protect the people of Montana and all Americans. I’m committing to watch every taxpayer dollar that is used, and promising to work to see that this kind of financial meltdown never, ever happens again in this country”**

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Full legislative text of the financial rescue plan is available at <http://banking.senate.gov>. A revenue table for tax provisions in the Emergency Economic Stabilization Act, both those in the underlying financial rescue plan and the added energy incentives, AMT and other tax relief, is online at www.house.gov/jct. Summary details of the Baucus provisions follow here:

Creation of a Special Inspector General:

The Special Inspector General for the Troubled Asset Program would be completely independent from the Treasury Department, with funding and full authority to audit, investigate, and recommend changes to the program at will. The Special Inspector General will be appointed by the President and confirmed by the Senate. The office will have \$50 million in funding to ensure its ability to monitor and go after any and all waste, fraud, and abuse in the program. The Special Inspector General will be required to make his or her first report to Congress within 60 days of confirmation, to facilitate strong congressional oversight of the Treasury plan.

Stronger Taxation of Compensation and Severance Pay for Financial Executives

The financial rescue plan contains non-tax measures aimed at limiting executive compensation and “golden parachute” severance packages overall for companies and executives participating in the buyout – a key element in gaining approval of the package among negotiators. When the Treasury directly buys assets from a company, not through an auction or bidding process, the financial institution will be required to meet certain standards for executive compensation, including a total prohibition on “golden parachute” severance payments to senior executive officers.

When more than \$300 million of a company’s assets are purchased by the Treasury through an auction, “golden parachute” payments will be banned for top executives hired while the Treasury rescue is in effect. Additionally, tax provisions will kick in to strengthen the tax treatment of remaining executive compensation and severance packages. The deductibility of executive compensation for companies will be cut in half from the level in current law, and companies will also lose deductions currently available for excessively large severance packages. Executives receiving severance packages will continue to face a 20 percent excise tax on payments once they reach an excessive threshold, and that tax will now be due if the executive leaves for reasons other than a standard retirement for which they are eligible – not just if the company changes hands, as in current law.

Help for Homeowners Sinking Under Mortgage Debt

Usually, when homeowners have parts of their mortgages forgiven, they immediately owe income taxes on the amount of indebtedness forgiven. To keep struggling homeowners from facing higher tax bills, the housing relief bill passed by Congress this year allowed homeowners caught up in the mortgage crisis to avoid paying tax on forgiven mortgage debts through 2009. To help more homeowners stay on their financial feet in the ongoing economic crisis, the rescue plan will extend through 2012 the housing bill provision that forgives income from the cancellation of indebtedness. It does not extend the relief to home equity loans.

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Fairness for Banks Hit by the Failures of Fannie Mae and Freddie Mac

Federal law limits the allowable investments for banks, and so many community banks invested in Fannie Mae and Freddie Mac preferred stock – which became worthless when the government bailed those companies out. This proposal ensures fairness for the approximately 800 banks that held Fannie and Freddie preferred stock, by allowing financial institutions or financial institution holding companies to treat their Fannie and Freddie losses as ordinary losses. Applying to any preferred stock that was owned on September 6, 2008 or sold between January 1 and September 6, 2008, this provision will allow banks to claim the book benefit of the loss on their tax returns, therefore reducing the need to obtain additional capital from the FDIC or investors. This should also prevent some community banks from becoming insolvent.

A summary of these tax provisions in the Emergency Economic Stabilization Act is online here:

<http://finance.senate.gov/sitepages/leg/LEG%202008/093008%20Staff%20Summary%20of%20the%20Emergency%20Economic%20Stabilization%20Act%20of%202008.pdf>.

Tax Relief Promoting Jobs, Energy, Families

The financial rescue plan also contains the entire text of H.R. 6049 as amended by the Senate on September 23 – including clean energy tax incentives, alternative minimum tax relief, extensions of expiring business and family tax cuts, disaster relief, mental health parity, and other provisions. The Senate amended H.R. 6049 with two measures – one containing energy tax incentives and the other containing all remaining provisions. The combined cost for all measures – energy, AMT, “extenders,” and other provisions – is approximately \$150 billion, and the offsets in the package total approximately \$43.5 billion. Energy provisions are completely offset, and “extenders” and other provisions are partially offset. Of the total cost, \$64.1 billion is unoffset AMT relief. Both the House and Senate have previously passed unoffset AMT relief this year.

A summary of energy tax provisions is available online at:

<http://www.finance.senate.gov/sitepages/leg/LEG%202008/091708%20Staff%20Summary%20of%20the%20Energy%20Improvement%20and%20Extension%20Act.pdf>

A summary detailing alternative minimum tax provisions, business and family tax relief, disaster relief, mental health parity, and other provisions can be found online at:

<http://www.finance.senate.gov/sitepages/leg/LEG%202008/091708%20Staff%20Summary%20of%20the%20Senate%20Finance%20Committee%20Summary%20Amendment%20to%20the%20Substitute%20Amendment%20to%20H.R.%206049.pdf>

The Senate will now send the legislation to the House of Representatives for consideration.

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