

CRS Report for Congress

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Selected Tax Law Changes Effective January 1, 2002

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Summary

This is a brief list of tax laws changes which became effective on January 1, 2002. This list does not include inflation adjustments which occur because of administrative adjustments, unless they took effect because of a statutory change with a December 31, 2001 or January 1, 2002 effective date. For a complete listing of those administratively adjusted items, see IRS Revenue Procedure 2001-59, 2001-52 IRB 1, dated December 11, 2001. This list also excludes tax provisions expiring in 2002 and most conforming amendments, e.g., changes to credit ordering rules when a credit is amended, or changes to withholding rules when certain income is made tax-exempt.

The first part of this report is a listing of the tax changes which were enacted during 2001 and effective at the beginning of 2002. The changes are listed under the statute which enacted the change by Internal Revenue Code section. Following the changes enacted in 2001 is a listing of previously enacted tax changes which became effective on January 1, 2002. They are listed by Internal Revenue Code section, but no attempt was made to identify the statutory source of the change.¹

Provisions in Economic Growth and Tax Relief Reconciliation Act of 2001, P.L. 107-16, which became effective on January 1, 2002:

Provision	Citation
Expansion of the adoption credit and adoption assistance programs	IRC § 23
Increase in the per child amount of the child tax credit	IRC § 24

¹ The source can be determined by consulting the notes following the statutory language of the citation in either the Internal Revenue Code or title 26 of the U.S. Code.

Provision	Citation
Credit for deferrals and IRA contributions for certain individuals	IRC § 25B
Marriage penalty relief and simplification earned income tax credit	IRC § 32
Credit for pension plan start-up costs for small employers	IRC §§ 45E, 196
Credit for employer expenses for employer-provided child care	IRC § 45F
Conforming amendments to above credit changes	IRC §§ 25,26, 38,39, 51A
Deduction for higher education expenses allowed in computing adjusted gross income	IRC § 62
Rollovers allowed among various types of pension plans, new rules for computing employee contributions to annuities	IRC § 72
Exclusion of certain health scholarships	IRC § 117(c)
Exclusion for employer-provided educational assistance to include graduate education	IRC § 127
Employer-provided retirement advice as fringe benefit	IRC § 132
Use of qualified savings bonds in qualified tuition programs	IRC § 135
Expansion of adoption assistance program and adoption assistance credit	IRC § 137
Public educational facility bonds as exempt facility bonds	IRC §§ 142(a)(11)-(13); 142(k), 146(g)(3); 147(h); 148(f)
Increase in IRA contribution limits; liberalization of rollover rules	IRC § 219
Expansion of deduction for student loan interest	IRC § 221
Deduction for qualified tuition expenses	IRC § 222
Increase in benefit and contribution limits for retirement plans	IRC §§ 401(a)(17), 401(c)
Rollovers among various types of plans liberalized	IRC § 401(a)(31)
Modification of distribution rules for 401(k) plans	IRC § 401(k)
Increase in benefit and contribution limits for SIMPLE 401(k) plans	IRC § 401(k)

Provision	Citation
Liberalization of rollover, spousal rollover, and hardship distribution rules	IRC § 402
Liberalization of restrictions on distributions, rollovers, purchase of service credits of 403(b) plans	IRC § 403(b)
Modification of employer deduction limits for qualified plans	IRC § 404
Modification of IRA, SIMPLE retirement accounts, contribution limits, rollover rules	IRC § 408
Faster vesting of certain employer matching contributions	IRC § 411
New rules permitting plan-to-plan transfers	IRC § 411
New funding rules	IRC § 412
Clarification of tax treatment of 457 plan (generally state and local plans) benefits upon divorce	IRC § 414(p)
Catch-up contributions for individuals over 50	IRC § 414(v)
Increase in benefit and contribution limits for defined benefit plans, multiemployer plans, equitable treatment for defined contribution plans	IRC § 415
Modification of top-heavy plan rules	IRC § 416
Increase in benefit and contributions limits for plans of state and local governments and tax-exempt organization, minimum distribution and income inclusion requirements, new rollover rules	IRC § 457
Modifications to qualified tuition programs	IRC § 529
Modification to education IRAs	IRC § 530
Exclusion of nonresident alien income from international transportation services from income sourcing rules	IRC § 861
Conforming certain new tax credit rules to the DC first-time homebuyer credit	IRC § 1400C
Reduction in maximum estate tax rate to 50%; repeal of phaseout of graduated rates	IRC § 2001(c)
Increase in unified credit to \$700,000 exemption equivalent	IRC § 2010(c)
Reduction of credit for state death taxes	IRC § 2011
Lifetime gift exemption increased to \$1,000,000	IRC § 2505(a)

Provision	Citation
Increase in number of allowable partners or shareholders in closely held business to 45; clarification of definition of non-readily tradeable stock; qualifying lending and financial businesses permitted to use installment payment	IRC § 6166
Reporting requirements for qualified tuition programs	IRC § 6693
Elimination of user fees for ruling requests to IRS about new pension plans	EGTRRA § 620
ERISA amendments to conform to various tax changes	EGTRRA §§ 612-663

Provision in the Fallen Hero Survivor Benefit Fairness Act of 2001, P.L. 107-15 effective January 1, 2002:

Provision	Citation
Extends the tax-exemption for survivor annuities to survivors of public safety officers killed in the line of duty prior to January 1, 1997	IRC § 101(h)

Provisions in the Railroad Retirement and Survivors' Improvement Act of 2001, P.L. 107-90, which became effective on January 1, 2002:

Provision	Citation
National Railroad Retirement Investment Trust as a tax-exempt organization	IRC § 501(c)(28)
Repeal of supplemental annuity tax on railroad employers and employee representatives.	IRC § 3211, 3221
Tier II tax rate adjustment to 15.6 percent for employers	IRC § 3221
Tier II tax rate adjustment to 14.75 percent on employee representatives	IRC § 3211
Tier II tax rate adjustment to 4.9 percent on employees	IRC § 3201

**Provisions enacted prior to 2001 which became effective as of
January 1, 2002, not including expiring provisions:**

Provision	Citation
Reduction in electric vehicle tax credit	IRC § 30
Puerto Rico economic activity credit limited	IRC § 30A
Increase in qualified transportation fringe benefit to \$100 per month	IRC § 132(f)
Deduction for health insurance for self-employed increases to 70%	IRC § 162(l)
Deduction for clean fuel vehicle reduced	IRC § 179A
Increase in deduction for meals away from home for certain transportation workers	IRC § 274(n)
Coordination of foreign income tax credit with nonrefundable personal credits	IRC § 904
Increase in exclusion amount for U.S. citizens living abroad	IRC § 911
Reduction in empowerment zone employment credit	IRC § 1396
Increase in qualified conservation easement exclusion limitation to \$500,000	IRC § 2031
Reduction in tax of luxury passenger vehicles	IRC § 4001
Certain approved terminals of registered persons required to offer dyed diesel fuel and kerosene for non-taxable purposes	IRC § 4041
Increase in tax on transportation of persons by air	IRC § 4261
Tobacco excise tax rates increase	IRC § 5701
Change in amount of required payment of estimated taxes for high income taxpayers	IRC § 6654