

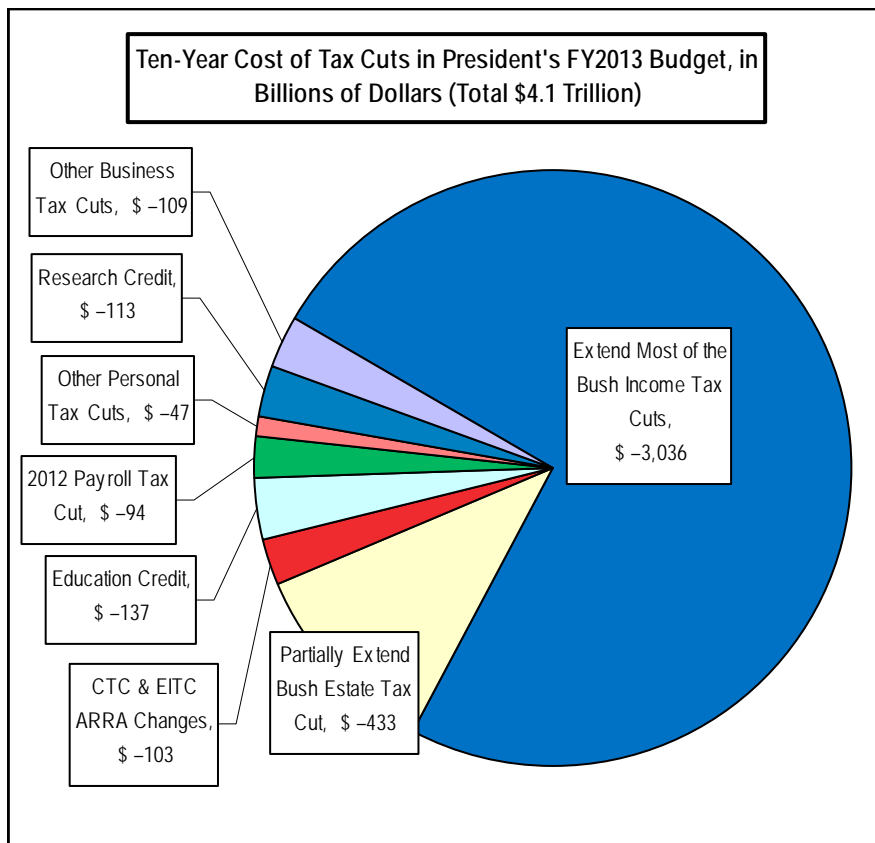
President Obama's 2013 Budget Plan Reduces Revenue by Trillions, Makes Permanent 78 Percent of Bush Tax Cuts

(Detailed Tables on pages 3-4)

President Obama's fiscal year 2013 budget plan would cut taxes by \$4.1 trillion over ten years. Most of this cost results from his proposal to make permanent 78 percent of the Bush tax cuts, which would reduce revenues by \$3.5 trillion over a decade.

Counting added interest on the national debt, the President's proposed Bush tax cut extensions would cost \$4.2 trillion over a decade.

The budget plan does include some good proposals that, together, would raise \$1.1 trillion over a decade. The most prominent of these include scaling back tax subsidies for the wealthy, starting to crack down on offshore tax avoidance by U.S. corporations, asking the "too-big-to-fail" banks to pay for their government guarantee, and ending tax subsidies to oil and gas companies.



Of course, these revenue-raising proposals don't come close to offsetting the costs of the tax cuts that the President proposes. Revenue would be reduced by a net \$3 trillion over a decade under his budget plan.

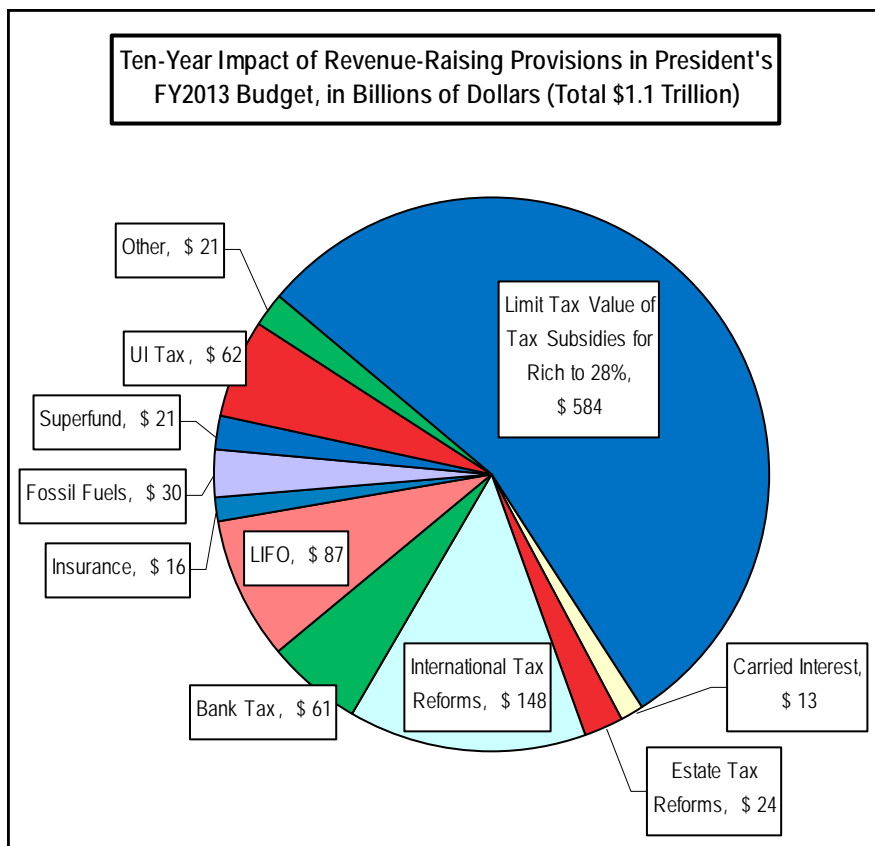
In some ways, this budget is an improvement over the budget plans President Obama has offered in the past. For example, while the President still proposes to extend the Bush income tax cuts for the first \$250,000 of income for married couples (and the first \$200,000 for unmarried taxpayers), his previous budget plans extended most of the Bush tax cut for stock dividends

even for income in excess of \$250,000/\$200,000. (This Bush tax cut for stock dividends allows them to be taxed at a lower rate than other types of income.) President Obama's decision this time around to allow the Bush tax cut for stock dividends to expire entirely for the rich is an important improvement over his previous proposals.

Certain questions remain to be answered. For example, the Buffett Rule is sensible in concept but it's unclear how the administration would implement it. The budget document says that the President "is proposing that the Buffett rule should replace the Alternative Minimum Tax."

It's unclear that the Buffett Rule could raise enough revenue to offset the cost of repealing the AMT. Even if it did, that would seem to mean that no new revenue would be produced because repeal of

the AMT would cancel out the revenue effect of enacting the Buffett Rule.



Another area where more detail is needed is corporate tax reform. The administration is said to be planning a more detailed approach to overhauling the corporate income tax in a way that is revenue-neutral.

The administration should not bother attempting the overhaul the corporate income tax unless this would help resolve one of the biggest challenges we have — which is raising revenue to pay for public investments and deficit reduction, while preserving essential public programs.

In the coming days, Citizens for Tax Justice will provide an analysis of each of the major tax provisions in the President's budget.

The following two pages include detailed tables on all the tax proposals in the President's fiscal year 2013 budget plan.

President Obama's February 2012 Tax Proposals, Fiscal 2012–2022 Revenue Estimates

fiscal years, \$-billions	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2012-22
TOTAL PROPOSED NET TAX REDUCTIONS	-144.4	-229.7	-274.8	-204.4	-185.9	-254.6	-285.4	-321.7	-337.5	-368.5	-397.6	-3,004.6
Tax Cuts												
Personal Tax Cuts:												
Reenact 78 percent of all otherwise-expiring Bush tax cuts												
Reenact all Bush personal income tax cuts for everyone except the rich and extend AMT relief permanently (indexed)	-19.4	-183.6	-238.5	-244.1	-262.7	-286.5	-309.7	-333.3	-358.7	-385.4	-414.1	-3,036.1
Extend estate, gift, and generation-skipping transfer taxes at 2009 parameters	-1.5	-4.9	-31.9	-35.8	-39.8	-43.6	-47.7	-51.4	-55.1	-58.8	-62.1	-432.6
Total expiring Bush tax cuts reenacted	-20.9	-188.5	-270.4	-279.9	-302.5	-330.1	-357.4	-384.7	-413.8	-444.2	-476.2	-3,468.7
Additional personal tax cuts												
Make college tuition credit ("American Opportunity Tax Credit") permanent	—	-0.7	-12.7	-13.0	-14.1	-14.2	-15.2	-15.6	-16.6	-17.1	-18.4	-137.4
Extend 2-percentage point payroll tax cut	-63.2	-31.2	—	+0.1	-0.0	-0.0	-0.0	-0.0	-0.0	-0.0	—	-94.3
Make \$3,000 threshold for child tax credit refunds permanent*	—	—	—	-9.8	-9.7	-9.6	-9.5	-9.4	-9.3	-9.2	-9.2	-75.8
Retirement plans for workers at small businesses, etc.	—	—	-0.7	-1.2	-1.3	-1.4	-1.6	-1.8	-2.0	-2.3	-2.7	-15.0
Make earned income tax credit \$5K marriage penalty relief permanent*	—	—	-0.0	-1.5	-1.5	-1.6	-1.6	-1.6	-1.6	-1.6	-1.6	-12.7
Make earned income tax credit expansion for 3 or more children permanent	—	-0.1	-1.4	-1.5	-1.5	-1.5	-1.5	-1.6	-1.6	-1.6	-1.7	-14.0
Continue sales tax deduction and other expiring tax subsidies through 2012	-2.2	-6.0	-4.8	-0.1	-0.1	-0.0	—	—	-0.0	-0.0	-0.0	-13.2
Expand child-and-dependent-care credit	—	-0.3	-1.1	-1.1	-1.1	-1.1	-1.1	-1.1	-1.1	-1.1	-1.1	-10.2
Simplify the rules for claiming the EITC for workers without qualifying children	—	-0.0	-0.6	-0.6	-0.6	-0.6	-0.6	-0.6	-0.6	-0.6	-0.6	-5.4
Extend exclusion for cancellation of certain mortgage debt	—	-1.2	-1.3	-0.3	—	—	—	—	—	—	—	-2.7
Provide exclusion for certain student loan forgiveness	—	—	-0.0	-0.0	-0.0	-0.0	-0.0	-0.0	-0.0	-0.0	-0.0	-0.0
Total additional personal tax cuts	-65.3	-39.5	-22.6	-29.0	-29.9	-30.0	-31.1	-31.7	-32.9	-33.6	-35.3	-380.8
Total Personal Tax Cuts	-86.2	-228.0	-292.9	-308.9	-332.4	-360.1	-388.5	-416.4	-446.7	-477.9	-511.5	-3,849.5
Business Tax Cuts:												
Make research and experimentation tax credit permanent (expanded)	-4.0	-7.0	-7.8	-8.7	-9.6	-10.4	-11.3	-12.2	-13.0	-13.8	-14.7	-112.5
Provide a temporary 10-percent tax credit for new jobs and wage increases	-14.2	-12.6	-1.1	-1.2	-1.0	-0.9	-0.5	-0.5	-0.4	-0.2	-0.2	-32.7
Continue subsidies for offshore financial companies, restaurants, film makers, and other special interests through 2012	-3.3	-7.6	-4.3	-0.9	-0.5	-0.2	-0.2	-0.2	-0.3	-0.3	-0.4	-18.2
Expand and simplify the tax credit for qualified small employers for contributions to employee health insurance	-0.5	-1.1	-1.8	-2.2	-2.0	-1.7	-1.4	-1.2	-1.1	-1.0	-0.8	-14.7
Add to tax subsidies for particular U.S. geographic areas, etc.	-0.0	-0.3	-1.0	-1.6	-1.7	-1.7	-1.7	-1.0	-0.3	-0.2	-0.1	-9.6
Eliminate capital gains taxes on sales of small business stock	—	—	—	—	—	-0.2	-0.6	-1.0	-1.5	-2.1	-2.5	-8.0
Tax credit to support investments in communities that suffer a major job loss event	—	-0.0	-0.1	-0.2	-0.4	-0.5	-0.6	-0.7	-0.7	-0.6	-0.5	-4.4
Extend and modify wind energy incentives	-0.5	-0.6	-1.8	-0.7	-0.3	-0.1	-0.0	-0.1	-0.1	-0.1	-0.1	-4.3
Extend 100-percent first-year depreciation deduction for certain property	-35.0	-14.8	+13.7	+10.3	+7.3	+5.4	+3.5	+2.2	+1.4	+1.0	+0.9	-4.1
Provide additional tax credits for investment in qualified property used in a qualified advanced energy manufacturing project	-0.2	-0.8	-1.3	-1.2	-0.4	-0.0	+0.1	+0.1	+0.1	+0.0	+0.0	-3.7
Double the amount of expensed small-business start-up expenditures	-0.1	-0.3	-0.3	-0.3	-0.3	-0.3	-0.3	-0.3	-0.3	-0.3	-0.3	-3.1
Provide a tax credit for the production of advanced technology vehicles	-0.0	-0.1	-0.2	-0.3	-0.4	-0.6	-0.5	-0.4	-0.2	+0.3	+0.3	-2.0
Provide a tax credit for medium- and heavy-duty alternative-fuel commercial vehicles	—	-0.0	-0.2	-0.3	-0.3	-0.4	-0.4	-0.2	+0.0	+0.0	+0.0	-1.7
Provide tax credit for energy-efficient commercial building property expenditures in place of existing tax deduction	—	-0.4	-0.5	-0.4	-0.2	-0.1	-0.0	+0.0	+0.0	+0.0	+0.0	-1.7
Reform and extend Build America bonds	-0.0	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-1.1
Provide tax incentives for locating jobs and business activity in the United States and remove tax deductions for shipping jobs overseas	—	-0.0	-0.0	-0.0	-0.0	-0.0	-0.0	-0.0	-0.0	-0.0	-0.0	-0.1
Target the domestic production activities deduction to domestic manufacturing activities and double the deduction for advanced manufacturing activities	—	—	—	—	—	—	—	—	—	—	—	-----revenue neutral-----
Total Business Tax Cuts	-57.8	-45.7	-6.7	-7.7	-9.9	-12.0	-14.1	-15.5	-16.5	-17.5	-18.5	-221.9
Total Proposed Tax Cuts (gross)	-144.0	-273.7	-299.7	-316.6	-342.3	-372.0	-402.7	-431.9	-463.2	-495.4	-529.9	-4,071.4
Loophole Closers & Miscellaneous Revenue Changes												
Individual reforms:												
Limit the value of itemized deductions, and exclusions for tax-exempt interest, employer-paid health insurance, moving expenses and other items, to 28% of the amount deducted or excluded	—	+27.1	+43.9	+47.5	+51.8	+57.0	+62.3	+66.7	+71.2	+75.9	+80.8	+584.2
Tax compensation ("carried profit interests") of investment fund managers as earned income	—	+1.3	+1.9	+1.9	+1.7	+1.4	+1.2	+1.1	+1.2	+1.0	+0.8	+13.5
Reduce estate tax avoidance	-0.1	+1.0	+1.7	+1.9	+2.1	+2.3	+2.5	+2.8	+3.1	+3.4	+3.7	+24.4
Modify rules on valuation discounts	—	+0.8	+1.4	+1.5	+1.6	+1.7	+1.9	+2.0	+2.2	+2.4	+2.5	+18.1
Require a minimum term for grantor retained annuity trusts (GRATs)	—	+0.0	+0.1	+0.1	+0.2	+0.3	+0.3	+0.4	+0.5	+0.6	+0.7	+3.3
Require consistency in value for transfer and income tax purposes	—	+0.1	+0.2	+0.2	+0.2	+0.2	+0.2	+0.2	+0.2	+0.2	+0.3	+2.0
Coordinate certain income and transfer tax rules applicable to grantor trusts	—	+0.0	+0.0	+0.0	+0.1	+0.1	+0.1	+0.1	+0.1	+0.2	+0.2	+0.9
Extend the lien on estate tax deferrals provided under section 6166	+0.0	+0.0	+0.0	+0.0	+0.0	+0.0	+0.0	+0.0	+0.0	+0.0	+0.0	+0.2
Total individual reforms	-0.1	+29.4	+47.6	+51.3	+55.5	+60.7	+66.0	+70.6	+75.4	+80.3	+85.3	+622.1
Business reforms:												
Reduce subsidies that move jobs & shift profits out of the United States	—	+9.5	+16.2	+16.8	+17.4	+18.0	+15.0	+13.1	+13.4	+13.9	+14.3	+147.5
Determine the foreign tax credit on a pooling basis	—	+3.2	+5.5	+5.7	+5.9	+6.2	+6.4	+6.6	+6.9	+7.1	+7.4	+60.8
Defer deduction of interest expense related to deferred income of foreign subsidiaries	—	+3.5	+5.9	+6.2	+6.4	+6.7	+3.4	+1.2	+1.3	+1.3	+1.4	+37.3
Tax currently excess returns associated with transfers of intangibles offshore	—	+1.5	+2.7	+2.6	+2.6	+2.5	+2.4	+2.3	+2.2	+2.2	+2.1	+23.0
Modify tax rules for dual capacity taxpayers	—	+0.5	+0.9	+1.0	+1.0	+1.1	+1.1	+1.2	+1.2	+1.3	+1.3	+10.7

(continued on next page)

President Obama's Tax Proposals, February 2012, page 2 of 2

fiscal years, \$-billions	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2012-22
Business reforms, continued:												
Limit earnings stripping by expatriated entities	—	+0.2	+0.4	+0.4	+0.4	+0.4	+0.5	+0.5	+0.5	+0.5	+0.6	+4.4
Prevent using leveraged distributions from related foreign corps. to avoid dividend treatment	—	+0.2	+0.3	+0.3	+0.3	+0.3	+0.4	+0.4	+0.4	+0.4	+0.4	+3.3
Tax gain from the sale of a partnership interest on look-through basis	—	+0.2	+0.2	+0.2	+0.2	+0.3	+0.3	+0.3	+0.3	+0.3	+0.3	+2.6
Disallow the deduction for excess nontaxed reinsurance premiums paid to affiliates	—	+0.1	+0.2	+0.2	+0.2	+0.2	+0.3	+0.3	+0.3	+0.3	+0.3	+2.4
Limit shifting of income through intangible property transfers	—	+0.0	+0.1	+0.1	+0.1	+0.1	+0.2	+0.2	+0.2	+0.3	+0.3	+1.6
Extend section 338(h)(16) to certain asset acquisitions	—	+0.1	+0.1	+0.1	+0.1	+0.1	+0.1	+0.1	+0.1	+0.1	+0.1	+1.0
Remove foreign taxes from a section 902 corp.'s foreign tax pool if earnings are eliminated	—	+0.0	+0.0	+0.0	+0.0	+0.0	+0.1	+0.1	+0.1	+0.1	+0.1	+0.4
Impose a financial crisis responsibility fee on the largest financial companies	—	—	+3.3	+6.5	+6.5	+6.8	+7.1	+7.3	+7.7	+8.0	+8.3	+61.3
Repeal LIFO and lower-of-cost-market inventory accounting methods	—	—	+6.5	+14.5	+10.7	+9.9	+10.1	+9.0	+8.7	+8.8	+8.7	+86.8
Repeal LIFO method of accounting for inventories	—	—	+5.5	+8.8	+8.4	+8.4	+8.8	+8.7	+8.3	+8.4	+8.4	+73.8
Repeal lower-of-cost-or-market inventory accounting method	—	—	+0.9	+5.6	+2.3	+1.5	+1.3	+0.3	+0.3	+0.3	+0.4	+13.1
Eliminate oil and gas tax subsidies	—	+4.2	+3.7	+3.3	+3.2	+2.9	+2.4	+2.0	+1.8	+1.7	+1.7	+26.9
Repeal expensing of intangible drilling costs	—	+3.5	+2.4	+1.9	+1.8	+1.5	+1.0	+0.7	+0.5	+0.4	+0.3	+13.9
Repeal domestic manufacturing deduction for oil and natural gas companies	\$11.6 billion revenue gain over 10 years is included in reform of domestic manufacturing deduction above											
Repeal percentage depletion for oil and natural gas wells	—	+0.6	+1.0	+1.1	+1.1	+1.2	+1.2	+1.2	+1.3	+1.3	+1.4	+11.5
Increase geological & geophysical amortization period for independent producers to 7 years	—	+0.1	+0.2	+0.3	+0.3	+0.2	+0.1	+0.1	+0.0	+0.0	+0.0	+1.4
Repeal deduction for tertiary injectants	—	+0.0	+0.0	+0.0	+0.0	+0.0	+0.0	+0.0	+0.0	+0.0	+0.0	+0.1
Repeal exception to passive loss limitations for working interests in oil & gas properties	—	+0.0	+0.0	+0.0	+0.0	+0.0	+0.0	+0.0	+0.0	+0.0	+0.0	+0.1
Reform treatment of insurance companies and products	—	+0.5	+0.9	+1.0	+1.1	+1.3	+1.6	+1.8	+2.1	+2.5	+3.0	+15.8
Modify proration rules for life insurance company general and separate accounts	—	+0.5	+0.8	+0.8	+0.8	+0.8	+0.8	+0.8	+0.8	+0.8	+0.8	+7.7
Expand pro rata interest expense disallowance for corporate-owned life insurance (COLI)	—	+0.0	+0.1	+0.2	+0.3	+0.4	+0.6	+0.9	+1.2	+1.6	+2.1	+7.3
Modify rules that apply to sales of life insurance contracts	—	+0.0	+0.0	+0.0	+0.1	+0.1	+0.1	+0.1	+0.1	+0.1	+0.2	+0.8
Require ordinary treatment of income from day-to-day dealer activities for certain dealers of equity options and commodities	+0.0	+0.2	+0.2	+0.3	+0.3	+0.3	+0.3	+0.3	+0.3	+0.4	+0.4	+2.9
Eliminate coal tax subsidies	—	+0.2	+0.2	+0.2	+0.3	+0.3	+0.3	+0.3	+0.3	+0.3	+0.3	+2.6
Repeal percentage depletion for hard mineral fossil fuels	—	+0.2	+0.2	+0.2	+0.2	+0.2	+0.2	+0.2	+0.2	+0.2	+0.2	+1.7
Repeal expensing of exploration and development costs	—	+0.0	+0.0	+0.0	+0.0	+0.1	+0.1	+0.0	+0.0	+0.0	+0.0	+0.4
Repeal capital gains treatment for royalties	—	+0.0	+0.0	+0.0	+0.0	+0.0	+0.0	+0.1	+0.1	+0.1	+0.1	+0.4
Repeal domestic manufacturing deduction for coal and other hard mineral fossil fuels	\$0.3 billion revenue gain over 10 years is included in reform of domestic manufacturing deduction above											
Repeal certain corporate subsidies involving stock activities	+0.0	+0.1	+0.1	+0.1	+0.1	+0.1	+0.2	+0.2	+0.2	+0.2	+0.2	+1.4
Repeal gain limitation for dividends received in reorganization exchanges	—	+0.0	+0.1	+0.1	+0.1	+0.1	+0.1	+0.1	+0.1	+0.1	+0.1	+0.9
Require accrual of income on forward sale of corporate stock	—	+0.0	+0.0	+0.0	+0.0	+0.0	+0.0	+0.0	+0.0	+0.0	+0.0	+0.3
Modify the definition of "control" for purposes of section 249 of the Internal Revenue Code	+0.0	+0.0	+0.0	+0.0	+0.0	+0.0	+0.0	+0.0	+0.0	+0.0	+0.0	+0.2
Other business reforms	+0.0	+0.1	+0.4	+0.5	+0.6	+0.6	+0.7	+0.6	+0.5	+0.4	+0.5	+4.8
Eliminate special depreciation rules for purchases of general aviation passenger aircraft	—	+0.1	+0.2	+0.3	+0.3	+0.4	+0.4	+0.3	+0.2	+0.1	+0.1	+2.2
Extend partnership basis limitation rules to nondeductible expenditures	—	+0.0	+0.1	+0.1	+0.1	+0.1	+0.1	+0.1	+0.1	+0.1	+0.1	+0.8
Limit the importation of losses under section 267(d)	—	+0.0	+0.1	+0.1	+0.1	+0.1	+0.1	+0.1	+0.1	+0.1	+0.1	+0.8
Eliminate the deduction for contributions of conservation easements on golf courses	+0.0	+0.0	+0.1	+0.1	+0.1	+0.1	+0.1	+0.1	+0.1	+0.1	+0.1	+0.6
Deny deduction for punitive damages	—	—	+0.0	+0.0	+0.0	+0.0	+0.0	+0.0	+0.0	+0.0	+0.0	+0.3
Expand the definition of built-in loss for purposes of partnership loss transfers	—	—	+0.0	+0.0	+0.0	+0.0	+0.0	+0.0	+0.0	+0.0	+0.0	+0.1
Total business reforms	+0.0	+14.7	+31.5	+43.2	+40.2	+40.1	+37.5	+34.6	+34.9	+36.1	+37.3	+350.2
Miscellaneous revenue changes:												
Unemployment tax (FUTA):	—	-2.0	-2.3	+9.2	+11.3	+10.4	+10.2	+6.9	+5.9	+6.5	+5.6	+61.8
Provide short-term tax relief to employers and expand unemployment tax base	—	-3.0	-3.6	+7.9	+9.9	+8.9	+8.8	+5.5	+4.4	+5.0	+4.1	+47.8
Make unemployment insurance surtax permanent	—	+1.0	+1.4	+1.4	+1.4	+1.4	+1.5	+1.5	+1.5	+1.5	+1.5	+13.9
Reinstate Superfund taxes	—	+1.4	+2.1	+2.0	+2.0	+2.1	+2.2	+2.2	+2.3	+2.3	+2.3	+21.0
Increase certainty with respect to worker classification	+0.0	+0.0	+0.2	+0.6	+0.8	+0.9	+1.0	+1.1	+1.2	+1.3	+1.4	+8.4
Require a certified Taxpayer Identification Number from contractors and allow certain withholding	—	+0.0	+0.1	+0.1	+0.2	+0.2	+0.2	+0.2	+0.2	+0.2	+0.2	+1.4
Increase Oil Spill Liability Trust Fund financing by one cent	—	+0.1	+0.1	+0.1	+0.1	+0.1	+0.1	+0.1	+0.1	+0.1	+0.1	+0.7
Eliminate special rules modifying estimated tax payments by corporations	-0.3	+0.3	-54.7	+5.6	+46.4	+2.8	—	-5.6	+5.6	—	—	—
Other miscellaneous changes	—	+0.1	+0.3	+0.1	+0.1	+0.1	+0.1	+0.1	+0.1	+0.1	+0.1	+1.3
Total miscellaneous revenue changes	-0.3	-0.1	-54.2	+17.8	+60.7	+16.5	+13.8	+5.0	+15.3	+10.4	+9.7	+94.5
Total Proposed Loophole Closers & Miscellaneous Revenue Changes	-0.4	+44.0	+24.9	+112.2	+156.4	+117.4	+117.2	+110.3	+125.7	+126.8	+132.3	+1,066.8
TOTAL PROPOSED NET TAX REDUCTIONS	-144.4	-229.7	-274.8	-204.4	-185.9	-254.6	-285.4	-321.7	-337.5	-368.5	-397.6	-3,004.6
Addendum: Total Cost of Proposed Bush Tax Cut Extensions, with Interest												
Proposed Bush Tax Cut Extensions	-20.9	-188.5	-270.4	-279.9	-302.5	-330.1	-357.4	-384.7	-413.8	-444.2	-476.2	-3,468.7
Added Interest (shown as -)	-0.1	-1.0	-4.4	-15.9	-35.1	-55.1	-73.6	-94.0	-116.4	-140.7	-167.4	-703.6
Total Cost (-)	-21.0	-189.5	-274.8	-295.8	-337.6	-385.2	-431.0	-478.7	-530.2	-585.0	-643.6	-4,172.3

*President Obama's FY 2013 budget categorizes these 2009-enacted provisions as part of his proposed extension of most of the Bush tax cuts. They are treated separately in this table.

Sources: Office of Management and Budget, U.S. Treasury Department (Feb. 2012).