Congress of the United States
JOINT COMMITTEE ON TAXATION
Washington, DC 20515-6453

JUL 13 2012

MEMORANDUM

TO: [redacted]

FROM: Thomas A. Barthold T.A.B.

SUBJECT: Revenue Estimates

This memorandum is a partial response to your request of June 15, 2012, for estimates of the number of taxpayers that would be affected in 2013 if certain provisions enacted in the "Economic Growth and Tax Relief Reconciliation Act of 2001 ('EGTRRA')" were extended.

Under EGTRRA, a new 10-percent regular income tax bracket was created. In 2012, the 10-percent bracket applies to the first $8,700 of taxable income for single filers, the first $17,400 of taxable income for married couples filing a joint return, and the first $12,400 for heads of households. Under present law, the 10-percent bracket will expire after December 31, 2012. If the 10-percent bracket were extended, we estimate that approximately 88 million tax returns would be affected, and the average tax reduction would be $502 in 2013.

Several marriage penalty relief provisions were enacted under EGTRRA. Under EGTRRA, the basic standard deduction for married couples filing a joint return was increased to twice the basic standard deduction for unmarried individuals filing a single return. EGTRRA increased the size of the 15-percent regular income tax bracket for a married couple filing a joint return to twice the size of the 15-percent regular income tax bracket for an unmarried individual filing a single return. Also, EGTRRA made several changes to the earned income credit. EGTRRA increased the beginning and ending of the earned income credit phase-out by $3,000, indexed for inflation, for married taxpayers filing a joint return. (Under the "American Recovery and Reinvestment Tax Act of 2009," the beginning and ending of the earned income credit phase-out was increased by $5,000, indexed for inflation.) EGTRRA simplified the definition of earned income by excluding nontaxable employee compensation from the definition of earned income. EGTRRA repealed the prior-law provision that reduced the earned income credit by the amount of an individual's alternative minimum tax. EGTRRA simplified the calculation of the earned income credit by replacing modified adjusted gross income with adjusted gross income. Also, EGTRRA made changes to the relationship test and the prior-law tie-breaking rule. These marriage penalty relief provisions will expire after December 31, 2012. If the marriage penalty relief provisions enacted under EGTRRA were extended, we estimate that approximately 32 million tax returns would be affected, and the average tax reduction would be $591 in 2013.

MEMO TO: [redacted]

SUBJECT: Revenue Estimate

Under EGTRRA, the child tax credit was increased from $500 to $1,000 for each qualifying child. Also, EGTRRA made the child credit refundable to the extent of 15 percent of the taxpayer's earned income in excess of $10,000, indexed for inflation. (The "American Recovery and Reinvestment Tax Act of 2009" made the child credit refundable to the extent of 15 percent of the taxpayer's earned income in excess of $3,000.) The increase in the child credit to $1,000 and the expanded refundability of the child credit will expire after December 31, 2012. If the child credit provisions enacted under EGTRRA were extended, we estimate that approximately 31 million tax returns would be affected, and the average tax reduction would be $1,028 in 2013.