THE REPUBLICAN STUDY COMMITTEE
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Legislative Bulletin……………………………………….....January 1, 2013

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H. R. 8 – American Taxpayer Relief Act of 2012

H.R. 8 – American Taxpayer Relief Act of 2012 (Camp, R-MI)

Order of Business: An order of business for H.R. 8 has not been announced. When a rule has been announced, the RSC will update this Legislative Bulletin and notify RSC Member offices.

Opposing Arguments:

Affirmatively Provides for Tax Increases: If this legislation is enacted, some American families and small business would face higher tax rates in 2013 on regular income and income from capital gains and dividends than they have faced in recent years, a situation conservatives have historically and universally advocated against. An Obama administration "fact sheet" on H.R. 8 asserts, "for the first time in 20 years, Congress will have acted on a bipartisan basis to vote for significant new revenue."

Delays Spending Cuts from the Budget Control Act: Some conservatives may be concerned that H.R. 8 would delay FY 2013 sequestration for two months. The cost of that delay would be offset by lowering the discretionary spending caps for FY 2013 and 2014 and through increased short-term revenue by allowing 401(k) to Roth IRA conversions. Some conservatives expressed concern at the time of passage of the Budget Control Act that it exchanged an immediate increase in the debt limit in exchange for future spending cuts that may not occur. Similar concerns may arise here as additional current spending is offset by unspecified future spending cuts.

Death Tax: After many years of effort, conservatives succeeding in eliminating the death tax for one year, 2010. This legislation would permanently reestablish the death tax at a 40% rate with a $5 million exemption.

Extends Unemployment Benefits: The legislation provides the eleventh extension of the "temporary" expansion of the unemployment compensation program created in 2008. Many conservatives will be concerned that this $30 billion extension is not paid for. Many conservatives argue that extended unemployment benefits increase incentives to remain unemployed.

Extends Stimulus Provisions: The legislation would extend for five years three "temporary" refundable tax credits that originated in the stimulus bill: the American Opportunity Tax

Credit, expanded Earned Income Tax Credit, and increased refundability of the Child Tax Credit. This $134 billion in stimulus spending would not be offset.

Tax Inequality: If enacted, many conservatives have argued that this legislation would lead to an increase in the share of taxes paid by higher earners. That may increase the number of Americans who do not experience the full cost of the federal government, but benefit from it. The Obama Administration "fact sheet" declares, "the agreement will ensure we have the most progressive income tax code in decades."

Class Warfare: Some conservatives have argued that this legislation affirms Democrats' efforts to engage in class warfare by explicitly singling out high earners for more revenue.

Marriage Penalty: The new permanent tax brackets set at $400,000 for single individuals and $450,000 for families would continue to penalize married Americans as the bracket for married filers is not set at twice the amount of the single bracket. Many conservatives fought for tax reforms in 2001 and 2003 that eliminated the marriage penalty for lower-income filers, and hold that the principle of equal treatment for income of married and single taxpayers should be universal, not only for certain income groups.

Disproportionately Impacts Small Businesses: The legislation would allow increased tax rates for many small businesses, while providing some large corporations with tax breaks through the "extenders" package. These include tax breaks for wind energy, motorsports racing tracks, film and television productions, and cellulosic biofuels production.

Farm Bill: Some conservatives may have issue with the one-year extension of the Farm Bill due to the continuation of direct payments and the cotton program. Additional opposing arguments are listed in the Farm Bill section of the summary later in this document.

Economic Growth and Jobs: Many conservatives have expressed that increased revenue flowing to the federal government from taxpayers during a period of economic distress could negatively impact economic growth and increase the unemployment rate, particularly if investment income is impacted.

Commission on Long Term Care: The legislation would provide for a new Commission on Long Term Care. Some conservatives may be concerned that a commission seeking the establishment, implementation, and financing of a high quality system to ensure the availability of long-term services for individuals could provide support for the creation of a new entitlement program, similar to the Medicare prescription drug program. Other conservatives may feel the federal government has enough commissions and should decommission several before funding additional commissions.

Supporting Arguments:

Ensures Rates Do Not Rise On Majority of Taxpayers: Enactment of the legislation would ensure that taxes do not rise on the majority of taxpayers for 2013 as would occur for all taxpayers under existing law if no changes are made at this point in time.

Would Provide Clarity to Individuals and Businesses: If enacted, the majority of the tax changes made by H.R. 8 would be permanent, providing a measure of stability for individuals and businesses as they plan for the foreseeable future, a goal was not achieved by previous Congresses. Many conservative economists have argued that tax uncertainty has been a big obstacle to job creation and growth.

Delays Defense Sequester: Many conservatives had concerns about the impact of sequestration on the nation's military. H.R. 8 would provide for a two month delay to all FY 2013 sequestration, including on defense programs, while providing offsetting savings.

Payroll Tax: Some conservatives have argued that the temporary employee-share payroll tax cut of 2% has been a form of stimulus spending that puts further strain on the Social Security Trust Fund. This legislation would not extend the payroll tax cut.

Achieve Conservative Goals: The legislation would achieve some policies that have previously been goals of many conservatives, including permanently extending many of the 2001 and 2003 tax cuts, permanently patching the Alternative Minimum Tax on individuals, and repealing the CLASS Act.

Maintains Tax Extenders: The legislation extends a "tax extenders" package through 2013. This includes the research and development credit, the state and local sales tax deduction, etc. Some conservatives would argue that some of these existing tax cut provisions are not ideal tax policy. However, letting these provisions expire would increase taxes on businesses and individuals. Additionally, some of these provisions may be useful to the process of corporate tax reform as they could be eliminated in exchange for dropping rates.

Summary: Enactment of H.R. 8 would make numerous changes to federal tax law, suspend the FY 2013 sequester, and extend several expiring provisions of law. CBO has scored H.R. 8 as increasing direct spending by $332 billion, including refundable tax credits, and as a whole decreasing revenues and direct spending by $3.971 trillion over 10 years. According to the Joint Committee on Taxation, H.R. 8 would provide $620 billion in additional revenue over 10 years when compared to the tax policy in effect in 2012. Passage of this legislation would reduce federal revenues by $3.92 trillion over 10 years when compared to a baseline of existing law, which includes the expiration of the 2001 and 2003 tax cuts.

Tax Provisions

- **Tax rates for the first $400,000/$450,000 of income:** The legislation would make permanent the existing 10%, 15%, 25%, 28%, and 33% tax rates and brackets for adjusted gross income reported up to $400,000 for single filers and $450,000 for married couples filing jointly. The vast majority of taxpayers would see no difference in their tax treatment this year compared to their treatment under the tax policy in effect in 2012.

- **Tax rates on income exceeding $400,000/$450,000:** The legislation would not amend the tax rate increase to 39.6% from 35% on adjusted gross income exceeding $400,000/$450,000 provided for in current law. At this time, there is no public estimate by the Joint Committee on Taxation (JCT) on the amount of new revenue this would provide relative to current tax policy.

- **Marriage Penalty Relief:** The legislation would make permanent the marriage penalty relief contained in the 2001 and 2003 tax reforms, specifically by setting the standard deduction and 15% rate bracket at twice the single filer level for married taxpayers filing jointly and modifying and simplifying the refundable Earned Income Tax Credit.

- **Higher-Income Exemption and Deduction Phase-Outs:** It would also permanently reinstate the Personal Exemption Phase-Out (PEP) and Pease limitation, which limits the ability of some taxpayers to qualify for the personal income exemption and full value of itemized deductions. The Personal Exemption Phase-out would reduce the personal exemption ($3,800 in 2012) of filers and their dependents by 2% for every $2,500 that their adjusted gross income exceeds the applicable threshold, $300,000 for married filers and $250,000 for single filers indexed to inflation. The Pease limitation limits the value of itemized deductions by creating a 3% surcharge of the amount a filer's adjusted gross income exceeds the applicable threshold (identical to the Personal Exemption Phase-out) up to 80% of a filer's itemized deductions.

- **Capital Gains and Dividend Income:** The legislation would make permanent the current tax rates of 0% and 15% on capital gains and dividend income for those reporting less than $400,000/$450,000 in income. The vast majority of taxpayers would see no difference in their tax treatment this year compared to their treatment under the tax policy in effect in 2012.

  It would not amend the rate increase on capital gains income to 20% on individuals reporting over $400,000/$450,000 in adjusted gross income provided for in current law. It would limit any rate increase on dividend income for those reporting over $400,000/$450,000 in income to 20%, preventing the reclassification of dividend income as regular income subject to the 39.6% rate for those taxpayers.

- **Child Tax Credit:** The legislation would make permanent the refundable $1000 Child Tax Credit, preventing a reversion to the previous $500 level.

- **Death and Gift Tax:** The legislation would establish a new death tax rate of 40% and retain the current exemption amount of $5 million, indexing that exemption amount to inflation. In 2010, there was no death tax. Current law increased the rate to 55% and lowered the exemption amount to $1 million on January 1, 2013.

- **Alternative Minimum Tax for Individuals (AMT):** The legislation would permanently "patch" the AMT protecting millions of Americans from falling subject to an unexpected tax increase from not indexing the AMT exemption amount for inflation. This would reduce federal revenues by $1.82 trillion over 10 years when compared to a baseline of existing law, which presumes the expiration of the 2001 and 2003 tax cuts.

- **Education-Related and Other Tax Provisions:** The legislation would make a variety of provisions of the 2001 and 2003 tax cuts permanent, including Coverdell education savings provisions, higher student loan interest deduction phaseouts, and preferable tax treatment of Alaska Settlement Funds. A full list is available here (pgs. 2 and 3).

- **Stimulus Extenders:** The legislation would extend for five years three tax provisions originating in the American Recovery and Reinvestment Act of 2009. The American Opportunity Tax Credit is available for individuals with eligible college expenses, including some individuals with no income tax liability. It would also extend the expanded Earned Income Tax Credit and the expanded refundability of the Child Tax Credit. These extensions would cost $134 billion over 5 years.

- **Extenders:** The legislation would provide for an extension through 2013 of over 50 provisions of tax law known as tax extenders. The overwhelming majority of the extenders language in H.R. 8 comes from S. 3521, a bill reforming the extenders package that was reported out of the Senate Finance Committee on August 28, 2012. Among other provisions, it extends Section 179 small business expensing, deductibility of state and local taxes from income, the research tax credit, and numerous energy-efficiency and renewable energy deductions and credits, including an extension of the Production Tax Credit used for wind power and other forms of renewable energy worth $12.2 billion to producers, according to the JCT. A summary of the provisions extended by S. 3521 (and H.R. 8) is available here; H.R. 8 does not include S. 3521's language on the AMT, however. Although not included in S. 3521, H.R. 8 extends 50% bonus depreciation for one year. Not including bonus depreciation, JCT scored S. 3521 as decreasing revenue by $72.8 billion over 10 years.

Other Provisions

- **Sequester:** H.R. 8 would delay FY 2013 sequestration of direct and discretionary spending for two months at a cost of $24 billion. That cost would be offset in the legislation in two ways:

    - $12 billion by lowering the discretionary spending cap for FY 2013 by $4 billion to $1.043 trillion and the cap for FY 2014 by $8 billion to $1.058 trillion. It would also specify amounts within that $1.058 trillion cap for FY 2014 for both security and non-security spending, which was not previously the case. The Budget Control Act as enacted specified security and non-security caps for FY 2013, amended by H.R. 8 to $684 billion for security spending and $359 billion for non-security spending respectively, but did not do so for FY 2014. The FY 2014 caps specified by H.R. 8 would be $552 billion for security spending and $506 billion for non-security spending. **NOTE:** CBO has scored this provision as saving only $10 billion, not $12 billion, as the current spending level for non-defense discretionary is $356 billion already, $3 billion below the newly established cap of $359 billion.

- $12 billion by allowing individuals to roll 401(k) assets into a Roth IRA, which would require an initial payment of tax liability on previously untaxed income. This would increase revenue to the U.S. Treasury in the near-term, but foregoe revenue over the long-term when assets are withdrawn tax-free from Roth IRAs in the future. CBO scored this provision as increasing revenue by $12.186 billion.

- **Unemployment Insurance:** The legislation would provide a one-year extension of the "temporary" expansion of the emergency unemployment compensation program created in 2008 and other unemployment provisions, the eleventh such extension. The bill would keep in place the changes to the program reducing the potential number of weeks of eligibility made through the most recent extension in H.R. 3630 enacted in February 2012. CBO has scored this provision as cost $30 billion over the ten-year budget window.

- **Congressional Pay:** H.R. 8 would prevent any cost-of-living adjustment to the pay of Members of Congress in FY 2013.

- **"Doc Fix" and Medicare:** H.R. 8 would provide a one-year "doc fix," extend certain other Medicare and health provisions, and provide offsets for the cost of the "doc fix." CBO has scored the "doc fix" as costing $25.17 billion over 10 years, while the offsets where scored as reducing budget authority by $25.71 billion over 10 years, but outlays by $23.48 billion. The result is a reduction of $540 million in budget authority, but an increase of $1.69 billion in outlays over 10 years.

  Physician Payment Update ("Doc Fix"): This provision extends the current physician payment rate until December 31, 2013 and, thereby, prevents a significant (over 27%) physician reimbursement reduction scheduled to take effect this year. CBO has scored this provision as costing $25.17 billion over 10 years.

  Extension of Medicare Physician Work Geographic Adjustment: Extends payments for physician services in rural states until December 31, 2013. It increases payments to physicians in the 54 of the 89 Medicare geographic areas that would otherwise have an adjustment value below the specific floor level.

  Medicare Therapy Caps Exceptions: Under current law, Medicare Part B outpatient physical and speech language therapy services have a combined cap of $1,880 per year. This provision extends the Medicare therapy caps exceptions process until the end of this year. It also revises the exception process by requiring rejection of all claims above the cap that do not include the proper billing modifying code as well as requiring manual review of high-cost beneficiaries' claims for only medically-necessary services. Additionally, the bill extends the spending caps to the hospital outpatient department setting to prevent shifts in the site of service to higher cost settings once enforcement of the current exceptions process begins.

  Extension of Ambulance Add-On Payments: Provides an extension through December 31, 2012 for the following add-on payments: two percent for urban ground ambulance services; three percent for rural ground ambulance services; and an increase to the base rate for ambulance trips originating in qualified "super rural" areas as calculated by the Secretary (currently 22.6 percent). This provision also extends a policy that allows air ambulance services originating in certain rural areas to continue to receive a 50 percent add-on payment to their base rate.

Extension of Medicare inpatient hospital payment adjustment for low-volume hospitals. Qualifying low-volume hospitals receive add-on payments based on the number of Medicare discharges. To qualify, the hospital must have less than 1,600 Medicare discharges and be 15 miles or greater from the nearest like hospital. This provision extends the payment adjustment until December 31, 2013.

Extension of the Medicare-Dependent hospital (MDH) program. The Medicare Dependent Hospital (MDH) program provides enhanced reimbursement to support rural health infrastructure and to support small rural hospitals for which Medicare patients make up a significant percentage of inpatient days or discharges. This greater dependence on Medicare may make these hospitals more financially vulnerable to prospective payment, and the MDH designation is designed to reduce this risk. This provision extends the MDH program until October 1, 2013.

Extension for specialized Medicare Advantage plans for special needs individuals. Extends the authority of specialize plans to target enrollment to certain populations through 2015.

Extension of Medicare Reasonable Cost Contracts. This provision allows Medicare cost plans to continue to operate through 2014 in an area where at least two Medicare Advantage coordinated care plans operate.

Performance Improvement. Under the Medicare Improvement for Patients and Providers Act of 2008, HHS entered into a five year contract with a consensus-based entity for certain activities relating to health care performance. This provision continues this funding through 2013. This provision also requires HHS to develop a strategy for providing data on performance improvement in a timely manner.

Extension of funding outreach and assistance for low-income programs. This provision extends the funding for one year for State Heath Insurance Counseling Programs (SHIPs), Area Agencies on Aging (AAAs), Aging and Disability Resource Centers (ADRCs), and The National Center for Benefits Outreach and Enrollment.

Extension of the Qualified Individual (QI) Program: The bill extends through December 31, 2012 the Qualified Individual (QI) program, the federal reimbursement program to states that assists certain low-income seniors (incomes between 120% and 135% of the federal poverty level) with their Medicare Part B premiums.

Extension of Transitional Medical Assistance (TMA): The bill extends this program through December 31, 2012. The TMA program permits those with incomes below 185% of the federal poverty level (FPL) that are transitioning into the workforce to remain on Medicaid.

Extension of Medicaid and CHIP Express Lane option. The CHIP Reauthorization Act of 2009 created a new option that allows state Medicaid and CHIP offices to rely on data from other state offices, like SNAP and school lunch programs, in making income eligibility determinations for children, called Express Lane Eligibility (ELE). The authority to use ELE expires on September 30, 2013. This provision would extend ELE authority through September 30, 2014.

Extension of Family-to-Family Health Information Centers. This provision continues the Family to Family Health Information Centers (F2F HIC) to assist families of children/youth with special health care needs in making informed choices about health care in order to promote good treatment decisions, cost-effectiveness and improved health outcomes. This provision will help families navigate the health care system so that their children can get the care and benefits they need through Medicaid, SCHIP, SSI, early intervention services, private insurance and other programs. In addition, F2F HICs provide leadership and training for health care providers and policymakers to promote family-centered "medical home" for every child. There is one F2F HIC in every state and the District of Columbia.

Extension of Special Diabetes Program for Type 1 diabetes and for Indians. Funds research for type I diabetes and supports diabetes treatment and prevention initiatives for American Indians and Alaska Natives. The Special Diabetes Program (SDP) expires at the end of 2013, but early reauthorization is critical to the continuation of the existing research initiatives. This provision would extend the SDP for one year.

- **Health Care Offsets:** CBO scored the offsets below as reducing budget authority by $25.70 billion over 10 years, but outlays by $23.48 billion.

Documentation and Coding (DCI) adjustment. This provision will phase in the recoupment of past overpayments to hospitals made as a result of the transition to Medicare Severity Diagnosis Related Groups (MS-DRGs).

Rebase End Stage Renal Disease (ESRD) payments. This provision incorporates recommendations from the General Accountability Office by re-pricing the bundled payment to take into account changes in behavior and utilization of drugs for dialysis.

Therapy Multiple Procedure Payment reduction. This provision further reduces payment for subsequent therapies when therapies are provided on the same day.

Payment for Certain Radiology Services. This provision would equalize payments for stereotactic radiosurgery services provided under Medicare hospital outpatient payment system.

Adjustment of Equipment Utilization Rate for Advance Imagining Services. This policy would increase the utilization factor used in the setting of payment for imaging services in Medicare from 75% to 90%.

Competitive Prices for Diabetic Supplies. This proposal would apply competitive bidding to diabetic test strips purchased at retail pharmacies.

Adjust Payment Adjustment for Non-Emergency Ambulance Transports For ESRD Beneficiaries. This provision reduces the payment rates for ambulance services by 10% for individuals with ESRD obtaining non-emergency basic life support services involving transport, based on a recent General Accountability Office report.

Increase statute of limitations for recovering overpayments. This provision increases the statute of limitations to recover overpayments from three to five years, based on recommendations from the Office of Inspector General at the Department of Health and Human Services.

Medicare Improvement Fund. This provision eliminates funding for the Medicare Improvement Fund.

Rebase Medicaid Disproportionate Share Hospital (DSH) payments to extend the changes from the Affordable Care Act (ACA) for an additional year. This proposal rebases DSH allotments to maintain the level of changes achieved in the ACA, and determines future allotments off of the rebased level using current law methodology

Repeal of Class Program. The provision repeals the Community Living Assistance Services and Supports (CLASS) program established by the Affordable Care Act. This provision has no scoring implications.

Commission on Long Term Care. The provision establishes the Commission on Long Term Care to develop a plan for the establishment, implementation, and financing of a high quality system that ensures the availability of long-term services and supports for individuals.

Coding Intensity Adjustment. Under current law, Medicare Advantage plans receive risk-adjustment payments that are further adjustment to reflect differences in coding practices between Medicare fee-for-service and Medicare Advantage. This provision increases this coding intensity adjustment.

Consumer Operated and Oriented Plan (CO-OP). This provision will rescind all unobligated CO-OP funds under section 1332(g) of the Affordable Care Act. This provision also creates a contingency fund of 10 percent of the current unobligated funds to be used to further assist currently approved co-ops that have already been created. The provision does not take away any obligated CO-OP funds.

RSC Contact for Health Issues: **Joe Murray, joe.murray@mail.house.gov**

- **Agriculture and Nutrition Provisions:** H.R. 8 extends current programs of the Food, Conservation, and Energy Act of 2008 (the 2008 Farm Bill), until September 30, 2013, with some exceptions. The authorizations for farm and food programs expired on September 30, 2012. CBO scored the agriculture and nutrition provisions of this bill as having no effect on the baseline of direct spending over the ten-year budget window.

  The legislation also authorizes certain disaster programs that were included in the 2008 Farm Bill (P.L. 110-246) but their authorizations were deliberately allowed to expire on September 30, 2011.

  Suspension of Permanent Price Support Authorities: If a farm bill is not passed, then the 2013 crops of various commodities would revert to legislation passed in 1938 and 1949. Some commodities would be subject to production quotas and price supports would be based on "parity," an old formula that would have the effect of installing radically higher price supports – in some cases, double current prices or even more. This provision temporarily suspends those provisions, which are often referred to as "permanent law." Some conservatives might note the hypocrisy of merely delaying these parity prices as opposed to repealing the permanent law.

  Voluntary Public Access: The legislation retroactively authorizes $50,000,000 for the program for fiscal years 2009 through 2012. The Voluntary Public Access and Habitat Incentives Program gives grants to states to encourage private farm, ranch, or forest owners to make land available for public access. Specifically, the public access would be for "wild-life dependent" recreation, which includes hunting and fishing. The legislation then authorizes $10,000,000 for this program for fiscal year 2013. This is the same authorization that is under current law.

  Employment and Training Programs Under Supplemental Nutrition Assistance Program:
  The legislation authorizes $79,000,000 for fiscal year Employment and Training Programs that are under Supplemental Nutrition Assistance Program (SNAP). Under current law, this authorization is at $90,000,000 for "each fiscal year," and there is not an end-date set.

  Organic Agriculture Research and Extension Initiative: The legislation authorizes $25,000,000 for fiscal year 2013.

  Specialty Crop Research Initiative: The legislation authorizes $100,000,000 for fiscal year 2013.

  Beginning Farmer and Rancher Development Program: The legislation authorizes $30,000,000 for fiscal year 2013.

  The legislation extends the following energy programs:

  - Biobased Markets Program;

- Biorefinery Assistance Program;
- Repowering Assistance Program;
- Bioenergy Program for Advanced Biofuels;
- Biodiesel Fuel Education Program;
- Rural Energy for America Program;
- Biomass Research and Development Program;
- Rural Energy Self-Sufficiency Initiative;
- Feedstock Felxibility Program for Bioenergy Producers;
- Biomass Crop Assistance Program;
- Forests Biomass for Energy Program; and the
- Community Wood Energy Program.

The legislation extends the following horticulture and organic agriculture programs:

- Farmers Market Promotion Program – authorizes $10,000,000 for FY 2013
- National Clean Plant Network – authorizes $5,000,000 for FY 2013
- National Organic Certification Cost-Share Program – authorizes $22,000,000 for FY 2013. The RSC Sunset Caucus has previously highlighted the elimination of this program. More information on this program can be viewed here.
- Organic Production and Market Data Initiatives - $5,000,000 for FY 2013.

Farm Bill Conservative Concerns: Conservatives have expressed concerns with the legislation, including the following:

Previous Conservative Opposition: Several conservatives have already twice voted against programs extended by Title VII of this legislation. The 2008 'Farm Bill' originally passed the House on May 22, 2008, by a roll call vote of 306-110. The legislation was vetoed by President George W. Bush on June 18, 2008. On June 18, 2008, the House overrode the President's veto by a roll call vote of 317-109. Some conservatives are being asked to support programs they have previously opposed.

Extension of Indefensible Direct Payments: Direct Payments are a roughly $5 billion annual giveaway, that are fixed payments that go to land owners with land that historically produced select commodities, regardless of current production or prices. Conservatives have expressed that there is no reason taxpayers should be expected to foot the bill for direct payments for another year. Any forthcoming extension of Farm Bill programs should explicitly not include an extension of the wasteful direct payment programs.

Extension of Programs that Need Reform or Termination: The legislation extends the current cotton program. Conservative are familiar with this program because of the annual $147,000,000 payment to the Brazil Cotton Institute.

Brazil sued the United States in the World Trade Organization (WTO) and the WTO found that our domestic cotton subsidy program was illegal under our WTO obligations. The WTO authorized Brazil to retaliate on the United States, and to avoid this retaliation the U.S. negotiated to pay the Brazil Cotton Institute $147 million annually. This legislation should provide the opportunity to amend programs like the cotton program in order remedy this situation. There is no sane reason that U.S. taxpayers should continue to illegally subsidize our domestic cotton program and then be forced to subsidize the Brazil Cotton Institute.

Conservatives have previously voted to cut off subsidizes the Brazil Cotton Institute:

- February 18, 2011, by a roll call vote of 183-246.
- June 16, 2011, by a roll call vote of 223-197.

Additional Information: The 2008 Farm Bill originally passed the House on May 22, 2008, by a roll call vote of 306-110. The legislation was vetoed by President George W. Bush on June 18, 2008. On June 18, 2008, the House overrode the President's veto by a roll call vote of 317-109.

RSC Contact for Farm Bill Issues: **Curtis Rhyne, curtis.rhyne@mail.house.gov**

Items of Note Not Included: Passage of H.R. 8 would not address several other issues of note previously before the 112th Congress. The legislation does not provide for an extension of the 2% employee-share payroll tax cut, nor does it provide for an increase in the statutory debt limit. The legislation also does not include any of the savings reportedly part of negotiations over resolution of the fiscal cliff, including from adoption of Chained CPI. Chained CPI is a new inflation measure believed to be more accurate than the CPI-U or CPI-W measures used to calculate the annual inflation adjustment for income tax brackets and Social Security benefits respectively. Chained CPI is expected to grow approximately .25% more slowly annually, slowing the growth of tax brackets and Social Security benefits compared to their growth if traditional CPI measures are used.

Notable Groups Opposing:

Club for Growth (Scoring)
Family Research Council
FreedomWorks (Scoring)
Heritage Action (Scoring)
RedState

PLEASE NOTE: The list provided here reflects support and opposition to H.J.Res. 66, "Plan B," which was scheduled to come before the House on December 20, 2012.

Americans for Tax Reform is neither supporting nor opposing this legislation, but has announced that it will not consider a vote in the affirmative a violation of the Taxpayer Protection Pledge.

Also, RSC staff have learned that despite initially signaling support, FreedomWorks has announced opposition to the legislation and will be key voting a NO vote.

Groups Supporting (at press time):
National Association of Wholesaler-Distributors
National Federation of Independent Business
National Roofing Contractors Association
U.S. Chamber of Commerce

Groups Opposing (at press time):
Americans for Prosperity (Scoring)
Club for Growth (Scoring against rule and final passage)
CNP Action
FreedomWorks (Scoring)
Heritage Action (Scoring)
National Taxpayers Union (Scoring)

*The below have signed a letter to Members urging them to oppose the **RULE** for H.J.Res 66:*
Edwin Meese III, former Attorney General
Brent Bozell, President, ForAmerica
Erick Erickson, Editor, RedState.com
Colin Hanna, President, Let Freedom Ring
J. Kenneth Blackwell, Ohio Faith & Freedom Coalition
Tony Perkins, President, Family Research Council
David N. Bossie, President, Citizens United
Alfred Regnery, President, The Paul Revere Project
William Wilson, President, Americans for Limited Government
Michael Needham, Chief Executive Officer, Heritage Action for America
Peter Thomas, Chairman, The Conservative Caucus
Amy Kremer, Chairman Tea Party Express
Richard Viguerie, Chairman, ConservativeHQ.com
David Y. Denholm, President, Public Service Research Council
Becky Norton Dunlop, former Reagan Administration official
Gary Bauer, President, American Values
David Williams, President, Taxpayers Protection Alliance
David McIntosh, former Member of Congress, Indiana
T. Kenneth Cribb, former Domestic Advisor to President Reagan
All organizations listed for identification purposes only

Prior Congressional Action: H.R. 8, previously titled the Job Protect and Recession Prevention Act of 2012, was introduced on July 24, 2012 by Rep. Dave Camp, and referred to the House Committee on Ways and Means and the House Committee on the Budget. On August 1, 2012 the legislation passed the House by roll call vote. The legislation was amended by the Senate and retitled the American Taxpayer Relief Act of 2012; the amended version was approved by the Senate by roll call vote on January 1, 2013.

Administration Position: A press time, no Statement of Administration Policy was available. However, the provisions of the Senate-passed version of H.R. 8 were determined through negotiations to which Vice President Biden was a party and the administration has a fact sheet endorsing the deal.

Cost to Taxpayers: CBO has scored H.R. 8 as increasing direct spending by $332 billion, including refundable tax credits, and as a whole decreasing revenues and direct spending by $3.971 trillion over 10 years. According to the Joint Committee on Taxation, H.R. 8 would provide $620 billion in additional revenue over 10 years when compared to the tax policy in effect in 2012. Passage of this legislation would reduce federal revenues by $3.92 trillion over 10 years when compared to a baseline of existing law, which includes the expiration of the 2001 and 2003 tax cuts.

Does the Bill Expand the Size and Scope of the Federal Government?: The legislation contains provisions that increase the size and scope of the federal government, as well as provisions that decrease it. CBO has scored H.R. 8 as a $3.638 billion tax cut over ten years (though most of this figure consists of just preventing tax increases), and a $332 billion spending increase over ten years.

Does the Bill Contain Any New State-Government, Local-Government, or Private-Sector Mandates?: H.R. 8 contains no intergovernmental or private-sector mandates as defined in UMRA and would not affect the budgets of state, local, or tribal governments.

Does the Bill Contain Earmarks/Limited Tax Benefits/Limited Tariff Benefits?: No.

Constitutional Authority Statement: The Constitutional Authority Statement accompanying H.R. 8 when initially introduced stated, "Congress has the power to enact this legislation pursuant to the following: "Clause 1 of Section 8 of Article I of the United States Constitution and Amendment XVI of the United States Constitution." No updated Constitutional Authority Statement is required for the Senate amendment to be considered by the House.

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