

Calendar No. 467

112TH CONGRESS
2D SESSION**S. 3412**

To amend the Internal Revenue Code of 1986 to provide tax relief to middle-class families.

IN THE SENATE OF THE UNITED STATES

JULY 19, 2012

Mr. REID introduced the following bill; which was read twice and ordered placed on the calendar

A BILL

To amend the Internal Revenue Code of 1986 to provide tax relief to middle-class families.

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; ETC.**

4 (a) SHORT TITLE.—This Act may be cited as the
5 “Middle Class Tax Cut Act”.

6 (b) AMENDMENT OF 1986 CODE.—Except as other-
7 wise expressly provided, whenever in this Act an amend-
8 ment or repeal is expressed in terms of an amendment
9 to, or repeal of, a section or other provision, the reference

1 shall be considered to be made to a section or other provi-
 2 sion of the Internal Revenue Code of 1986.

3 (c) TABLE OF CONTENTS.—The table of contents of
 4 this Act is as follows:

Sec. 1. Short title; etc.

TITLE I—TEMPORARY EXTENSION OF TAX RELIEF

Sec. 101. Temporary extension of 2001 tax relief.

Sec. 102. Temporary extension of 2003 tax relief.

Sec. 103. Temporary extension of 2010 tax relief.

Sec. 104. Temporary extension of election to expense certain depreciable busi-
 ness assets.

TITLE II—ALTERNATIVE MINIMUM TAX RELIEF

Sec. 201. Temporary extension of increased alternative minimum tax exemption
 amount.

Sec. 202. Temporary extension of alternative minimum tax relief for nonrefund-
 able personal credits.

TITLE III—BUDGETARY EFFECTS

Sec. 301. Budgetary effects.

5 **TITLE I—TEMPORARY**
 6 **EXTENSION OF TAX RELIEF**

7 **SEC. 101. TEMPORARY EXTENSION OF 2001 TAX RELIEF.**

8 (a) TEMPORARY EXTENSION.—

9 (1) IN GENERAL.—Section 901(a)(1) of the
 10 Economic Growth and Tax Relief Reconciliation Act
 11 of 2001 is amended by striking “December 31,
 12 2012” and inserting “December 31, 2013”.

13 (2) EFFECTIVE DATE.—The amendment made
 14 by this subsection shall take effect as if included in
 15 the enactment of the Economic Growth and Tax Re-
 16 lief Reconciliation Act of 2001.

1 (b) APPLICATION TO CERTAIN HIGH-INCOME TAX-
2 PAYERS.—

3 (1) INCOME TAX RATES.—

4 (A) TREATMENT OF 25- AND 28-PERCENT
5 RATE BRACKETS.—Paragraph (2) of section
6 1(i) is amended to read as follows:

7 “(2) 25- AND 28-PERCENT RATE BRACKETS.—
8 The tables under subsections (a), (b), (c), (d), and
9 (e) shall be applied—

10 “(A) by substituting ‘25%’ for ‘28%’ each
11 place it appears (before the application of sub-
12 paragraph (B)), and

13 “(B) by substituting ‘28%’ for ‘31%’ each
14 place it appears.”.

15 (B) 33-PERCENT RATE BRACKET.—Sub-
16 section (i) of section 1 is amended by redesignig-
17 nating paragraph (3) as paragraph (4) and by
18 inserting after paragraph (2) the following new
19 paragraph:

20 “(3) 33-PERCENT RATE BRACKET.—

21 “(A) IN GENERAL.—In the case of taxable
22 years beginning after December 31, 2012—

23 “(i) the rate of tax under subsections
24 (a), (b), (c), and (d) on a taxpayer’s tax-
25 able income in the fourth rate bracket shall

1 be 33 percent to the extent such income
2 does not exceed an amount equal to the ex-
3 cess of—

4 “(I) the applicable amount, over

5 “(II) the dollar amount at which
6 such bracket begins, and

7 “(ii) the 36 percent rate of tax under
8 such subsections shall apply only to the
9 taxpayer’s taxable income in such bracket
10 in excess of the amount to which clause (i)
11 applies.

12 “(B) APPLICABLE AMOUNT.—For purposes
13 of this paragraph, the term ‘applicable amount’
14 means the excess of—

15 “(i) the applicable threshold, over

16 “(ii) the sum of the following amounts
17 in effect for the taxable year:

18 “(I) the basic standard deduction
19 (within the meaning of section
20 63(c)(2)), and

21 “(II) the exemption amount
22 (within the meaning of section
23 151(d)(1) (or, in the case of sub-
24 section (a), 2 such exemption
25 amounts).

1 “(C) APPLICABLE THRESHOLD.—For pur-
2 poses of this paragraph, the term ‘applicable
3 threshold’ means—

4 “(i) \$250,000 in the case of sub-
5 section (a),

6 “(ii) \$225,000 in the case of sub-
7 section (b),

8 “(iii) \$200,000 in the case of sub-
9 sections (c), and

10 “(iv) $\frac{1}{2}$ the amount applicable under
11 clause (i) (after adjustment, if any, under
12 subparagraph (E)) in the case of sub-
13 section (d).

14 “(D) FOURTH RATE BRACKET.—For pur-
15 poses of this paragraph, the term ‘fourth rate
16 bracket’ means the bracket which would (deter-
17 mined without regard to this paragraph) be the
18 36-percent rate bracket.

19 “(E) INFLATION ADJUSTMENT.—For pur-
20 poses of this paragraph, with respect to taxable
21 years beginning in calendar years after 2012,
22 each of the dollar amounts under clauses (i),
23 (ii), and (iii) of subparagraph (C) shall be ad-
24 justed in the same manner as under paragraph

1 (1)(C), except that subsection (f)(3)(B) shall be
 2 applied by substituting ‘2008’ for ‘1992’.

3 (2) PHASEOUT OF PERSONAL EXEMPTIONS AND
 4 ITEMIZED DEDUCTIONS.—

5 (A) OVERALL LIMITATION ON ITEMIZED
 6 DEDUCTIONS.—Section 68 is amended—

7 (i) by striking “the applicable
 8 amount” the first place it appears in sub-
 9 section (a) and inserting “the applicable
 10 threshold in effect under section 1(i)(3)”,

11 (ii) by striking “the applicable
 12 amount” in subsection (a)(1) and inserting
 13 “such applicable threshold”,

14 (iii) by striking subsection (b) and re-
 15 designating subsections (c), (d), and (e) as
 16 subsections (b), (c), and (d), respectively,
 17 and

18 (iv) by striking subsections (f) and
 19 (g).

20 (B) PHASEOUT OF DEDUCTIONS FOR PER-
 21 SONAL EXEMPTIONS.—

22 (i) IN GENERAL.—Paragraph (3) of
 23 section 151(d) is amended—

24 (I) by striking “the threshold
 25 amount” in subparagraphs (A) and

1 (B) and inserting “the applicable
2 threshold in effect under section
3 1(i)(3)”,

4 (II) by striking subparagraph (C)
5 and redesignating subparagraph (D)
6 as subparagraph (C), and

7 (III) by striking subparagraphs
8 (E) and (F).

9 (ii) CONFORMING AMENDMENTS.—
10 Paragraph (4) of section 151(d) is amend-
11 ed—

12 (I) by striking subparagraph (B),

13 (II) by redesignating clauses (i)
14 and (ii) of subparagraph (A) as sub-
15 paragraphs (A) and (B), respectively,
16 and by indenting such subparagraphs
17 (as so redesignated) accordingly, and

18 (III) by striking all that precedes
19 “in a calendar year after 1989,” and
20 inserting the following:

21 “(4) INFLATION ADJUSTMENT.—In the case of
22 any taxable year beginning”.

23 (c) EFFECTIVE DATE.—Except as otherwise pro-
24 vided, the amendments made by this section shall apply
25 to taxable years beginning after December 31, 2012.

1 (d) APPLICATION OF EGTRRA SUNSET.—Each
2 amendment made by subsection (b) shall be subject to title
3 IX of the Economic Growth and Tax Relief Reconciliation
4 Act of 2001 to the same extent and in the same manner
5 as if such amendment was included in title I of such Act.

6 **SEC. 102. TEMPORARY EXTENSION OF 2003 TAX RELIEF.**

7 (a) EXTENSION.—

8 (1) IN GENERAL.—Section 303 of the Jobs and
9 Growth Tax Relief Reconciliation Act of 2003 is
10 amended by striking “December 31, 2012” and in-
11 serting “December 31, 2013”.

12 (2) EFFECTIVE DATE.—The amendment made
13 by this subsection shall take effect as if included in
14 the enactment of the Jobs and Growth Tax Relief
15 Reconciliation Act of 2003.

16 (b) 20-PERCENT CAPITAL GAINS RATE FOR CERTAIN
17 HIGH INCOME INDIVIDUALS.—

18 (1) IN GENERAL.—Paragraph (1) of section
19 1(h) is amended by striking subparagraph (C), by
20 redesignating subparagraphs (D) and (E) as sub-
21 paragraphs (E) and (F) and by inserting after sub-
22 paragraph (B) the following new subparagraphs:

23 “(C) 15 percent of the lesser of—

24 “(i) so much of the adjusted net cap-
25 ital gain (or, if less, taxable income) as ex-

1 ceeds the amount on which a tax is deter-
2 mined under subparagraph (B), or

3 “(ii) the excess (if any) of—

4 “(I) the amount of taxable in-
5 come which would (without regard to
6 this paragraph) be taxed at a rate
7 below 36 percent, over

8 “(II) the sum of the amounts on
9 which a tax is determined under sub-
10 paragraphs (A) and (B),

11 “(D) 20 percent of the adjusted net capital
12 gain (or, if less, taxable income) in excess of the
13 sum of the amounts on which tax is determined
14 under subparagraphs (B) and (C),”.

15 (2) MINIMUM TAX.—Paragraph (3) of section
16 55(b) is amended by striking subparagraph (C), by
17 redesignating subparagraph (D) as subparagraph
18 (E), and by inserting after subparagraph (B) the
19 following new subparagraphs:

20 “(C) 15 percent of the lesser of—

21 “(i) so much of the adjusted net cap-
22 ital gain (or, if less, taxable excess) as ex-
23 ceeds the amount on which tax is deter-
24 mined under subparagraph (B), or

1 “(ii) the excess described in section
2 1(h)(1)(C)(ii), plus
3 “(D) 20 percent of the adjusted net capital
4 gain (or, if less, taxable excess) in excess of the
5 sum of the amounts on which tax is determined
6 under subparagraphs (B) and (C), plus”.

7 (c) CONFORMING AMENDMENTS.—

8 (1) The following provisions are each amended
9 by striking “15 percent” and inserting “20 per-
10 cent”:

11 (A) Section 531.

12 (B) Section 541.

13 (C) Section 1445(e)(1).

14 (D) The second sentence of section
15 7518(g)(6)(A).

16 (E) Section 53511(f)(2) of title 46, United
17 States Code.

18 (2) Sections 1(h)(1)(B) and 55(b)(3)(B) are
19 each amended by striking “5 percent (0 percent in
20 the case of taxable years beginning after 2007)” and
21 inserting “0 percent”.

22 (3) Section 1445(e)(6) is amended by striking
23 “15 percent (20 percent in the case of taxable years
24 beginning after December 31, 2010)” and inserting
25 “20 percent”.

1 (d) EFFECTIVE DATES.—

2 (1) IN GENERAL.—Except as otherwise pro-
3 vided, the amendments made by subsections (b) and
4 (c) shall apply to taxable years beginning after De-
5 cember 31, 2012.

6 (2) WITHHOLDING.—The amendments made by
7 paragraphs (1)(C) and (3) of subsection (c) shall
8 apply to amounts paid on or after January 1, 2013.

9 (e) APPLICATION OF JGTRRA SUNSET.—Each
10 amendment made by subsections (b) and (c) shall be sub-
11 ject to section 303 of the Jobs and Growth Tax Relief
12 Reconciliation Act of 2003 to the same extent and in the
13 same manner as if such amendment was included in title
14 III of such Act.

15 **SEC. 103. TEMPORARY EXTENSION OF 2010 TAX RELIEF.**

16 (a) AMERICAN OPPORTUNITY TAX CREDIT.—

17 (1) IN GENERAL.—Section 25A(i) is amended
18 by striking “or 2012” and inserting “2012, or
19 2013”.

20 (2) TREATMENT OF POSSESSIONS.—Section
21 1004(c)(1) of division B of the American Recovery
22 and Reinvestment Tax Act of 2009 is amended by
23 striking “and 2012” each place it appears and in-
24 serting “2012, and 2013”.

1 (b) CHILD TAX CREDIT.—Section 24(d)(4) is amend-
2 ed—

3 (1) by striking “AND 2012” in the heading and
4 inserting “2012, AND 2013”, and

5 (2) by striking “or 2012” and inserting “2012,
6 or 2013”.

7 (c) EARNED INCOME TAX CREDIT.—Section 32(b)(3)
8 is amended—

9 (1) by striking “AND 2012” in the heading and
10 inserting “2012, AND 2013”, and

11 (2) by striking “or 2012” and inserting “2012,
12 or 2013”.

13 (d) TEMPORARY EXTENSION OF RULE DIS-
14 REGARDING REFUNDS IN THE ADMINISTRATION OF FED-
15 ERAL PROGRAMS AND FEDERALLY ASSISTED PRO-
16 GRAMS.—Subsection (b) of section 6409 is amended by
17 striking “December 31, 2012” and inserting “December
18 31, 2013”.

19 (e) EFFECTIVE DATES.—

20 (1) IN GENERAL.—Except as provided in para-
21 graph (2), the amendments made by this section
22 shall apply to taxable years beginning after Decem-
23 ber 31, 2012.

24 (2) RULE DISREGARDING REFUNDS IN THE AD-
25 MINISTRATION OF CERTAIN PROGRAMS.—The

1 amendment made by subsection (d) shall apply to
2 amounts received after December 31, 2012.

3 **SEC. 104. TEMPORARY EXTENSION OF ELECTION TO EX-**
4 **PENSE CERTAIN DEPRECIABLE BUSINESS AS-**
5 **SETS.**

6 (a) IN GENERAL.—

7 (1) DOLLAR LIMITATION.—Section 179(b)(1) is
8 amended—

9 (A) by striking “and” at the end of sub-
10 paragraph (C),

11 (B) by redesignating subparagraph (D) as
12 subparagraph (E),

13 (C) by inserting after subparagraph (C)
14 the following new subparagraph:

15 “(D) \$250,000 in the case of taxable years
16 beginning in 2013, and”, and

17 (D) in subparagraph (E), as so redesi-
18 gnated, by striking “2012” and inserting
19 “2013”.

20 (2) REDUCTION IN LIMITATION.—Section
21 179(b)(2) is amended—

22 (A) by striking “and” at the end of sub-
23 paragraph (C),

24 (B) by redesignating subparagraph (D) as
25 subparagraph (E),

1 (C) by inserting after subparagraph (C)
2 the following new subparagraph:

3 “(D) \$800,000 in the case of taxable years
4 beginning in 2013, and”, and

5 (D) in subparagraph (E), as so redesign-
6 nated, by striking “2012” and inserting
7 “2013”.

8 (b) COMPUTER SOFTWARE.—Section
9 179(d)(1)(A)(ii) is amended by striking “2013” and in-
10 serting “2014”.

11 (c) ELECTION.—Section 179(c)(2) is amended by
12 striking “2013” and inserting “2014”.

13 (d) EFFECTIVE DATE.—The amendments made by
14 this section shall apply to taxable years beginning after
15 December 31, 2012.

16 **TITLE II—ALTERNATIVE** 17 **MINIMUM TAX RELIEF**

18 **SEC. 201. TEMPORARY EXTENSION OF INCREASED ALTER-** 19 **NATIVE MINIMUM TAX EXEMPTION AMOUNT.**

20 (a) IN GENERAL.—Paragraph (1) of section 55(d) is
21 amended—

22 (1) by striking “\$72,450” and all that follows
23 through “2011” in subparagraph (A) and inserting
24 “\$78,750 in the case of taxable years beginning in
25 2012”, and

1 (2) by striking “\$47,450” and all that follows
2 through “2011” in subparagraph (B) and inserting
3 “\$50,600 in the case of taxable years beginning in
4 2012”.

5 (b) EFFECTIVE DATE.—The amendments made by
6 this section shall apply to taxable years beginning after
7 December 31, 2011.

8 **SEC. 202. TEMPORARY EXTENSION OF ALTERNATIVE MIN-**
9 **IMUM TAX RELIEF FOR NONREFUNDABLE**
10 **PERSONAL CREDITS.**

11 (a) IN GENERAL.—Paragraph (2) of section 26(a) is
12 amended—

13 (1) by striking “or 2011” and inserting “2011,
14 or 2012”, and

15 (2) by striking “2011” in the heading thereof
16 and inserting “2012”.

17 (b) EFFECTIVE DATE.—The amendments made by
18 this section shall apply to taxable years beginning after
19 December 31, 2011.

20 **TITLE III—BUDGETARY EFFECTS**

21 **SEC. 301. BUDGETARY EFFECTS.**

22 (a) PAYGO SCORECARD.—The budgetary effects of
23 this Act shall not be entered on either PAYGO scorecard
24 maintained pursuant to section 4(d) of the Statutory Pay-
25 As-You-Go Act of 2010.

1 (b) SENATE PAYGO SCORECARD.—The budgetary
2 effects of this Act shall not be entered on any PAYGO
3 scorecard maintained for purposes of section 201 of S.
4 Con. Res. 21 (110th Congress).

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112TH CONGRESS
2^D SESSION

S. 3412

A BILL

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provide tax relief to middle-class families.

JULY 19, 2012

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