

## Calendar No. 467

112<sup>TH</sup> CONGRESS  
2<sup>D</sup> SESSION**S. 3412**

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

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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

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**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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112<sup>TH</sup> CONGRESS  
2<sup>D</sup> SESSION

**S. 3412**

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**A BILL**

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

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Read twice and ordered placed on the calendar