



**SECTION-BY-SECTION SUMMARY OF
THE “JOB PROTECTION AND RECESSION PREVENTION ACT OF 2012” (H.R. 8)**

Sec. 1. Short title. This section provides the short title for the bill, the “Job Protection and Recession Prevention Act of 2012.”

Sec. 2. Extension of 2001 and 2003 Tax Relief. Under current law, various low-tax policies originally enacted as part of the Economic Growth and Tax Relief Reconciliation Act of 2001 (“EGTRRA”) and the Jobs and Growth Tax Relief Reconciliation Act of 2003 (“JGTRRA”) – and subsequently extended through 2012 as part of the Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010 (“TRUIRJA”) – are scheduled to expire after December 31, 2012.

Subsection (a) would extend for one year, through December 31, 2013, the low-tax policies originally enacted in 2001 as part of EGTRRA and subsequently extended through 2012 as part of TRUIRJA. Such policies include:

- *Lower marginal rates.* As shown in the table below, the marginal tax rates for ordinary income earned by individuals and owners of small businesses organized as pass-throughs (e.g., S corporations, partnerships, and sole proprietorships) are scheduled to rise significantly in 2013 under current law. Under the proposal, the lower statutory rates now in effect for 2012 would be extended through 2013.

Taxable Income of Individuals / Small Businesses (2012 amounts; unless otherwise indicated, amounts will be indexed for inflation in 2013)	Lower Statutory Rates Extended Through 2013 Under Proposal	Higher Statutory Rates Scheduled to Take Effect in 2013 Under Current Law
Up to \$8,700 for single filers and Up to \$17,400 for joint returns	10 percent	15 percent
Between \$8,700 and \$35,350 for single filers and Between \$17,400 and \$70,700 (\$60,350 for 2013) for joint returns	15 percent	15 percent
Between \$35,350 and \$85,650 for single filers and Between \$70,700 (\$60,350 for 2013) and \$142,700 for joint returns	25 percent	28 percent
Between \$85,650 and \$178,650 for single filers and Between \$142,700 and \$217,450 for joint returns	28 percent	31 percent
Between \$178,650 and \$388,350 for single filers and Between \$217,450 and \$388,350 for joint returns	33 percent	36 percent*
Over \$388,350 for both single filers and joint returns	35 percent	39.6 percent*

* Due to the scheduled re-imposition of the Personal Exemption Phase-out (PEP) and the Pease Limitation, described below, the effective marginal tax rates applicable to these taxpayers could be even higher (as high as 40.8 percent).

- *Marriage penalty relief.* Under current law, the tax code contains various marriage penalties (that is, parameters or amounts for married couples filing joint returns that are less than twice the corresponding parameters or amounts applicable to single filers). EGTRRA eliminated the marriage penalty with respect to two significant features of the tax code – the standard deduction and the exit point for the 15 percent rate bracket (i.e., the threshold above which the next additional dollar of taxable income is subject to the next highest rate bracket) – but those marriage penalties are scheduled to be reinstated in 2013. Under the proposal, the existing marriage penalty relief would be extended through 2013.
- *\$1,000 child credit.* Under current law, a child credit in the amount of \$1,000 per child under the age of 17 is available, but that amount is scheduled to revert to \$500 per child in 2013. Under the proposal, the \$1,000 child credit amount would be extended through 2013.
- *Repeal of the Personal Exemption Phase-out (“PEP”) and the Pease Limitation.* Since 2010, a provision of law known as the Personal Exemption Phase-out (“PEP”), which had previously phased out the value of the personal exemptions of certain taxpayers, has been repealed. Similarly, since 2010, another provision of law known as the Pease Limitation, which had previously reduced the value of the overall itemized deductions of certain taxpayers, has been repealed. When PEP and the Pease Limitation were in effect prior to 2010, they each created additional, hidden marginal rate increases that applied to ordinary income, capital gains, and dividends, as well as significant compliance burdens. Under current law, both PEP and the Pease Limitation are scheduled to be reinstated in 2013. Under the proposal, the repeals of each of these provisions would be extended through 2013, preventing the additional, hidden marginal rate increases they create from once again taking effect.
- *Estate tax relief.* Prior to 2001, the estate tax featured a confiscatory top rate of 55 percent and a very low exemption amount of \$1 million. Under EGTRRA, the estate tax rate was gradually phased down and the exemption amount was gradually increased over the following decade. Under TRUIRJCA, for 2011 and 2012, the top estate tax rate was set at 35 percent and the exemption amount was set at \$5 million (indexed for inflation), but both of those parameters are scheduled to revert to their pre-2001 levels in 2013. Under the proposal, the parameters in effect for 2012 would be extended through 2013.
- *Education-related and other tax benefits.* EGTRRA provided various education-related tax benefits – including an exclusion for certain employer-provided educational assistance and an expansion of the student loan interest deduction – as well as various other tax benefits, such as a non-refundable adoption credit. Under current law, these education-related and other tax benefits originally enacted in 2001 as part of EGTRRA are scheduled to expire after December 31, 2012. Under the proposal, these benefits would be extended through 2013.

Subsection (b) would extend for one year, through December 31, 2013, the lower tax rate structure on long-term capital gains and qualified dividends that was originally enacted in 2003 as part of JGTRRA and subsequently extended through 2012 as part of TRUIRJCA. Under current law in effect for 2012, the top statutory rate on long-term capital gains is 15 percent (with a special zero rate for capital gains that would otherwise be taxed at 10 percent or 15 percent), but that top statutory rate is scheduled to rise to 20 percent (10 percent for capital gains that would otherwise be taxed at 15 percent) in 2013. Also under current law in effect for 2012, the top statutory rate on qualified dividends is 15 percent (with a special zero rate for dividends that would otherwise be taxed at 10 percent or 15 percent), but that top statutory rate is scheduled to rise to 39.6 percent in 2013, when dividends will once again be taxed at ordinary income tax rates (and no special zero rate will apply). In addition to these scheduled statutory rate increases, the scheduled re-imposition of PEP and the Pease Limitation, described above, will create additional, hidden marginal rate increases applicable to capital gains and dividends in 2013. Independent of the JGTRRA rate structure, PEP, and the Pease Limitation, a new 3.8 percent surtax on net investment income – including capital gains and dividends – will apply to taxpayers with incomes above \$200,000 (singles) and \$250,000 (joint returns) in 2013.

Under the proposal, the 0-percent / 15-percent rate structure for long-term capital gains and qualified dividends originally established under JGTRRA would be extended through 2013. Under a separate provision described above, the additional, hidden marginal rate increases on capital gains and dividends attributable to the scheduled re-imposition of PEP and the Pease Limitation would also be prevented from taking effect. (The 3.8 percent surtax on net investment income that is scheduled to take effect in 2013 under current law would be repealed, along with the rest of the 2010 health care law, under two separate pieces of legislation – H.R. 2 and H.R. 6079 – that have already passed the House of Representatives.)

According to JCT, the one-year extension of all the EGTRRA and JGTRRA tax relief policies covered in Section 2 of the bill would, taken together, prevent a \$190.271 billion tax increase over 2013-2022.

Sec. 3. Extension of increased small business expensing: Under Sec. 179 of the tax code, small businesses may “expense” – that is, immediately deduct, rather than recover over time through annual depreciation deductions – the cost of certain property in the year in which it is placed in service, up to certain limits. Under current law, the amount of qualifying property placed in service that may be expensed is limited to \$125,000, with that amount reduced (but not below zero) by the amount by which the cost of such property exceeds \$500,000, with both of those amounts adjusted for inflation. For 2012, those inflation-adjusted amounts are \$139,000 and \$560,000, respectively. However, in 2013, those parameters are scheduled to revert to \$25,000 and \$200,000, respectively.

Under the proposal, the small business expensing parameters that were originally put in place in 2003 as part of JGTRRA -- \$100,000 and \$400,000, respectively – would be extended (and adjusted for inflation) through 2013. (These amounts represent the maximum amounts for which an adjustment to the allocations and aggregates of the House’s FY ’13 budget resolution may be made under House budget rules.) JCT estimates that, for 2013, the inflation-adjusted amounts provided under the proposal would be \$127,000 and \$510,000, respectively. According to JCT,

the one-year extension of increased small business expensing would prevent a \$0.6 billion tax increase over 2013-2022.

Sec. 4. Extension of Alternative Minimum Tax Relief for Individuals: Under current law, in addition to the regular tax, an alternative minimum tax (AMT) may be imposed on individuals, depending on their particular facts and circumstances. Under the law in effect in recent years through 2011, an annual AMT “patch” – which increases the AMT exemption amount and extends a provision permitting certain non-refundable personal credits to be taken against the AMT – has been put in place to hold the number of AMT-affected taxpayers constant at approximately 4 million. For 2011, the most recent year for which an AMT patch was in place, the exemption amount was \$48,450 for singles and \$74,450 for joint returns. Under current law in effect for 2012 and subsequent years, however, the AMT exemption amount reverts to its pre-2001 level – \$33,750 for singles and \$45,000 for joint filers – and non-refundable personal credits may no longer be taken against the AMT. Without an AMT patch for 2012, JCT estimates that approximately 31 million taxpayers will be liable for AMT on their 2012 returns (generally filed in early 2013), including millions of middle-class taxpayers who will pay the AMT for the first time.

Under the proposal, a two-year AMT patch is provided, covering both 2012 and 2013, coordinating the AMT patch with the proposal’s overall extension of the 2001 and 2003 tax relief through 2013. This patch is designed to hold the number of AMT-affected taxpayers constant at 3.9 million, the same target used for the two-year AMT patch, covering 2010 and 2011, enacted as part of TRUIRJCA. For 2012, the AMT exemption amount would be increased to \$50,600 for singles and \$78,750 for joint returns; for 2013, the exemption amount would be increased to \$51,150 for singles and \$79,850 for joint returns. For both 2012 and 2013, non-refundable personal credits would be allowed against the AMT. According to JCT, this two-year AMT patch – together with certain interactive effects between the AMT patch and the extension of the 2001 and 2003 tax relief provisions described above – would prevent a \$192.7 billion tax increase over 2013-2022.

Sec. 5. Treatment for PAYGO Purposes: Sec. 5 provides for the bill’s treatment for PAYGO purposes.

Overall JCT Revenue Estimate: According to JCT, the proposal, as a whole, would prevent a \$383.6 billion tax increase over 2013-2022.