

Exhibit 78

under section 36 is allowable to such taxpayer (or the taxpayer's spouse) with respect to such purchase.”

(2) CONFORMING AMENDMENT.—Section 36(d) is amended by striking paragraph (1). 26 USC 36.

(e) REMOVAL OF PROHIBITION ON FINANCING BY MORTGAGE REVENUE BONDS.—Section 36(d), as amended by subsection (c)(2), is amended by striking paragraph (2) and by redesignating paragraphs (3) and (4) as paragraphs (1) and (2), respectively.

(f) EFFECTIVE DATE.—The amendments made by this section shall apply to residences purchased after December 31, 2008. 26 USC 36 note.

SEC. 1007. SUSPENSION OF TAX ON PORTION OF UNEMPLOYMENT COMPENSATION.

(a) IN GENERAL.—Section 85 of the Internal Revenue Code of 1986 (relating to unemployment compensation) is amended by adding at the end the following new subsection:

“(c) SPECIAL RULE FOR 2009.—In the case of any taxable year beginning in 2009, gross income shall not include so much of the unemployment compensation received by an individual as does not exceed \$2,400.”

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to taxable years beginning after December 31, 2008. 26 USC 85 note.

SEC. 1008. ADDITIONAL DEDUCTION FOR STATE SALES TAX AND EXCISE TAX ON THE PURCHASE OF CERTAIN MOTOR VEHICLES.

(a) IN GENERAL.—Subsection (a) of section 164 is amended by inserting after paragraph (5) the following new paragraph:

“(6) Qualified motor vehicle taxes.”

(b) QUALIFIED MOTOR VEHICLE TAXES.—Subsection (b) of section 164 is amended by adding at the end the following new paragraph:

“(6) QUALIFIED MOTOR VEHICLE TAXES.—

“(A) IN GENERAL.—For purposes of this section, the term ‘qualified motor vehicle taxes’ means any State or local sales or excise tax imposed on the purchase of a qualified motor vehicle.

“(B) LIMITATION BASED ON VEHICLE PRICE.—The amount of any State or local sales or excise tax imposed on the purchase of a qualified motor vehicle taken into account under subparagraph (A) shall not exceed the portion of such tax attributable to so much of the purchase price as does not exceed \$49,500.

“(C) INCOME LIMITATION.—The amount otherwise taken into account under subparagraph (A) (after the application of subparagraph (B)) for any taxable year shall be reduced (but not below zero) by the amount which bears the same ratio to the amount which is so treated as—

“(i) the excess (if any) of—

“(I) the taxpayer’s modified adjusted gross income for such taxable year, over

“(II) \$125,000 (\$250,000 in the case of a joint return), bears to

“(ii) \$10,000.

For purposes of the preceding sentence, the term ‘modified adjusted gross income’ means the adjusted gross income of the taxpayer for the taxable year (determined without regard to sections 911, 931, and 933).

“(D) QUALIFIED MOTOR VEHICLE.—For purposes of this paragraph—

“(i) IN GENERAL.—The term ‘qualified motor vehicle’ means—

“(I) a passenger automobile or light truck which is treated as a motor vehicle for purposes of title II of the Clean Air Act, the gross vehicle weight rating of which is not more than 8,500 pounds, and the original use of which commences with the taxpayer,

“(II) a motorcycle the gross vehicle weight rating of which is not more than 8,500 pounds and the original use of which commences with the taxpayer, and

“(III) a motor home the original use of which commences with the taxpayer.

“(ii) OTHER TERMS.—The terms ‘motorcycle’ and ‘motor home’ have the meanings given such terms under section 571.3 of title 49, Code of Federal Regulations (as in effect on the date of the enactment of this paragraph).

“(E) QUALIFIED MOTOR VEHICLE TAXES NOT INCLUDED IN COST OF ACQUIRED PROPERTY.—The last sentence of subsection (a) shall not apply to any qualified motor vehicle taxes.

“(F) COORDINATION WITH GENERAL SALES TAX.—This paragraph shall not apply in the case of a taxpayer who makes an election under paragraph (5) for the taxable year.

“(G) TERMINATION.—This paragraph shall not apply to purchases after December 31, 2009.”.

(c) DEDUCTION ALLOWED TO NONITEMIZERS.—

26 USC 63.

(1) IN GENERAL.—Paragraph (1) of section 63(c) is amended by striking “and” at the end of subparagraph (C), by striking the period at the end of subparagraph (D) and inserting “, and”, and by adding at the end the following new subparagraph:

“(E) the motor vehicle sales tax deduction.”.

(2) DEFINITION.—Section 63(c) is amended by adding at the end the following new paragraph:

“(9) MOTOR VEHICLE SALES TAX DEDUCTION.—For purposes of paragraph (1), the term ‘motor vehicle sales tax deduction’ means the amount allowable as a deduction under section 164(a)(6). Such term shall not include any amount taken into account under section 62(a).”.

(d) TREATMENT OF DEDUCTION UNDER ALTERNATIVE MINIMUM TAX.—The last sentence of section 56(b)(1)(E) is amended by striking “section 63(c)(1)(D)” and inserting “subparagraphs (D) and (E) of section 63(c)(1)”.

26 USC 56 note.

(e) EFFECTIVE DATE.—The amendments made by this section shall apply to purchases on or after the date of the enactment of this Act in taxable years ending after such date.