

SUMMARY: HR 8, THE AMERICAN TAXPAYER RELIEF ACT OF 2012

Congress passed legislation, which President Obama indicated he would sign, to avoid the fiscal cliff. The legislation would allow tax rates to rise on the nation's highest earners while also extending dozens of tax cuts for individuals and businesses. Specifically, the bill:

- Raises the top tax rate to 39.6% for married couples earning \$450,000; single taxpayers earning \$400,000. These amounts will be indexed for inflation.
- Raises long-term capital gains and qualifying dividends tax rate to 20% (from 15%) for taxpayers in the 39.6% tax bracket for regular and alternative minimum tax.
- Permanently extends Bush-era tax cuts from 2001 and 2003 for all other taxpayers.
- Reinstates phaseout of personal exemptions and overall limitation on itemized deductions for married couples filing jointly earning over \$300,000 and single taxpayers earning over \$250,000.
- Raises the maximum estate tax rate to 40% but keeps the exemption amount at \$5 million, adjusted for inflation.
- Extends for 5 years (through 2018) the American Opportunity Tax Credit to pay for higher education, and special relief for families with 3 or more children for the refundable portion of the child tax credit and increased percentage for the earned income tax credit.
- Patches the AMT for 2012 and adjusts the exemption amount for inflation going forward.
- Extends through 2013 the following individual tax benefits: above the line deduction for teacher expenses, relief from cancellation of debt income for principal residences, parity for employer-provided mass transit benefits, deduction for mortgage insurance premiums as interest, election to deduct state and local sales taxes in lieu of income taxes, above the line deduction for qualified education expenses, tax-free distributions from IRA accounts for charitable purposes.
- Extends through 2013 certain business tax provisions that expired at the end of 2011 including: the research credit, the new markets tax credit, railroad track maintenance credit, mine rescue team training credit, work opportunity credit, the Section 179 asset expensing at \$500,000, Section 1202 stock exclusion at 100%, and empowerment zone incentives.
- Extends 50% bonus depreciation through 2013.
- Extends through 2013 certain energy tax incentives that expired at the end of 2011 including: energy efficient credit for existing homes, alternative fuel vehicle refueling property credit, biodiesel and renewable diesel incentives, wind credit, energy efficient credit for new homes, and credit for manufacture of energy efficient appliances.

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