

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

# S. 3412

---

## AN ACT

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,*

1 **SECTION 1. SHORT TITLE; ETC.**

2 (a) **SHORT TITLE.**—This Act may be cited as the  
3 “Middle Class Tax Cut Act”.

4 (b) **AMENDMENT OF 1986 CODE.**—Except as other-  
5 wise expressly provided, whenever in this Act an amend-  
6 ment or repeal is expressed in terms of an amendment  
7 to, or repeal of, a section or other provision, the reference  
8 shall be considered to be made to a section or other provi-  
9 sion of the Internal Revenue Code of 1986.

10 (c) **TABLE OF CONTENTS.**—The table of contents of  
11 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.

12 **TITLE I—TEMPORARY**  
13 **EXTENSION OF TAX RELIEF**

14 **SEC. 101. TEMPORARY EXTENSION OF 2001 TAX RELIEF.**

15 (a) **TEMPORARY EXTENSION.**—

16 (1) **IN GENERAL.**—Section 901(a)(1) of the  
17 Economic Growth and Tax Relief Reconciliation Act

1 of 2001 is amended by striking “December 31,  
2 2012” and inserting “December 31, 2013”.

3 (2) EFFECTIVE DATE.—The amendment made  
4 by this subsection shall take effect as if included in  
5 the enactment of the Economic Growth and Tax Re-  
6 lief Reconciliation Act of 2001.

7 (b) APPLICATION TO CERTAIN HIGH-INCOME TAX-  
8 PAYERS.—

9 (1) INCOME TAX RATES.—

10 (A) TREATMENT OF 25- AND 28-PERCENT  
11 RATE BRACKETS.—Paragraph (2) of section  
12 1(i) is amended to read as follows:

13 “(2) 25- AND 28-PERCENT RATE BRACKETS.—  
14 The tables under subsections (a), (b), (c), (d), and  
15 (e) shall be applied—

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

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

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

1 “(3) 33-PERCENT RATE BRACKET.—

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

4 “(i) the rate of tax under subsections  
5 (a), (b), (c), and (d) on a taxpayer’s tax-  
6 able income in the fourth rate bracket shall  
7 be 33 percent to the extent such income  
8 does not exceed an amount equal to the ex-  
9 cess of—

10 “(I) the applicable amount, over

11 “(II) the dollar amount at which  
12 such bracket begins, and

13 “(ii) the 36 percent rate of tax under  
14 such subsections shall apply only to the  
15 taxpayer’s taxable income in such bracket  
16 in excess of the amount to which clause (i)  
17 applies.

18 “(B) APPLICABLE AMOUNT.—For purposes  
19 of this paragraph, the term ‘applicable amount’  
20 means the excess of—

21 “(i) the applicable threshold, over

22 “(ii) the sum of the following amounts  
23 in effect for the taxable year:

1                   “(I) the basic standard deduction  
2                   (within the meaning of section  
3                   63(c)(2)), and

4                   “(II) the exemption amount  
5                   (within the meaning of section  
6                   151(d)(1) (or, in the case of sub-  
7                   section (a), 2 such exemption  
8                   amounts).

9                   “(C) APPLICABLE THRESHOLD.—For pur-  
10                  poses of this paragraph, the term ‘applicable  
11                  threshold’ means—

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

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

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

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

22                  “(D) FOURTH RATE BRACKET.—For pur-  
23                  poses of this paragraph, the term ‘fourth rate  
24                  bracket’ means the bracket which would (deter-

1           mined without regard to this paragraph) be the  
2           36-percent rate bracket.

3           “(E) INFLATION ADJUSTMENT.—For pur-  
4           poses of this paragraph, with respect to taxable  
5           years beginning in calendar years after 2012,  
6           each of the dollar amounts under clauses (i),  
7           (ii), and (iii) of subparagraph (C) shall be ad-  
8           justed in the same manner as under paragraph  
9           (1)(C), except that subsection (f)(3)(B) shall be  
10          applied by substituting ‘2008’ for ‘1992’.”.

11          (2) PHASEOUT OF PERSONAL EXEMPTIONS AND  
12          ITEMIZED DEDUCTIONS.—

13           (A) OVERALL LIMITATION ON ITEMIZED  
14          DEDUCTIONS.—Section 68 is amended—

15           (i) by striking “the applicable  
16           amount” the first place it appears in sub-  
17           section (a) and inserting “the applicable  
18           threshold in effect under section 1(i)(3)”,

19           (ii) by striking “the applicable  
20           amount” in subsection (a)(1) and inserting  
21           “such applicable threshold”,

22           (iii) by striking subsection (b) and re-  
23           designating subsections (c), (d), and (e) as  
24           subsections (b), (c), and (d), respectively,  
25           and

1 (iv) by striking subsections (f) and  
2 (g).

3 (B) PHASEOUT OF DEDUCTIONS FOR PER-  
4 SONAL EXEMPTIONS.—

5 (i) IN GENERAL.—Paragraph (3) of  
6 section 151(d) is amended—

7 (I) by striking “the threshold  
8 amount” in subparagraphs (A) and  
9 (B) and inserting “the applicable  
10 threshold in effect under section  
11 1(i)(3)”,

12 (II) by striking subparagraph (C)  
13 and redesignating subparagraph (D)  
14 as subparagraph (C), and

15 (III) by striking subparagraphs  
16 (E) and (F).

17 (ii) CONFORMING AMENDMENTS.—  
18 Paragraph (4) of section 151(d) is amend-  
19 ed—

20 (I) by striking subparagraph (B),

21 (II) by redesignating clauses (i)  
22 and (ii) of subparagraph (A) as sub-  
23 paragraphs (A) and (B), respectively,  
24 and by indenting such subparagraphs  
25 (as so redesignated) accordingly, and

1 (III) by striking all that precedes  
2 “in a calendar year after 1989,” and  
3 inserting the following:

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

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

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

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

15 (a) EXTENSION.—

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

20 (2) EFFECTIVE DATE.—The amendment made  
21 by this subsection shall take effect as if included in  
22 the enactment of the Jobs and Growth Tax Relief  
23 Reconciliation Act of 2003.

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

1           (1) IN GENERAL.—Paragraph (1) of section  
2 1(h) is amended by striking subparagraph (C), by  
3 redesignating subparagraphs (D) and (E) as sub-  
4 paragraphs (E) and (F) and by inserting after sub-  
5 paragraph (B) the following new subparagraphs:

6           “(C) 15 percent of the lesser of—

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

11                   “(ii) the excess (if any) of—

12                           “(I) the amount of taxable in-  
13 come which would (without regard to  
14 this paragraph) be taxed at a rate  
15 below 36 percent, over

16                           “(II) the sum of the amounts on  
17 which a tax is determined under sub-  
18 paragraphs (A) and (B),

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

23           (2) MINIMUM TAX.—Paragraph (3) of section  
24 55(b) is amended by striking subparagraph (C), by  
25 redesignating subparagraph (D) as subparagraph

1 (E), and by inserting after subparagraph (B) the  
2 following new subparagraphs:

3 “(C) 15 percent of the lesser of—

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

8 “(ii) the excess described in section  
9 1(h)(1)(C)(ii), plus

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

14 (c) CONFORMING AMENDMENTS.—

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

18 (A) Section 531.

19 (B) Section 541.

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

21 (D) The second sentence of section  
22 7518(g)(6)(A).

23 (E) Section 53511(f)(2) of title 46, United  
24 States Code.

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

5           (3) Section 1445(e)(6) is amended by striking  
6 “15 percent (20 percent in the case of taxable years  
7 beginning after December 31, 2010)” and inserting  
8 “20 percent”.

9           (d) EFFECTIVE DATES.—

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

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

17           (e) APPLICATION OF JGTRRA SUNSET.—Each  
18 amendment made by subsections (b) and (c) shall be sub-  
19 ject to section 303 of the Jobs and Growth Tax Relief  
20 Reconciliation Act of 2003 to the same extent and in the  
21 same manner as if such amendment was included in title  
22 III of such Act.

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

24           (a) AMERICAN OPPORTUNITY TAX CREDIT.—

1           (1) IN GENERAL.—Section 25A(i) is amended  
2       by striking “or 2012” and inserting “2012, or  
3       2013”.

4           (2) TREATMENT OF POSSESSIONS.—Section  
5       1004(e)(1) of division B of the American Recovery  
6       and Reinvestment Tax Act of 2009 is amended by  
7       striking “and 2012” each place it appears and in-  
8       serting “2012, and 2013”.

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

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

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

19           (2) by striking “or 2012” and inserting “2012,  
20       or 2013”.

21       (d) TEMPORARY EXTENSION OF RULE DIS-  
22   REGARDING REFUNDS IN THE ADMINISTRATION OF FED-  
23   ERAL PROGRAMS AND FEDERALLY ASSISTED PRO-  
24   GRAMS.—Subsection (b) of section 6409 is amended by

1 striking “December 31, 2012” and inserting “December  
2 31, 2013”.

3 (e) EFFECTIVE DATES.—

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

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

12 **SEC. 104. TEMPORARY EXTENSION OF ELECTION TO EX-**  
13 **PENSE CERTAIN DEPRECIABLE BUSINESS AS-**  
14 **SETS.**

15 (a) IN GENERAL.—

16 (1) DOLLAR LIMITATION.—Section 179(b)(1) is  
17 amended—

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

20 (B) by redesignating subparagraph (D) as  
21 subparagraph (E),

22 (C) by inserting after subparagraph (C)  
23 the following new subparagraph:

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

1 (D) in subparagraph (E), as so redesign-  
2 nated, by striking “2012” and inserting  
3 “2013”.

4 (2) REDUCTION IN LIMITATION.—Section  
5 179(b)(2) is amended—

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

8 (B) by redesignating subparagraph (D) as  
9 subparagraph (E),

10 (C) by inserting after subparagraph (C)  
11 the following new subparagraph:

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

14 (D) in subparagraph (E), as so redesign-  
15 nated, by striking “2012” and inserting  
16 “2013”.

17 (b) COMPUTER SOFTWARE.—Section  
18 179(d)(1)(A)(ii) is amended by striking “2013” and in-  
19 serting “2014”.

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

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

1           **TITLE II—ALTERNATIVE**  
2           **MINIMUM TAX RELIEF**

3   **SEC. 201. TEMPORARY EXTENSION OF INCREASED ALTER-**  
4                   **NATIVE MINIMUM TAX EXEMPTION AMOUNT.**

5           (a) **IN GENERAL.**—Paragraph (1) of section 55(d) is  
6 amended—

7               (1) by striking “\$72,450” and all that follows  
8 through “2011” in subparagraph (A) and inserting  
9 “\$78,750 in the case of taxable years beginning in  
10 2012”, and

11              (2) by striking “\$47,450” and all that follows  
12 through “2011” in subparagraph (B) and inserting  
13 “\$50,600 in the case of taxable years beginning in  
14 2012”.

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

18   **SEC. 202. TEMPORARY EXTENSION OF ALTERNATIVE MIN-**  
19                   **IMUM TAX RELIEF FOR NONREFUNDABLE**  
20                   **PERSONAL CREDITS.**

21           (a) **IN GENERAL.**—Paragraph (2) of section 26(a) is  
22 amended—

23               (1) by striking “or 2011” and inserting “2011,  
24           or 2012”, and

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

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

## 6 **TITLE III—BUDGETARY EFFECTS**

### 7 **SEC. 301. BUDGETARY EFFECTS.**

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

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

Passed the Senate July 25, 2012.

Attest:

*Secretary.*



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

**S. 3412**

---

**AN ACT**

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