



To: FCA's Industry Leaders
From: Michael Oscar, FCA Legislative Consultant
Subject: **Fiscal Cliff (Tax Package)**
Date: January 3, 2013

The House of Representatives sent a tax package to President Obama late New Year's Day that did not address the sequestration aspects of the fiscal cliff.

On Tuesday, January 1, 2013, the House passed the legislation 257-167 with 85 Republicans joining 172 Democrats in backing the bill. The vote came after a day of caucus meetings and debate within both parties about the pros and cons of the deal. Republicans, though controlling the House, were fractured with 151 Republicans voting against the tax plan, as well as 16 Democrats.

The Senate had voted 89-8 early New Year's morning to pass the tax overhaul, which raises taxes on wealthier Americans.

Though lawmakers missed a self-imposed deadline, the legislation would avoid raising income taxes on 98 percent of the country.

On tax provisions, the legislation would raise revenue by \$620 billion over the next decade, making a minor dent in the annual budget deficits that now top \$1 trillion annually.

- Tax rates would be permanently raised to 39.6 percent for individuals earning more than \$400,000 a year and couples earning more than \$450,000.
- The estate tax would be set at a \$5 million exemption for individuals or \$10 million for couples with a rate at 40 percent. The \$5 million exemption will also be indexed for inflation.
- Capital gains and dividends will be permanently set at 20 percent for those earners with income above the \$400,000 threshold for individuals or \$450,000 for couples. The rate remains at 15 percent for everyone else.
- The Alternative Minimum Tax will be permanently patched to avoid raising taxes on middle-class earners.
- The 2 percent payroll-tax break is allowed to expire, thus paychecks will be slightly smaller for virtually every wage earner in the country.

On sequestration, a failure in the negotiations came in dealing with budget cuts; thereby, President Obama and lawmakers once again pushed off the \$1.6 trillion in sequestration cuts from going into effect for another two months to allow talks to continue.

Finally, on spending, on Tuesday, January 1, 2013, a report released by the non-partisan Congressional Budget Office said that this compromise legislation would add nearly \$4 trillion to the federal deficit over 10 years.