

## Comparison of the Geithner/Obama Proposal and the Senate Compromise

*The President's initial proposal to Senate Republicans included a \$1.6 trillion tax increase, a permanent increase in the nation's debt limit, and billions in new stimulus spending. By contrast, the current proposal stops a tax increase for 99 percent of taxpayers and makes permanent nearly 90 percent of the tax policy enacted during the George W. Bush administration. It protects tens of millions of families and small businesses from a tax hike. It permanently protects tens of thousands of farmers, ranchers, and family businesses from needing to visit the IRS upon the death of a loved one. And it protects the bipartisan spending cuts enacted into law in 2011 without raising the nation's debt limit.*

| Policy                 | Current Law  | Obama/Geithner Proposal   | Senate Compromise   |
|------------------------|--|---|---|
| Marginal Rates/Credits | Taxes increase on all Americans on January 1 <sup>st</sup>   | Tax hike beginning at \$200,000 (Singles), \$250,000 (married) -- tax increase of \$1.6T                          | Permanent extension of current policy up to \$400,000 (single), \$450,000 (married)   |
| Deduction Cap          | No cap on deductions   | 28% cap on deductions including charitable donations and mortgage interest  | No cap on deductions  |
| Cap Gains / Dividends  | On January 1 <sup>st</sup> the top dividend rate goes from 15% back to a taxpayer's marginal rate; top capital gains rate goes from 15% to 20% | Permanent: Above \$200k/\$250 dividends taxed as ordinary income (top rate of 39.6%); Cap Gains taxed at 20%      | Permanent: 15% top capital gains and dividends rate up to \$400k (singles), \$450k (married); 20% rate for both above threshold   |
| Death Tax              | \$5M/35% expires at end of 2012 and returns to \$1m (indexed) and 55% rate   | 45% rate with a \$3.5 million exemption   | Permanent extension of current policy (portability and unification) with \$5M exemption indexed for inflation and 40% top rate  |
| PEP / Pease            | On January 1 <sup>st</sup> PEP & Pease reinstated and begin to bite at \$174,000 (Singles), \$261,000 (married)                                | PEP & Pease reinstated at \$209,000 (single) and \$261,000 (married)  | Permanent relief from PEP & Pease under \$250,000 (single), \$300,000 (married)   |
| AMT                    | Patched through 2011   | Permanently index AMT for inflation   | Permanently index AMT for inflation   |
| Tax Extenders          | Expire at end of 2011 and 2012   | Extends some through 2013/others permanent  | 2 year extension through 2013 (Finance Committee Package)   |
| Payroll                | Expires at end of 2012   | 1 Year Extension through 2013   | Expires at the end of 2012  |
| Stimulus Tax Credits   | Expire at end of 2012  | Permanent Extension   | 5 year extension  |
| Bonus Depreciation     | Expires at end of 2012   | 1 year extension of 100% Bonus Depreciation   | 1 year Extension of 50% Bonus Depreciation  |
| SGR / Health Extenders | Current paid-for fix expires end of 2012   | 1 Year Extension (Unpaid for)   | 1 Year Extension (Paid for by reducing Medicare spending)   |
| UI                     | Extended weeks of unemployment insurance expires at end of 2012  | Extend current extended weeks of unemployment insurance for one year  | Extend current extended weeks of unemployment insurance for one year  |
| Debt Limit             | Statutory debt limit of \$16.394 trillion  | Gives President permanent unilateral authority to Increase Debt Limit   | NONE -- debt limit remains \$16.394 trillion  |
| New Stimulus Spending  | NONE   | Billions new infrastructure and stimulus spending   | NONE  |
| Sequester              | \$110 billion cut scheduled for 2013   | Turn off \$1.2 trillion sequester to take place between 2013-2021 paid for with tax increases and budget gimmicks | Replace 2 months of sequester by reducing discretionary caps and expanding eligibility for Roth conversion. It assumes that the remaining sequester for FY 2013 occurs on March 1, 2013 |