

112TH CONGRESS
2D SESSION

S. _____

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

IN THE SENATE OF THE UNITED STATES

Mr. REID introduced the following bill; which was read twice and referred to the Committee on _____

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—ESTATE TAX RELIEF

Sec. 201. Modifications to estate, gift, and generation-skipping transfer taxes.

TITLE III—ALTERNATIVE MINIMUM TAX RELIEF

Sec. 301. Temporary extension of increased alternative minimum tax exemption
 amount.

Sec. 302. Temporary extension of alternative minimum tax relief for nonrefund-
 able personal credits.

TITLE IV—BUDGETARY EFFECTS

Sec. 401. 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 of the Economic
 10 Growth and Tax Relief Reconciliation Act of 2001 is
 11 amended by striking “December 31, 2012” both
 12 places it appears and inserting “December 31,
 13 2013”.

14 (2) EFFECTIVE DATE.—The amendment made
 15 by this subsection shall take effect as if included in

1 the enactment of the Economic Growth and Tax Re-
2 lief Reconciliation Act of 2001.

3 (b) APPLICATION TO CERTAIN HIGH-INCOME TAX-
4 PAYERS.—

5 (1) INCOME TAX RATES.—

6 (A) TREATMENT OF 25- AND 28- PERCENT
7 RATE BRACKETS.—Paragraph (2) of section
8 1(i) is amended to read as follows:

9 “(2) 25- AND 28- PERCENT RATE BRACKETS.—

10 The tables under subsections (a), (b), (c), (d), and
11 (e) shall be applied—

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

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

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

22 “(3) 33-PERCENT RATE BRACKET.—

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

1 151(d)(1) (or, in the case of sub-
2 section (a), 2 such exemption
3 amounts).

4 “(C) APPLICABLE THRESHOLD.—For pur-
5 poses of this paragraph, the term ‘applicable
6 threshold’ means—

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

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

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

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

17 “(D) FOURTH RATE BRACKET.—For pur-
18 poses of this paragraph, the term ‘fourth rate
19 bracket’ means the bracket which would (deter-
20 mined without regard to this paragraph) be the
21 36-percent rate bracket.

22 “(E) INFLATION ADJUSTMENT.—For pur-
23 poses of this paragraph, with respect to taxable
24 years beginning in calendar years after 2012,
25 each of the dollar amounts under clauses (i),

1 (ii), and (iii) of subparagraph (C) shall be ad-
2 justed in the same manner as under paragraph
3 (1)(C), except that subsection (f)(3)(B) shall be
4 applied by substituting ‘2008’ for ‘1992.’.”.

5 (2) PHASEOUT OF PERSONAL EXEMPTIONS AND
6 ITEMIZED DEDUCTIONS.—

7 (A) OVERALL LIMITATION ON ITEMIZED
8 DEDUCTIONS.—Section 68 is amended—

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

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

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

20 (iv) by striking subsections (f) and
21 (g).

22 (B) PHASEOUT OF DEDUCTIONS FOR PER-
23 SONAL EXEMPTIONS.—

24 (i) IN GENERAL.—Paragraph (3) of
25 section 151(d) is amended—

1 (I) by striking “the threshold
2 amount” in subparagraphs (A) and
3 (B) and inserting “the applicable
4 threshold in effect under section
5 1(i)(3)”,

6 (II) by striking subparagraph (C)
7 and redesignating subparagraph (D)
8 as subparagraph (C), and

9 (III) by striking subparagraphs
10 (E) and (F).

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

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

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

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

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

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

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

10 (a) EXTENSION.—

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

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

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

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

1 “(C) 15 percent of the lesser of—

2 “(i) so much of the adjusted net cap-
3 ital gain (or, if less, taxable income) as ex-
4 ceeds the amount on which a tax is deter-
5 mined under subparagraph (B), or

6 “(ii) the excess (if any) of—

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

11 “(II) the sum of the amounts on
12 which a tax is determined under sub-
13 paragraphs (A) and (B),

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

18 (2) MINIMUM TAX.—Paragraph (3) of section
19 55(b) is amended by striking subparagraph (C), by
20 redesignating subparagraph (D) as subparagraph
21 (E), and by inserting after subparagraph (B) the
22 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 excess) as ex-

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

3 “(ii) the excess described in section
4 1(h)(1)(C)(ii), plus

5 “(D) 20 percent of the adjusted net capital
6 gain (or, if less, taxable excess) in excess of the
7 sum of the amounts on which tax is determined
8 under subparagraphs (B) and (C), plus”.

9 (c) CONFORMING AMENDMENTS.—

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

13 (A) Section 531.

14 (B) Section 541.

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

16 (D) The second sentence of section
17 7518(g)(6)(A).

18 (E) Section 53511(f)(2) of title 46, United
19 States Code.

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

24 (3) Section 1445(e)(6) is amended by striking
25 “15 percent (20 percent in the case of taxable years

1 beginning after December 31, 2010)” and inserting
2 “20 percent”.

3 (d) EFFECTIVE DATES.—

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

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

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

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

18 (a) AMERICAN OPPORTUNITY TAX CREDIT.—

19 (1) IN GENERAL.—Section 25A(i) is amended
20 by striking “or 2012” and inserting “2012, or
21 2013”.

22 (2) TREATMENT OF POSSESSIONS.—Section
23 1004(e)(1) of division B of the American Recovery
24 and Reinvestment Tax Act of 2009 is amended by

1 striking “and 2012” each place it appears and in-
2 sserting “2012, and 2013”.

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

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

7 (2) by striking “or 2012” and inserting “2012,
8 or 2013”.

9 (c) EARNED INCOME TAX CREDIT.—Section 32(b)(3)
10 is amended—

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

13 (2) by striking “or 2012” and inserting “2012,
14 or 2013”.

15 (d) TEMPORARY EXTENSION OF RULE DIS-
16 REGARDING REFUNDS IN THE ADMINISTRATION OF FED-
17 ERAL PROGRAMS AND FEDERALLY ASSISTED PRO-
18 GRAMS.—Subsection (b) of section 6409 is amended by
19 striking “December 31, 2012” and inserting “December
20 31, 2013”.

21 (e) EFFECTIVE DATES.—

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

1 (2) RULE DISREGARDING REFUNDS IN THE AD-
2 MINISTRATION OF CERTAIN PROGRAMS.—The
3 amendment made by subsection (d) shall apply to
4 amounts received after December 31, 2012.

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

8 (a) IN GENERAL.—

9 (1) DOLLAR LIMITATION.—Section 179(b)(1) is
10 amended—

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

13 (B) by redesignating subparagraph (D) as
14 subparagraph (E),

15 (C) by inserting after subparagraph (C)
16 the following new subparagraph:

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

19 (D) in subparagraph (E), as so redesign-
20 ated, by striking “2012” and inserting
21 “2013”.

22 (2) REDUCTION IN LIMITATION.—Section
23 179(b)(2) is amended—

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

1 (B) by redesignating subparagraph (D) as
2 subparagraph (E),

3 (C) by inserting after subparagraph (C)
4 the following new subparagraph:

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

7 (D) in subparagraph (E), as so redesign-
8 nated, by striking “2012” and inserting
9 “2013”.

10 (b) COMPUTER SOFTWARE.—Section
11 179(d)(1)(A)(ii) is amended by striking “2013” and in-
12 serting “2014”.

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

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

18 **TITLE II—ESTATE TAX RELIEF**

19 **SEC. 201. MODIFICATIONS TO ESTATE, GIFT, AND GENERA-** 20 **TION-SKIPPING TRANSFER TAXES.**

21 (a) MODIFICATIONS TO ESTATE TAX.—

22 (1) EXCLUSION AMOUNT.—Paragraph (3) of
23 section 2010(c) is amended to read as follows:

1 “(3) BASIC EXCLUSION AMOUNT.—For pur-
 2 poses of this section, the basic exclusion amount is
 3 \$3,500,000.”.

4 (2) MAXIMUM ESTATE TAX RATE.—The table in
 5 subsection (c) of section 2001 is amended by strik-
 6 ing “Over \$500,000” and all that follows and insert-
 7 ing the following:

Over \$500,000 but not over \$750,000.	\$155,800, plus 37 percent of the ex- cess of such amount over \$500,000.
Over \$750,000 but not over \$1,000,000.	\$248,300, plus 39 percent of the ex- cess of such amount over \$750,000.
Over \$1,000,000 but not over \$1,250,000.	\$345,800, plus 41 percent of the ex- cess of such amount over \$1,000,000.
Over \$1,250,000 but not over \$1,500,000.	\$448,300, plus 43 percent of the ex- cess of such amount over \$1,250,000.
Over \$1,500,000	\$555,800, plus 45 percent of the ex- cess of such amount over \$1,500,000.”.

8 (b) MODIFICATIONS OF ESTATE AND GIFT TAXES TO
 9 REFLECT DIFFERENCES IN CREDIT RESULTING FROM
 10 DIFFERENT TAX RATES AND EXCLUSION AMOUNTS.—

11 (1) CHANGING TAX RATES.—Notwithstanding
 12 section 304 of the Tax Relief, Unemployment Insur-
 13 ance Reauthorization, and Job Creation Act of
 14 2010, section 901 of the Economic Growth and Tax
 15 Relief Reconciliation Act of 2001 shall not apply to
 16 the amendments made by section 302(d) of the Tax
 17 Relief, Unemployment Insurance Reauthorization,
 18 and Job Creation Act of 2010.

1 (2) DECREASING EXCLUSIONS.—

2 (A) ESTATE TAX ADJUSTMENT.—Section
3 2001 is amended by adding at the end the fol-
4 lowing new subsection:

5 “(h) ADJUSTMENT TO REFLECT CHANGES IN EX-
6 CLUSION AMOUNT.—

7 “(1) IN GENERAL.—If, with respect to any gift
8 to which subsection (b)(2) applies, the applicable ex-
9 clusion amount in effect at the time of the dece-
10 dent’s death is less than such amount in effect at
11 the time such gift is made by the decedent, the
12 amount of tax computed under subsection (b) shall
13 be reduced by the amount of tax which would have
14 been payable under chapter 12 at the time of the
15 gift if the applicable exclusion amount in effect at
16 such time had been the applicable exclusion amount
17 in effect at the time of the decedent’s death and the
18 modifications described in subsection (g) had been
19 applicable at the time of such gifts.

20 “(2) LIMITATION.—The aggregate amount of
21 gifts made in any calendar year to which the reduc-
22 tion under paragraph (1) applies shall not exceed
23 the excess of—

24 “(A) the applicable exclusion amount in ef-
25 fect for such calendar year, over

1 “(B) the applicable exclusion amount in ef-
2 fect at the time of the decedent’s death.

3 “(3) APPLICABLE EXCLUSION AMOUNT.—The
4 term ‘applicable exclusion amount’ means, with re-
5 spect to any period, the amount determined under
6 section 2010(c) for such period, except that in the
7 case of any period for which such amount includes
8 the deceased spousal unused exclusion amount (as
9 defined in section 2010(c)(4)), such term shall mean
10 the basic exclusion amount (as defined under section
11 2010(c)(3), as in effect for such period).”.

12 (B) GIFT TAX ADJUSTMENT.—Section
13 2502 is amended by adding at the end the fol-
14 lowing new subsection:

15 “(d) ADJUSTMENT TO REFLECT CHANGES IN EX-
16 CLUSION AMOUNT.—

17 “(1) IN GENERAL.—If the taxpayer made a tax-
18 able gift in an applicable preceding calendar period,
19 the amount of tax computed under subsection (a)
20 shall be reduced by the amount of tax which would
21 have been payable under chapter 12 for such appli-
22 cable preceding calendar period if the applicable ex-
23 clusion amount in effect for such preceding calendar
24 period had been the applicable exclusion amount in
25 effect for the calendar year for which the tax is

1 being computed and the modifications described in
2 subsection (g) had been applicable for such pre-
3 ceding calendar period.

4 “(2) LIMITATION.—The aggregate amount of
5 gifts made in any applicable preceding calendar pe-
6 riod to which the reduction under paragraph (1) ap-
7 plies shall not exceed the excess of—

8 “(A) the applicable exclusion amount for
9 such preceding calendar period, over

10 “(B) the applicable exclusion amount for
11 the calendar year for which the tax is being
12 computed.

13 “(3) APPLICABLE PRECEDING CALENDAR YEAR
14 PERIOD.—The term ‘applicable preceding calendar
15 year period’ means any preceding calendar year pe-
16 riod in which the applicable exclusion amount ex-
17 ceeded the applicable exclusion amount for the cal-
18 endar year for which the tax is being computed.

19 “(4) APPLICABLE EXCLUSION AMOUNT.—The
20 term ‘applicable exclusion amount’ means, with re-
21 spect to any period, the amount determined under
22 section 2010(c) for such period, except that in the
23 case of any period for which such amount includes
24 the deceased spousal unused exclusion amount (as
25 defined in section 2010(c)(4)), such term shall mean

1 the basic exclusion amount (as defined under section
2 2010(c)(3), as in effect for such period).”.

3 (c) EFFECTIVE DATE.—The amendments made by
4 this section shall apply to estates of decedents dying, and
5 generation-skipping transfers and gifts made, after De-
6 cember 31, 2012.

7 (d) APPLICATION OF EGTRRA SUNSET.—Section
8 901 of the Economic Growth and Tax Relief Reconcili-
9 ation Act shall apply to the amendments made by sub-
10 section (a).

11 **TITLE III—ALTERNATIVE** 12 **MINIMUM TAX RELIEF**

13 **SEC. 301. TEMPORARY EXTENSION OF INCREASED ALTER-** 14 **NATIVE MINIMUM TAX EXEMPTION AMOUNT.**

15 (a) IN GENERAL.—Paragraph (1) of section 55(d) is
16 amended—

17 (1) by striking “\$72,450” and all that follows
18 through “2011” in subparagraph (A) and inserting
19 “\$78,750 in the case of taxable years beginning in
20 2012”, and

21 (2) by striking “\$47,450” and all that follows
22 through “2011” in subparagraph (B) and inserting
23 “\$50,600 in the case of taxable years beginning in
24 2012”.

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

4 **SEC. 302. TEMPORARY EXTENSION OF ALTERNATIVE MIN-**
5 **IMUM TAX RELIEF FOR NONREFUNDABLE**
6 **PERSONAL CREDITS.**

7 (a) IN GENERAL.—Paragraph (2) of section 26(a) is
8 amended—

9 (1) by striking “or 2011” and inserting “2011,
10 or 2012”, and

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

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

16 **TITLE IV—BUDGETARY EFFECTS**

17 **SEC. 401. BUDGETARY EFFECTS.**

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

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