

112TH CONGRESS  
2D SESSION

# H. R. 6474

To adopt the seven immediate reforms recommended by the National Commission on Fiscal Responsibility and Reform to reduce spending and make the Federal Government more efficient.

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## IN THE HOUSE OF REPRESENTATIVES

SEPTEMBER 20, 2012

Mr. ROSS of Florida introduced the following bill; which was referred to the Committee on Ways and Means, and in addition to the Committees on Oversight and Government Reform, House Administration, Rules, and the Budget, for a period to be subsequently determined by the Speaker, in each case for consideration of such provisions as fall within the jurisdiction of the committee concerned

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## A BILL

To adopt the seven immediate reforms recommended by the National Commission on Fiscal Responsibility and Reform to reduce spending and make the Federal Government more efficient.

1 *Be it enacted by the Senate and House of Representa-*  
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE; TABLE OF CONTENTS.**

4 (a) IN GENERAL.—This Act may be cited as the “Im-  
5 plementation of Simpson-Bowles Spending Reductions Act  
6 of 2012”.

1 (b) TABLE OF CONTENTS.—The table of contents for  
 2 this Act is as follows:

Sec. 1. Short title; table of contents.

TITLE I—REDUCED EXPENDITURES

- Sec. 101. Reduction in appropriations to the White House and Congress.
- Sec. 102. No cost of living adjustment in pay of Members of Congress.
- Sec. 103. Pay freeze for Federal employees.
- Sec. 104. Reduction in Federal workforce.
- Sec. 105. Reduction in Government travel costs.
- Sec. 106. Limitation on Government printing costs.
- Sec. 107. Reduction in Federal vehicle costs.
- Sec. 108. Sale of excess Federal property.
- Sec. 109. Prohibition on earmarks.

TITLE II—TAX REFORM

Subtitle A—Tax Rates

- Sec. 201. Individual rates.
- Sec. 202. Repeal of alternative minimum tax on individuals.
- Sec. 203. Permanent repeal of personal exemption phaseout.
- Sec. 204. Permanent repeal of phaseout of overall limitation on itemized deductions.
- Sec. 205. Corporate income tax rate reduced to flat rate of 20 percent.
- Sec. 206. Renewed temporary dividends received deduction.

Subtitle B—Elimination of Tax Expenditures

- Sec. 211. Termination of credit for increasing research activities.
- Sec. 212. Termination of deduction for intangible drilling and development costs.
- Sec. 213. Repeal of domestic production activities deduction with respect to production of coal, lignite, or oil shale.
- Sec. 214. Repeal percentage depletion for oil and natural gas wells.
- Sec. 215. Termination of credit for electricity produced from certain renewable resources.
- Sec. 216. Termination of energy credit.
- Sec. 217. Repeal of credit for alcohol used as fuel.
- Sec. 218. Repeal of credit for alcohol fuel, biodiesel, and alternative fuel mixtures.
- Sec. 219. Repeal of credit for biodiesel and renewable diesel used as fuel.
- Sec. 220. Repeal of credit for certain plug-in electric vehicles.
- Sec. 221. Early termination of credit for qualified fuel cell motor vehicles.
- Sec. 222. Repeal of deduction for energy conservation subsidies provided by public utilities.
- Sec. 223. Repeal of qualifying advanced coal project credit.
- Sec. 224. Repeal of qualifying gasification project credit.
- Sec. 225. Repeal of special allowance for cellulosic biofuel plant property.
- Sec. 226. Repeal of election to expense certain refineries.
- Sec. 227. Repeal of 2-year amortization of geological and geophysical expenditures.
- Sec. 228. Repeal of deduction for energy efficient commercial building property.

- Sec. 229. Repeal of credit for construction of new energy efficient homes.
- Sec. 230. Repeal of credit for energy efficient appliances.
- Sec. 231. Repeal of credit for residential energy efficient property.
- Sec. 232. Repeal of advanced energy project credit.
- Sec. 233. Repeal of credit for carbon dioxide sequestration.
- Sec. 234. Repeal of low-income housing credit.
- Sec. 235. Repeal of Hope and Lifetime Learning Credits.
- Sec. 236. Repeal of work opportunity tax credit.
- Sec. 237. Repeal of credit for expenses for household and dependent care services necessary for gainful employment.
- Sec. 238. Repeal of credit for adoption expenses.
- Sec. 239. Repeal of credit for expenditures to provide access to disabled individuals.
- Sec. 240. Repeal of earned income tax credit.
- Sec. 241. Repeal of energy conservation subsidies provided by public utilities.
- Sec. 242. Repeal of election to expense certain refinery property.
- Sec. 243. Repeal of deduction for endangered species recovery expenditures.
- Sec. 244. Repeal of exclusion of cancellation of indebtedness income of solvent farmers.
- Sec. 245. Repeal of alternative minimum tax treatment of certain property and casualty insurance companies.
- Sec. 246. Repeal of small life insurance company deduction.
- Sec. 247. Termination of \$25,000 exemption from passive loss rules for rental real estate activities.
- Sec. 248. Repeal of discharge of indebtedness exclusion.
- Sec. 249. Repeal of certain exceptions for imputed interest rules.
- Sec. 250. Treatment of capital gains and dividends as ordinary income.
- Sec. 251. Termination of partial exclusion for gain from certain small business stock.
- Sec. 252. Termination of treatment of losses on small business stock as ordinary.
- Sec. 253. Repeal of student loan interest deduction.
- Sec. 254. Repeal of deduction of tuition and related expenses.
- Sec. 255. Repeal of gross income exclusion for United States savings bonds used to pay higher education expenses.
- Sec. 256. Elimination of personal exemption for students age 19 and older.
- Sec. 257. Elimination of above the line deduction for certain expenses of elementary and secondary school teachers.
- Sec. 258. Elimination of gross income exclusion for discharge of certain student loan debt.
- Sec. 259. Repeal of exclusion from gross income for rental value of parsonages.
- Sec. 260. Repeal of exclusion from gross income for benefits provided to volunteer firefighters and emergency medical responders.
- Sec. 261. Repeal of special treatment of Blue Cross and Blue Shield organizations, etc.
- Sec. 262. Sense of the House regarding a territorial tax system.
- Sec. 263. Temporary dividends received deduction allowed for 2011 or 2012.

#### Subtitle C—Phaseout of Tax Expenditures

- Sec. 271. Five-year phaseout of certain tax expenditures.

#### Subtitle D—Special Status

- Sec. 381. Termination of qualified energy conservation bonds.
- Sec. 382. Termination of new clean renewable energy bonds.

- Sec. 383. Termination of exempt facility bond treatment for water, sewage, and solid waste facilities.
- Sec. 384. Termination of expensing and amortization of reforestation expenditures and expensing of timber-growing costs.
- Sec. 385. Termination of deferral of gain on sales of stock in agricultural refiners and processors to eligible farm cooperatives.
- Sec. 386. Termination of election to expense certain depreciable business assets.
- Sec. 387. Termination of qualified small issue bonds.
- Sec. 388. Termination of exempt facility bond treatment for qualified highway or surface freight transfer facilities.
- Sec. 389. Termination of exempt facility bond treatment for airports, docks, and wharves.
- Sec. 390. Termination of tribal economic development bonds.
- Sec. 391. Termination of exclusion from gross income of United States savings bonds interest used to pay higher education expenses.
- Sec. 392. Termination of qualified zone academy bonds.
- Sec. 393. Termination of exempt facility bond treatment for qualified public educational facilities.
- Sec. 394. Termination of hospital bonds.

1                                   **TITLE I—REDUCED**  
 2                                   **EXPENDITURES**  
 3 **SEC. 101. REDUCTION IN APPROPRIATIONS TO THE WHITE**  
 4                                   **HOUSE AND CONGRESS.**

5           (a) APPROPRIATIONS TO THE WHITE HOUSE.—Not-  
 6 withstanding any other provision of law, the total amount  
 7 of funds appropriated to the appropriations account under  
 8 the heading “THE WHITE HOUSE” under the heading  
 9 “EXECUTIVE OFFICE OF THE PRESIDENT AND  
 10 FUNDS APPROPRIATED TO THE PRESIDENT” for  
 11 each of fiscal years 2012 through 2016 may not exceed  
 12 85 percent of the total amount of funds appropriated to  
 13 that account for fiscal year 2011.

14           (b) APPROPRIATIONS TO CONGRESS.—Notwith-  
 15 standing any other provision of law, the total amount of  
 16 funds appropriated under the headings “SENATE” and

1 “HOUSE OF REPRESENTATIVES” for each of fiscal  
2 years 2012 through 2016 may not exceed 85 percent of  
3 the total amount of funds appropriated under those head-  
4 ings for fiscal year 2011.

5 **SEC. 102. NO COST OF LIVING ADJUSTMENT IN PAY OF**  
6 **MEMBERS OF CONGRESS.**

7 Notwithstanding any other provision of law, no ad-  
8 justment shall be made under section 601(a) of the Legis-  
9 lative Reorganization Act of 1946 (2 U.S.C. 31) (relating  
10 to cost of living adjustments for Members of Congress)  
11 during fiscal years 2013, 2014, and 2015.

12 **SEC. 103. PAY FREEZE FOR FEDERAL EMPLOYEES.**

13 Section 147 of the Continuing Appropriations Act,  
14 2011 (Public Law 111–242) is amended—

15 (1) in subsection (b)(1), by striking “December  
16 31, 2012” and inserting “December 31, 2015”; and

17 (2) in subsection (c), by striking “December 31,  
18 2012” and inserting “December 31, 2015”.

19 **SEC. 104. REDUCTION IN FEDERAL WORKFORCE.**

20 (a) DEFINITION.—For the purpose of this section—

21 (1) the term “total number of Federal employ-  
22 ees” means the total number of Federal employees  
23 in all agencies;

1           (2) the term “Federal employee” means an em-  
2           ployee as defined by section 2105 of title 5, United  
3           States Code; and

4           (3) the term “agency” means an Executive  
5           agency as defined by section 105 of title 5, United  
6           States Code, excluding the Government Account-  
7           ability Office.

8           (b) LIMITATION.—The President, through the Office  
9           of Management and Budget (in consultation with the Of-  
10          fice of Personnel Management), shall take appropriate  
11          measures to ensure that, effective beginning in fiscal year  
12          2015, the total number of Federal employees (as deter-  
13          mined under subsection (c)) shall not exceed 90 percent  
14          of the total number of Federal employees as of September  
15          30, 2011 (as so determined).

16          (c) MONITORING AND NOTIFICATION.—The Office of  
17          Management and Budget (in consultation with the Office  
18          of Personnel Management)—

19                 (1) shall continuously monitor all agencies and  
20                 make a determination, as of September 30, 2011,  
21                 and the last day of each quarter of each fiscal year  
22                 beginning thereafter, as to whether or not the total  
23                 number of Federal employees exceeds the maximum  
24                 number allowable under subsection (b); and

1           (2) whenever a determination under paragraph  
2           (1) is made that the total number of Federal em-  
3           ployees exceeds the maximum number allowable  
4           under subsection (b), shall provide written notice to  
5           that effect to the President and Congress within 14  
6           days after the last day of the quarter to which such  
7           determination relates.

8           (d) COMPLIANCE.—Whenever, with respect to the  
9           quarter ending on September 30, 2014, or any subsequent  
10          quarter, the Office of Management and Budget provides  
11          written notice under subsection (c)(2) that the total num-  
12          ber of Federal employees exceeds the maximum number  
13          allowable under subsection (b), no agency may thereafter  
14          appoint any employee to fill any vacancy within such agen-  
15          cy until the Office of Management and Budget provides  
16          written notice to the President and Congress of a deter-  
17          mination under subsection (c)(1) that the total number  
18          of Federal employees no longer exceeds the maximum  
19          number allowable under subsection (b). Any notice under  
20          the preceding sentence shall be provided within 14 days  
21          after the last day of the quarter to which the determina-  
22          tion relates.

23          (e) WAIVER.—

1           (1) EMERGENCIES.—This section may be  
2           waived upon a determination by the President  
3           that—

4                   (A) the existence of a state of war or other  
5                   national security concern so requires; or

6                   (B) the existence of an extraordinary  
7                   emergency threatening life, health, public safe-  
8                   ty, property, or the environment so requires.

9           (2) AGENCY EFFICIENCY OR CRITICAL MIS-  
10           SION.—This section may be waived, with respect to  
11           a particular position or category of positions in an  
12           agency, upon a determination by the President that  
13           the efficiency of the agency or the performance of a  
14           critical agency mission so requires.

15           (f) REPLACEMENT RATE.—To the extent necessary  
16           to achieve the workforce reduction required by subsection  
17           (b), the Office of Management and Budget (in consulta-  
18           tion with the Office of Personnel Management) shall take  
19           appropriate measures to ensure that agencies shall ap-  
20           point no more than 1 employee for every 3 employees retir-  
21           ing or otherwise separating from Government service after  
22           the date of the enactment of this Act. This subsection  
23           shall cease to apply after September 30, 2014.



1 (g) COUNTING RULE.—For purposes of this section,  
2 any determination of the number of employees in an agen-  
3 cy shall be expressed on a full-time equivalent basis.

4 (h) LIMITATION ON PROCUREMENT OF SERVICE  
5 CONTRACTS.—The President, through the Office of Man-  
6 agement and Budget (in consultation with the Office of  
7 Personnel Management), shall take appropriate measures  
8 to ensure that there is no increase in the procurement of  
9 service contracts by reason of the enactment of this Act,  
10 except in cases in which a cost comparison demonstrates  
11 that such contracts would be to the financial advantage  
12 of the Government.

13 **SEC. 105. REDUCTION IN GOVERNMENT TRAVEL COSTS.**

14 (a) DEFINITION.—In this section, the term “agency”  
15 means an executive agency as defined under section 105  
16 of title 5, United States Code.

17 (b) REDUCTION.—Notwithstanding any other provi-  
18 sion of law, the total amount of funds appropriated to the  
19 appropriations account providing for travel expenses for  
20 each agency for each of fiscal years 2012, 2013, 2014,  
21 2015, and 2016 may not exceed 80 percent of the total  
22 amount of funds appropriated to each of those appropria-  
23 tions accounts for fiscal year 2011.

1 **SEC. 106. LIMITATION ON GOVERNMENT PRINTING COSTS.**

2 Not later than 180 days after the date of enactment  
3 of this Act, the Director of the Office of Management and  
4 Budget shall coordinate with the heads of Federal depart-  
5 ments and independent agencies to—

6 (1) determine which Government publications  
7 could be available on Government websites and no  
8 longer printed and to devise a strategy to reduce  
9 overall Government printing costs over the 10-year  
10 period beginning with fiscal year 2012, except that  
11 the Director shall ensure that essential printed docu-  
12 ments prepared for social security recipients, medi-  
13 care beneficiaries, and other populations in areas  
14 with limited internet access or use continue to re-  
15 main available;

16 (2) establish government-wide Federal guide-  
17 lines on employee printing;

18 (3) issue on the Office of Management and  
19 Budget's public website the results of a cost-benefit  
20 analysis on implementing a digital signature system  
21 and on establishing employee printing identification  
22 systems, such as the use of individual employee  
23 cards or codes, to monitor the amount of printing  
24 done by Federal employees; except that the Director  
25 of the Office of Management and Budget shall en-  
26 sure that Federal employee printing costs unrelated

1 to national defense, homeland security, border secu-  
2 rity, national disasters, and other emergencies do  
3 not exceed \$860,000,000 annually; and

4 (4) issue guidelines requiring every department,  
5 agency, commission or office to list at a prominent  
6 place near the beginning of each publication distrib-  
7 uted to the public and issued or paid for by the Fed-  
8 eral Government—

9 (A) the name of the issuing agency, de-  
10 partment, commission or office;

11 (B) the total number of copies of the docu-  
12 ment printed;

13 (C) the collective cost of producing and  
14 printing all of the copies of the document; and

15 (D) the name of the firm publishing the  
16 document.

17 **SEC. 107. REDUCTION IN FEDERAL VEHICLE COSTS.**

18 Notwithstanding any other provision of law, for fiscal  
19 year 2012 and each fiscal year thereafter, the amount  
20 made available to the General Services Administration for  
21 the acquisition of new vehicles for the Federal fleet shall  
22 not exceed an amount equal to 80 percent of the amount  
23 made available for the acquisition of those vehicles for fis-  
24 cal year 2010.

1 **SEC. 108. SALE OF EXCESS FEDERAL PROPERTY.**

2 (a) IN GENERAL.—Chapter 5 of subtitle I of title 40,  
3 United States Code, is amended by adding at the end the  
4 following:

5 “SUBCHAPTER VII—EXPEDITED DISPOSAL OF  
6 REAL PROPERTY

7 “§ 621. Definitions

8 “In this subchapter:

9 “(1) DIRECTOR.—The term ‘Director’ means  
10 the Director of the Office of Management and Budg-  
11 et.

12 “(2) LANDHOLDING AGENCY.—The term ‘land-  
13 holding agency’ means a landholding agency (as de-  
14 fined in section 501(i) of the McKinney-Vento  
15 Homeless Assistance Act (42 U.S.C. 11411(i))).

16 “(3) REAL PROPERTY.—

17 “(A) IN GENERAL.—The term ‘real prop-  
18 erty’ means—

19 “(i) a parcel of real property under  
20 the administrative jurisdiction of the Fed-  
21 eral Government that is—

22 “(I) excess;

23 “(II) surplus;

24 “(III) underperforming; or

1                   “(IV) otherwise not meeting the  
2                   needs of the Federal Government, as  
3                   determined by the Director; and

4                   “(ii) a building or other structure lo-  
5                   cated on real property described in clause  
6                   (i).

7                   “(B) EXCLUSION.—The term ‘real prop-  
8                   erty’ excludes any parcel of real property, and  
9                   any building or other structure located on real  
10                  property, that is to be closed or realigned under  
11                  the Defense Authorization Amendments and  
12                  Base Closure and Realignment Act (10 U.S.C.  
13                  2687 note; Public Law 100–526).

14   **“§ 622. Disposal program**

15                  “(a) IN GENERAL.—Except as provided in subsection  
16 (e), the Director shall, by sale or auction, dispose of a  
17 quantity of real property with an aggregate value of not  
18 less than \$100,000,000 that, as determined by the Direc-  
19 tor, is not being used, and will not be used, to meet the  
20 needs of the Federal Government for the period of fiscal  
21 years 2011 through 2015.

22                  “(b) RECOMMENDATIONS.—The head of each land-  
23 holding agency shall recommend to the Director real prop-  
24 erty for disposal under subsection (a).

1       “(c) SELECTION OF PROPERTIES.—After receiving  
2 recommendations of candidate real property under sub-  
3 section (b), the Director—

4               “(1) with the concurrence of the head of each  
5 landholding agency, may select the real property for  
6 disposal under subsection (a); and

7               “(2) shall notify the recommending landholding  
8 agency head of the selection of the real property.

9       “(d) WEBSITE.—The Director shall ensure that all  
10 real properties selected for disposal under this section are  
11 listed on a website that shall—

12               “(1) be updated routinely; and

13               “(2) include the functionality to allow any  
14 member of the public, at the option of the member,  
15 to receive updates of the list through electronic mail.

16       “(e) TRANSFER OF PROPERTY.—The Director may  
17 transfer real property selected for disposal under this sec-  
18 tion to the Department of Housing and Urban Develop-  
19 ment if the Secretary of Housing and Urban Development  
20 determines that the real property is suitable for use in  
21 assisting the homeless.”.

22       (b) TECHNICAL AND CONFORMING AMENDMENT.—  
23 The table of sections for chapter 5 of subtitle I of title  
24 40, United States Code, is amended by inserting after the  
25 item relating to section 611 the following:

“SUBCHAPTER VII—EXPEDITED DISPOSAL OF REAL PROPERTY

“Sec. 621. Definitions.

“Sec. 622. Disposal program.”.

1 **SEC. 109. PROHIBITION ON EARMARKS.**

2 Section 312 of the Congressional Budget Act of 1974  
3 is amended by inserting at the end the following:

4 “(g) PROHIBITION ON EARMARKS.—

5 “(1) BILLS AND JOINT RESOLUTIONS.—

6 “(A) IN GENERAL.—It shall not be in  
7 order in the Senate or the House of Represent-  
8 atives to consider a bill, resolution, or amend-  
9 ment that includes an earmark, limited tax ben-  
10 efit, or limited tariff benefit.

11 “(B) PROCEDURE.—In the Senate, a point  
12 of order under this paragraph may be raised by  
13 a Senator as provided in section 313(e) of the  
14 Congressional Budget Act of 1974.

15 “(2) CONFERENCE REPORT.—

16 “(A) IN GENERAL.—It shall not be in  
17 order in the Senate or the House of Represent-  
18 atives to vote on the adoption of a report of a  
19 committee of conference if the report includes  
20 an earmark, limited tax benefit, or limited tariff  
21 benefit.

22 “(B) PROCEDURE.—When the Senate is  
23 considering a conference report on, or an  
24 amendment between the Houses in relation to,

1 an appropriations act, upon a point of order  
2 being made by any Senator pursuant to this  
3 paragraph, and such point of order being sus-  
4 tained, such material contained in such con-  
5 ference report shall be deemed stricken, and the  
6 Senate shall proceed to consider the question of  
7 whether the Senate shall recede from its  
8 amendment and concur with a further amend-  
9 ment, or concur in the House amendment with  
10 a further amendment, as the case may be,  
11 which further amendment shall consist of only  
12 that portion of the conference report or House  
13 amendment, as the case may be, not so strick-  
14 en. Any such motion in the Senate shall be de-  
15 batable under the same conditions as was the  
16 conference report. In any case in which such  
17 point of order is sustained against a conference  
18 report (or Senate amendment derived from such  
19 conference report by operation of this sub-  
20 section), no further amendment shall be in  
21 order.

22 “(3) WAIVER.—Any Senator may move to waive  
23 any or all points of order under this subsection by  
24 an affirmative vote of two-thirds of the Members,  
25 duly chosen and sworn.



1           “(4) DEFINITIONS.—For the purpose of this  
2 subsection—

3           “(A) the term ‘earmark’ means a provision  
4 or report language included primarily at the re-  
5 quest of a Senator or Member of the House of  
6 Representatives providing, authorizing, or rec-  
7 ommending a specific amount of discretionary  
8 budget authority, credit authority, or other  
9 spending authority for a contract, loan, loan  
10 guarantee, grant, loan authority, or other ex-  
11 penditure with or to an entity, or targeted to a  
12 specific State, locality or Congressional district,  
13 other than through a statutory or administra-  
14 tive formula-driven or competitive award proc-  
15 ess;

16           “(B) the term ‘limited tax benefit’ means  
17 any revenue provision that—

18           “(i) provides a Federal tax deduction,  
19 credit, exclusion, or preference to a par-  
20 ticular beneficiary or limited group of  
21 beneficiaries under the Internal Revenue  
22 Code of 1986; and

23           “(ii) contains eligibility criteria that  
24 are not uniform in application with respect

1 to potential beneficiaries of such provision;  
 2 and

3 “(C) the term ‘limited tariff benefit’ means  
 4 a provision modifying the Harmonized Tariff  
 5 Schedule of the United States in a manner that  
 6 benefits 10 or fewer entities.

7 “(5) APPLICATION.—This subsection shall not  
 8 apply to any authorization of appropriations to a  
 9 Federal entity if such authorization is not specifi-  
 10 cally targeted to a State, locality or congressional  
 11 district.”.

12 **TITLE II—TAX REFORM**

13 **Subtitle A—Tax Rates**

14 **SEC. 201. INDIVIDUAL RATES.**

15 (a) IN GENERAL.—Section 1 of the Internal Revenue  
 16 Code of 1986 is amended by adding at the end the fol-  
 17 lowing new subsection:

18 “(j) POST-2012 RATE TABLE.—

19 “(1) IN GENERAL.—In the case of taxable years  
 20 beginning after December 31, 2012, the following  
 21 table shall apply in lieu of the tables under sub-  
 22 sections (a), (b), (c), (d), and (e):

<b>“If taxable income is:</b>	<b>The tax is:</b>
Not over \$100,000 .....	10% of taxable income
Over \$100,000 .....	\$10,000, plus 20% of the excess over \$100,000.

23 “(2) INFLATION ADJUSTMENT.—

1           “(A) IN GENERAL.—In the case of any  
2 taxable year beginning after 2013, the Sec-  
3 retary shall prescribe, in the same manner as  
4 under subsection (f), a table which shall apply  
5 in lieu of the table under paragraph (1), except  
6 that subsection (f)(3)(B) shall be applied by  
7 substituting ‘2012’ for ‘1992’.”.

8           (b) MAXIMUM CAPITAL GAINS RATE.—Paragraph  
9 (1) of section 1(b) of such Code is amended to read as  
10 follows:

11           “(1) IN GENERAL.—If a taxpayer has a net  
12 capital gain for any taxable year, the tax imposed by  
13 this section for such taxable year shall not exceed  
14 the sum of—

15           “(A) a tax computed at the rates and in  
16 the same manner as if this subsection had not  
17 been enacted on taxable income reduced by the  
18 net capital gain;

19           “(B) 0 percent of so much of the net cap-  
20 ital gain as does not exceed \$1,000,000; and

21           “(C) 20 percent of so much of net capital  
22 gain as exceeds \$1,000,000.”.

1 **SEC. 202. REPEAL OF ALTERNATIVE MINIMUM TAX ON INDI-**  
2 **VIDUALS.**

3 (a) IN GENERAL.—Section 55(a) of the Internal Rev-  
4 enue Code of 1986 (relating to alternative minimum tax  
5 imposed) is amended by adding at the end the following  
6 new flush sentence:

7 “For purposes of this title, the tentative minimum tax on  
8 any taxpayer other than a corporation for any taxable year  
9 beginning after December 31, 2011, shall be zero.”.

10 (b) EFFECTIVE DATE.—The amendment made by  
11 this section shall apply to taxable years beginning after  
12 December 31, 2011.

13 **SEC. 203. PERMANENT REPEAL OF PERSONAL EXEMPTION**  
14 **PHASEOUT.**

15 Section 901 of the Economic Growth and Tax Relief  
16 Reconciliation Act of 2001 shall not apply to the amend-  
17 ments made by section 102 of such Act.

18 **SEC. 204. PERMANENT REPEAL OF PHASEOUT OF OVERALL**  
19 **LIMITATION ON ITEMIZED DEDUCTIONS.**

20 Section 901 of the Economic Growth and Tax Relief  
21 Reconciliation Act of 2001 shall not apply to the amend-  
22 ments made by section 103 of such Act.

23 **SEC. 205. CORPORATE INCOME TAX RATE REDUCED TO**  
24 **FLAT RATE OF 20 PERCENT.**

25 (a) IN GENERAL.—Paragraph (1) of section 11(b) of  
26 the Internal Revenue Code of 1986 is amended by striking

1 “shall be the sum of—” and all that follows through the  
2 period at the end and inserting “shall be 20 percent of  
3 taxable income.”.

4 (b) PERSONAL SERVICE CORPORATIONS.—Para-  
5 graph (2) of section 11(b) of such Code is amended by  
6 striking “35 percent” and inserting “20 percent”.

7 (c) CONFORMING AMENDMENTS.—

8 (1) Subsection (a) of section 1201 of such Code  
9 is amended—

10 (A) by striking “35 percent (determined  
11 without regard to the last 2 sentences of section  
12 11(b))” and inserting “20 percent”, and

13 (B) by striking “35 percent” each place it  
14 appears (other than in the matter preceding  
15 paragraph (1)) and inserting “20 percent”.

16 (2) Paragraphs (1), (2), and (6) of section  
17 1445(e) of such Code are each amended by striking  
18 “35 percent” and inserting “20 percent”.

19 (d) EFFECTIVE DATE.—The amendments made by  
20 this section shall apply to taxable years beginning after  
21 the date of the enactment of this Act.

1 **SEC. 206. RENEWED TEMPORARY DIVIDENDS RECEIVED DE-**  
2 **DUCTION.**

3 (a) ELECTION.—Subsection (f) of section 965 of the  
4 Internal Revenue Code of 1986 (relating to election) is  
5 amended to read as follows:

6 “(f) ELECTION.—The taxpayer may elect to apply  
7 this section to—

8 “(1) the taxpayer’s last taxable year which be-  
9 gins before the date of the enactment of this sub-  
10 section, or

11 “(2) the taxpayer’s first taxable year which be-  
12 gins during the 1-year period beginning on such  
13 date.

14 Such election may be made for a taxable year only if made  
15 on or before the due date (including extensions) for filing  
16 the return of tax for such taxable year.”.

17 (b) LIMITATION.—Paragraph (1) of section 965(b) of  
18 such Code is amended to read as follows:

19 “(1) IN GENERAL.—The amount of dividends  
20 taken into account under subsection (a) shall not ex-  
21 ceed the sum of the current and accumulated earn-  
22 ings and profits described in section 959(e)(3) for  
23 the year a deduction is claimed under subsection (a),  
24 without diminution by reason of any distributions  
25 made during the election year, for all controlled for-  
26 eign corporations of the United States shareholder.”.

1           (c) FAILURE TO MAINTAIN EMPLOYMENT LEV-  
2 ELS.—Paragraph (4) of section 965(b) of such Code (re-  
3 lating to limitations) is amended to read as follows:

4           “(4) REDUCTION IN BENEFITS FOR FAILURE  
5 TO MAINTAIN EMPLOYMENT LEVELS.—

6           “(A) IN GENERAL.—If, during the period  
7 consisting of the calendar month in which the  
8 taxpayer first receives a distribution described  
9 in subsection (a)(1) and the succeeding 23 cal-  
10 endar months, the taxpayer does not maintain  
11 an average employment level at least equal to  
12 the taxpayer’s prior average employment, an  
13 additional amount equal to \$25,000 multiplied  
14 by the number of employees by which the tax-  
15 payer’s average employment level during such  
16 period falls below the prior average employment  
17 (but not exceeding the aggregate amount al-  
18 lowed as a deduction pursuant to subsection  
19 (a)(1)) shall be taken into income by the tax-  
20 payer during the taxable year that includes the  
21 final day of such period.

22           “(B) AVERAGE EMPLOYMENT LEVEL.—  
23 For purposes of this paragraph, the taxpayer’s  
24 average employment level for a period shall be  
25 the average number of full-time United States

1 employees of the taxpayer, measured at the end  
2 of each month during the period.

3 “(C) PRIOR AVERAGE EMPLOYMENT.—For  
4 purposes of this paragraph, the taxpayer’s  
5 ‘prior average employment’ shall be the average  
6 number of full-time United States employees of  
7 the taxpayer during the period consisting of the  
8 24 calendar months immediately preceding the  
9 calendar month in which the taxpayer first re-  
10 ceives a distribution described in subsection  
11 (a)(1).

12 “(D) FULL-TIME UNITED STATES EM-  
13 PLOYEE.—For purposes of this paragraph—

14 “(i) IN GENERAL.—The term ‘full-  
15 time United States employee’ means an in-  
16 dividual who provides services in the  
17 United States as a full-time employee,  
18 based on the employer’s standards and  
19 practices; except that regardless of the em-  
20 ployer’s classification of the employee, an  
21 employee whose normal schedule is 40  
22 hours or more per week is considered a  
23 full-time employee.



1                   “(ii) EXCEPTION FOR CHANGES IN  
2 OWNERSHIP OF TRADES OR BUSINESSES.—

3 Such term does not include—

4                   “(I) any individual who was an  
5 employee, on the date of acquisition,  
6 of any trade or business acquired by  
7 the taxpayer during the 24-month pe-  
8 riod referred to in subparagraph (A);  
9 and

10                   “(II) any individual who was an  
11 employee of any trade or business dis-  
12 posed of by the taxpayer during the  
13 24-month period referred to in sub-  
14 paragraph (A) or the 24-month period  
15 referred to in subparagraph (C).

16                   “(E) AGGREGATION RULES.—In deter-  
17 mining the taxpayer’s average employment level  
18 and prior average employment, all domestic  
19 members of a controlled group shall be treated  
20 as a single taxpayer.”.

21           (d) THRESHOLD PERIOD.—Section 965 of such Code  
22 is amended by striking “June 30, 2003” each place it oc-  
23 curs and inserting “June 30, 2011”.

1 (e) BASE PERIOD.—Paragraph (2) of subsection  
2 965(c) of such Code is amended by inserting at the end  
3 of subparagraph (A) the following flush sentence:

4 “For purposes of this paragraph, taxable years shall not  
5 include any year for which an election under section 965  
6 was in effect.”.

7 (f) INDEBTEDNESS DETERMINATION DATE.—Sub-  
8 paragraph (B) of section 965(b)(3) of such Code is  
9 amended by striking “October 3, 2004” and inserting  
10 “January 19, 2012”.

11 (g) CONFORMING AMENDMENTS.—

12 (1) Subsection 965(c) of such Code, as amend-  
13 ed by subsection (e), is amended by striking para-  
14 graph (1) and redesignating paragraphs (2), (3),  
15 (4), and (5) as paragraphs (1), (2), (3), and (4), re-  
16 spectively.

17 (2) Paragraph 965(c)(4) of such Code, as re-  
18 designating by paragraph (1), is amended to read as  
19 follows:

20 “(4) CONTROLLED GROUPS.—All United States  
21 shareholders which are members of an affiliated  
22 group filing a consolidated return under section  
23 1501 shall be treated as one United States share-  
24 holder.”.

1 (h) EFFECTIVE DATE.—The amendments made by  
2 this section shall apply to taxable years ending on or after  
3 the date of the enactment of this Act.

4 **Subtitle B—Elimination of Tax**  
5 **Expenditures**

6 **SEC. 211. TERMINATION OF CREDIT FOR INCREASING RE-**  
7 **SEARCH ACTIVITIES.**

8 Effective for taxable years beginning after the date  
9 of the enactment of this Act, section 41 of the Internal  
10 Revenue Code of 1986 is hereby repealed.

11 **SEC. 212. TERMINATION OF DEDUCTION FOR INTANGIBLE**  
12 **DRILLING AND DEVELOPMENT COSTS.**

13 (a) IN GENERAL.—Section 263(c) is amended by  
14 adding at the end the following new sentence: “This sub-  
15 section shall not apply to any taxable year beginning after  
16 the date of the enactment of this sentence.”

17 (b) CONFORMING AMENDMENTS.—Paragraphs (2)  
18 and (3) of section 291(b) are each amended by striking  
19 “section 263(c), 616(a),” and inserting “section 616(a)”.

20 (c) EFFECTIVE DATE.—The amendments made by  
21 this section shall apply to costs paid or incurred in taxable  
22 years beginning after the date of the enactment of this  
23 Act.

1 **SEC. 213. REPEAL OF DOMESTIC PRODUCTION ACTIVITIES**  
2 **DEDUCTION WITH RESPECT TO PRODUCTION**  
3 **OF COAL, LIGNITE, OR OIL SHALE.**

4 (a) IN GENERAL.—Subparagraph (B) of section  
5 199(c)(4), as amended by this Act, is amended by striking  
6 “or” at the end of clause (iii), by striking the period at  
7 the end of clause (iv) and inserting “, or”, and by adding  
8 at the end the following new clause:

9 “(v) the lease, rental, license, sale, exchange, or other  
10 disposition of coal, lignite, or oil shale.”.

11 (b) EFFECTIVE DATE.—The amendments made by  
12 this section shall apply to taxable years beginning after  
13 the date of the enactment of this Act.

14 **SEC. 214. REPEAL PERCENTAGE DEPLETION FOR OIL AND**  
15 **NATURAL GAS WELLS.**

16 (a) IN GENERAL.—Section 613A is amended by add-  
17 ing at the end the following new subsection:

18 “(f) TERMINATION.—After the date of the enactment  
19 of the Implementation of Simpson-Bowles Spending Re-  
20 ductions Act of 2012, this section and section 611 shall  
21 not apply to any oil or gas well.”.

22 (b) CONFORMING AMENDMENT.—Section 613A(c)(1)  
23 is amended by striking “subsection (d)” and inserting  
24 “subsections (d) and (f)”.

1 (c) EFFECTIVE DATE.—The amendments made by  
2 this section shall apply to taxable years beginning after  
3 the date of the enactment of this Act.

4 **SEC. 215. TERMINATION OF CREDIT FOR ELECTRICITY**  
5 **PRODUCED FROM CERTAIN RENEWABLE RE-**  
6 **SOURCES.**

7 Effective for property placed in service after the date  
8 of the enactment of this Act, section 45 is repealed.

9 **SEC. 216. TERMINATION OF ENERGY CREDIT.**

10 Effective for property placed in service after the date  
11 of the enactment of this Act, section 48 is repealed.

12 **SEC. 217. REPEAL OF CREDIT FOR ALCOHOL USED AS**  
13 **FUEL.**

14 Effective for fuel sold or used after the date of the  
15 enactment of this Act, section 40 is repealed.

16 **SEC. 218. REPEAL OF CREDIT FOR ALCOHOL FUEL, BIO-**  
17 **DIESEL, AND ALTERNATIVE FUEL MIXTURES.**

18 Effective for fuel sold and used after the date of the  
19 enactment of this Act, section 6426 is repealed.

20 **SEC. 219. REPEAL OF CREDIT FOR BIODIESEL AND RENEW-**  
21 **ABLE DIESEL USED AS FUEL.**

22 Effective for fuel produced, and sold or used, after  
23 the date of the enactment of this Act, section 40A is re-  
24 pealed.

1 **SEC. 220. REPEAL OF CREDIT FOR CERTAIN PLUG-IN ELEC-**  
2 **TRIC VEHICLES.**

3 Effective for property placed in service after the date  
4 of the enactment of this Act, section 30 is repealed.

5 **SEC. 221. EARLY TERMINATION OF CREDIT FOR QUALIFIED**  
6 **FUEL CELL MOTOR VEHICLES.**

7 Effective for property placed in service after the date  
8 of the enactment of this Act, section 30B is repealed.

9 **SEC. 222. REPEAL OF DEDUCTION FOR ENERGY CONSERVA-**  
10 **TION SUBSIDIES PROVIDED BY PUBLIC UTILI-**  
11 **TIES.**

12 Effective for amounts received after the date of the  
13 enactment of this Act, section 136 is repealed.

14 **SEC. 223. REPEAL OF QUALIFYING ADVANCED COAL**  
15 **PROJECT CREDIT.**

16 Effective for taxable years beginning after the date  
17 of the enactment of this Act, section 48A is repealed.

18 **SEC. 224. REPEAL OF QUALIFYING GASIFICATION PROJECT**  
19 **CREDIT.**

20 Effective for taxable years beginning after the date  
21 of the enactment of this Act, section 48B is repealed.

22 **SEC. 225. REPEAL OF SPECIAL ALLOWANCE FOR CELLU-**  
23 **LOSIC BIOFUEL PLANT PROPERTY.**

24 (a) IN GENERAL.—Section 168 is amended by strik-  
25 ing subsection (l).

1 (b) EFFECTIVE DATE.—The amendment made by  
2 this section shall apply to property placed in service after  
3 the date of the enactment of this Act.

4 **SEC. 226. REPEAL OF ELECTION TO EXPENSE CERTAIN RE-**  
5 **FINERIES.**

6 Effective for property placed in service after the date  
7 of the enactment of this Act, section 179C is repealed.

8 **SEC. 227. REPEAL OF 2-YEAR AMORTIZATION OF GEOLOGI-**  
9 **CAL AND GEOPHYSICAL EXPENDITURES.**

10 (a) IN GENERAL.—Paragraphs (1) and (4) of section  
11 167(h) are each amended by striking “24-month” and in-  
12 serting “7-year”.

13 (b) CONFORMING AMENDMENT.—Subsection (h) of  
14 section 167 is amended by striking paragraph (5).

15 (c) EFFECTIVE DATE.—The amendments made by  
16 this section shall apply to property placed in service after  
17 the date of the enactment of this Act.

18 **SEC. 228. REPEAL OF DEDUCTION FOR ENERGY EFFICIENT**  
19 **COMMERCIAL BUILDING PROPERTY.**

20 Effective for property placed in service after the date  
21 of the enactment of this Act, section 179D is repealed.

22 **SEC. 229. REPEAL OF CREDIT FOR CONSTRUCTION OF NEW**  
23 **ENERGY EFFICIENT HOMES.**

24 Effective for homes acquired after the date of the en-  
25 actment of this Act, section 45L is repealed.

1 **SEC. 230. REPEAL OF CREDIT FOR ENERGY EFFICIENT AP-**  
2 **PLIANCES.**

3 Effective for property placed in service after the date  
4 of the enactment of this Act, section 25C is repealed.

5 **SEC. 231. REPEAL OF CREDIT FOR RESIDENTIAL ENERGY**  
6 **EFFICIENT PROPERTY.**

7 Effective for property placed in service after the date  
8 of the enactment of this Act, section 25D is repealed.

9 **SEC. 232. REPEAL OF ADVANCED ENERGY PROJECT CRED-**  
10 **IT.**

11 Effective for property placed in service after the date  
12 of the enactment of this Act, section 48C is repealed.

13 **SEC. 233. REPEAL OF CREDIT FOR CARBON DIOXIDE SE-**  
14 **QUESTRATION.**

15 Effective for carbon dioxide captured after the date  
16 of the enactment of this Act, section 45Q is repealed.

17 **SEC. 234. REPEAL OF LOW-INCOME HOUSING CREDIT.**

18 Effective for property placed in service after the date  
19 of the enactment of this Act, section 42 is repealed.

20 **SEC. 235. REPEAL OF HOPE AND LIFETIME LEARNING**  
21 **CREDITS.**

22 Effective for amounts paid or incurred after the date  
23 of the enactment of this Act, section 25A is repealed.

24 **SEC. 236. REPEAL OF WORK OPPORTUNITY TAX CREDIT.**

25 Effective for wages paid after the date of the enact-  
26 ment of this Act, section 51 is repealed.



1 **SEC. 237. REPEAL OF CREDIT FOR EXPENSES FOR HOUSE-**  
2 **HOLD AND DEPENDENT CARE SERVICES NEC-**  
3 **CESSARY FOR GAINFUL EMPLOYMENT.**

4 Effective for expenses paid after the date of the en-  
5 actment of this Act, section 21 is repealed.

6 **SEC. 238. REPEAL OF CREDIT FOR ADOPTION EXPENSES.**

7 Effective for expenses paid or incurred after the date  
8 of the enactment of this Act, section 23 is repealed.

9 **SEC. 239. REPEAL OF CREDIT FOR EXPENDITURES TO PRO-**  
10 **VIDE ACCESS TO DISABLED INDIVIDUALS.**

11 Effective for expenditures paid or incurred after the  
12 date of the enactment of this Act, section 44 is repealed.

13 **SEC. 240. REPEAL OF EARNED INCOME TAX CREDIT.**

14 Effective for taxable years beginning after the date  
15 of the enactment of this Act, section 32 is repealed.

16 **SEC. 241. REPEAL OF ENERGY CONSERVATION SUBSIDIES**  
17 **PROVIDED BY PUBLIC UTILITIES.**

18 Effective for amounts received after the date of the  
19 enactment of this Act, section 136 is repealed.

20 **SEC. 242. REPEAL OF ELECTION TO EXPENSE CERTAIN RE-**  
21 **FINERY PROPERTY.**

22 Effective for property placed in service after the date  
23 of the enactment of this Act, sections 168(l) and 179C  
24 are repealed.

1 **SEC. 243. REPEAL OF DEDUCTION FOR ENDANGERED SPE-**  
2 **CIES RECOVERY EXPENDITURES.**

3 (a) IN GENERAL.—Subsections (a) and (c)(1) of sec-  
4 tion 175 are each amended by striking “, or for endan-  
5 gered species recovery”.

6 (b) CONFORMING AMENDMENTS.—

7 (1) The heading for section 175 is amended by  
8 striking “; **ENDANGERED SPECIES RECOVERY**  
9 **EXPENDITURES**”.

10 (2) Paragraph (1) of section 175(c) is amended  
11 by striking the second sentence.

12 (3) Subparagraph (A) of section 175(c)(3) is  
13 amended—

14 (A) by striking “or the recovery plan pur-  
15 suant to the Endangered Species Act of 1973”,  
16 and

17 (B) by striking “, OR ENDANGERED SPE-  
18 CIES RECOVERY PLAN” in the heading thereof.

19 (c) EFFECTIVE DATE.—The amendments made by  
20 this section shall apply to expenditures paid or incurred  
21 after the date of the enactment of this Act.

22 **SEC. 244. REPEAL OF EXCLUSION OF CANCELLATION OF IN-**  
23 **DEBTEDNESS INCOME OF SOLVENT FARM-**  
24 **ERS.**

25 (a) IN GENERAL.—Paragraph (1) of section 108(a)  
26 is amended by striking subparagraph (C) and by redesignig-

1 nating subparagraphs (D) and (E) as subparagraphs (C)  
2 and (D) respectively.

3 (b) CONFORMING AMENDMENTS.—

4 (1) Subparagraph (A) of section 108(a)(2) is  
5 amended by striking “(D), and (E)” and inserting  
6 “and (D)”.

7 (2) Subparagraph (B) of section 108(a)(2) is  
8 amended—

9 (A) by striking “Subparagraphs (C) and  
10 (D)” and inserting “Subparagraph (C)”, and

11 (B) by striking “QUALIFIED FARM EXCLU-  
12 SION AND”.

13 (3) Paragraph (1) of section 108(b) is amended  
14 by striking “(B), or (C)” and inserting “or (B)”.

15 (4) Subsection (c) of section 108 is amended by  
16 striking “under subparagraph (D)” each place it ap-  
17 pears and inserting “under subparagraph (C)”.

18 (5) Section 108 is amended by striking sub-  
19 section (g) and by redesignating subsections (h) and  
20 (i) as subsections (g) and (h), respectively.

21 (c) EFFECTIVE DATE.—The amendments made by  
22 this section shall apply to discharges of indebtedness after  
23 the date of the enactment of this Act.

1 **SEC. 245. REPEAL OF ALTERNATIVE MINIMUM TAX TREAT-**  
2 **MENT OF CERTAIN PROPERTY AND CAS-**  
3 **UALTY INSURANCE COMPANIES.**

4 (a) IN GENERAL.—Clause (i) of section 56(g)(4)(B)  
5 is amended by striking the last sentence.

6 (b) EFFECTIVE DATE.—The amendment made by  
7 this section shall apply to taxable years beginning after  
8 the date of the enactment of this Act.

9 **SEC. 246. REPEAL OF SMALL LIFE INSURANCE COMPANY**  
10 **DEDUCTION.**

11 (a) IN GENERAL.—Section 806 is repealed.

12 (b) CONFORMING AMENDMENTS.—

13 (1) Section 804 is amended by striking  
14 “means—” and all that follows through the period  
15 at the end and inserting the following: “means the  
16 general deductions provided in section 805.”.

17 (2) Subparagraph (B) of section 453B(e)(2) is  
18 amended by inserting “, as in effect on the day be-  
19 fore the date of the enactment of the Implementa-  
20 tion of Simpson-Bowles Spending Reductions Act of  
21 2012” after “section 806(b)(3)”.

22 (3) Subclause (II) of section 465(c)(7)(D)(v) is  
23 amended by inserting “, as in effect on the day be-  
24 fore the date of the enactment of the Implementa-  
25 tion of Simpson-Bowles Spending Reductions Act of  
26 2012” after “section 806(b)(3)”.

1           (4) Subparagraph (A) of section 815(c)(2) is  
2           amended by striking clause (ii), by inserting “and”  
3           at the end of clause (i), and by redesignating clause  
4           (iii) as clause (ii).

5           (c) EFFECTIVE DATE.—The amendments made by  
6           this section shall apply to taxable years beginning after  
7           the date of the enactment of this Act.

8   **SEC. 247. TERMINATION OF \$25,000 EXEMPTION FROM PAS-**  
9                           **SIVE LOSS RULES FOR RENTAL REAL ESTATE**  
10                          **ACTIVITIES.**

11          (a) IN GENERAL.—Section 469 is amended by strik-  
12          ing subsection (i).

13          (b) EFFECTIVE DATE.—The amendment made by  
14          this section shall apply to taxable years beginning after  
15          the date of the enactment of this Act.

16   **SEC. 248. REPEAL OF DISCHARGE OF INDEBTEDNESS EX-**  
17                           **CLUSION.**

18          Effective for discharges of indebtedness occurring on  
19          or after the date of the enactment of this Act, section 108  
20          is repealed.

21   **SEC. 249. REPEAL OF CERTAIN EXCEPTIONS FOR IMPUTED**  
22                           **INTEREST RULES.**

23          (a) DETERMINATION OF ISSUE PRICE IN THE CASE  
24          OF CERTAIN DEBT INSTRUMENTS ISSUED FOR PROP-

1 ERTY.—Paragraph (3) of section 1274(c)(3) is amended  
2 by striking subparagraphs (A), (B), and (C).

3 (b) SPECIAL RULE FOR CERTAIN TRANSACTIONS  
4 WHERE STATED PRINCIPAL AMOUNT DOES NOT EXCEED  
5 CERTAIN AMOUNT.—Section 1274A is amended by adding  
6 at the end the following new subsection:

7 “(f) TERMINATION.—This section shall not apply to  
8 any sales or exchanges after the date of the enactment  
9 of this Act.”.

10 (c) EFFECTIVE DATE.—The amendment made by  
11 subsection (a) shall apply to sales or exchanges after the  
12 date of the enactment of this Act.

13 **SEC. 250. TREATMENT OF CAPITAL GAINS AND DIVIDENDS**  
14 **AS ORDINARY INCOME.**

15 (a) ACCELERATION OF JGTRRA SUNSET.—Section  
16 303 of the Jobs and Growth Tax Relief Reconciliation Act  
17 of 2003, as amended by section 102(a) of the Tax Relief,  
18 Unemployment Insurance Reauthorization, and Job Cre-  
19 ation Act of 2010, is amended by striking “December 31,  
20 2012” and inserting “December 31, 2011”.

21 (b) TREATMENT OF CAPITAL GAINS AND DIVIDENDS  
22 AS ORDINARY INCOME.—Section 1(h), after the applica-  
23 tion of subsection (a), is amended by adding at the end  
24 the following new paragraph:

1           “(11) TERMINATION.—This subsection shall not  
2           apply to taxable years beginning after the date of  
3           the enactment of the Implementation of Simpson-  
4           Bowles Spending Reductions Act of 2012.”.

5 **SEC. 251. TERMINATION OF PARTIAL EXCLUSION FOR GAIN**  
6 **FROM CERTAIN SMALL BUSINESS STOCK.**

7           Section 1202 is amended by adding at the end the  
8           following new subsection:

9           “(l) TERMINATION.—This section shall not apply to  
10          any sale or exchange of stock after the date of the enact-  
11          ment of the Implementation of Simpson-Bowles Spending  
12          Reductions Act of 2012.”.

13 **SEC. 252. TERMINATION OF TREATMENT OF LOSSES ON**  
14 **SMALL BUSINESS STOCK AS ORDINARY.**

15          Section 1244 is amended by adding at the end the  
16          following new subsection:

17          “(f) TERMINATION.—This section shall not apply to  
18          any sale or exchange of stock after the date of the enact-  
19          ment of the Implementation of Simpson-Bowles Spending  
20          Reductions Act of 2012.”.

21 **SEC. 253. REPEAL OF STUDENT LOAN INTEREST DEDUC-**  
22 **TION.**

23          Effective for any loan interest paid after the date of  
24          the enactment of this Act, section 221 is repealed.

1 **SEC. 254. REPEAL OF DEDUCTION OF TUITION AND RE-**  
2 **LATED EXPENSES.**

3 Effective for amounts paid after the date of the en-  
4 actment of this Act, section 222 is repealed.

5 **SEC. 255. REPEAL OF GROSS INCOME EXCLUSION FOR**  
6 **UNITED STATES SAVINGS BONDS USED TO**  
7 **PAY HIGHER EDUCATION EXPENSES.**

8 Effective for taxable years beginning after the date  
9 of the enactment of this Act, section 135 is repealed.

10 **SEC. 256. ELIMINATION OF PERSONAL EXEMPTION FOR**  
11 **STUDENTS AGE 19 AND OLDER.**

12 (a) IN GENERAL.—Subparagraph (A) of section  
13 152(c)(3) is amended—

14 (1) by striking clause (ii),

15 (2) by striking “, or” at the end of clause (i)  
16 and inserting a period, and

17 (3) by striking “child and” and all that follows  
18 through “(i) has not attained” and inserting “child  
19 and has not attained”.

20 (b) EFFECTIVE DATE.—The amendments made by  
21 this section shall apply to taxable years beginning after  
22 the date of the enactment of this Act.



1 **SEC. 257. ELIMINATION OF ABOVE THE LINE DEDUCTION**  
2 **FOR CERTAIN EXPENSES OF ELEMENTARY**  
3 **AND SECONDARY SCHOOL TEACHERS.**

4 (a) IN GENERAL.—Paragraph (2) of section 62(a) is  
5 amended by striking subparagraph (D) and by redesignig-  
6 nating subparagraph (E) as subparagraph (D).

7 (b) CONFORMING AMENDMENTS.—

8 (1) Section 62 is amended by striking sub-  
9 section (d) and redesignating subsection (e) as sub-  
10 section (d).

11 (2) Paragraph (20) of section 62(a) is amended  
12 by striking “subsection (e)” and inserting “sub-  
13 section (d)”.

14 (c) EFFECTIVE DATE.—The amendments made by  
15 this section shall apply to amounts paid or incurred after  
16 the date of the enactment of this Act.

17 **SEC. 258. ELIMINATION OF GROSS INCOME EXCLUSION FOR**  
18 **DISCHARGE OF CERTAIN STUDENT LOAN**  
19 **DEBT.**

20 Section 108 is amended by adding at the end the fol-  
21 lowing new paragraph:

22 “(5) TERMINATION.—This subsection shall not  
23 apply to discharges of indebtedness after the date of  
24 the enactment of the Implementation of Simpson-  
25 Bowles Spending Reductions Act of 2012.”.

1 **SEC. 259. REPEAL OF EXCLUSION FROM GROSS INCOME**  
2 **FOR RENTAL VALUE OF PARSONAGES.**

3 Effective for taxable years beginning after the date  
4 of the enactment of this Act, section 107 is repealed.

5 **SEC. 260. REPEAL OF EXCLUSION FROM GROSS INCOME**  
6 **FOR BENEFITS PROVIDED TO VOLUNTEER**  
7 **FIREFIGHTERS AND EMERGENCY MEDICAL**  
8 **RESPONDERS.**

9 Effective for taxable years beginning after the date  
10 of the enactment of this Act, section 139B is repealed.

11 **SEC. 261. REPEAL OF SPECIAL TREATMENT OF BLUE**  
12 **CROSS AND BLUE SHIELD ORGANIZATIONS,**  
13 **ETC.**

14 Effective for taxable years beginning after the date  
15 of the enactment of this Act, section 833 is repealed.

16 **SEC. 262. SENSE OF THE HOUSE REGARDING A TERRI-**  
17 **TORIAL TAX SYSTEM.**

18 It is the sense of the House that the Committee on  
19 Ways and Means of the House of Representatives should  
20 report legislation that will transition the United States to  
21 a territorial tax system.

22 **SEC. 263. TEMPORARY DIVIDENDS RECEIVED DEDUCTION**  
23 **ALLOWED FOR 2011 OR 2012.**

24 (a) ELECTION.—Subsection (f) of section 965 of the  
25 Internal Revenue Code of 1986 (relating to election) is  
26 amended to read as follows:

1       “(f) ELECTION.—The taxpayer may elect to apply  
2 this section to—

3               “(1) the taxpayer’s last taxable year which be-  
4 gins before the date of the enactment of this sub-  
5 section, or

6               “(2) the taxpayer’s first taxable year which be-  
7 gins during the 1-year period beginning on such  
8 date.

9 Such election may be made for a taxable year only if made  
10 on or before the due date (including extensions) for filing  
11 the return of tax for such taxable year.”.

12       (b) LIMITATION.—Paragraph (1) of section 965(b) of  
13 such Code is amended to read as follows:

14               “(1) IN GENERAL.—The amount of dividends  
15 taken into account under subsection (a) shall not ex-  
16 ceed the sum of the current and accumulated earn-  
17 ings and profits described in section 959(e)(3) for  
18 the year a deduction is claimed under subsection (a),  
19 without diminution by reason of any distributions  
20 made during the election year, for all controlled for-  
21 eign corporations of the United States shareholder.”.

22       (c) FAILURE TO MAINTAIN EMPLOYMENT LEV-  
23 ELS.—Paragraph (4) of section 965(b) of such Code (re-  
24 lating to limitations) is amended to read as follows:

1           “(4) REDUCTION IN BENEFITS FOR FAILURE  
2 TO MAINTAIN EMPLOYMENT LEVELS.—

3           “(A) IN GENERAL.—If, during the period  
4 consisting of the calendar month in which the  
5 taxpayer first receives a distribution described  
6 in subsection (a)(1) and the succeeding 23 cal-  
7 endar months, the taxpayer does not maintain  
8 an average employment level at least equal to  
9 the taxpayer’s prior average employment, an  
10 additional amount equal to \$25,000 multiplied  
11 by the number of employees by which the tax-  
12 payer’s average employment level during such  
13 period falls below the prior average employment  
14 (but not exceeding the aggregate amount al-  
15 lowed as a deduction pursuant to subsection  
16 (a)(1)) shall be taken into income by the tax-  
17 payer during the taxable year that includes the  
18 final day of such period.

19           “(B) AVERAGE EMPLOYMENT LEVEL.—  
20 For purposes of this paragraph, the taxpayer’s  
21 average employment level for a period shall be  
22 the average number of full-time United States  
23 employees of the taxpayer, measured at the end  
24 of each month during the period.

1           “(C) PRIOR AVERAGE EMPLOYMENT.—For  
2 purposes of this paragraph, the taxpayer’s  
3 ‘prior average employment’ shall be the average  
4 number of full-time United States employees of  
5 the taxpayer during the period consisting of the  
6 24 calendar months immediately preceding the  
7 calendar month in which the taxpayer first re-  
8 ceives a distribution described in subsection  
9 (a)(1).

10           “(D) FULL-TIME UNITED STATES EM-  
11 PLOYEE.—For purposes of this paragraph—

12           “(i) IN GENERAL.—The term ‘full-  
13 time United States employee’ means an in-  
14 dividual who provides services in the  
15 United States as a full-time employee,  
16 based on the employer’s standards and  
17 practices; except that regardless of the em-  
18 ployer’s classification of the employee, an  
19 employee whose normal schedule is 40  
20 hours or more per week is considered a  
21 full-time employee.

22           “(ii) EXCEPTION FOR CHANGES IN  
23 OWNERSHIP OF TRADES OR BUSINESSES.—  
24 Such term does not include—

1           “(I) any individual who was an  
2           employee, on the date of acquisition,  
3           of any trade or business acquired by  
4           the taxpayer during the 24-month pe-  
5           riod referred to in subparagraph (A);  
6           and

7           “(II) any individual who was an  
8           employee of any trade or business dis-  
9           posed of by the taxpayer during the  
10          24-month period referred to in sub-  
11          paragraph (A) or the 24-month period  
12          referred to in subparagraph (C).

13           “(E) AGGREGATION RULES.—In deter-  
14          mining the taxpayer’s average employment level  
15          and prior average employment, all domestic  
16          members of a controlled group shall be treated  
17          as a single taxpayer.”.

18          (d) THRESHOLD PERIOD.—Section 965 of such Code  
19          is amended by striking “June 30, 2003” each place it oc-  
20          curs and inserting “June 30, 2010”.

21          (e) BASE PERIOD.—Paragraph (2) of subsection  
22          965(c) of such Code is amended by inserting at the end  
23          of subparagraph (A) the following flush sentence:

1 “For purposes of this paragraph, taxable years shall not  
2 include any year for which an election under section 965  
3 was in effect.”.

4 (f) INDEBTEDNESS DETERMINATION DATE.—Sub-  
5 paragraph (B) of section 965(b)(3) of such Code is  
6 amended by striking “October 3, 2004” and inserting  
7 “January 19, 2011”.

8 (g) CONFORMING AMENDMENTS.—

9 (1) Subsection 965(c) of such Code, as amend-  
10 ed by subsection (e), is amended by striking para-  
11 graph (1) and redesignating paragraphs (2), (3),  
12 (4), and (5) as paragraphs (1), (2), (3), and (4), re-  
13 spectively.

14 (2) Paragraph 965(c)(4) of such Code, as re-  
15 designated by paragraph (1), is amended to read as  
16 follows:

17 “(4) CONTROLLED GROUPS.—All United States  
18 shareholders which are members of an affiliated  
19 group filing a consolidated return under section  
20 1501 shall be treated as one United States share-  
21 holder.”.

22 (h) EFFECTIVE DATE.—The amendments made by  
23 this section shall apply to taxable years ending on or after  
24 the date of the enactment of this Act.

**Subtitle C—Phaseout of Tax  
Expenditures**

**SEC. 271. FIVE-YEAR PHASEOUT OF CERTAIN TAX EXPENDITURES.**

(a) IN GENERAL.—Effective for taxable years beginning after December 31, 2012, the amount allowable as a credit, exclusion from gross income, exemption from taxation, or deduction for the taxable year under the tax provisions specified in subsection (c) (determined without regard to this section) shall be reduced by the applicable percentage of the amount so allowable.

(b) APPLICABLE PERCENTAGE.—For purposes of this section, the applicable percentage shall be determined in accordance with the following table:

<b>In the case of taxable years beginning in:</b>	<b>The applicable percentage shall be:</b>
2013 .....	20
2014 .....	40
2015 .....	60
2016 .....	80
2017 and thereafter .....	100.

(c) SPECIFIED PROVISIONS.—For purposes of this section, the tax provisions specified in this subsection are as follows:

(1) Section 911 of the Internal Revenue Code of 1986 (relating to citizens or residents of the United States living abroad).

(2) Section 912 of such Code (relating to exemption for certain allowances).



1           (3) Section 41 of such Code (relating to credit  
2 for increasing research activities).

3           (4) Section 631(c) of such Code (relating to  
4 disposal of coal or domestic iron ore with a retained  
5 economic interest).

6           (5) Section 451(i) of such Code (relating to  
7 special rule for sales or dispositions to implement  
8 Federal Energy Regulatory Commission or State  
9 Electric Restructuring Policy).

10          (6) Section 613 of such Code (relating to per-  
11 centage depletion) in the case of nonfuel minerals.

12          (7) Section 631(a) of such Code (relating to  
13 election to consider cutting as sale or exchange).

14          (8) Section 512(b)(19) of such Code (relating  
15 to treatment of gain or loss on sale or exchange of  
16 certain brownfield sites).

17          (9) Section 501(c)(14) of such Code (relating to  
18 credit unions without capital stock organized and op-  
19 erated for mutual purposes and without profit) and  
20 section 122 of the Federal Credit Union Act.

21          (10) The exclusion from gross income of income  
22 on life insurance contracts (as determined under sec-  
23 tion 7702(g) of the Internal Revenue Code of 1986).

24          (11) Section 103(a) of such Code, to the extent  
25 the interest is attributable to a qualified mortgage

1 bond (as defined in section 143(a) of such Code), a  
2 qualified veterans' mortgage bond (as defined in sec-  
3 tion 143(b) of such Code), or an issue described in  
4 section 142(a)(7) of such Code.

5 (12) Section 199 of such Code (relating to in-  
6 clude attributable to domestic production activities).

7 (13) Section 181 of such Code (relating to  
8 treatment of certain qualified film and television  
9 productions).

10 (14) Section 7518 of such Code (relating to tax  
11 incentives relating to merchant marine capital con-  
12 struction funds) and chapter 535 of title 46, United  
13 States Code.

14 (15) Section 132(a)(5) of such Code (relating  
15 to qualified transportation fringe) to the extent at-  
16 tributable to a transit pass (as defined in section  
17 132(f)(5) of such Code) or qualified parking (as so  
18 defined).

19 (16) Section 45G(a) of such Code (relating to  
20 railroad track maintenance credit).

21 (17) Section 46(a) of such Code (relating to re-  
22 habilitation credit).

23 (18) Section 45D of such Code (relating to new  
24 markets tax credit).

1           (19) Section 131 of such Code (relating to cer-  
2           tain foster care payments).

3           (20) Section 213 of such Code (relating to med-  
4           ical, dental, etc., payments).

5           (21) Section 36B of such Code (relating to re-  
6           fundable credit for coverage under a qualified health  
7           plan).

8           (22) Section 45R of such Code (relating to em-  
9           ployee health insurance expenses of small employ-  
10          ers).

11          (23) Section 45C of such Code (relating to clin-  
12          ical testing expenses for certain drugs for rare dis-  
13          eases or conditions).

14          (24) Section 35 of such Code (relating to health  
15          insurance costs of eligible individuals).

16          (25) Means-tested payments otherwise exclud-  
17          able under the general welfare doctrine.

18          (26) Section 79 of such Code (relating to  
19          group-term life insurance purchased for employees).

20          (27) Section 106 of such Code (relating to con-  
21          tributions by employer to accident and health plans)  
22          to the extent attributable to employer provided cov-  
23          erage under an accident or disability insurance plan.

1           (28) Section 165 of such Code (relating to  
2 losses) to the extent the loss is described in section  
3 165(c)(3) of such Code.

4           (29) Section 164(a)(1) of such Code (relating  
5 to real property taxes) to the extent not attributable  
6 to real property used in a trade or business or the  
7 principal residence of the taxpayer (within the mean-  
8 ing of section 121 of such Code).

## 9           **Subtitle D—Special Status**

### 10 **SEC. 381. TERMINATION OF QUALIFIED ENERGY CON-** 11 **SERVATION BONDS.**

12           Subsection (a) of section 54D is amended by striking  
13 “and” at the end of paragraph (2), by striking the period  
14 at the end of paragraph (3) and inserting “, and”, and  
15 by adding at the end the following new paragraph:

16           “(4) the bond is issued before the date of the  
17 enactment of the Implementation of Simpson-Bowles  
18 Spending Reductions Act of 2012.”.

### 19 **SEC. 382. TERMINATION OF NEW CLEAN RENEWABLE EN-** 20 **ERGY BONDS.**

21           Subsection (a) of section 54C is amended by striking  
22 “and” at the end of paragraph (2), by striking the period  
23 at the end of paragraph (3) and inserting “, and”, and  
24 by adding at the end the following new paragraph:

1           “(4) the bond is issued before the date of the  
2           enactment of the Implementation of Simpson-Bowles  
3           Spending Reductions Act of 2012.”.

4 **SEC. 383. TERMINATION OF EXEMPT FACILITY BOND**  
5           **TREATMENT FOR WATER, SEWAGE, AND**  
6           **SOLID WASTE FACILITIES.**

7           (a) IN GENERAL.—Subsection (a) of section 142 is  
8           amended by striking paragraphs (4), (5), and (6).

9           (b) EFFECTIVE DATE.—The amendments made by  
10          this section shall apply to bonds issued after the date of  
11          the enactment of this Act.

12 **SEC. 384. TERMINATION OF EXPENSING AND AMORTIZA-**  
13           **TION OF REFORESTATION EXPENDITURES**  
14           **AND EXPENSING OF TIMBER-GROWING**  
15           **COSTS.**

16          (a) REFORESTATION EXPENDITURES.—Section 194  
17          is amended by adding at the end the following new sub-  
18          section:

19           “(e) TERMINATION.—This section shall not apply to  
20          amount paid or incurred after the date of the enactment  
21          of the Implementation of Simpson-Bowles Spending Re-  
22          ductions Act of 2012.”.

23          (b) EXPENSING OF TIMBER GROWING COSTS.—Sub-  
24          section (c) of section 263A is amended by striking para-  
25          graph (5).

1 (c) EFFECTIVE DATE.—The amendment made by  
2 this section shall apply to expenses paid or incurred after  
3 the date of the enactment of this Act.

4 **SEC. 385. TERMINATION OF DEFERRAL OF GAIN ON SALES**  
5 **OF STOCK IN AGRICULTURAL REFINERS AND**  
6 **PROCESSORS TO ELIGIBLE FARM COOPERA-**  
7 **TIVES.**

8 Subsection (g) of section 1042 is amended by adding  
9 at the end the following new paragraph:

10 “(5) TERMINATION.—This subsection shall not  
11 apply to any sales after the date of the enactment  
12 of the Implementation of Simpson-Bowles Spending  
13 Reductions Act of 2012.”.

14 **SEC. 386. TERMINATION OF ELECTION TO EXPENSE CER-**  
15 **TAIN DEPRECIABLE BUSINESS ASSETS.**

16 (a) IN GENERAL.—Subparagraph (D) of section  
17 179(b)(1) is amended by striking “\$25,000” and inserting  
18 “\$0”.

19 (b) EFFECTIVE DATE.—The amendment made by  
20 this section shall apply to property placed in service after  
21 December 31, 2012.

22 **SEC. 387. TERMINATION OF QUALIFIED SMALL ISSUE**  
23 **BONDS.**

24 Paragraph (1) of section 144(a) is amended by in-  
25 serting “before the date of the enactment of the Imple-

1 mentation of Simpson-Bowles Spending Reductions Act of  
2 2012” after “any bond issued”.

3 **SEC. 388. TERMINATION OF EXEMPT FACILITY BOND**  
4 **TREATMENT FOR QUALIFIED HIGHWAY OR**  
5 **SURFACE FREIGHT TRANSFER FACILITIES.**

6 (a) IN GENERAL.—Subsection (a) of section 142 is  
7 amended by striking paragraph (15).

8 (b) EFFECTIVE DATE.—The amendment made by  
9 this section shall apply to bonds issued after the date of  
10 the enactment of this Act.

11 **SEC. 389. TERMINATION OF EXEMPT FACILITY BOND**  
12 **TREATMENT FOR AIRPORTS, DOCKS, AND**  
13 **WHARVES.**

14 (a) IN GENERAL.—Subsection (a) of section 142 is  
15 amended by striking paragraphs (1) and (2).

16 (b) EFFECTIVE DATE.—The amendments made by  
17 this section shall apply to bonds issued after the date of  
18 the enactment of this Act.

19 **SEC. 390. TERMINATION OF TRIBAL ECONOMIC DEVELOP-**  
20 **MENT BONDS.**

21 Subparagraph (A) of section 7871(f)(3) is amended  
22 by inserting “before the date of the enactment of the Im-  
23 plementation of Simpson-Bowles Spending Reductions Act  
24 of 2012” after “any bond issued”.

1 **SEC. 391. TERMINATION OF EXCLUSION FROM GROSS IN-**  
2 **COME OF UNITED STATES SAVINGS BONDS**  
3 **INTEREST USED TO PAY HIGHER EDUCATION**  
4 **EXPENSES.**

5 Subparagraph (A) of section 135(c)(1) is amended by  
6 inserting “and before the date of the enactment of the Im-  
7 plementation of Simpson-Bowles Spending Reductions Act  
8 of 2012” after “December 31, 1989,”.

9 **SEC. 392. TERMINATION OF QUALIFIED ZONE ACADEMY**  
10 **BONDS.**

11 Subsection (a) of section 54E is amended by striking  
12 “and” at the end of paragraph (2), by striking the period  
13 at the end of paragraph (3), and inserting “, and”, and  
14 by adding at the end the following new paragraph:

15 “(4) the bond is issued before the date of the  
16 enactment of the Implementation of Simpson-Bowles  
17 Spending Reductions Act of 2012.”.

18 **SEC. 393. TERMINATION OF EXEMPT FACILITY BOND**  
19 **TREATMENT FOR QUALIFIED PUBLIC EDU-**  
20 **CATIONAL FACILITIES.**

21 (a) **IN GENERAL.**—Subsection (a) of section 142 is  
22 amended by striking paragraph (13).

23 (b) **EFFECTIVE DATE.**—The amendments made by  
24 this section shall apply to bonds issued after the date of  
25 the enactment of this Act.



1 **SEC. 394. TERMINATION OF HOSPITAL BONDS.**

2 (a) IN GENERAL.—Paragraph (1) of section 145(a)  
3 is amended by striking “or a governmental unit” and in-  
4 serting “, or a governmental unit, other than a hospital”.

5 (b) CONFORMING AMENDMENTS.—

6 (1) Section 145 is amended by striking sub-  
7 section (c) and by redesignating subsections (d) and  
8 (e) as subsections (c) and (d), respectively.

9 (2) Subsection (b) of section 145 is amended by  
10 striking “nonhospital” each place it appears.

11 (3) Paragraph (1) of section 145(b) is amended  
12 by striking “(other than a qualified hospital bond)”.

13 (4) Paragraph (2) of section 145(b) is amend-  
14 ed—

15 (A) by striking “other than a qualified hos-  
16 pital bond” in subparagraph (B), and

17 (B) by striking subparagraph (C).

18 (5) The heading for subsection (b) of section  
19 145 is amended by striking “ON BONDS OTHER  
20 THAN HOSPITAL BONDS”.

21 (6) The heading for paragraph (2) of section  
22 145(b) is amended by striking “NONHOSPITAL”.

23 (c) EFFECTIVE DATE.—The amendments made by  
24 this section shall apply to bonds issued after the date of  
25 the enactment of this Act.

○