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

**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)
  - Extend estate, gift, and generation-skipping transfer taxes at 2009 parameters
  - Total expiring Bush tax cuts reenacted

- Additional personal tax cuts
  - Make college tuition credit ("American Opportunity Tax Credit") permanent
  - Extend 2-percentage-point payroll tax cut
  - Make $3,000 threshold for child tax credit refunds permanent
  - Retirement plans for workers at small businesses, etc.
  - Make earned income tax credit $5K marriage penalty relief permanent
  - Continue sales tax deduction and other expiring tax subsidies through 2012
  - Simplify the rules for claiming the EITC for workers without qualifying children
  - Continue sales tax deduction and other special interests through 2012
  - Extend and modify wind energy incentives
  - Tax credit to support investments in communities that suffer a major job loss even
  - Business Tax Cuts:
    - Extend and modify wind energy incentives
    - Make research and experimentation tax credit permanent (expanded)

- **Total Personal Tax Cuts:**

**Business Tax Cuts:**
- Provide a tax credit for medium- and heavy-duty alternative-fuel commercial vehicles
- Provide tax incentives for locating jobs and business activity in the United States
- Reform and extend Build America bonds
- Extend exclusion for cancellation of certain mortgage debt
- Provide exclusion for certain student loan forgiveness
- Total additional personal tax cuts

- **Total Business Tax Cuts:**

**Total Tax Cuts:**
- Reenact all Bush personal income tax cuts for everyone except the rich and extend AMT relief permanently (indexed)
- Extend estate, gift, and generation-skipping transfer taxes at 2009 parameters
- Make $3,000 threshold for child tax credit refunds permanent
- Make earned income tax credit $5K marriage penalty relief permanent
- Make earned income tax credit expansion for 3 or more children permanent
- Continue sales tax deduction and other expiring tax subsidies through 2012
- Simplify the rules for claiming the EITC for workers without qualifying children
- Continue exclusion for cancellation of certain mortgage debt
- Provide exclusion for certain student loan forgiveness
- Total additional personal tax cuts

**Total Tax Cuts:**

**Total Business Tax Cuts:**

**Total Tax Cuts (gross):**

**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
- Tax compensation ("carried profit interests") of investment fund managers as earned income
- Reduce estate tax avoidance
- Modify rules on valuation discounts
- Require a minimum term for grantor retained annuity trusts (GRATs)
- Require consistency in value for transfer and income tax purposes
- Reduce the levy on estate tax deferrals provided under section 6166
- Total individual reforms

**Business reforms:**
- Reduce subsidies that move jobs & shift profits out of the United States
- Determine the foreign tax credit on a pooling basis
- Defer deduction of interest expense related to deferred income of foreign subsidiaries
- Tax current excess returns associated with transfers of intangibles offshore
- Modify tax rules for dual capacity taxpayers
- Total Business Tax Cuts

**Total Proposed Tax Cuts (gross):**

**Loophole Closers & Miscellaneous Revenue Changes**

**Individual reforms:**
- Tax compensation ("carried profit interests") of investment fund managers as earned income
- Reduce estate tax avoidance
- Modify rules on valuation discounts
- Require a minimum term for grantor retained annuity trusts (GRATs)
- Require consistency in value for transfer and income tax purposes
- Reduce the levy on estate tax deferrals provided under section 6166
- Total individual reforms

**Business reforms:**
- Reduce subsidies that move jobs & shift profits out of the United States
- Determine the foreign tax credit on a pooling basis
- Defer deduction of interest expense related to deferred income of foreign subsidiaries
- Tax current excess returns associated with transfers of intangibles offshore
- Modify tax rules for dual capacity taxpayers
- Total Business Tax Cuts

**Total Proposed Tax Cuts (gross):**

(continued on next page)
### Business reforms, continued:

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<td>Limit earnings stripping by expatriated entities</td>
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<td>Prevent using leveraged distributions from related foreign corps. to avoid dividend treatment</td>
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<td>Tax gain from the sale of a partnership interest on look-through basis</td>
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<td>Disallow the deduction for excess noncontrolling interests premiums paid to affiliates</td>
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<td>Limit shifting of income through intangible property transfers</td>
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<td>Extend section 338(h)(16) to certain asset acquisitions</td>
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<td>Remove foreign taxes from a section 602 corp.'s foreign tax pool if earnings are eliminated</td>
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<td>Impose a financial crisis responsibility fee on the largest financial companies</td>
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<td><strong>Total Proposed Loophole Closers &amp; Miscellaneous Revenue Changes</strong></td>
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### Addendum: Total Cost of Proposed Bush Tax Cut Extensions, with Interest

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<td>Added interest (shown as –)</td>
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<td><strong>Total Cost (–)</strong></td>
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**Addendum:** Total Cost of Proposed Bush Tax Cut Extensions, with Interest

- Proposed Bush Tax Cut Extensions: $11.6 billion revenue gain over 10 years is included in reform of domestic manufacturing deduction above
- Addendum: Total Cost of Proposed Bush Tax Cut Extensions, with Interest: $3,468.7 billion revenue gain over 10 years is included in reform of domestic manufacturing deduction above

**Total Proposed Net Tax Reductions:** $1,076.8 billion revenue gain over 10 years is included in reform of domestic manufacturing deduction above

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*Sources: Office of Management and Budget, U.S. Treasury Department (Feb. 2012).*  
*Citizens for Tax Justice, Feb. 14, 2012*