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## Major Provisions of President-elect Barack Obama's Tax Plan

### Refundable Credits

- Create refundable "Making Work Pay Credit" of 6.2 percent of the first \$8,100 of earnings, yielding a maximum credit of \$500 per worker
- Create refundable "Universal Mortgage Credit" for nonitemizers equal to 10 percent of the first \$8,000 of mortgage interest, yielding a maximum credit of \$800
- Make Hope Credit refundable and equal to up to \$4,000 of college tuition and fees (for the first two years of college); rename it the "American Opportunity Tax Credit"
- Make Saver's Credit refundable and change to a 50 percent match of the first \$1,000 of contributions to retirement savings accounts
- Make Child and Dependent Care Tax Credit refundable and raise maximum credit rate to 50 percent; phase credit rate down faster starting at \$15,000 income
- Extend Earned Income Tax Credit (EITC) phase-in range and increase phaseout threshold for childless workers; raise EITC phase-in rate to 45 percent for families with three or more children; raise extension of EITC phase-out threshold to \$5,000 for married filers

### 2001/2003 Tax Cuts

- Make permanent the 10, 15, 25, and 28 percent rates; child credit expansions; and changes affecting tax implications of marriage
- Restore 36 and 39.6 percent statutory income tax rates in 2009
- Restore phaseouts of personal exemptions and itemized deductions (PEP and Pease) for taxpayers making more than \$200,000 (\$250,000 for married couples); increase thresholds

### Other Individual Tax Cuts

- Eliminate income tax for seniors with annual income less than \$50,000
- Temporarily eliminate income tax on unemployment insurance

### Business Tax Cuts

- Make permanent tax credits for Research and Development (R&D) and for renewable energy production (wind, solar)
- Provide a refundable \$3,000 credit per added employee for firms that expand their workforce

## **Capital Gains**

- Increase maximum capital gains rate to 20 percent for those earning more than \$200,000 (\$250,000 for married couples)
- Require information reporting of basis for assets sold

**Alternative Minimum Tax:** Make permanent the 2007 AMT patch and index it for inflation

**Estate Tax:** Make estate tax permanent with \$3.5 million exemption and 45 percent rate

**Simplification:** Allow taxpayers with simple returns the option of IRS-completed tax forms to verify, sign, and file

## **Revenue Raisers and Tax Havens**

- Eliminate loopholes for oil and gas firms
- Close loopholes in the corporate tax deductibility of CEO pay
- Tax carried interest as ordinary income
- Reallocate multinational tax deductions
- Impose a windfall profits tax on oil and gas companies
- Require publicly traded financial partnerships to pay corporate income tax
- Codify economic substance doctrine (requires transactions that qualify for tax benefits have economic justification beyond those benefits)
- Create an international tax haven watch list of countries who do not share information with the U.S. and require greater financial disclosure to decrease tax shelters

## **Health**

- Create income-based tax subsidies for health insurance purchased through new health insurance exchange
- Require employers to provide insurance or pay a percentage of payroll to support national plan
- Give small businesses a healthcare tax credit of 50 percent of employer-paid premiums

## **Other Proposals**

- Impose additional Social Security tax of 2-4 percent (combined employer and employee) on workers with income above \$200,000 (\$250,000 for married couples)
- Allow penalty-free withdrawal of up to 15 percent (maximum \$10,000) from retirement accounts
- Mandate automatic 401(k)s and IRAs
- Temporarily suspend rules requiring distributions from IRAs at age 70½ and taxes on such distributions