



Congress Passes Fiscal Cliff Bill



Info

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***** URGENT INFORMATION *****
PUBLIC POLICY BULLETIN

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TO: PRESIDENTS, SECRETARIES AND/OR ADMINISTRATORS,
COORDINATORS OF NATIONAL AFFAIRS, DIRECTORS OF INFORMATION,
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FR: MARK MASLYN, EXECUTIVE DIRECTOR, PUBLIC POLICY

CC: PRESIDENT STALLMAN

JULIE ANNA POTTS, EXECUTIVE VICE PRESIDENT

ISSUE:

Just before midnight last night the House passed H.R. 8, the *American Taxpayer Relief Act of 2012*. The vote was 257-167. The vote can be viewed [here](#).

85 Republicans voted yes 172 Democrats voted yes
151 Republicans voted no 16 Democrats voted no
5 Republicans did not vote 3 Democrats did not vote

The Senate had passed the bill early Tuesday morning on a 89-8 vote with the support of 40 Republicans, 47 Democrats, and 2 Independents.

The president will sign the bill as soon as it reaches the White House.

TAX POLICY

The bill makes permanent, starting in 2013 unless otherwise noted, Farm Bureau supported tax provisions as listed below.

- Estate Taxes - The estate tax exemption is \$5 million per person indexed for inflation with any unused amount allowed to transfer to a spouse (portability.) The maximum rate will increase to 40 percent (up from 35 percent). The estate and gift tax exemptions are unified. Stepped-up basis is already permanent law and will continue.
- Capital Gains Taxes - The top rate will be 15 percent for taxpayers making under \$400,000 (single person)/\$450,000 (couple).
- Income Taxes - Income tax rate brackets will be 10 percent, 25 percent, 28 percent, and 35 percent for taxpayers making under \$400,000 (single person)/\$450,000 (couple). There are no caps on personal exemptions or itemized deductions. The marriage penalty is eliminated for many taxpayers.
- Alternative Minimum Tax (AMT) -The bill increases the AMT exemption for 2012 to \$50,600 (individuals) and \$78,750 (married filing jointly) and indexes it for inflation.

Expiring Provisions: The bill extends many "expiring tax provisions." The following are Farm Bureau supported provisions:

- Section 179 Small Business Expensing - The maximum amount that a small business can immediately expense when purchasing business assets instead of depreciating them over time will be \$500,000 reduced dollar for dollar when expenditures exceed \$2 million (2012 and 2013).
- Bonus Depreciation - 50 percent bonus depreciation (2013).
- Cellulosic Biofuel Producer Tax Credit (2013):
 - \$1.01 per gallon income tax credit for cellulosic biofuel sold for fuel;
 - Additional first-year 50 percent bonus depreciation for cellulosic biofuel production facilities;
- Alternative Fuel Refueling Property - 30 percent credit for installation costs (2012 and 2013);
- Biodiesel Tax Incentives (2012 and 2013):
 - The biodiesel and renewable diesel \$1.00 per gallon tax credit;
 - The 10 cents per gallon small agri-biodiesel producer credit; and
 - The \$1.00 per gallon tax credit for diesel fuel created from biomass;
- Incentives for Renewable Electricity (2013):
 - The Production Tax Credit, which provides an income tax credit of 2.2 cents per kilowatt-hour for the production of electricity using wind energy (Sec. 45); and
 - The Community and Distributed Wind Investment Tax Credit, which gives the option to take an Investment Tax Credit in lieu of the Production Tax Credit (Sec. 48);
- Taxation of non-profit, unrelated business income from tax rent, royalty, interest and annuity income (UBIT) only when it exceeds fair market value (Sec. 512(b)(13) (2012 and 2013);
- Provision encouraging donations of conservation easements (2012 and 2013);
- Fifty percent railroad track maintenance credit for short line railroads (2012 and 2013);
- Enhanced deduction for donated food (2012 and 2013);
- Deduction for state and local general sales taxes (2012 and 2013); and
- Deduction for tuition and fees for higher education (2012 and 2013).

FARM BILL

The bill includes a nine month extension of the 2008 Farm Bill that will continue programs until September 30, 2013. Major provisions include:

- An extension through Sept. 30, 2013 for most provisions of the 2008 bill;
- Does not include the new dairy gross margin/supply management program but rather extends the Milk Income Loss Contract (MILC) program and restores it to a 45 percent rate (from 35 percent) and a feed cost adjuster set at \$7.35/cwt. Rather than the \$9.50 level that was most recently in place. These changes scored as \$110 million and were paid for via cuts to the nutrition education program;
- Authorizes \$80 million for livestock indemnity payments; \$400 million for the livestock forage disaster program; \$50 million for emergency assistance for livestock, honey bees, and farm-raised fish; and \$20 million for trees assistance. It is important to note, however, that these programs are authorized but not funded. In order to have any funding, the Appropriations Committees would have to provide funding;
- Authorizes, but as with the disaster provisions, does not fund any of the 37 expiring programs that lost their base; and
- Importantly, does preserve the baseline for consideration of the farm bill this year.

With Congress unable to complete action on a new five-year farm bill, extension of current law was the only option remaining. As a result, the new Congress that convenes tomorrow will have nine months to re-introduce, mark up and take to the House and Senate floor a new farm bill. While we would expect many provisions to be very similar to the legislation passed by the Senate and the House Agriculture Committees in the

summer of 2012, some things will very likely change when the Congressional Budget Office comes out with its new scoring of costs in early March.

RURAL HEALTH CARE

- Extension of Low-Volume Hospital (LVH) Program - The LVH program assists small rural hospitals by offsetting the increasing cost of providing care to seniors. A low-volume hospital is a hospital that is more than 15 road miles from another comparable hospital and has fewer than 1,600 Medicare discharges a year. This program provides financial assistance to LVH hospitals to help them cover fixed and operational costs. Farm Bureau supported the extension of the LVH program. The extension expires on Dec. 31, 2013.
- Extension of Medicare-Dependent Hospital (MDH) Program - The program provides MDHs greater financial stability and leaves them better able to serve their communities by simplifying billing procedures and creating incentives to develop local acute, primary, emergency and long-term care systems. A hospital qualifies for the MDH program if it is located in a rural area, has no more than 100 beds, is not classified as a Sole Community Hospital and has at least 60 percent of inpatient days or discharges covered by Medicare. Farm Bureau supported the extension of the MDH program. The extension expires on Oct. 1, 2013.
- Extension of Medicare Physician Payment (Doc Fix) - This extension prevents the reduction of Medicare payment rates and guarantees seniors have continued access to their physicians. This provision benefits rural America because of the large percentage of eligible Medicare recipients living in rural America. The extension expires on Dec. 31, 2013.
- Permanent Tax Exclusion of National Health Service Corps Scholarships - The National Health Service Corps (NHSC) maintains a health care safety net by placing primary health care providers in the most underserved rural communities. This provision permanently allows qualified NHSC recipients to exclude the scholarship from their income. The bill extends the changes to this provision for taxable years beginning after Dec. 31, 2012.

OTHER ISSUES: Farm Bureau does not have a position on the following noteworthy items.

- The bill does not extend reduced employment and self-employment taxes (payroll tax holiday);
- The bill delays for two-months automatic across-the-board spending cuts (sequestration) that was scheduled to start on Jan. 1;
- The bill extends unemployment insurance benefits for one year; and
- The bill does not increase the debt limit.

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Related Resources

- [Coalition Letter to Rep. Lungren Re: H.R. 5141, the Small Business Paperwork Mandate Elimination Act](#)
- [Senate FY 11 Budget Resolution Out of Committee](#)
- [National Bio and Agro-Defense Facility Appropriation Request](#)
- [Letter to Sens. Crapo and Conrad Re: Loan Limits](#)
- [Letter Re: National Bio and Agro Defense Facility](#)

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Reviews

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