CCH Tax Briefing

CCH a Wolters Kluwer business

2012 Federal Budget Proposals

February 17, 2011

Special Report

HIGHLIGHTS

- Repeal Of Bush-Era Tax Cuts For Higher Income Individuals
- Itemized Deduction Caps For Higher Income Brackets
- Permanent American Opportunity Tax Credit
- Change In Taxation Of Carried Interest
- Repeal Of LIFO
- International Reforms
- Estate, Gift and GST Tax Reforms
- Tax Code Simplification

INSIDE

Individuals ... 1
Businesses ... 3
International reforms ... 6
Energy provisions ... 7
Financial institutions/products ... 8
Estate and gift taxes ... 8
Tax Code simplification ... 9
Tax administration ... 11
Information reporting ... 11
Business compliance ... 12

Obama Unveils FY 2012 Budget; Renews Call To End Bush-Era Tax Cuts For Higher Income Individuals

President Obama released the third proposed federal budget of his term, for fiscal year (FY) 2012, on February 14. The FY 2012 budget renews many of the president's earlier tax policies, such as ending the Bush-era tax cuts for higher income individuals, making permanent the American Opportunity Tax Credit, eliminating some energy tax incentives, and reforming some international tax provisions. Overall, President Obama proposed $3.73 trillion in federal spending and $1.1 trillion in deficit reductions. The president's FY 2012 budget now faces many Congressional hearings, at which lawmakers are expected to challenge many of the proposals, especially in the GOP-controlled House.

IMPACT. *To the surprise of many White House observers, President Obama's FY 2012 budget did not recommend a specific reduction in the U.S. corporate income tax rate at the federal level. However, in his budget message to Congress, the president called for "immediate action to rid the corporate tax code of special interest loopholes and to lower the corporate tax rate to restore competitiveness and job creation." On February 15, Treasury Secretary Timothy Geithner, testifying before the House Ways and Means Committee, said "the average rate of our major trading partners now is in the high 20s… to make it (the U.S. corporate tax rate) meaningful you want to get it down substantially toward that level." Reducing the corporate tax rate is just one of a few areas in which the White House and the GOP-controlled House share a common interest. On February 16, Geithner added that the administration would be releasing a roadmap of corporate tax reform.*

IMPACT. *"The budget is a missed opportunity," House Ways and Means Committee Chair David Camp, R-Mich., said at a hearing on the budget proposals on February 15. "There is nothing on entitlement reform, and there is little more than lip service about getting the deficit under control."*

INDIVIDUALS

Income Tax Rates

The Economic Growth and Tax Relief Reconciliation Act of 2001 (EGTRRA) set in motion a gradual reduction in the individual income tax rates, which was accelerated by the Jobs and Growth Tax Relief Reconciliation Act of 2003 (JGTRRA). EGTRRA's reduced individual income tax rates were scheduled to expire after 2010. The Tax Relief, Unemployment Insurance Reauthorization and Job Creation Act of 2010 (2010 Tax Relief Act) extended them for all taxpayers for two years, through December 31, 2012. President Obama's FY 2012 budget reflects a permanent extension of the current individual rate reductions, except for higher income taxpayers (single individuals with incomes above $200,000 and married couples filing a joint return with incomes above $250,000).

IMPACT. *"I continue to oppose the permanent extension of the 2001 and 2003 tax cuts for families making more than*

$250,000 a year…," the president stated in his budget message to Congress. Under the president's plan, the top two individual income tax rates would revert from 33 and 35 percent, respectively, to 36 percent and 39.6 percent, respectively, after 2012.

COMMENT. *Not part of the budget, but looming after 2012 as an additional tax for higher income individuals, are a 0.9-percent additional Medicare tax and a 3.8-percent Medicare contribution tax on qualified unearned income of higher income individuals.*

Limits on Itemized Deductions

The 2010 Tax Relief Act temporarily extended full repeal of the limitation on itemized deductions (the so-called "Pease" limitation) and full repeal of the personal exemption phaseout for two years, through December 31, 2012. President Obama's FY 2012 budget reflects revival of the limitation on itemized deductions and the personal exemption phaseout after 2012 for higher income taxpayers (single individuals with incomes above $200,000 and married couples filing a joint return with incomes above $250,000).

The president also proposes to limit the tax rate at which single individuals and married couples at these monetary thresholds can take itemized deductions to a maximum of 28 percent. The reduction in the value of itemized deductions is proposed to be effective for tax years beginning after December 31, 2012 and would correspond to those taxpayers falling into the proposed 36- and 39.6-percent rate brackets.

IMPACT. *Limiting the tax rate at which higher income individuals can take itemized deductions to a maximum of 28 percent is one of the largest revenue raisers in the president's FY 2012 budget. Although the proposal was rejected by Congress in 2009 and 2010, the estimated $321 billion it would raise over 10 years may make it more palatable to lawmakers.*

Alternative Minimum Tax

The 2010 Tax Relief Act provided higher AMT exemption amounts and other targeted relief as part of an AMT patch for 2010 and 2011. President Obama's FY 2012 budget reflects annual indexation for inflation of the AMT patch at 2011 levels after 2011.

COMMENT. *For 2010, the AMT exemption amounts are $47,450 for single individuals; $72,450 for married couples filing a joint return and surviving spouses; and $36,225 for married couples filing a separate return. For 2011, the AMT exemption amounts are $48,450 for single individuals; $74,450 for married couples filing a joint return and surviving spouses; and $37,225 for married couples filing a separate return.*

"In his budget message to Congress, the president called for 'immediate action to rid the corporate tax code of special interest loopholes and to lower the corporate tax rate…'"

COMMENT. *In his budget message to Congress, the president specifically noted that three years of his budget's proposed fix to the AMT would be paid for by the across-the-board reduction in itemized deductions for higher income taxpayers.*

Capital Gains and Dividends

The 2010 Tax Relief Act extended the taxpayer-friendly tax treatment of capital gains and dividends under JGTRRA for two years, through December 31, 2012. Qualified capital gains and dividends are taxed at a maximum rate of 15 percent (zero percent for taxpayers in the 10- and 15- percent tax brackets). President Obama's FY 2012 budget proposes raising the maximum capital gains and dividends tax rate to 20 percent for higher income taxpayers (single individuals with incomes over $200,000 and married couples filing a joint return with incomes over $250,000), effective for tax years after 2012.

IMPACT. *Under the president's plan, the current maximum capital gains and dividends tax rate of 15 percent would be available to single individuals with incomes below $200,000 and married couples filing a joint return with incomes below $250,000 after 2012. The current zero percent tax rate would be available to taxpayers in the 10- and 15-percent tax brackets (assuming extension of these brackets) after 2012. The president's budget does not assume raising the rate on dividends to ordinary income levels as had been the structure for dividends pre-JGTRRA.*

COMMENT. *The president also proposes to repeal the pre-JGTRRA 18-percent capital gain tax rate on assets held over five years for tax years beginning after December 31, 2012.*

Education

AOTC. The 2010 Tax Relief Act extended the American Opportunity Tax Credit (AOTC) (an enhanced version of the HOPE credit) for two years, through December 31, 2012. President Obama's FY 2012 budget calls for making the AOTC permanent, effective for tax years beginning after December 31, 2012. It would also index for inflation the $2,000 tuition and expense amounts, as well as the income thresholds.

IMPACT. *The AOTC, unlike the HOPE credit, covers all four years of post-secondary tuition. It also includes a partial refundability feature.*

Student loans. The president also proposes a new exclusion from income for student loan forgiveness for qualified borrowers from certain government lenders. Amounts forgiven at the end of the repayment period for these qualified borrowers would be excluded from income.

©2011 CCH. All Rights Reserved.

COMMENT. *It appears that the president's proposal is limited to borrowers in the Federal Family Education and Federal Direct Loan programs.*

Higher education tuition deduction. Qualified individuals may claim an above-the-line deduction for higher education tuition and fees, subject to income phase-outs. The 2010 Tax Relief Act extended the deduction for two years (2010 and 2011). President Obama's FY 2012 budget calls for a one year extension of the deduction (2012).

Child and Dependent Care Tax Credit

The enhanced child and dependent care tax credit, which helps qualified individuals, who are working or looking for work, offset the costs of child or dependent care expenses, was extended by the 2010 Tax Relief Act. President Obama's FY 2012 budget proposes to permanently increase the beginning of the adjusted gross income (AGI) phase down level for the credit from $15,000 to $75,000 (resulting in an end of the phase down range at $103,000 AGI) for tax years beginning after December 31, 2011.

Earned Income Credit

The 2010 Tax Relief Act extended the enhanced earned income credit (EIC) through December 31, 2012. The president's FY 2012 budget recommends that the 45-percent credit percentage enhancement for certain families be made permanent for tax years beginning after December 31, 2012.

Extenders

The 2010 Tax Relief Act extended a number of temporary tax incentives for individuals (known as "extenders") for 2010 and 2011. President Obama's FY 2012 budget calls for extending these popular incentives for one year (through 2012). These individual extenders include (not an exhaustive list):

- State and local sales tax deduction;
- Tax-free distributions to charity from IRAs; and
- Teacher's classroom expense deduction.

COMMENT. *The president's FY 2012 does not propose to revive one of the most popular temporary tax incentives in recent years: the first-time homebuyer credit. Also not included in the FY 2012 budget is a revived partial exclusion for unemployment benefits.*

Special Payments/Credits

President Obama's FY 2012 budget includes one-time, tax-free payments of $250 to qualified Social Security beneficiaries, disabled veterans and retired railroad workers. Retirees who are ineligible for Social Security benefits, such as some government workers, would be able to take a $250 credit on their 2011 returns filed in 2012.

COMMENT. *The one-time $250 payments are intended to make up, in part, for a lack of cost of living increase in Social Security and other government retirement benefits for 2011.*

BUSINESSES

Expensing

For tax years beginning in 2012, the 2010 Tax Relief Act provides a Code Sec. 179 dollar limitation of $125,000 (subject to adjustment for inflation) with an investment limitation of $500,000 (subject to adjustment for inflation). President Obama's FY 2012 budget proposes to permanently extend Code Sec. 179 expensing at the $125,000/$500,000 amounts after 2012.

IMPACT. *Absent Congressional action, the Code Sec. 179 dollar limitation is scheduled to fall to $25,000 for tax years beginning after 2012 and the investment limitation to $200,000 under the same schedule.*

COMMENT. *The Code Sec. 179 dollar limitation is $500,000 for tax years beginning in 2010 and 2011 and the investment limitation is $2 million for tax years beginning in 2010 and 2011. A taxpayer may elect for tax years beginning in 2010 and 2011 to treat qualified real property as Code Sec. 179 property up to $250,000 of its cost.*

Bonus depreciation. President Obama's FY 2012 budget does not call for an extension of bonus depreciation beyond its existing sunset after December 31, 2011 (after December 31, 2012, for a limited category of longer-production-period property). While last year's budget called for extension of 50-percent bonus depreciation, Congress gave the administration more than it asked for, extending bonus depreciation at a 100-percent level through the end of 2011.

Qualified Small Business Stock

There is a temporary a 100-percent exclusion from income of gains realized on the sale from qualified small business stock held for more than five years. President Obama's FY 2012 budget calls for making the 100-percent exclusion permanent.

IMPACT. *With the regular capital gains rate threatening to rise after 2012, the value of this investment opportunity will increase. Swapping similar investments within the provision is also permitted to preserve the holding period for the zero-percent rate.*

COMMENT. *Several tax bills have enhanced the exclusion, must recently the 2010 Tax Relief Act, which provides for a 100-percent exclusion of gain on the sale of qualified small business stock held for more than five years acquired after September 27, 2010 and before January 1, 2012.*

Research Tax Credit

The research tax credit aims to reward businesses that invest in qualified research activities. While around for year, the credit is technically only temporary and was most recently extended (for 2010 and 2011) by the Tax Relief Act of 2010. The president's FY 2012 bud-

get proposes to make the research credit permanent after 2011. Additionally, the rate of the alternative simplified credit would increase from 14 percent to 17 percent after 2011.

IMPACT. *A permanent research credit is one of the most expensive items in the president's FY 2012 budget at an estimated cost of approximately $106 billion over 10 years.*

COMMENT. *In recent years, the IRS has reported a trend in taxpayers submitting prepackaged material to support research credit claims without being able to properly substantiate that the qualified research expenses have been paid or incurred. As a result, research credit refund claims are a top compliance issue for the IRS and are a "Tier I" issue.*

Carried Interest

President Obama's FY 2012 budget proposes to designate a carried interest in an investment partnership as a services partnership interest (SPI). A partner's share of income from an SPI that is not attributable to invested capital would be taxed as ordinary income. This treatment would apply regardless of the character of the income at the partnership level. Additionally, self-employment tax would attach to such income. Special rules would apply to the sale of an SPI.

IMPACT. *The carried interest proposal was also included in the president's FY 2011 budget. Last year's budget proposal anticipated $23.9 billion in revenues over 10 years; this year's lowers the revenue estimate to $14.8 billion. The revised proposal would be effective for tax years beginning after December 31, 2011.*

COMMENT. *In 2010, the House passed the American Jobs and Closing Tax Loopholes Act (H.R. 4213) which, to the extent that carried interest reflects a return on invested capital, would have taxed carried interest at capital gain tax rates. However, to the extent that carried interest did not reflect a return on invested capital, the measure would have required investment fund managers to treat 75 percent of the remaining carried interest as ordinary income (50 percent for tax years beginning before January 1, 2013). The Senate rejected the House's taxation of carried interest and the Jobs Act ultimately passed Congress without any change in the taxation of carried interest.*

Build America Bonds

A Build America Bond is a bond issued after February 17, 2009, and before January 1, 2011 that qualifies as a tax-exempt bond that is not a private activity bond, and for which an election is made by the issuer. A tax credit of 35 percent of interest payable on Build America Bonds is available to the bondholder, unless the issuer elects to receive a direct payment in lieu of the credit to the bondholder. President Obama's FY 2012 budget proposes to make permanent the now-expired Build America Bond program but at a reduced subsidy.

> "Not part of the budget, but looming after 2012 as an additional tax for higher income individuals are a 0.9-percent additional Medicare tax and a 3.8-percent Medicare contribution tax on qualified unearned income of higher income individuals."

Growth Zones

President Obama's FY 2012 budget calls for the designation of 20 Growth Zones offering tax incentives and other benefits to encourage economic development. Qualified employers would be eligible for a credit. Additionally, qualifying property placed in service in the Growth Zone would be eligible for additional first-year depreciation of 100 percent of the adjusted basis of the property.

IMPACT. *The 20 Growth Zones would be divided into six rural areas and 14 urban areas. The tax incentives would be available from January 1, 2012 through December 31, 2016. Growth Zones would be designated after a competitive application process, based on the area's competitiveness plan and its need to attract investment and jobs.*

COMMENT. *The president's FY 2012 budget does not propose to extend empowerment zones, and renewal community programs (which generally expire at the end of 2011 and 2009, respectively). The president's FY 2012 budget does call for restructuring the incentives in the New York Liberty Zone.*

New Markets Tax Credit

The New Markets Tax Credit (NMTC) Program provides a credit against federal income taxes for making qualified equity investments (QEIs) in qualified community development entities (CDEs). President Obama's FY 2012 budget proposes to extend the NMTC program for one year, through December 31, 2012 with an allocation of $5 billion. Additionally, credits arising from QEIs made after 2010 would permanently offset AMT liability.

COMMENT. *The president also proposes to allocate $250 million of the $5 billion for the Healthy Food Financing Initiative, to help fund healthier food options in distressed communities.*

Low Income Housing Tax Credit

Two new options in President Obama's FY 2012 budget would make the low income housing tax credit (LIHTC) more flexible. First, a project could elect to have tenants meet an average-income test; and second, certain existing projects in need of preservation, capitalization or rehabilitation could receive a 30-percent basis boost.

©2011 CCH. All Rights Reserved.

Insurance Companies and Products

President Obama's FY 2012 budget includes some reforms to the taxation of insurance companies and insurance products. The president would modify the rules for sales of life insurance contracts, modifying the dividends-received deduction for life insurance company separate accounts, and expanding the pro rata interest expense disallowance for corporate-owned life insurance.

Extenders

President Obama's FY 2012 budget calls for extending a number of temporary business tax incentives, known as extenders, for one year through December 31, 2012. However, extenders for oil, gas and fossil fuels would be allowed to expire as scheduled, generally after 2011. Some of the business extenders in the president's FY 2012 budget are (not an exhaustive list):

- Subpart F exception for active financing income;
- Look-through treatment for CFCs;
- Indian employment credit and accelerated depreciation for business property on an Indian reservation;
- Differential wage credit;
- Seven year motor sports entertainment costs recovery;
- Expensing election for certain film and television production costs;
- Brownfields remediation;
- Code Sec. 199 deduction for Puerto Rico; and
- Health Coverage Tax Credit under the Trade Adjustment Assistance Act.

COMMENT. *Although the president's FY 2012 budget allows many fossil fuel incentives to expire, it renews many alternative energy and energy efficiency provisions. Additionally, the president's FY 2012 budget does not expressly extend some business energy tax incentives, but they have routinely been extended in years past, most recently in the 2010 Tax Relief Act.*

Accounting Methods

LIFO. A number of different methods can be used to determine the value of a taxpayer's inventory and its cost of goods sold. One of these, the last-in, first-out (LIFO) method, treats the most recently acquired (or manufactured) goods as having been sold during the year. President Obama's FY 2012 budget calls for disallowing LIFO for federal income tax purposes for tax years beginning after December 31, 2012.

IMPACT. *Taxpayers that currently use the LIFO method would be required to write up their beginning LIFO inventory to its first-in, first-out (FIFO) value in the first tax year beginning after December 31, 2012. This one-time increase in gross income would be taken into account ratably over 10 years.*

COMMENT. *Congress has rejected previous proposals to repeal LIFO, but this year may be different. The estimated $52.8 billion that the provision would raise over 10 years makes repeal much more attractive to lawmakers looking to trim the federal budget deficit.*

Selected Revenue Raisers*

Itemized Deduction Cap	$321 billion
International Tax Reforms	$129.2 billion
Repeal LIFO	$52.8 billion
Eliminate Fossil Fuel Preferences	$46.1 billion
Carried Interest	$14.8 billion
Worker Classification	$8.7 billion

*Over 10 years

Lower-of-cost or market inventory. Unless a taxpayer is using LIFO, ending inventory may be written down to a lower market value, and damaged or obsolete goods may be written down to realizable prices less costs of disposition. The determination of lower of cost or market (LCM) must be applied to each item of inventory. President Obama's FY 2012 budget would prohibit the use of the LCM and subnormal goods methods for the first tax year beginning after December 31, 2012. Any resulting income inclusion would be recognized over four years.

Punitive Damages

Punitive damages are awarded to punish a defendant, while compensatory damages are intended to compensate for actual losses. President Obama's FY 2012 budget proposes to eliminate the business expense deduction for punitive damages paid or incurred after December 31, 2012.

IMPACT. *The president's proposal does not change the treatment of punitive damages by the recipient. Code Sec. 104(a)(2) excludes from income only "damages (other than punitive damages) received . . . on account of personal physical injuries or physical sickness." Code Sec. 104(c) provides a narrow exception to the rule of inclusion for punitive damages in a wrongful death action in which state law limits any recovery to punitive damages.*

Boot-within-Gain Limitation

When a taxpayer receives stock and boot in a corporate reorganization, the taxpayer's recognized gain under Code Sec. 356(a)(1) cannot exceed the value of the boot. Under Code Sec. 356(a)(2), if such an exchange has the effect of the distribution of a dividend, the shareholder must treat the gain recognized on the exchange as a dividend to the extent of the distributee's ratable share of the corporation's undistributed earnings and profits. President Obama's FY 2012 budget proposes to repeal the boot-within-gain limitation in the case of any reorganization if the exchange has the effect of the distribution of a dividend, as determined under Code Sec. 356(a)(2), effective for tax years beginning after December 31, 2011.

COMMENT. *In Rev. Rul. 93-61, the IRS determined that in an acquisitive reorganization, the determination of whether boot is treated as a dividend distribution under Code Sec. 356(a)(2) is made by comparing the interest the shareholder actually received*

in the acquiring corporation against the interest the shareholder would have received if the shareholder had received only stock.

Automatic IRA Enrollment

President Obama's FY 2012 budget would require employers that do not offer a retirement plan to their employees to automatically enroll them in Roth IRAs with contributions made through payroll deductions of three percent of the employee's compensation. An employee could opt out entirely, select a traditional IRA or elect a different contribution rate. Small employers (with no more than 10 employees) would be exempt from mandatory automatic enrollment. The proposal would be effective for tax years beginning after December 31, 2012.

IMPACT. *The employees' contributions could qualify for the saver's credit. In addition, employers offering automatic payroll-deposit IRAs could claim a temporary tax credit of $25 per participating employee, up to a total credit of $250 for each year for two years.*

INFLATION ADJUSTMENTS

Low inflation in recent years has resulted in little or no change to many inflation-adjusted amounts in the Tax Code. President Obama's FY 2012 budget proposes to modify inflation adjustments to prevent the size of all indexed tax parameters from decreasing from the previous year's levels if the underlying price index falls.

IMPACT. *Indexing for 2010 tax figures based on Sept 2008 through Aug 2009 CPIs came very close to requiring a decision to be made over whether existing statutory language mandated a deflationary adjustment. Fortunately that bullet was dodged; this proposal eliminates the need for the issue to be revisited if economic conditions change.*

COMMENT. *The president also proposes to boost the existing start-up credit for small employers that adopt a new qualified retirement plan or SIMPLE plan to a maximum of $1,000 for each year for three years, effective for tax years beginning after December 31, 2012.*

FUTA

Surtax. In 1976, Congress enacted a temporary 0.2 percent Federal Unemployment Tax Act (FUTA) surtax. The surtax has been routinely extended, most recently through June 30, 2011. President Obama's FY 2012 budget proposes to make the FUTA surtax permanent.

Wage base. An employer must pay FUTA taxes on an employee's wages only up to the taxable wage base ($7,000 for 2011). President Obama's FY 2012 budget calls for increasing the FUTA taxable wage base to $15,000 starting in 2014, and then indexing it for inflation.

COMMENT. *When a state exhausts its unemployment funds, it borrows from the federal government to pay unemployment insurance benefits. These loans are repaid, in part, by decreases in the credits against FUTA tax that employers in the state would otherwise receive for paying state unemployment taxes. The president also proposes to suspend interest on these loans and to suspend the FUTA credit reduction in 2011 and 2012.*

INTERNATIONAL REFORMS

President Obama singled out an increase in taxes on multinational corporations at a February 15 news conference as one of the notable parts of his FY 2012 budget proposals. He emphasized that, while the international provisions for the most part were already seen in his FY 2011 budget proposals, their prospects for passage are much improved because of the bi-partisan climate of deficit reduction.

IMPACT. *At $129 billion, the international reforms are among the largest revenue raisers in the president's budget. They are primarily directed toward reducing incentives to shift income and assets overseas.*

COMMENT. *Several international proposals in the president's FY 2011 budget do not appear in the FY 2012 budget because Congress enacted them during 2010 in the Hiring Incentives to Restore Employment (HIRE) Act and the Education/Jobs/Medicaid Assistance Act.*

Deferred Interest

U.S businesses can currently deduct interest they pay on debt incurred to finance overseas investments even though U.S. tax on the investment income may be deferred. Under President Obama's FY 2012 budget, the deduction of such interest would be deferred, and allowed in subsequent years in proportion to the amount of the taxpayer's previously deferred foreign-source income that is subject to U.S. tax.

IMPACT. *The administration would also empower the IRS to issue regs and recommend further legislation if necessary to prevent inappropriate decreases in the amount of interest expense allocated and apportioned to foreign-source income.*

FTC Pooling

President Obama's FY 2012 budget proposes to prevent cross-crediting techniques by requiring a U.S. taxpayer to determine its deemed-paid foreign tax credit (FTC) from dividends received from a foreign subsidiary on a consolidated basis for all it foreign subs.

IMPACT. *The proposal would effectively require the FTC based on dividends from any particular foreign sub would be based on the consolidated earnings and profits and foreign taxes of all the taxpayer's foreign subsidiaries. Cross-crediting was enhanced when the American Jobs Creation Act of 2004 reduced the FTC limitation "baskets" to two: passive income and general category income. The president proposes to close what is perceived as a loophole caused by that change.*

©2011 CCH. All Rights Reserved.

Offshore Intangibles

The transfer of intangible assets to low-taxed affiliates has been considered a weak spot in the transfer pricing regime provided by Code Sec. 482. In response, President Obama's FY 2012 budget proposal would expand subpart F to include certain "excess income" from transactions connected with or benefitting from the transfer of a covered intangible from a U.S. taxpayer to a related controlled foreign corporation (CFC), if the income is subject to a low foreign effective tax rate.

> **IMPACT.** *The Treasury Department believes that income shifting through transfers of intangibles to low-tax affiliates has resulted in "a significant erosion of the U.S. tax base," and that treating excess income as Subpart F income would produce $20.8 billion in revenue over 10 years.*

More International Provisions

Additional proposals, which together add another $19 billion in revenue over 10 years, are also being promoted as necessary to prevent inappropriate shifting of income outside the U.S. They include reforms to:

- Limit income shifting through intangible property transfers;
- Disallow a deduction for non-taxed reinsurance premiums paid to affiliates;
- Limit earnings stripping by expatriated entities; and
- Tighten the foreign tax credit rules for "dual capacity" taxpayers.

ENERGY PROVISIONS

Advanced Energy Manufacturing Projects

The American Recovery and Reinvestment Act of 2009 provided $2.3 billion to fund a 30-percent credit for depreciable property used in advanced energy manufacturing projects that involve energy from renewable sources and other property designed to reduce greenhouse gas emissions. This funded less than one-third of the eligible projects. President Obama's FY 2012 budget requests an additional $5 billion in credits.

> **IMPACT.** *The additional credits would support over $15 billion in total capital investments, generating tens of thousands of new construction and manufacturing jobs, according to the administration. Because of the existing program, the additional credits can be deployed quickly.*

Energy-Efficient Commercial Buildings

Taxpayers can deduct certain expenditures for energy efficient commercial building property that reduces annual energy and power costs by 50 percent or more. A partial deduction is available for building systems that attain smaller savings. The deduction applies to property placed in service by December 31, 2013. For property placed in service during 2012. President Obama's FY 2012 budget proposes to change the deduction to a tax credit for the cost of installed property that is designed to reduce the building's energy and power costs. The credit would range from 60 cents to $1.80 per square foot, depending on the expected energy savings.

> **IMPACT.** *The change to a credit is intended to encourage more private sector investment in energy efficient improvements. The proposal would also reduce the complexity of the current standards.*

Renewable Energy Grants

President Obama's FY 2012 budget proposes to extend the Code Sec. 1603 renewable energy grant program for one year, through the end of 2012. Under current law, the Code Sec. 1603 grant program is scheduled to expire after 2011.

Superfund Taxes

Superfund taxes to pay for cleanup of hazardous waste sites expired after 1995. President Obama's FY 2012 budget proposes to reinstate Superfund excise taxes on oil, petroleum products, hazardous chemicals, and substances used to produce hazardous chemicals. The president would also revive a corporate environmental income tax based on alternative minimum taxable income. The taxes would generally apply for 10 years, from 2012 through 2021, and would replenish the Superfund Trust Fund.

Oil Spill Liability Trust Fund

President Obama's 2012 budget proposes to increase the Oil Spill Liability Trust Fund tax on domestic oil and imported petroleum products to nine cents per barrel after 2011 and to 10 cents per barrel after 2016 (compared to the current eight cents per barrel and the planned increase to nine cents per barrel after 2016).

> **COMMENT:** *The proposed increase is a reaction to the April, 2010 Deepwater Horizon oil rig disaster in the Gulf of Mexico, the worst oil spill in American history.*

Fossil Fuel Tax Preferences

Oil and gas tax incentives. President Obama's FY 2012 budget proposes to eliminate a number of tax benefits for oil and gas producers after 2011, including:

- The 15-percent investment tax credit for enhanced oil recovery projects;
- The credit for oil and gas production from marginal wells;
- Expensing or 60-month amortization of intangible drilling costs;
- The deduction for tertiary injectants;
- The exception from passive loss limits for working interests in oil and gas properties;
- Percentage depletion for oil and gas wells; and
- The Code Sec. 199 domestic manufacturing deduction for oil and gas companies.

> **COMMENT.** *The president's FY 2012 budget would increase the amortization period from two to seven years for geological and geophysical expenses of independent producers.*

Coal tax incentives. President Obama's FY 2012 budget also proposes to eliminate some coal and hard-mineral fossil fuel preferences after December 31, 2011, including:

- Expensing of exploration and development costs;
- Percentage depletion;
- Capital gains treatment for coal and lignite royalties; and
- The domestic manufacturing deduction for coal and other hard-mineral fossil fuel companies.

COMMENT. *President Obama agreed at the 2009 G-20 Summit to phase out subsidies for fossil fuels. According to the White House, these preferences encourage overproduction in energy-extraction industries, are detrimental to long-term energy security, and result in underinvestment in other, potentially more productive areas of the economy.*

COMMENT. *The president's FY 2012 budget also proposes redirecting existing fees and imposing some new fees on the production of minerals, with the funds used to restore abandoned mines.*

FINANCIAL INSTITUTIONS AND PRODUCTS

TARP Bailout Fee

The Troubled Asset Relief Program (TARP) requires the President to recoup some of the costs incurred in averting the worst of the recent financial crisis. To recover some of these costs, and to discourage excessive risk-taking in the future, President Obama's FY 2012 budget proposes a Financial Crisis Responsibility Fee to be imposed on $50 billion-plus financial firms. The fee of approximately 7.5 basis points, deductible in computing corporate income tax, would be applied to specified covered liabilities starting January 1, 2013.

IMPACT. *While this fee appeared in the president's FY 2012 budget proposal, the current proposal reduces its size from an originally proposed 15 basis point level that would have started July 1, 2010. Revenue estimates dropped accordingly from $90 billion in the FY 2011 plan to $30 billion under the FY 2012 plan.*

Day-To-Day Dealers

Dealers in commodities, derivatives, securities and options treat their day-to-day income as capital gain—60 percent long-term gain and 40 percent short term. To align this treatment with dealers in other types of property, President Obama's FY 2012 budget would tax all such income at ordinary rates.

IMPACT. *As in the prior year's budget proposal, this change to Code Sec. 1256 would not take place until after enactment. The proposal also would allow ordinary loss treatment on the flip side of the balance sheet.*

> "President Obama's FY 2012 budget proposes to allow the IRS to accept payments by credit or debit card directly from taxpayers."

Other Financial Reforms

President Obama's FY 2012 budget would also change other tax rules affecting certain financing techniques. Among them are provisions to:

- Require corporations that issue stock in a forward contract to recognize a portion of the proceeds as interest when the stock is issued, effective after December 31, 2011; and
- Tighten the definition of control for purposes of the Code Sec. 249 disallowance of the deduction for premiums paid on the repurchase of a debt instrument that is convertible into stock, effective on date of enactment.

ESTATE AND GIFT TAXES

Under the 2010 Tax Relief Act, federal estate, gift and generation-skipping transfer (GST) taxes again apply to the estates of decedents dying and GSTs made after December 31, 2009, and before January 1, 2013. President Obama's FY 2012 budget reflects a permanent extension of estate, gift and GST taxes at parameters in effect for calendar year 2009, effective for decedents dying after December 31, 2012.

IMPACT. *No immediate compromise is expected on whether the estate tax should be repealed and, if not, at what level it should be extended. Although the temporary unified estate and gift tax rate of 35 percent with a $5 million exclusion was approved by Congress in the 2010 Tax Relief Act, it was done so only under threats that the entire bill would otherwise be stonewalled. The 2009 rules called for an estate tax levied at 45 percent after a $3.5 million exclusion, with a separate 45 percent gift tax rate imposed after applying a $1 million lifetime exclusion.*

COMMENT. *The 2010 Tax Relief Act allows the executor of the estate of a decedent who died in calendar year 2010 to elect to apply the modified carryover basis regime that was applicable in 2010 under EGTRRA in lieu of the estate tax.*

Portability

Portability increases the surviving spouse's lifetime exclusion for estate and gift taxes by the portion of the deceased spouse's exclusion that is unused at the deceased spouse's death. Portability is available only if the executor of the deceased spouse makes a timely election. President Obama's FY 2012 budget proposes to extend portability permanently for all decedents dying and gifts made after December 31, 2012.

COMMENT. *Portability would lessen the need for burdensome estate planning by a married couple to manage their property transfers.*

©2011 CCH. All Rights Reserved.

GST Tax Exemption

The generation-skipping transfer (GST) tax applies to gifts and bequests to recipients who are at least two generations younger than the transferor. The GST tax is a backstop to prevent estate and gift tax avoidance through the use of a trust. Like the estate tax, there is a GST tax exemption. President Obama's FY 2012 budget would require that the GST exemption allocated to a trust expire on the 90th anniversary of the trust's creation.

IMPACT. *Under traditional state law, most trusts expired after a period of time, limiting the benefit of the exemption. With changes in state law, many trusts (and the corresponding GST tax exemption) now continue in perpetuity. This provision would reverse that trend by imposing a bright-line test.*

Consistency

Property is valued at fair market value on the date of death. This value normally becomes the property's basis to the recipient under stepped-up basis rules. President Obama's FY 2012 budget, effective on the date of enactment, would require that the recipient's basis in property not exceed the value determined for estate or gift tax purposes. The estate's executor and a gift's donor would be required to provide valuation information to the IRS and the recipient.

COMMENT. *Although the same valuation standard applies, current law does not expressly require that the recipient's basis be the same as the value reported for estate taxes. This provision requires consistency.*

Valuation Discounts

Federal tax law requires that "applicable restrictions" regarding marketability and control of family property interests are disregarded in valuing the property, so that the estate tax value is not discounted where the economic benefit to the recipient is not reduced. President Obama's FY 2012 budget would create an additional category of restrictions and impose certain valuation assumptions, applicable to transfers after the date of enactment.

GRATs

A grantor retained annuity trust (GRAT) is a planning tool used to transfer appreciated property to a family member at a lower value. President Obama's FY 2012 budget, applicable to trusts created after the date of enactment, would require that the GRAT have a minimum term of 10 years and that the remainder interest have a value greater than zero.

IMPACT. *The House approved a 10-year minimum term for GRATs in H.R. 4849 in 2010. The House bill also would have required that the remainder interest have a value greater than zero and prohibit any decrease in the annuity during the GRAT term.*

COMMENT. *If the grantor dies during the term of the trust, no tax benefits are realized. Taxpayers have used GRATs with short terms (such as two years) to reduce the risk of the grantor's death during the term.*

TAX CODE SIMPLIFICATION

President Obama in his budget message to Congress spoke generally about not tolerating a tax system that is "a complex, inefficient, and loophole-riddled mess" and said that tax reform is a priority. However, for tax reform, the president has indicated that he wants to avoid specific proposals until bipartisan discussions can take place. Nevertheless, the president's FY 2012 budget takes a few small steps under the heading "Simplifying the Tax Code" that recommends a handful of quick, relatively self-contained simplification measures.

Qualified Plug-In Electric-Drive Vehicles

Taxpayers can qualify for a maximum $7,500 credit when they place plug-in electric drive motor vehicles into service. President Obama's FY 2012 budget would switch the credit to the person that sells or finances the vehicle, rather than its owner. The change would be effective for vehicles sold after December 31, 2011.

IMPACT. *The change would enable dealers and finance companies to offer a point-of-sale rebate to customers, and further the president's goal of putting one million advanced technology vehicles on the road by 2015. Shifting the credit from a large number of individual consumers to a relatively small number of business entities would also simplify tax preparation and reduce the potential for taxpayer error.*

COMMENT. *The Treasury Inspector General for Tax Administration (TIGTA) recently reported serious abuses of the credit. According to TIGTA, the IRS failed to verify that taxpayers were entitled to the credit, resulting in erroneous claims reaching $33 million. The IRS intends to require taxpayers claiming the credit to provide vehicle identification numbers.*

Required Minimum Distributions

Participants in IRAs and tax-favored retirement plans generally must begin taking required minimum distributions (RMDs) after reaching age 70 ½. President Obama's FY 2012 budget recommends waiving the RMD rules when the aggregate value of a taxpayer's IRA and tax-favored retirement plan accumulations does not exceed $50,000 on a certain measurement date (generally the beginning of the calendar year in which the taxpayer reaches age 70 ½). The proposal would be effective for taxpayers attaining age 70 ½ on or after December 31, 2011.

IMPACT. *The proposal would simplify the distribution rules for millions of senior citizens with modest tax-favored retirement benefits, and would give them greater flexibility over the timing of their distributions, without allowing affluent retirees to use their traditional IRAs to accumulate tax-exempt income for their heirs.*

Inherited IRAs

A surviving spouse beneficiary of an IRA or tax-favored retirement plan can take up to 60 days to roll over the plan assets into his or her own IRA, but a non-surviving spouse beneficiary must use a direct rollover or a trustee-to-trustee transfer. President Obama's FY 2012 budget would allow a surviving nonspouse beneficiary 60 days for moving inherited plan or IRA assets to a nonspousal inherited IRA. The proposal would be effective for distributions after December 31, 2011.

IMPACT. *The proposal would reduce confusion among the IRS, administrators and beneficiaries and eliminate traps for the unwary that serve little purpose.*

ESOPs

Under Code Sec. 1042, taxpayers may elect to defer the recognition of long-term capital gain on the sale of employer securities to an employee stock ownership plan (ESOP) subject to certain conditions, including the requirement to purchase qualified replacement property. The deferred gain is subject to recapture on disposition of the replacement property. Under Code Sec. 1041, there is generally no gain or loss recognized on transfers of property between spouses, including former spouses if incident to divorce. Questions have arisen whether a transfer incident to divorce qualifies as a disposition triggering the Code Sec. 1042 recapture rules. President Obama's FY 2012 budget proposes amending the Code Sec. 1042 recapture rules to provide an exception for transfers under Code Sec. 1041, effective for transfers made after December 31, 2011.

Nonqualified Preferred Stock

Nonqualified preferred stock (NQPS) is treated as taxable "boot" under Code Sec. 351 and in certain shareholder exchanges involving a corporate reorganization. President Obama's FY 2012 budget calls for repealing nonqualified preferred stock provisions in the Tax Code that treat nonqualified preferred stock as boot, effective for stock issued after December 31, 2011.

Fractions Rule Simplification

Certain tax-exempt organizations derive income from debt-financed real property without such income being subject to unrelated business income tax. Real property held by a partnership, however, may need to satisfy a complex "fractions rule" regarding allocation of partnership income to partners. President Obama's FY 2012 budget recommends replacing the fractions rule with a simpler rule requiring each partnership allocation to have substantial economic effect and no allocation to have a principal purpose of tax avoidance.

REITs

Real estate investment trusts (REITs) may take a deduction for dividends paid to their shareholders. Preferential dividends do not qualify for the deduction. Generally, a dividend is preferential unless it is distributed to shareholders pro rata, without preference as to any share of stock compared to other shares in the same class, and without preference to any one class as compared to another. President Obama's FY 2012 budget proposes to repeal the preferential dividend rule for publicly traded REITs.

Private Foundations

Private foundations exempt from federal income tax are generally subject to a two-percent excise tax on their net investment income. Certain foundations qualify for a reduced one-percent rate. Private foundations that are not tax-exempt must pay an excise tax equal to the sum of the excise tax on net investment income and the amount of unrelated business income tax (UBIT) that would have been imposed if the foundation was tax exempt, less the income tax imposed on the foundation. President Obama's FY 2012 budget proposes simplifying the tax rates on tax exempt and non-tax exempt private foundations by eliminating the two-tier rate structure and applying a single tax rate of 1.35 percent, effective for tax years beginning after the date of enactment.

Tax-Exempt Bonds

President Obama's FY 2012 budget makes three bond simplification proposals, effective for bonds issued after the date of enactment.

Arbitrage investment restrictions. Interest on debt obligations issued by state and local governments for governmental purposes is generally excludable from gross income. Code Sec. 148 imposes two types of complex arbitrage investment restrictions (yield restriction and rebate), on investments of tax-exempt bond proceeds to be used for governmental purposes. The president's FY 2012 budget calls for simplifying the arbitrage restriction and rebate rules.

Mortgage bonds for single-family homes. Tax-exempt qualified mortgage bonds can be used to finance mortgage loans for owner-occupied, single-family residences. A number of requirements apply, including a purchase price limitation and a refinancing limitation. The president's FY 2012 budget recommends repealing the purchase price and refinancing limitations.

Tax-exempt bonds and business use. Tax-exempt bonds issued by state and local governments are treated as governmental bonds if the issuer limits private business use and other private involvement in order to avoid

SELECTED IRS BUDGET ITEMS

	FY 2010 enacted	Proposed GOP cuts for FY 2011 compared to FY 2010	WH FY 2012 request
Enforcement	$5.5 billion	-$285 million	$5.9 billion
Operations Support	$4.0 billion	-$227 million	$4.6 billion

©2011 CCH. All Rights Reserved.

treatment as private activity bonds. Code Sec. 141(b)(3) imposes a five percent unrelated or disproportionate private business use limit. The president's FY 2012 budget calls for repealing the five percent test.

TAX ADMINISTRATION

Offers in Compromise

Taxpayers requesting an offer-in-compromise generally must submit a nonrefundable payment with their application (with some exceptions). The nonrefundable payment is 20 percent of the lump-sum in the case of lump-sum offers. A taxpayer seeking a periodic payment offer must make a nonrefundable payment for the first periodic payment. President Obama's FY 2012 budget proposes to eliminate the nonrefundable payment requirements for both types of offers.

> **COMMENT.** *The National Taxpayer Advocate and some lawmakers have urged the IRS to remove the nonrefundable payment requirement to encourage taxpayers to seek offers in compromise.*

Failure to File

Failure to file a federal tax return is punishable as a misdemeanor with a maximum fine of $25,000 for individuals or one year incarceration ($100,000 for corporations). President Obama's FY 2012 budget calls for raising the penalty from a misdemeanor to a felony for any person who willfully fails to file return in any three years within any five consecutive year period if the aggregated tax liability for the period is at least $50,000. The felony would be punishable by a term of imprisonment of not more than five years or a fine of not more than $250,000 ($500,000 for corporations) or both. The enhanced penalty would apply to returns required to be filed after December 31, 2011.

Statute of Limitations

Generally, taxes are required to be assessed within three years after a taxpayer's return was filed. In certain cases, the IRS has a longer period in which to make an assessment. President Obama's FY 2012 budget proposes to create a new exception to the general three year limitation period. The limitation period would be extended to the greater of one year from the date the taxpayer first files an amended return with the IRS reflecting adjustments to the taxpayer's state or local return or two years from the date the IRS first receives information from the state or local state authority under an information sharing agreement. The proposal would be effective for returns required to be filed after December 31, 2011.

> **COMMENT.** *The Hiring Incentives to Restore Employment (HIRE) Act of 2010 extended the statute of limitations for assessments of tax to six years where an omission of gross income in excess of $5,000 is attributable to a foreign financial asset.*

Return Filing

President Obama's FY 2012 budget would require taxpayers that prepare their federal returns electronically but file the same returns on paper to print these returns with a 2-D bar code. The IRS, in turn, scans the 2-D bar code to convert the taxpayer's paper return into electronic format. The 2-D bar code requirement would be effective for returns filed after December 31, 2011.

> **IMPACT.** *The proposal is intended to discourage taxpayers from preparing their returns electronically but filing them on paper. The IRS has ended its practice of mailing paper income tax packages to individuals and businesses. Individuals who filed a 2009 paper return with the IRS should have received in late 2010 a notice (Notice 1400) in the mail advising them how to obtain the forms they will need to file their 2010 returns.*

Tax Payments

Taxpayers may pay their federal taxes, among other methods, by credit or debit card. Credit or debit card payments are made through third party service providers, which typically charge a convenience fee to process the transaction. President Obama's FY 2012 budget proposes to allow the IRS to accept payments by credit or debit card directly from taxpayers.

> **COMMENT.** *The costs of processing the credit or debit payment would be absorbed by the IRS.*

Refunds

Federal tax refunds may be offset to collect delinquent state income tax obligations. However, the delinquent debtor must reside in the state collecting the tax. President Obama's FY 2012 budget proposes to allow offset regardless of where the delinquent taxpayer resides.

Levies

President Obama's FY 2012 budget proposes to increase Treasury's levy authority for payments to federal contractors with delinquent tax debt and for payments to Medicare providers with delinquent tax debt.

Additional Recommendations

To strengthen tax administration, President Obama's FY 2012 budget also proposes to:

- Expand IRS access to the National Directory of New Hires;
- Clarify taxpayer privacy provisions;
- Require prisons to provide IRS with certain information to curb fraudulent filings by inmates; and
- Take addition steps to facilitate tax compliance with local jurisdictions.

INFORMATION REPORTING

Business Reporting

Taxpayers in a trade or business must report payments totaling $600 or more for services or for determinable gains, generally on Form 1099. The Patient Protection and Affordable Care Act (PPACA) expanded this information reporting to include payments made to a corporation and payments made for

property, effective for payments made after December 31, 2011. President Obama's FY 2012 budget proposes partial repeal: it would repeal information reporting for payments for property, but would retain the PPACA reporting of payments of $600 or more to a corporation (other than a tax-exempt corporation) for services or for determinable gains. The IRS could provide for exceptions where reporting would be burdensome.

IMPACT. *Small businesses have complained that the new reporting requirement would be particularly onerous, and Congressional leaders have introduced legislation to repeal the requirement. On February 17, the House Ways and Means Committee approved a bill (H.R. 4) to repeal the reporting requirement.*

COMMENT. *The president's proposal would diminish the burden on small business but would not eliminate it. The administration noted the compliance gains from third-party reporting and indicated that the longstanding exception for corporations has created compliance issues, especially as corporate taxpayers have increased in number and complexity.*

Insurance Companies

President Obama's FY 2012 budget calls for insurance companies to report to the IRS each variable insurance contract which is at least 10 percent invested in a private separate account. Ownership would be determined quarterly. The proposal would apply to tax years beginning after 2011.

IMPACT. *Investments in a separate account maintained by an insurance company are generally tax-free or tax-deferred. The administration indicates that private separate accounts are being used to avoid taxes and that better reporting will enable the IRS to determine whether variable insurance contracts qualify as insurance (and are tax-favored) or should be disregarded and taxed currently.*

IRS FUNDING

President Obama's FY 2012 budget calls for a significant increase in the IRS's budget: an increase of 9.1 percent for FY 2012 compared to FY 2010. Enforcement, operations and hiring would be the chief recipients of the new funds.

COMMENT. *Congress appropriated $12.4 billion for the IRS in FY 2010. The president requests $13.2 billion for FY 2012.*

Contractors

President Obama's FY 2012 budget would require noncorporate independent contractors to provide a certified taxpayer identification number (TIN) to businesses for whom they provide services. If the contractor furnished an inaccurate TIN, the business would be required to withhold a percentage of gross payments. In addition, contractors receiving payments of $600 or more could require the business to withhold at a flat rate selected by the contractor of 15, 25, 30, or 35 percent. The proposal would apply to payments made after December 31, 2011.

IMPACT. *The requirement for an accurate TIN and withholding for a violation is intended to improve reporting of income by contractors and IRS enforcement. Conversely, optional withholding would make it easier for contractors to pay their combined self-employment and income taxes without having to make estimated tax payments.*

BUSINESS COMPLIANCE

Electronic Filing

All corporations and partnerships that file Schedule M-3 (reconciliation of financial and taxable income) would be required to file their tax returns electronically. The IRS would be given authority to increase electronic filing for certain other large taxpayers that do not file Schedule M-3 (such as exempt organizations). The IRS would also be given authority to reduce the 250-return threshold for e-filing of information returns. A separate proposal would give the IRS authority to require e-filing of pension plan annual reports, Form 5500 and attachments, without regard to the current 250-form filing threshold, effective for plan years beginning after 2011.

IMPACT. *The general e-filing proposal would generally affect only the largest entities. Increased e-filing enhances compliance and IRS audit focus, reduces IRS costs, and improves IRS taxpayer service, the administration notes. Taxpayers would also be able to request waivers because of technological or financial burdens.*

Employee Leasing

President Obama's FY 2012 budget would impose joint and several liability on employee leasing companies, as well as their clients, for federal employment taxes. In some cases, leasing companies could be held solely liable. The proposal would apply to employment tax returns required for wages paid after December 31, 2011.

IMPACT. *It is often unclear whether the employee leasing company or the client is responsible for employment taxes on leased employees. The proposal would make it easier for the IRS to assess and collect these employment taxes.*

Worker Classification

Treasury and the IRS would be permitted to issue general guidance on the proper classification of workers. The IRS would have the authority to require prospective reclassification of workers who cannot be reclassified under current law. The law would provide for reduced or no penalties in certain circumstances. The proposal would be effective upon enactment, but prospective reclassification would not be effective for another one to two years.

IMPACT. *The IRS by law has not been able to issue general worker classification guidance since 1978, and has been limited by a special rule that allows employees*

©2011 CCH. All Rights Reserved.

to be classified as independent contractors even though they may be employees under common law. Classification as an employee generally helps most workers since many benefits and worker protections are available only to "employees." Companies would find it harder to gain a competitive advantage by misclassifying workers and avoiding employment taxes.

Corporate Estimated Tax Payments

Corporations generally must pay their income tax in quarterly estimated tax payments, generally 25 percent per quarter. President Obama's FY 2012 budget proposes to repeal all legislation that shifts the amount and timing of corporate estimated tax payments from the normal rules.

IMPACT. *A number of recent laws have accelerated estimated tax payment requirements for large corporations ($1 billion or more in assets) for a particular calendar quarter simply as a revenue-scoring maneuver to technically circumvent PAYGO rules in Congress. The frequency of these changes increases uncertainty in the corporate tax system.*

Turn to CCH for all your federal tax needs.

eBook Available

U.S. Master Tax Guide, 2011 — The industry's leading tax guide provides reliable answers and explanations to tax questions affecting 2010 federal individual and business tax returns and is available in a variety of formats. The *Guide* includes access to a special website for updates from legislative developments occurring after publication, including the Tax Relief Act of 2010. **Price: $86.50 per copy.** Pub.: Nov. 2010. 960 pages.

SAVE MORE when you buy the eBook and get the Softcover for just 25% more! Simply add both formats to your cart for discount to apply. *Remember to enter Priority Code Y7333 at checkout.*

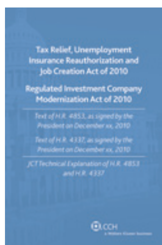
Click here to order ▶ *Simply choose the format you wish to order from the drop down menu when adding the item to your cart.*

eBook Available

Law, Explanation and Analysis of the Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010/RIC Modernization Act of 2010 and Other Recent Tax Acts — The single most integrated reference available to clarify the complex tax provisions passed under the Tax Relief Act of 2010 and includes Regulated Investment Company Modernization Act and other recent tax legislation. **Price: $71.50 per copy.** Pub.: Dec. 2010. 936 pages.

SAVE MORE when you buy the eBook and get the Softcover for just 25% more! Simply add both formats to your cart for discount to apply. *Remember to enter Priority Code Y7333 at checkout.*

Click here to order ▶ *Simply choose the format you wish to order from the drop down menu when adding the item to your cart.*



Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010/Regulated Investment Company Modernization Act of 2010/Text of H.R. 4853, as signed by the President/Text of H.R. 4337 as signed by the President/ JCT Technical Explanation of H.R. 4853 and H.R. 4337 — Reproduces the full text of the Tax Relief Act of 2010 as signed by the President as well as the full text of the Joint Committee on Taxation's technical explanation of the Act. This volume indicates legislative intent and is helpful pending the issuance of final regulations in areas where the Code is unclear. **Price: $21.95 per copy.** Pub.: Dec. 2010. 312 pages.

Click here to order ▶

The 2010 Tax Act's Impact on Estate Planning and Administration: Making Sense Out of the Confusion — This brand new resource provides individuals and fiduciaries and their advisors with a better understanding of the changes, challenges and opportunities for U.S. estate planning and administration under the new law enacted in the Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010. **Price: $49.00 per copy.** Pub.: April 2011. About 250 pages.

Click here to order ▶

Highlights of the Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010 — This handy reference provides easy-to-understand explanations of the key components of the Tax Relief Act of 2010 and is available for ordering in larger quantities. It makes an ideal premium that will be welcomed and referred to by your clients and prospects. **Price: $9.50 per copy.** Pub.: Dec. 2010. 40 pages.

For quantity pricing please call 800-248-3248.

Click here to order ▶

Kess on Tax Legislation 2010: Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010 CPE Course — *by Sidney Kess, JD, CPA and Barbara Weltman, JD* — The Course offers tax professionals helpful guidance on the new law and provides helpful Planning Pointers and Observations, Alerts to the changes impacting 2010 income tax returns and ways practitioners can capitalize on the changes with their clients. Complete with final exam for use in earning valuable CPE credits. (Grading fee additional.)

Course Level: Update
Prerequisite: Basic understanding of federal tax law
CPE Credit: 4

Special 25% discount available for a limited time! Lower price will be reflected when you add item to cart. ~~$99.00~~ **Now $74.25**

Click here to order ▶

Save even more when you buy the bundle

Get both *Kess on Tax Legislation 2010 CPE Course* and *Law, Explanation and Analysis of the Tax Relief Act of 2010*.

Special 25% discount available for a limited time! Lower price will be reflected when you add item to cart. ~~$135.00~~ **Now $101.25**

Click here to order ▶

Visit **CCHGroup.com/Legislation** for the latest updates.