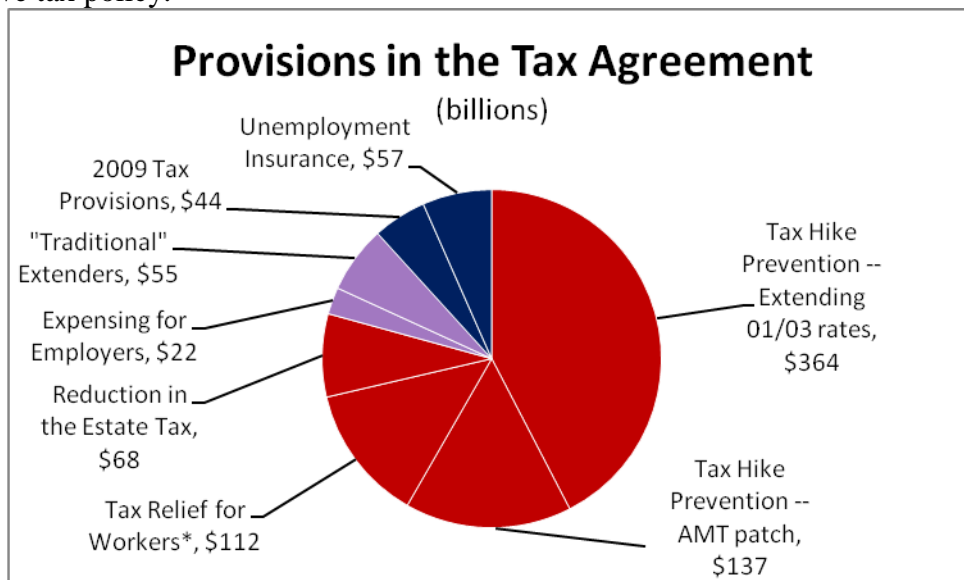




## THE TAX AGREEMENT CHOICE: To Prevent or Not Prevent Job-Killing Tax Increases

YES Vote	NO Vote
<ul style="list-style-type: none"> <li>➤ Prevents tax increase on working Americans, small businesses and job-creating investments.</li> </ul>	<ul style="list-style-type: none"> <li>➤ Job-killing \$3.8 trillion tax increase kicks in on January 1 and will be paid for by every taxpayer and most small businesses.</li> </ul>
<ul style="list-style-type: none"> <li>➤ Kills the refundable Making Work Pay credit and replaces it with a payroll tax cut for everyone who pays the FICA tax.</li> </ul>	<ul style="list-style-type: none"> <li>➤ Middle-class families lose roughly \$100 per week out of their paychecks.</li> </ul>
<ul style="list-style-type: none"> <li>➤ Reduces the Death Tax to 35% (down from 55% next year) and increases the exemption amount to \$5 million per spouse (up from \$1 million next year).</li> </ul>	<ul style="list-style-type: none"> <li>➤ Disaster for family budgets, employers and the economy.</li> </ul>

**Should Republicans Support This Agreement?** Yes. Stopping all the job-killing tax hikes scheduled for January 1st is an important first step to help our economy. It will help pave the way for other GOP efforts to help small businesses create jobs, including cutting spending and repealing the job-killing health care law. This legislation also gives Republicans time to push for fundamental tax reform, and, as shown below, the agreement is heavily weighted to traditional conservative tax policy.



*\*In January of 2009, Rep. Gohmert (R-TX) along with 56 other GOP Members introduced legislation (H.R. 143) that would, among other provisions, temporarily suspend payroll taxes.*

**Why not wait until January 2011 when Republicans control the House?** First, this is no time to be playing games with our economy. The failure to block these tax increases would be a direct hit to families and employers and further delay our economic recovery. Here is a look at what some are saying about this agreement and the need to enact it now:

- Susan Eckerly, National Federation of Independent Businesses (NFIB): “The bipartisan tax framework will help small businesses as they work to strengthen our economy during these challenging times...Bottom line, the tax framework announced yesterday is encouraging, and NFIB strongly urges members of Congress to work in a bipartisan manner to quickly pass a tax compromise that will help small businesses.” [[NFIB](#), 12/7/2010]
- Larry Burton, Executive Director, Business Roundtable: “Restoration of these provisions lifts an uncertainty for businesses that will improve their ability to employ more workers and grow the economy.” [[Business Roundtable](#), 12/07/2010]
- Bruce Josten, Executive Vice President for Government Affairs, Chamber of Commerce: “Enacting this bipartisan framework forged by the President and Congress is one of the best steps Washington can take to eliminate the uncertainty that is preventing our employers from hiring, investing, and growing their businesses.” [[Chamber of Commerce](#), 12/07/2010]

Second, it is unclear what, if anything, Republicans would gain. The President has been adamant that he will not sign an extension of current tax relief without the unemployment provisions or that makes the 2001 and 2003 tax relief permanent. Moreover, to pass anything through the Senate, a number of the “traditional” tax extenders must be included. Dragging this debate into next year would likely result in either: A) a stalemate and a job-killing tax increase, or B) families and small businesses forced to pay higher taxes while Congress and the President fight over the details and likely strike the same deal we have today.

**What about the impact on the deficit?** Republicans should reject this argument out of hand. We should not accept the notion that we have to increase taxes to reduce the deficit or to prevent other tax increases, and most of this agreement prevents tax increases that are set to take effect as soon as January 1. Washington does not have a revenue problem, it has a spending problem. Allowing these tax increases to go into effect would push tax rates to historically high and unsustainable levels and only provide Democrats with cover for more spending. What we need to focus on is fundamental tax reform and this two-year agreement gives us time to work on such a plan.

**Is there too much “pork” in this bill?** Clearly, there are provisions in this bill that Republicans are rightly concerned about – mainly the un-paid for extension of unemployment benefits and the extension of a select few 2009 tax provisions. However, Republicans were able to prevent a long list of existing tax subsidies (estimated at over \$100 billion) from being extended– notably stimulus provisions like the Build America Bonds program and grants in lieu of Low-Income Housing Credit (full list below). The agreement is also noteworthy for killing the Making Work Pay credit and taking other provisions to their pre-stimulus designs. All of these provisions are only extended through 2011, giving Republicans another shot at enacting fundamental reform that streamlines the tax code in the very near future. Also, unlike most “Christmas tree” legislation produced in Washington, this bill remains narrowly focused on tax and unemployment provisions and is free from the usual “add-ons.”

**Items Excluded (list from Joint Committee on Taxation; final score pending)**

1. Election to accelerate R&E credits in lieu of additional first-year depreciation
2. Making Work Pay Credit - credit of 6.2% of earned income up to a maximum of \$400 single (\$800 joint) phase-out for taxpayers with modified AGI in excess of \$75,000 (\$150,000 joint); and treatment of the U.S. Possessions
3. Payroll tax forgiveness for hiring unemployed workers
4. Business credit for retention of certain newly hired individuals
5. Build America Bonds - general rule: 35% credit to bondholders and 32% refundable credit to issuers
6. Exclusion of gain or loss on sale or exchange of certain Brownfield sites from unrelated business taxable income
7. Qualified zone academy bonds (\$400 million allocation) - with direct pay option
8. Modify placed-in-service date and extend credit period for facilities eligible to claim the refined coal production credit (sec. 45(d)) - steel industry fuel
9. Additional standard deduction for State and local real property taxes
10. Exclude up to \$2,400 of unemployment insurance benefits from gross income
11. Suspension of applicable high-yield debt obligation rules for debt issued in an exchange or as a result of modification
12. Sales tax deduction for purchase (up to \$49,500) of new cars, light trucks, motorcycles, and motor homes; phase-out for taxpayers with modified AGI in excess of \$125,000 (\$250,000 joint)
13. Safe harbor rule for minimum estimated tax payments for small businesses
14. Deferral and ratable inclusion of income arising from business indebtedness discharged by the reacquisition of a debt instrument
15. De minimis safe harbor exception for tax-exempt interest expense of financial institutions
16. Increase in volume cap for low-income housing tax credit
17. Extension of section 25C non-business energy property
18. Qualified school construction bonds
19. Computer technology and equipment allowed as a qualified higher education expense for section 529 accounts
20. Section 48C allocated high tech energy credit (\$2.3 billion allocation per year)
21. Election to substitute grants to States for low-income housing projects for low-income housing credit allocation
22. Work opportunity tax credit targeted group status for unemployed veterans and disconnected youth
23. Modification of AMT limitation on tax-exempt bonds
24. Modification of the small issuer exception to the tax-exempt interest expense allocation rules for financial institutions
25. Recovery zone bonds (\$15 billion private activity bond allocation; \$10 billion allocation for refundable issuer credit bonds, credit rate 45%)
26. Expand industrial development bonds to include creation of intangible property and eliminate 25% of proceeds restriction for facilities functionally related and subordinate to a manufacturing facility

27. Period of incurring qualified expenditures for purposes of credit for production of low sulfur diesel fuel for small refiners in compliance with Environmental Protection Agency sulfur regulations for small refiners
28. Expensing of capital costs incurred for production in complying with Environmental Protection Agency sulfur regulations for small refiners
29. Alternative motor vehicle credit for qualified hybrid motor vehicles other than passenger automobiles and light trucks
30. Alternative motor vehicle credit for advanced lean burn technology motor vehicles and qualified hybrid motor vehicles that are passenger automobiles or light trucks
31. Credit for electricity produced at open-loop biomass facilities placed in service before 10/22/04
32. Placed-in-service date for eligibility for tax credit for the production of coke or coke gas
33. Natural gas distribution lines treated as 15-year property
34. Alternative motor vehicle credit for qualified alternative fuel vehicles
35. Temporary reduction in corporate rate for qualified timber gain
36. Allowance of additional IRA contributions in certain bankruptcy cases
37. Qualified mortgage bonds for refinancing of subprime loans
38. Volume cap increase and set-aside for private activity bonds for housing
39. 5-year amortization of music and music copyrights
40. 5-year recovery period for certain farming business machinery or equipment
41. Renewal community tax incentives
42. Timber REITs
43. Alternative fuel vehicle refueling property with increased credit rate and cap
44. Exclusion from income for benefits provided to volunteer firefighters and emergency medical responders
45. Bonds guaranteed by Federal Home Loan banks eligible for treatment as tax-exempt bonds
46. Qualifying therapeutic discovery project credit
47. Five-year carry-back of general business credit of eligible small business
48. General business credits of eligible small business not subject to alternative minimum tax
49. Increase in amount allowed as a deduction for start-up expenditures
50. Deduction for health insurance costs in computing self-employment taxes
51. Special rule for long-term contract accounting
52. Tax relief for Kiowa County, Kansas, and surrounding area by reason of severe storms and tornados beginning May 4, 2007
53. Acceleration of income tax benefits for charitable cash contributions for relief of victims of earthquake in Haiti
54. Tax relief for areas damaged by 2008 Midwestern severe storms, tornados and flooding (Education tax benefits, Housing tax relief, Tax credit bonds, Expansion of the HOPE and Lifetime Learning credits, Secretarial authority to make adjustments regarding taxpayer and dependent status, Additional personal exemption for housing displaced individuals, Low-income housing tax credit relief, Expensing for demolition and clean-up costs, Extension of expensing for environmental remediation costs, Special rules for mortgage revenue bonds, and Use of funds from retirement plans)
55. Exclusion for certain cancellations of indebtedness
56. Low-income housing tax relief for areas damaged by Hurricane Ike in 2008

57. Gulf Opportunity Zone, Rita GO Zone, and Wilma GO Zone provisions (Advance refunding of certain tax-exempt bonds, Treatment of residences located in the Gulf Opportunity Zone, the Rita GO Zone, or the Wilma GO Zone as targeted area residences for purposes of mortgage revenue bond rules, Waiver of first-time homebuyer rule for qualified Hurricane Katrina residences financed with mortgage revenue bonds, and Work opportunity tax credit with respect to certain individuals affected by Hurricane Katrina for employers inside disaster areas)
58. National disaster relief (Losses attributable to Federally declared disasters, Expensing of qualified disaster expenses, Net operating losses attributable to Federally declared disasters, Waiver of certain mortgage revenue bond requirements following Federally declared disasters, Special depreciation allowance for qualified disaster property, and Increased expensing for qualified disaster assistance property)
59. New York Liberty Zone - Special depreciation allowance for nonresidential and residential real property
60. Issuance of clean renewable energy bonds (“CREBs”)
61. Extended net operating loss (“NOL”) carry-back period
62. Waiver of minimum required distribution rules for IRAs and defined contribution plans
63. Use of single-employer defined benefit plan’s prior-year adjusted funding target attainment percentage to determine application of limitation on benefit accruals
64. Delay of designation of multiemployer plans as in endangered or critical status
65. Extension of funding improvement and rehabilitation periods for certain multiemployer pension plans
66. Refundable credit for government retirees
67. Sixty-five percent subsidy for payment of COBRA health care coverage continuation premiums
68. First-time homebuyer credit
69. Enhanced credit for health insurance costs of eligible individuals
70. Repeal of collapsible corporation rules
71. Reduction in S corporation recognition period for built-in gains tax
72. Expand from 90 days to 120 days the postponement of certain tax related deadlines in the case of Presidentially-declared disasters
73. Period to amend returns to reduce casualty losses later compensated by Federal relief grants, and limited relief from interest and penalties