

## Breakdown of Taxmageddon

CATEGORY	POLICY EXPIRING JANUARY 1, 2013
<b>Bush Tax Cuts</b>	
Marginal rate cuts	39.6 percent rate cut to 35 percent; 36 percent to 33 percent; 31 percent to 28 percent; 28 percent to 25 percent; 10 percent bracket created.
Capital gains and dividends rate increase	Capital gains cut from 20 percent to 15 percent; dividends from 39.6 percent to 15 percent.
Personal exemption phase-out and limitation of itemized deductions	PEP and Pease.
Child tax credit	Increased from \$500/child to \$1,000.
Marriage penalty	Brackets doubled for all married filers; standard deduction doubled for married filers.
<i>ALL OTHER BUSH TAX CUTS</i>	
EITC modification	Increase in joint returns beginning and ending income level for phase-out by \$5,000 indexed after 2008.
Coverdell Education Savings Accounts	Increase annual contribution limit to \$2,000 and other expansions.
Employer-provided educational assistance	Extend the exclusion for undergraduate courses and graduate level courses.
Student loan interest deduction	Eliminate the 60-month rule and the disallowance for voluntary payments; increase phase-out ranges to \$50,000-\$65,000 single/\$100,000-\$130,000 joint.
Taxation of scholarships	Eliminate the tax on awards under the National Health Service Corps Scholarship program and F. Edward Hebert Armed Forces Health Professions Scholarship and Financial Assistance Program.
Tax treatment of bonds for school construction	Increase arbitrage rebate exception for governmental bonds used to finance qualified school construction from \$10 million to \$15 million; issuance of tax-exempt private activity bonds for qualified education facilities with annual state volume caps, the greater of \$10 per resident or \$5 million.
Dependent care tax credit	Increase the credit rate to 35 percent, increase the eligible expenses to \$3,000 for one child and \$6,000 for two or more children and increase the start of the phase-out to \$15,000 of adjusted gross income (AGI).
Adoption credit	Increase the expense limit and the exclusion to \$10,000 for both non-special needs and special needs adoptions, make the credit independent of expenses for special needs adoptions, extend the credit and the exclusion, increase the phase-out start point to \$150,000, and allow the credit to apply to the Alternative Minimum Tax (AMT).
Employer-provided child care credit	25 percent for child care expenditures and 10 percent for child care resource.
Alaska Native Settlement Trusts	Allow electing Alaska Native Settlement Trusts to tax income to the trust, not the beneficiaries.
<b>Payroll Tax</b>	Employees' portion of Social Security payroll tax reduced from 6.2 percent to 4.2 percent.
<b>Alternative Minimum Tax (AMT)</b>	Patch to raise income threshold over which taxpayers are subject to AMT so it does not impact middle-income taxpayers.
<b>Stimulus Tax Cuts</b>	
American Opportunity Credit	Refundable tax credit for higher education expenses.
Expand Child Tax Credit	Reduce the earnings threshold for the refundable portion of the child tax credit to \$3,000.
Expand EITC	Increase the credit's percentage and increase in joint returns beginning and ending income level for phase-out by \$5,000 indexed after 2008.
<b>Tax Extenders</b>	
<i>ENERGY</i>	
Incentives for biodiesel and renewable diesel	Income tax credits for producing biodiesel mixture, biodiesel, and agri-biodiesel.
Credit for refined coal facilities	\$6.27/ton income tax credit for the production of refined coal.

## Breakdown of Taxmageddon (continued)

CATEGORY	POLICY EXPIRING JANUARY 1, 2013
<b>Tax Extenders (continued)</b>	
<i>ENERGY (continued)</i>	
Credit for construction of energy-efficient new homes	Up to \$2,000 credit for contractors constructing energy-efficient new homes.
Incentives for alternative fuel and alternative fuel mixtures	\$0.50/gallon for selling alternative fuels and \$0.50/gallon for producing an alternative fuel mixture.
Special rule to implement electric transmission restructuring	Delay of income recognition from sale of electric transmission transactions.
Suspension of limitation on percentage depletion for oil and gas marginal wells	Allows owners of wells to deduct more than 100 percent of their net income from a marginal well for depletion.
Grants for specified energy property in lieu of tax credits	Taxpayers can elect to receive a grant instead of a credit for property put in place to produce renewable electricity.
Provisions related to alcohol used as fuel	Income and excise tax credits for the production and purchase of ethanol.
Credit for energy-efficient appliances	Income tax credit for producers of energy-efficient dishwashers (\$45-\$75/unit), clothes washers (\$75-\$250/unit), and refrigerators (\$50-\$200/unit).
Credit for improving the energy efficiency of a home	30 percent credit for the purchase of energy-efficiency improvements to a home's envelope, including insulation, exterior windows, and roofing materials.
Alternative fuel vehicle refueling property	30 percent income tax credit for the cost of installing clean-fuel vehicle refueling property to be used in a business or at a home.
<i>PROVISIONS FOR INDIVIDUALS</i>	
\$250 deduction for teacher classroom expenses	Educators can deduct up to \$250 for books, supplies, computer equipment and other materials used in the classroom.
Deduction for state and local sales taxes	Taxpayers can choose to deduct their state and local sales taxes instead of their state income taxes—mostly used by taxpayers living in states without an income tax.
Contribution of capital gain real property made for conservation purposes	Removes the limitation on deductions for income, estate, and gift taxes for charitable contributions of appreciated property for the purpose of conservation.
Deduction for qualified tuition and related expenses	Deduction for higher education tuition and expenses.
Tax-free distributions from IRAs to charities	Withdrawals from traditional IRAs are usually taxable because the taxpayer did not pay tax on the income before contributing it to the IRA. This provision allows taxpayers to deduct charitable donations made with funds from their IRAs the same had they made the donation before putting their income in an IRA.
Look-thru for certain regulated investment company stock in determining gross estate for nonresidents	Allows estates of nonresidents who pass away to remove from their estates the portion of assets held outside the U.S. within regulated investment corporations.
Parity for exclusion from income for employer-provided mass transit and parking benefits	Employers can provide up to \$120/month to employees tax free for mass transit and bicycling costs and \$230/month for parking. As part of the stimulus, the exclusion from income for mass transit was raised to equal the parking exclusion (\$230/month).
Refunds disregarded in the administration of federal programs and federally assisted programs	Refundable tax credits are not considered in a person's income when applying for welfare programs.
<i>PROVISIONS FOR BUSINESSES</i>	
Research and experimentation credit	A 20 percent credit for research expenses.
Indian employment tax credit	A credit for employers that hire an enrolled member of an Indian tribe or the spouse of an enrolled member of an Indian tribe.
New markets tax credit	Credit for equity investment in a corporation whose mission is providing investment capital for low-income communities.

## Breakdown of Taxmageddon (continued)

CATEGORY	POLICY EXPIRING JANUARY 1, 2013
<b>Tax Extenders (continued)</b>	
<i>PROVISIONS FOR BUSINESSES (continued)</i>	
Railroad track maintenance credit	50 percent credit for railroad track maintenance costs.
Mine rescue team training credit	Credit for amount paid to mine rescue team employees.
Employer wage credit for activated military reservists	A credit of 20 percent for employers of the amount above their employees' military earnings they pay them while they are on active duty.
15-year straight-line cost recovery for qualified leasehold, restaurant, and retail improvements and new restaurants	Allows businesses to deduct from income investment in restaurant and retail properties over 15 years rather than the 39 years under standard depreciation rules.
Seven-year recovery period for certain motorsports racing track facilities	Allows motorsports entertainment complexes to deduct from income investment in property over seven years rather than the 39 years under standard depreciation rules.
Accelerated depreciation for business property on an Indian reservation	Allows businesses on Indian reservations to deduct from income investments in property (not related to gaming) faster than under standard depreciation schedules.
Enhanced charitable deduction for contributions of food inventory	Extends to all businesses that donate food from inventory to charitable organizations a deduction greater than the business's cost for the items donated.
Enhanced charitable deduction for contributions of book inventories to public schools	Extends charitable deduction of books from inventory to include public schools.
Enhanced charitable deduction for corporate contributions of computer inventory for educational purposes	Allows businesses that donate computers to charitable organizations a deduction greater than their cost for the computer items donated.
Election to expense mine safety equipment	Allows businesses to immediately expense 50 percent of the cost of mine safety equipment.
Special expensing rules for certain film and television productions	Allows taxpayers to deduct the cost of film and television production immediately rather than over a number of years.
Expensing of environmental remediation costs	Provides immediate expensing for environmental remediation expenditures.
Deduction allowable with respect to income attributable to domestic production activities in Puerto Rico	Extends the domestic manufacturing production credit to income earned from sales in Puerto Rico.
Modify tax treatment of certain payments to controlling exempt organizations	Pertains to the tax treatment of non-taxable businesses. Income unrelated to an exempt organization's mission is generally taxable. Interest, rents, royalties, and annuities are usually excluded, however, unless they are paid by a controlled subsidiary (taxable or non-taxable). This provision alters that to make such payments taxable only to the extent the payment exceeds what the payment would have been had it been between two unrelated businesses.
Treatment of certain dividends of regulated investment companies	Foreigners holding investments in the U.S. through regulated investment companies (RIC) are exempt from tax on dividends earned through the RIC from interest and short-term capital gains.
Extend the treatment of RICs as "qualified investment entities"	Provision insures that foreigners holding investments in the U.S. through RICs are exempt from tax on real property interests held in RICs.
Exception under subpart F for active financing income	Exempts from current tax active foreign-source income earned from banking, financing, insurance, or other similar business that would otherwise qualify for immediate tax under subpart F income rules.
Look-thru treatment for payments between related controlled foreign corporations under foreign personal holding company rules	Exempts from current tax dividends, interest, rents, and royalties received by one controlled foreign corporation from another controlled foreign corporation.
Basis adjustment to stock of S corporations making charitable contributions of property	Allows shareholders of S corporations to reduce their share value by the adjusted basis of property donated to a charity rather than the property's fair market value.
Empowerment zone tax incentives	Employment tax credit, accelerated depreciation, tax-exempt bond financing, and deferral or exclusion of capital gains tax for businesses that operate in federally designated empowerment zones.
Tax incentives for investment in the District of Columbia	Employment tax credit, accelerated depreciation, tax-exempt bond financing, and deferral or exclusion of capital gains tax for businesses that operate in federally designated areas of the District of Columbia.

## Breakdown of Taxmageddon (continued)

CATEGORY	POLICY EXPIRING JANUARY 1, 2013
<b>Tax Extenders (continued)</b>	
<i>PROVISIONS FOR BUSINESSES (continued)</i>	
Temporary increase in limit on the cover over of rum excise tax revenues to Puerto Rico and the Virgin Islands	The tax code provides a payment to Puerto Rico and the Virgin Islands of the excise tax imposed on rum imported into the U.S. This provision lifts the \$10.50 per proof gallon cap to \$13.25 per proof gallon.
Economic development credit for American Samoa	Credit for conducting business in American Samoa.
Work Opportunity Credit	Credit for businesses hiring workers from 11 groups: (1) families receiving TANF; (2) veterans; (3) ex-felons; (4) certain residents of empowerment zones; (5) the disabled; (6) summer youth employees; (7) food stamp recipients; (8) recipients of SSI; (9) long-term family assistance recipients; (10) unemployed veterans; and (11) disconnected youth.
Qualified Zone Academy Bonds	Tax-exempt bonds for certain designated public schools.
Premiums for mortgage insurance deductible as mortgage interest for qualified residence	Treats premiums for mortgage insurance payments on the acquisition of a qualified residence as if they were part of deductible mortgage interest payments. Fully deductible for all taxpayers whose adjusted gross income is \$100,000 or less and phases out over that amount. Mortgage insurance from a federal or private source is required for many home purchases where the purchaser has equity of less than 20 percent of the mortgage amount.
Temporary exclusion of gains of certain small business stock	Individuals can exclude a portion of the gain from the sale of certain small-business stock acquired at original issue and held at least five years. This provision extends the exclusion to 100 percent.
<i>TEMPORARY DISASTER RELIEF PROVISIONS</i>	
New York Liberty Zone—tax-exempt bond financing	Tax-exempt private bonds for construction and repair of infrastructure in New York City.
Gulf Opportunity Zone incentives	Four separate provisions for disaster relief for the areas impacted by Hurricane Katrina: (1) expansion of credit for costs to rehabilitate historic structures; (2) low-income housing credit; (3) tax-exempt bond financing; and (4) bonus depreciation.
<b>Death Tax</b>	Originally phased out completely by the Bush tax cuts. Now sits at 35 percent with a \$5 million exemption. Slated to rise to 55 percent with a \$1 million exemption.
<b>Expensing of Capital</b>	100 percent expensing for business capital expenditures.
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CATEGORY	NEW POLICIES EFFECTIVE JANUARY 1, 2013
<b>Obamacare</b>	
Surtax on Hospital Insurance portion of payroll tax	Increase Hospital Insurance (HI) portion of the payroll tax from 2.9 percent to 3.8 percent for couples earning more than \$250,000 per year (\$200,000 for single filers) and apply the 3.8 percent HI tax to investment income or couples earning more than \$250,000 per year (\$200,000 for single filers).
Medical device tax	2.3 percent excise tax on manufacturers and importers of certain medical devices.
Reduce deduction for medical expenses	Raise the 7.5 percent AGI floor on medical expenses deduction to 10 percent.
Corporate deductions for retiree prescription expenses	Eliminate the corporate deduction for prescription expenses for retirees.
Health insurance companies tax	Increase taxes on health insurance companies by limiting the amount of compensation paid to certain employees they can deduct from their taxes.