An Analysis of Changes in Federal Tax Laws for the Year **2012**

Prepared by the Taxation Strategic Committee

Oregon Society of CPAs

Oregon Society of Certified Public Accountants

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Introduction

On behalf of the Oregon Society of CPAs' Taxation Strategic Committee, it is with honor and pleasure we present to you An Analysis of Changes in Federal Tax Laws for 2012.

Oregon Society of CPAs (OSCPA) Legislative Analysis

This OSCPA Legislative Analysis presents all Federal tax law changes that have been enacted since the Legislature adjourned from the previous session. Oregon has a long history of conforming to the Internal Revenue Code, but in doing so each Legislative Assembly analyzes the implications of Federal law changes that have been enacted since the last legislative session. Our committee has been presenting the Legislature with this analysis for many years. Our primary objective is to be a technical resource for the Legislature and, secondarily, to promote taxpayer compliance by striving to keep Oregon tax law tied to the Internal Revenue Code. This connection is accomplished by using both a "fixed date conformity" and a "permanent connection."

Oregon's "permanent connection" applies only to the definition of taxable income. Typically, we will recommend that Federal changes to provisions that fall outside the definition of taxable income also be changed to conform to the Internal Revenue Code. Some examples of the types of items requiring a law change are tax credits, estimated tax provisions and net operating loss rules. Many of these provisions are currently tied to definitions in the Internal Revenue Code as of Dec. 31, 2010, and the tie date should generally be updated to Jan. 2, 2013, to include the American Taxpayer Relief Act of 2012 (which was effective on Jan, 2, 2013).

For years beginning prior to Jan. 1, 2011, Oregon is connected to federal law as it relates to the definition of taxable income as of Dec.31, 2010. For years beginning on or after Jan. 1, 2011, Oregon is permanently connected to the Internal Revenue Code for these provisions. In past Legislative sessions, Oregon specifically disconnected from the following federal taxable income provisions:

1) The domestic production activities deduction (otherwise known as the manufacturing or section 199 deduction).

2) The exclusion from income for Federal subsidies for prescription drugs.

3) Section 179 expensing is tied to Federal law as in effect on Dec. 31, 2008. The maximum deduction for Oregon in 2010 is $134,000 and phases out when assets placed in service exceed $530,000.

4) Bonus depreciation and increased depreciation for passenger automobiles is not available for Oregon purposes.

5) Discharge of indebtedness provision which allowed an election to spread Section 108 cancellation of debt income over a 5-year period is not available for Oregon taxpayers as Oregon is tied to federal law as in effect on Dec. 31, 2008 for this provision.

An Analysis of Changes Resulting From the American Taxpayer Relief Act (ATRA) OF 2012

Recommendations Key

A

General reconnect: Oregon automatically reconnects to the federal change. Oregon generally subscribes to the provisions being amended, and therefore, we do not recommend any change. No modification is necessary to tie to the federal change.

B

No ORS change necessary: no change is necessary to the ORS. This provision affects a credit, penalty or administrative rule which applies only to the federal tax system, does not apply to the determination of taxable income, or is automatically modified by provisions in the ORS. Oregon does not automatically adopt these provisions, however, no modification of ORS is necessary.

C

ORS change necessary: a change to the ORS is necessary in order to conform to this federal provision. To increase taxpayer compliance, it is recommended that Oregon Statutes be amended to conform as closely as possible to this change.

Additional 2012 Acts

There were four 2012 Acts, other than ATRA, that had a few income tax implications. Most of the provisions were subsequently extended or modified by the American Taxpayer Relief Act of 2012 that was enacted on Jan. 2, 2013. Below is a summary of the four Acts along with highlights of income tax provisions included in each.

2012 African Growth Act

To amend the African Growth and Opportunity Act to extend the third-country fabric program and to add South Sudan to the list of countries eligible for designation.

2012 Highway Investment Act

To authorize funds for Federal-aid highways, highway safety programs, and transit programs.

2012 Middle Class Tax Relief Act

To provide incentives for the creation of jobs, and for other purposes. Extended the payroll tax reduction and unemployment benefits. Contained Medicare and other health provisions, TANF extension, federal employee retirement, and public safety provisions.

2012 FAA Modernization Act

To authorize appropriations for the Federal Aviation Administration for fiscal years 2011 through 2014, to streamline programs, create efficiencies, reduce waste, and improve aviation safety and capacity, and to provide stable funding for the national aviation system.

Highlights of the tax provisions from these earlier acts of the 112th Congress include:

Health related provisions. The health related provisions in these acts included provisions that:

- Modify AGI for determining eligibility for, and the amount of, the post-2013 premium tax credit to include nontaxable social security income.
- Apply simplified payback caps on excess advance premium assistance credits to taxpayers below 400% of the poverty line.
- Repeal the post-2013 rules requiring employers to provide free choice vouchers to employees.
- Disallow the Health Coverage Tax Credit (HCTC) for health insurance costs of trade-displaced workers and PBGC pension recipients after 2013.
- Reinstate the requirement that IRS make retroactive HCTC payments for coverage months beginning after Nov. 20, 2011.
- Retroactively increase the HCTC and percentage limit on advance HCTC payments to 72.5% (from 65%) for post-February 2011 coverage months.

- Extend allowance of HCTC for VEBA coverage to coverage months beginning after Feb. 12, 2012.
- Retroactively extend HCTC eligibility for individuals not enrolled in training programs to coverage periods beginning after Feb. 12, 2011.
- Require HCTC eligibility certificates issued after Nov. 20, 2011 to include information on qualified health insurance and enrollment procedures.
- Extend the rule under which a period after a TAA-related loss of health coverage is not counted in determining a HIPAA 63-day lapse in creditable coverage to plan years beginning before Jan. 1, 2014. Extend eligibility for COBRA continuation coverage from Nov. 20, 2011 through Jan. 1, 2014 for PBGC recipients and TAA-eligible individuals who lose employment or work hours.
- Repeal post-2013 health insurance coverage information reporting and related statement requirements for “offering employers.”

Pension provisions. The pension provisions in the these acts included provisions that:

- Allow interest rate smoothing over a 25-year period to determine liabilities.
- Allow excess pension plan assets to be used to fund retiree group-term life insurance.
- Extend rules permitting transfer of excess defined benefit plan assets to retiree health accounts through 2021.
- Provide that the additional 10% tax on early withdrawals from qualified retirement plans will not apply to federal phased retirement program payments.
- Allow rollovers to traditional IRAs for amounts received from airlines that filed for bankruptcy after Sept. 11, 2001 and before Jan. 1, 2007.
- Make certain changes to PBGC premiums for single-employer and multiemployer defined benefit plans.

Excise provisions. The excise provisions in these acts included provisions that:

- Delay reduction of various fuel excise tax rates until after Sept. 30, 2016.
- Extend the Leaking Underground Storage Tank (LUST) Trust Fund 0.1 cent-per-gallon tax through Sept. 30, 2016.
- Extend the retail truck and manufacturer's tire excise taxes, and certain exemptions, through Sept. 30, 2016.
- Apply the floor stock credit, or refund for tire tax and removal-at-terminal fuel tax, to tires or fuel held by dealers on Oct. 1, 2016.
- Extend the highway use tax, and certain highway use tax exemptions, through Sept. 30, 2017.
- Extend the airport and airway trust fund excise taxes through Sept. 30, 2015.
- Eliminate the exemption from air transportation excise taxes for small jet aircraft operated on nonestablished lines.
- Impose the 14.1 cents-per-gallon surtax on fuel used in fractional ownership aircraft flights; flights are also taxed as noncommercial aviation, but exempted from air transportation taxes.

Additional 2012 Acts

Payroll and other provisions. The payroll and other provisions in these acts included provisions that:

- Apply the 10.4% OASDI rate for 2012 to self-employment income up to the $110,100 ceiling.
- Apply the reduced 4.2% employee social security tax rate for all of 2012 under the payroll tax holiday.
- Allow tax-exempt employers to get FICA tax credit for hiring qualified veterans.
- Repeal the expanded information reporting requirement for post-2011 payments of $600 or more to non-tax-exempt corporations.
- Repeal the expanded information reporting for post-2011 payments of $600 or more of gross proceeds or amounts in consideration for property.
- Retroactively repeal information reporting for certain recipients of rental income for payments of $600 or more to service providers.
- Prospectively repeal the mandatory 3% withholding on payments to government contractors.
- Extend through 2012 the work opportunity credit as applied to qualified veterans.
- Impose the penalty for lack of transparency in airline passenger tax disclosures.
- Increase the penalty on paid preparers for noncompliance with due diligence rules from $100 to $500.
- Allow tax-exempt qualified bonds to be used to finance fixed-wing emergency medical aircraft.
- Extend the limitation on the deduction of repurchase premium to debt convertible to parent-subsidiary controlled group stock.
- Expand the 100% maximum rate for continuous levy to include governmental payments to vendors from the sale or lease of property.
- Change withholding provisions for corporations with assets in excess of $1 billion.

Section A

General reconnect: Oregon automatically reconnects to the federal change. Oregon generally subscribes to the provisions being amended, and therefore, we do not recommend any change. No modification is necessary to tie to the federal change.

Code Section	Topic	Law Before ATRA	2012 ATRA	Effective Date
1(h)(11)(D)(ii)	Long-term capital loss treatment to extent extraordinary dividends taxed as capital gains.	If an individual, estate, or trust receives qualified dividend income from extraordinary dividends with respect to a share of stock, any loss on the sale or exchange of that share must be treated as long-term capital loss to the extent of the extraordinary dividends. Extraordinary dividends are >10% basis (5% preferred).	Permanently extended.	Tax years beginning after Dec. 31, 2012.
1(h)(2) & 1(h)(11)(D)(i)	Election to include qualified dividends in investment income.	Taxpayers can elect to include qualified dividends in investment income for purposes of the investment interest deduction. An electing taxpayer loses capital gains treatment of dividends treated as investment income but may be allowed a greater investment interest deduction.	Permanently extended.	Tax years beginning after Dec. 31, 2012.
62(a)(2)(D)	Deduction for certain expenses of elementary and secondary school teachers.	Generally no deduction (last available year was taxable years beginning during 2011).	Retroactively extended the $250 above-the-line deduction for 2012 and 2013.	Tax years beginning after Dec. 31, 2011 and before Jan. 1, 2014.
68	Overall limitation on itemized deductions (the “Pease limitation”).	Overall limitation on itemized deductions (typically 3% rule) does not apply.	Permanently reinstated Pease limitation where AGI exceeds a specified amount ($250,000 for individual filers, $275,000 for heads of households, $300,000 for married filing jointly and surviving spouses, and $150,000 for married filing separately); itemized deductions are reduced by the lesser of: 3% of the excess AGI over the specified amount, or 80% of the amount of itemized deductions otherwise allowable.	Tax years beginning after Dec. 31, 2012.
108(a)	Discharge of indebtedness on principal residence excluded from gross income of individuals.	Gross income does not include qualified principal residence indebtedness which is discharged before Jan. 1, 2013.	Extended relief by excluding from gross income any qualified principal residence indebtedness which is discharged before Jan. 1, 2014.	Discharges of indebtedness after Dec. 31, 2012, and before Jan. 1, 2014.

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Code Section	Topic	Law Before ATRA	2012 ATRA	Effective Date
117(c)(2)	Elimination of tax on awards under certain scholarship programs.	Amounts received by a student under the National Health Service Corps Scholarship Program or F. Edward Hebert Armed Forces Health Professions Scholarship and Financial Assistance Program will not generally be includible in income.	Permanently extended the exclusion.	For taxable years beginning after Dec. 31, 2012.
127	Employer-provided educational assistance.	Educational assistance can include graduate level courses of a kind normally taken by an individual pursuing a program leading to a law, business, medical or other advanced academic or professional degree. Allowance up to $5,250 per year.	Permanently extended.	Tax years beginning after 2012.
132(f)	Parity for exclusion from income for employer-provided mass transit and parking benefits.	Parity for mass transit and parking benefits ended in 2011. In 2012, maximum amount of qualified parking that is excludible from an employee's gross income is $240 per month; employer-provided transit passes and transportation in a commuter highway vehicle are excludible from gross income to the extent that the aggregate value of the benefits does not exceed $125 per month.	Retroactively extended.	For months in 2012 and 2013.
135(c)	Modified adjusted gross income (MAGI) determination for limitation on exclusion for interest from U.S. savings bonds to pay higher education tuition and fees.	Modified adjusted gross income (MAGI) is determined without regard to Section 222, the deduction for qualified tuition and related expenses.	Permanently extended.	Tax years beginning after Dec. 31, 2012.
137	Adoption assistance exclusion.	A deduction of $12,650 maximum assistance is allowed, per adopted child; adoption of child with special needs deemed to have $12,650 in expenses; modified AGI phaseout range for credit begins at $189,710 and ends at $229,710. The credit is not refundable, but can offset AMT.	Permanently extended exclusion.	Tax years beginning after 2012.

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Code Section	Topic	Law Before ATRA	2012 ATRA	Effective Date
142(a)(13) & (k)	Expansion of tax-exempt bond treatment to public school facilities.	"Exempt facility bond" includes bonds issued as part of an issue 95% or more of the net proceeds of which are to be used to provide (among other things) qualified public educational facilities.	Permanently included qualified public educational facilities as an "exempt facility bond."	Tax years beginning after Dec. 31, 2012.
142(d)(2)(B)(ii)-(iv)	Treatment of military basic housing allowances.	For purposes of determining an individual's income under either the 20-50 test or the 40-60 test, basic pay allowance for housing is disregarded with respect to any qualified building.	Extended through 2013.	Income determinations made after July 30, 2008 and before 2014.
147(h)	Exempt facility bonds for qualified public-private schools.	The limitation on the use of land acquisition will not be taken into account for bonds issued before Dec. 31, 2012.	Permanently extended.	Tax years beginning after Dec. 31, 2012.
148	Increase in amount of bonds qualifying for small-issuer arbitrage rebate exception.	Small governments may issue up to $10 million in bonds for public schools without being subject to the arbitrage rebate requirement.	Permanently extended.	For years beginning after Dec. 31, 2012.
163(d)(4)(B)	Definition of investment income for purposes of limitation on deduction for investment interest.	Investment income includes qualified dividend income only to the extent the taxpayer elects to treat such income as investment income for purposes of Section 163(d). Expires Dec. 31, 2012.	Permanently extended.	Tax years beginning after Dec. 31, 2012.
163(h)(3)(E)	Premiums for mortgage insurance deductible as interest that is qualified residence interest.	Premiums for mortgage insurance are not treated as qualified residence interest if paid/accrued after Dec. 31, 2011.	Retroactively extended.	Amounts paid or accrued after Dec. 31, 2011 and before Jan. 1, 2014.
168(e)(3)(C) & (i)(15)	7-year recovery period for motorsports entertainment complexes.	A motorsports entertainment complex placed in service before Jan. 1, 2012 is treated as 7-year property for MACRS purposes.	Retroactively extended the 7-year property designation for motorsports entertainment complex placed in service after Dec. 31, 2011 and before Jan. 1, 2014.	Property placed in service after Dec. 31, 2011 and before Jan. 1, 2013.

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Code Section	Topic	Law Before ATRA	2012 ATRA	Effective Date
168(e)(3)(E) (iv), (v) & (ix)	15-year straight-line cost recovery for qualified leasehold improvements, qualified restaurant buildings and improvements, and qualified retail improvements.	Qualified leasehold improvements, qualified restaurant buildings and improvements, and qualified retail improvements are 15-year property if placed in service before Jan. 1, 2012.	Retroactively extended the designation as 15-year property.	Property placed in service after Dec. 31, 2011 and before Jan. 1, 2014.
168(j)	Accelerated depreciation for business property on an Indian reservation.	Special table provides different recovery periods for business property located on an Indian reservation, applicable to property placed in service before Jan. 1, 2012.	Retroactively extended.	Property placed in service after Dec. 31, 2011 and before Jan. 1, 2014.
168(k)(1)	Additional first-year depreciation for 50% of basis of qualified property.	For qualified property acquired after Dec. 31, 2007 and before Jan. 1, 2013, and placed in service before Jan. 1, 2013 the taxpayer may take an additional first-year depreciation deduction equal to 50% of the property's adjusted basis.	Extended 50% bonus depreciation.	50% bonus depreciation allowed for property placed in service in 2013 and for longer produced property placed in service in 2014.
168(k)(2)(F)	Increase in first-year depreciation cap for cars that are "qualified property."	Additional $8,000 first-year depreciation on automobiles was scheduled to expire along with 50% bonus depreciation on Dec. 31, 2012.	Extended increased first-year depreciation limit.	Property placed in service after Dec. 31, 2012 and before Jan. 1, 2014.
168(l)	Special depreciation allowance for cellulosic biofuel plant property.	The depreciation deduction for the tax year in which cellulosic biofuel plant property is placed in service includes an allowance equal to 50% of the adjusted basis of the property.	Extended property placed in service date through Dec. 31, 2013. Permits algae, cyanobacteria, and lemna to be qualifying feedstock for depreciation allowance.	Property placed in service after Dec. 31, 2012 (after Jan. 2, 2013 for qualified second generation biofuel plant property) and before Jan. 1, 2014.

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Code Section	Topic	Law Before ATRA	2012 ATRA	Effective Date
170(b)(1)(E)	Individuals: special rules for contributions of capital gain real property made for conservation purposes.	For contributions made in tax years beginning after Dec. 31, 2011, contributions of capital gain property to public charities are subject to a 30% limitation. Contributions of appreciated property to semi-public charities and foundations are subject to a 20% limitation. For contributions made in tax years beginning before Jan. 1, 2012, an individual's charitable contribution deduction of a qualified conservation contribution is allowed to the extent the aggregate of the contribution does not exceed the excess of 50% (100% in the case of a qualified farmer or rancher) of the taxpayer's contribution base over the amount of all other charitable contributions allowable under Section 170(b)(1). A 15-year carryover is provided.	Retroactively extended deduction for contributions made in taxable years beginning on or before Dec. 31, 2013.	Contributions made in tax years beginning after Dec. 31, 2011 and before Jan. 1, 2014.
170(b)(2)(B)	Corporate farmers and ranchers: special rules for contributions of capital gain real property made for conservation purposes.	For contributions made in a tax year beginning after Dec. 31, 2011, the total deduction cannot exceed 10% of the taxpayer's taxable income. For contributions made in a tax year beginning before Jan. 1, 2012, any qualified conservation contribution is allowable up to 100% of the excess of the corporation's taxable income (as computed under Section 170(b)(2)) over the amount of all other allowable charitable contributions. Any excess may be carried forward for up to 15 years as a contribution subject to the 100% limitation.	Retroactively extended for contributions made in a tax year beginning on or before Dec. 31, 2013.	Contributions made in tax years beginning after Dec. 31, 2011 and before Jan. 1, 2014.
170(e)(3)(C)	Enhanced charitable deduction for contributions of food inventory.	The enhanced charitable deduction had expired. For contributions made after Dec. 31, 2011, individuals cannot avail themselves of special rules under Section 170(e)(3) for contributions of inventory.	Retroactively extended the deduction for contributions made after Dec. 31, 2011 and on or before Dec. 31, 2013.	Contributions made after Dec. 31, 2011 and before Jan. 1, 2014.

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Code Section	Topic	Law Before ATRA	2012 ATRA	Effective Date
179(b)(1) & (f)	Increase in dollar limitations for expensing to $125,000 / $500,000 (indexed).	For tax years beginning in 2012, the taxpayer may expense up to $139,000 of the cost of Section 179 property. Special rule including real estate expired for taxable years not beginning in 2010 or 2011.	Retroactively provided a $500,000 expense limit for 2012 and 2013. Up to $250,000 can be for qualifying real estate.	Tax years beginning after Dec. 31, 2011 and before Jan. 1, 2014.
179(b)(2)	Increase in expensing to $500,000 / $2 million and expansion of definition of Section 179 property.	The Section 179(b)(1) dollar amount is reduced by the amount by which the cost of Section 179 property placed in service during the tax year exceeds the Section 179(b)(2) threshold amount, which is $560,000 for 2012.	Retroactively provided a $2 million threshold for 2012 and 2013.	Tax years beginning after Dec. 31, 2011 and before Jan. 1, 2014.
179(c)	Revocability of Section 179 election.	The Section 179 expensing election can be revoked without IRS consent for taxable years beginning after 2002 and before 2013.	Extended revocability of election through taxable years beginning before 2014.	Tax years beginning after Dec. 31, 2011 and before Jan. 1, 2014.
179(d)	Election to treat off-the-shelf computer software as qualifying property.	Off-the-shelf computer software can be qualifying property for Section 179 expense, if placed in service in a taxable year beginning after 2002 and before 2013.	Extended treatment of off-the-shelf computer software for software placed in service in a taxable year beginning before 2014.	Tax years beginning after Dec. 31, 2011 and before Jan. 1, 2014.
179E	Election to expense advanced mine safety equipment.	No election to expense 50% of the costs of advanced mine safety equipment (expired for property placed in service after Dec. 31, 2011). Costs must be capitalized.	Retroactively extended election.	Property placed in service after Dec. 31, 2011 and before Jan. 1, 2014.
181(f)	Expensing for film and tv productions.	Special expensing rule expired for qualified film or television productions commencing after Dec. 31, 2011. Costs must be capitalized.	Retroactively extended expensing rule for 2012 and 2013.	Film productions beginning in 2012 and 2013.
221(b)	Student loan interest deduction and calculation of modified AGI.	Phaseout of deduction for AGI between $125,000-$155,000 (joint returns) expired after 2012 and definition of modified AGI was to change after 2012.	Permanently extended higher income phaseouts and definition of modified AGI.	Tax years beginning after Dec. 31, 2012.
221(d) & (f)	Limit on length of time student loan interest can be deducted.	Unlimited length of time interest can be deducted and inflation adjustments were to sunset after 2012.	Permanently extended.	Tax years beginning after Dec. 31, 2012.

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Code Section	Topic	Law Before ATRA	2012 ATRA	Effective Date
222(e)	Qualified tuition deduction.	Deduction had expired starting in 2012.	Retroactively extended deduction for 2012 and 2013.	Tax years beginning in 2012 and 2013.
249(a) & (b)	Limitation on bond premium amortization.	Repurchase bond premium deduction limitation extended to debt convertible to controlled group stock.	The provision modifies the definition of "control" in Section 249(b)(2) to incorporate indirect control relationships of the nature described in Section 1563(a)(1). Section 1563(a)(1) defines a parent-subsidiary controlled group.	For repurchases after the date of enactment, Jan. 2, 2013.
402	Rollovers to IRAs for amounts received from bankrupt airlines.	Rollovers to ROTH IRAs allowed for amounts received from airlines that declared bankruptcy after Sept. 11, 2001 and before Jan. 1, 2007.	Expands the choices for recipients of airline payments to include traditional IRAs.	For transfers made after Feb. 14, 2012, with respect to airline payments paid before, on, or after Feb. 14, 2012.
402A	Transfer of amounts in 401(k) plan to designated ROTH account.	Transfers only allowed if otherwise distributable from 401(k) account (i.e. after age 50 1/2).	Transfers now allowed to ROTH account within 401(k) if allowed by plan even if not otherwise distributable.	For transfers made after Dec. 31, 2012.
404, 417, 420	Highway Investment Act modifications to defined benefit and pension plans.	The law addressed defined benefit plan minimum funding and valuation date rules. Also, defined benefit plans can provide health benefits through sub-accounts, but there was no provision allowing over-funded plans to transfer excess pension assets to fund retiree group-term life insurance.	To address concerns of plan sponsors regarding how low corporate bond interest rates are increasing their plan funding obligations, plans can use interest rate smoothing over 25 year period to determine liabilities. Also, excess pension assets may be used to fund retiree group term life insurance and excess defined benefit plan assets to retiree health accounts. Deduction limits are also addressed.	Plan year beginning after Dec. 31, 2011 and transfers made after July 6, 2012.
408(d)	Tax-free distributions from IRAs given directly to charities.	No tax-free distributions from IRA to charity for taxpayers age 70 1/2 or older after 2011.	Tax-free distribution reinstated retroactively for 2012 and 2013, and special rules created to account for 2012 exclusion.	For tax years beginning after Dec. 31, 2011 and before Jan. 1, 2014.

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Code Section	Topic	Law Before ATRA	2012 ATRA	Effective Date
451	Special rule for sales or dispositions to implement Federal Energy Regulatory Commission (FERC) or state electric restructuring policy.	Generally, an item of gross income is included in gross income for the tax year it is received by the taxpayer, unless the taxpayer's method of accounting dictates that the item be included in a different tax year. Gain deferral for sales/dispositions to implement FERC or state electric policy expired for sales after Dec. 31, 2011.	Retroactively extended.	For sales after Dec. 31, 2011 and before Jan. 1, 2014.
460	Special rule allocating bonus depreciation under Section168(k) for long-term contracts.	Special rule for accounting for bonus depreciation in calculation for percentage of completion method expired for property placed in service after Dec. 31, 2010.	Extended.	Property placed in service in 2013.
512(b)	Modification of tax treatment of certain payments to controlling exempt organizations.	Old law treats otherwise excluded specified payments as UBTI if the income is received from a taxable or tax-exempt subsidiary that is 50% controlled by the parent tax-exempt organization, to the extent the payment reduces the net unrelated income (or increases any net unrelated loss) of the controlled entity (determined as if the entity were tax-exempt). This rule did not apply to payments received after Dec. 31, 2011.	Retroactively extended.	Payments received or accrued after Dec. 31, 2011 and before Jan. 1, 2014.
530(b)(c) & (d)	Prio Coverdell Education Saving Account rule changes were scheduled to expire.	Increased maximum annual contribution limited to $2,000, age limitations removed for special needs beneficiary, definition of qualified expenses expanded, AGI threshold modified, and coordination with HOPE and Lifetime Learning credits.	Permanently extended Coverdell rules.	For tax years beginning after Dec. 31, 2012.
584(c)	Common Trust Funds held by a bank for collective investments by trustees, executors, or custodians.	Determines taxable income related to pass-through of qualified dividend income received by Common Trust Funds.	Permanently extended.	Tax years beginning after Dec. 31, 2012.
646	Alaska Native Settlement Trusts and their beneficiaries.	Favorable income tax treatment for Alaska Native Settlement Trusts and their beneficiaries.	Permanently extended.	Tax years beginning after Dec. 31, 2012.

Section A

Code Section	Topic	Law Before ATRA	2012 ATRA	Effective Date
691(c)(4)	Recipients of income in respect of decedents.	Inclusion of qualified dividend income when determining income of estate.	Permanently extended.	Tax years beginning after Dec. 31, 2012.
702	Income and credits of a partner.	Each partner takes into account separately their distributive share of qualifying dividends under Section 1(h)(11).	Permanently extended.	Tax years beginning after Dec. 31, 2012.
953(e)(10)	Foreign income.	Subpart F exception for active financing income. Expired for tax years beginning after Dec. 31, 2011.	Extended.	Retroactively extended for tax years beginning after Dec. 31 2011 and before Jan. 1, 2014.
954(c)(6)(C)	Foreign income.	Look-through treatment for payments between related CFCs under foreign personal holding company income rules. Expired for tax years beginning after Dec. 31, 2011.	Extended.	Retroactively extended for tax years beginning after Dec. 31, 2011 and before Jan. 1, 2014.
954(h)(9)	Foreign income.	Subpart F exception for active financing income. Expired for tax years beginning after Dec. 31, 2011.	Extended.	Retroactively extended for tax years beginning after Dec. 31, 2011 and before Jan. 1, 2014.
1016(a)(28)	Depreciation basis.	Employer-provided child care credit causes a basis adjustment.	Permanently extended.	Retroactively extended for taxable years beginning after Dec. 31, 2011.
1202(a)(2)(C)	Gain from certain small business stock.	Partial exclusion of gain from the sale or exchange of certain Qualified Small Business Stock (QSBS) in empowerment zone.	Extended.	Periods after Dec. 31, 2011 and before Jan. 1, 2019.
1202(a)(3)	Gain from certain small business stock.	Acquisition date defined for Qualified Small Business Stock (QSBS) qualifying for the 75% exclusion.	Extended.	Stock acquired after Feb. 17, 2009 and before Sept. 28, 2010.

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Code Section	Topic	Law Before ATRA	2012 ATRA	Effective Date
1202(a)(4)	Gain from certain small business stock.	100% gain exclusion for Qualified Small Business Stock (QSBS). The empowerment zone rules apply granting a 60% exclusion. 42% of the income excluded under Section 1202(a)(4) is a tax preference item for AMT purposes.	Extended.	Stock acquired after Sept. 27, 2010 and before Jan. 1, 2014.
1367(a)(2)	Stock basis.	Rule that S corporation's charitable contribution of property reduces shareholder's basis only by contributed property's basis.	Extended.	Retroactively extended for tax years beginning after Dec. 31, 2011 and before Jan. 1, 2014.
1374(d)(2)(b) & (d)(7)	S corporation built in gains.	Rule allowing 5-year recognition period expired for taxable years beginning after Dec. 31, 2011. Ten-year recognition period applies for taxable years beginning after Dec. 31, 2011.	Created a 5-year recognition period for taxable years beginning 2012 and 2013. These rules apply to payments under the installment method.	Tax years beginning after Dec. 31, 2011.
1397A	Empowerment zones.	For certain 197 assets, an up to $35,000 increase in asset expensing expired when the zone designations terminated Dec. 31, 2011.	Retroactively extended.	Retroactively extended from Dec. 31, 2011 to Dec. 31, 2013.
1397B	Empowerment zones.	Nonrecognition on the gain from the sale of a qualified empowerment zone asset expired Dec. 31, 2011. Gain from the sale of assets that were formerly qualified empowerment zone assets is recognized in full (unless another nonrecognition provision applies).	Retroactively extended.	Retroactively extended from Dec. 31, 2011 to Dec. 31, 2013.
2057	Repeal of the qualified family-owned business deduction.	Prior to 2004, there was an estate tax deduction allowed for the adjusted value of a qualified family-owned business interest owned by the decedent. The deduction was repealed in 2004.	The repeal was made permanent.	For decedents dying after Dec. 31, 2012.

Section B

No ORS change necessary: no change is necessary to the ORS. This provision affects a credit, penalty or administrative rule which applies only to the federal tax system, does not apply to the determination of taxable income, or is automatically modified by provisions in the ORS. Oregon does not automatically adopt these provisions, however, no modification of ORS is necessary.

Code Section	Topic	Law Before ATRA	2012 ATRA	Effective Date
1(f)(8)	15% rate bracket for married filers.	The size of the 15% regular income tax bracket for a married couple filing a joint return is twice the size of the corresponding rate bracket for an unmarried individual filing a single return.	Permanently extended.	Tax years beginning after Dec. 31, 2012.
1(g)(7)(B)(ii)(II)	Kiddie tax rates and withholding rates.	Reduced rates for kiddie tax and some withholding (each tied to the reduced individual rates).	Permanently extended.	Tax years beginning after Dec. 31, 2012.
1(h)	Capital gains rates for individuals.	Generally, 0% for taxpayers below the 25% tax bracket; 15% for other individuals.	Permanently extended 15% and 0% (for taxpayers below the 25% tax bracket) long-term capital gains rates for taxpayers situated below the 39.6% tax bracket. For taxpayers in the 39.6% income tax bracket, the rate is 20%.	Tax years beginning after Dec. 31, 2012.
1(h)(11)	Dividends of individuals taxed at capital gain rates.	Qualifying dividends taxed like capital gains—0% for taxpayers below the 25% tax bracket; 15% for other individuals.	Permanently extended for taxpayers situated below the 39.6% tax bracket. Qualifying dividends taxed at 20% for taxpayers in the 39.6% tax bracket.	Tax years beginning after Dec. 31, 2012.
1(i)	10% individual income tax rate.	A 10% tax bracket exists for individuals; tax brackets are 10%, 15%, 25%, 28%, 33% and 35%.	Permanently extended the 10% tax bracket; tax brackets are 10%, 15%, 28%, 33%, 35% and 39.6%.	Tax years beginning after Dec. 31, 2012.
1(i)(2)	Reduction in other individual, estate and trust income tax rates.	Income tax brackets are 10%, 15%, 25%, 28%, 33% and 35%. For estates and trusts, 15%, 25%, 28%, 33% and 35%.	Permanently set income tax brackets at 10%, 15%, 25%, 28%, 33%, 35% and 39.6%. For estates and trusts, income tax brackets are 15%, 25%, 28%, 33% and 39.6%.	Tax years beginning after Dec. 31, 2012.
23 & 36C	Adoption credit.	$12,650 maximum credit amount, per adopted child; adoption of child with special needs deemed to have $12,650 in expenses; modified AGI phaseout range for credit begins at $189,710 and ends at $229,710; credit not refundable; credit can offset AMT.	Permanently extended. Dollar amounts will increase with inflation.	Tax years beginning after Dec. 31, 2012.

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Code Section	Topic	Law Before ATRA	2012 ATRA	Effective Date
24 & 32(n)	Child tax credit.	$1,000 per eligible child; portion of credit may be refundable; credit can offset AMT.	Permanently extended.	Tax years beginning after Dec. 31, 2012.
24(d)(4)	Child tax credit.	Child tax credit refundable to the extent of 15% of taxpayer's earned income in excess of reduced threshold of $3,000.	Extended for five years through 2017.	Tax years beginning after Dec. 31, 2012 and before Jan. 1, 2018.
25A(i)	American opportunity tax credit.	Maximum credit equals $2,500 (100% of qualifying expenses not in excess of $2,000, plus 25% of qualifying expenses in excess of $2,000 but not in excess of $4,000). Partially refundable. Allowable for first four years of post-secondary education.	Extended for five years through 2017.	Tax years beginning after Dec. 31, 2012 and before Jan. 1, 2018.
25C	Credit for certain nonbusiness energy property.	No credit (expired for property placed in service after Dec. 31, 2011).	Retroactively reinstated and extended credit.	Property placed in service after Dec. 31, 2011 and before Jan. 1, 2014.
26(a)	Limitation on personal tax credits based on tax liability.	The aggregate amount of nonrefundable credits (other than certain credits) may not exceed the taxpayer's net regular tax liability (the ability to exceed net regular tax liability expired Dec. 31, 2011).	Retroactively repealed rule limiting the aggregate amount of certain nonrefundable personal credits to the excess of the taxpayer's regular tax over the tentative minimum tax. The following credits were amended: Sections 23, 24, 25, 25A, 25B, 25D, 30, 30B, 30D, 904 and 1400C.	Tax years beginning after Dec. 31, 2011.
26(a)(1)	Child tax credit.	Child tax credit can offset AMT.	Permanently extended.	Tax years beginning after Dec. 31, 2012.
30	Credit for electric drive motorcycles, three-wheeled vehicles and low-speed vehicles.	No credit (expired for vehicles acquired after Dec. 31, 2011).	No action. See Section 30D(g) which reenacts plug-in credit for qualified 2- and 3-wheeled electric vehicles.	Not applicable.

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Code Section	Topic	Law Before ATRA	2012 ATRA	Effective Date
30A	American Samoa economic development credit.	There is no American Samoa economic development credit; expired with respect to the first two taxable years of a corporation, which began after Dec. 31, 2005, and before Dec. 31, 2011.	Retroactively extended credit for companies that had been eligible in years before 2012 for two years (tax years beginning after Dec. 31, 2011 and before Jan. 1, 2014). Allowed credit for two years (2012 and 2013) for companies that had not previously been eligible for the credit.	Tax years beginning after Dec. 31, 2011 and before Jan. 1, 2014.
30B	Conversion credit for plug-in electric vehicles.	No credit (expired for conversions made after Dec. 31, 2011).	No action.	Not applicable.
30C	Alternative fuel vehicle refueling property (non-hydrogen refueling property).	No credit (expired for property placed in service after Dec. 31, 2011).	Retroactively extended credit for non-hydrogen refueling property.	Property placed in service after Dec. 31, 2011 and before Jan. 1, 2014.
30D(g)	Credit 2- or 3-wheeled plug-in electric vehicles.	No credit.	Created new credit for qualified 2- or 3-wheeled plug-in electric vehicles. Credit is the lesser of $2,500 or 10% of the cost.	Vehicles acquired after Dec. 31, 2011 and before Jan. 1, 2014.
35 & 36B	Health coverage tax credit and health insurance premium tax credits.	These relate to prior tax acts, and include numerous definitions and credits related to the new health care coverage provisions.	See the overview under Additional 2012 Acts.	Includes various effective dates.
40(b)(6)	Cellulosic biofuel producer credit.	Generally, $1.01 for each gallon of qualified cellulosic biofuel produced.	Retroactively restored and extended the credit for qualified cellulosic biofuel production before Jan. 1, 2014. Allowed algae, cyanobacteria, and lemna to be treated as qualified feedstock effective for fuels sold or used after Jan. 2, 2013.	For cellulosic biofuel producer credit, fuel produced after Dec. 31, 2008 and before Jan. 1, 2014. For algae treated as qualified feedstock, fuel sold or used after Jan. 2, 2013.
40A	Income tax credits for biodiesel fuel, biodiesel used to produce a qualified mixture, small agribiodiesel producers, renewable diesel fuel, and renewable diesel used to produce a qualified mixture.	No credit (expired for any sale or use after Dec. 31, 2011).	Extended.	Fuel sold or used after Dec. 31, 2011 and before Jan. 1, 2014.

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Code Section	Topic	Law Before ATRA	2012 ATRA	Effective Date
41 & 45C(b)(1)(D)	Tax credit for research and experimentation expenses.	No credit (expired for amounts paid or incurred after Dec. 31, 2011).	Extended the credit for amounts paid or incurred on or before Dec. 31, 2013. Modified rules for pre-acquisition qualified research expenses.	Amounts paid or incurred after Dec. 31, 2011. For credit modifications, tax years beginnning after Dec. 31, 2011.
42(b)	Temporary minimum low-income tax credit rate for non-federally subsidized buildings.	A temporary applicable percentage of 9% for newly constructed non-federally subsidized buildings exists from July 30, 2008 through Dec. 31, 2013.	Extended the 9% credit rate for low-income housing credit allocations made before Jan. 1, 2014.	Jan. 2, 2013
42(g)(4)	Military housing allowance exclusion for low-income housing credit.	Certain basic military housing allowances are excluded for purposes of determining low-income housing credit.	Extended until 2014.	Income determinations made after July 30, 2008 and before 2014.
45(c)(6)	Definition of municipal solid waste for electricity production credit.	"Municipal solid waste" means solid waste as defined under Section 2(27) of the Solid Waste Disposal Act (42 USC 6903).	For purposes of the electricity production credit, the definition of municipal solid waste does not include paper that is commonly recycled and segregated from other solid waste.	Electricity produced and sold after Jan. 2, 2013, in tax years ending after Jan. 2, 2013.
45(d)(1)	Placed-in-service date for qualified facilities eligible to claim electricity production credit.	Credit allowed for wind facilities placed in service before Jan. 1, 2013. Other qualified facilities must be placed in service before Jan. 1, 2014.	Extended credit for wind facilities placed in service before Jan. 1, 2014. Allowed other qualified facilities to have construction begin before Jan. 1, 2014 rather than be placed in service by Jan. 1, 2014.	Jan. 2, 2013
45(e)(10)	Credit for production of Indian coal.	$2.267 per ton of Indian coal produced.	Extended credit for coal produced through Dec. 31, 2013.	Coal produced after Dec. 31, 2012.
45A	Indian employment tax credit.	20% of net Indian compensation increase for the year; applicable for taxable years beginning on or before Dec. 31, 2011.	Retroactively extended the credit for taxable years beginning on or before Dec. 31, 2013.	Tax years starting after Dec. 31, 2011 and before Jan. 1, 2014.
45D	New markets tax credit.	No credit allowed as there is no national limitation allotted for 2012.	Retroactively extended credit by adding $3.5 billion national limitation for 2012 and 2013.	Calendar years starting in 2012 and 2013.

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Code Section	Topic	Law Before ATRA	2012 ATRA	Effective Date
45G	Credit for certain expenditures for maintaining railroad tracks.	50% credit, subject to dollar limitation, available for qualified railroad track maintenance expenditures paid or incurred during taxable years beginning before Jan. 1, 2012.	Extended credit for qualified track maintenance expenditures paid or incurred during taxable years beginning before Jan. 1, 2014.	Expenditures paid or incurred during tax years beginning after Dec. 31, 2011 and before Jan. 1, 2014.
45L	Credit for construction of new energy efficient homes.	No credit (expired for qualified new energy efficient homes acquired after Dec. 31, 2011).	Retroactively extended credit for homes acquired on or before Dec. 31, 2013. Construction standards now reference the 2006 International Energy Conservation Code (IECC) as in effect on Jan. 1, 2006 in place of the 2003 IECC as in effect on Aug. 8, 2005.	For credit, homes acquired after Dec. 31, 2011 and before Jan. 1, 2014. For construction standards, homes acquired after Dec. 31, 2011.
45M	Credit for energy efficient appliances.	No credit (qualified appliance must have been manufactured in calendar year 2011).	Retroactively extended credit with minor exceptions.	Appliances produced after Dec. 31, 2011 and before Jan. 1, 2014.
45N	Mine rescue team training credit.	Credit up to $10,000 for qualified mine rescue team training expenses paid or incurred in taxable years beginning on or before Dec. 31, 2011.	Retroactively extended.	Tax years beginning after Dec. 31, 2011 and before Jan. 1, 2014.
45P	Employer wage credit for activated military reservists.	No credit (expired for payments made after Dec. 31, 2011).	Retroactively extended.	Payments made after Dec. 31, 2011 and before Jan. 1, 2014.
48(a)(5)	Election to claim the energy credit in lieu of the electricity production credit for wind facilities.	Credit for qualified wind facilities owned by the taxpayer originally placed in service before Jan. 1, 2013.	Extended election for qualified facilities of which construction begins before Jan. 1, 2014. Expanded credit to other qualified facilities under Section 45(d), except small irrigation power facilities, refined coal and Indian coal production facilities.	Facilities placed in service after Dec. 31, 2008.

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Code Section	Topic	Law Before ATRA	2012 ATRA	Effective Date
48(d)	Grants for specified energy property in lieu of tax credits.	Generally no grants (expired for energy property placed in service after Dec. 31, 2011). Grant allowed for energy property placed in service after Dec. 31, 2011 and before the credit termination date for property whose construction began in 2009, 2010 or 2011.	No extension, but required property to be originally placed in service by the person who applies for the grant.	Facilities placed in service after Dec. 31, 2008.
51(c)	Work opportunity tax credit.	40% credit of qualified first-year wages. Credit for wages paid to an employee who begins work for the employer on or before Dec. 31, 2011; credit allowed for qualified veterans who begin work on or before Dec. 31, 2012.	Retroactively extended.	Individuals who begin work for the employer after Dec. 31, 2011 and before Jan. 1, 2014.
54E	Qualified zone academy bonds: allocation of bond limitation.	No credit; no national limitation after 2011 except that states may carry over unused allocation for two years.	Retroactively extended credit by creating a $400 million national limitation for 2012 and 2013.	Bonds issued after Dec. 31, 2011 and before Jan. 1, 2014.
55(b)(3)	Reduced AMT capital gains rates for individuals.	For AMT purposes, long-term capital gains and qualifying dividends are taxed the same as under the regular tax system (0% for taxpayers below the 25% tax bracket and 15% for other taxpayers).	Extended lower 15% and 0% rates on long-term capital gains and qualifying dividends for taxpayers below the 39.6% tax bracket for AMT purposes. For taxpayers in the 39% bracket, long-term capital gains are taxed at 20%.	Tax years beginning after Dec. 31, 2012.
55(d)	AMT exemption amount.	Exemption amount is: $45,000 for joint return filers and surviving spouses; $33,750 for unmarried individuals who are not surviving spouses; $22,500 for married taxpayers filing separate returns and estates.	Permanently patched the AMT by indexing the exemption amount for inflation after 2012. For 2012, the exemption amount is: $78,750 for joint return filers and surviving spouses; $50,600 for unmarried individuals who are not surviving spouses; $39,375 for married taxpayers filing separate returns and estates.	Tax years beginning after Dec. 31, 2011.
63(c)	Increase of the standard deduction for married filers to double that of unmarried filers.	Standard deduction: $11,900 for married individuals filing joint returns and surviving spouses; $8,700 for heads of households; $5,950 for unmarried individuals who are not heads of households or surviving spouses; and $5,950 for married individuals filing separate returns.	To be determined under inflation adjustment formula, but amount for married taxpayers filing joint returns will permanently remain twice the amount of unmarried individuals.	Tax years beginning after Dec. 31, 2012.

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Code Section	Topic	Law Before ATRA	2012 ATRA	Effective Date
86(b)	Modified adjusted gross income (MAGI) determination for taxation of Social Security benefits.	Modified adjusted gross income (MAGI) is determined without regard to Section 222, the deduction for qualified tuition and related expenses.	Permanently extended.	Tax years beginning after Dec. 31, 2012.
151(d)	Reduction of the personal exemption phaseouts (PEP) for high income tax-payers.	For tax years beginning in 2010, 2011, and 2012, the phaseout of the personal exemption does not apply.	The PEP is permanently repealed for taxpayers whose adjusted gross income is at or below a threshold amount ($300,000 for joint filers; $275,000 for heads of households; $250,000 for individuals; and $150,000 for married filing jointly). The amount will be adjusted for inflation. For taxpayers above the thresholds, the personal exemption amount is reduced by the applicable percentage.	Tax years beginning after Dec. 31, 2012.
164(b)(5)	Deduction for state and local general sales taxes.	No deduction (election to deduct state and local general sales taxes applicable only for tax years beginning in 2004 through 2011).	Retroactively extended.	Tax years beginning after Dec. 31, 2011 and before Jan. 1, 2014.
168(k)(4)	Election to accelerate AMT credits in lieu of additional first-year depreciation.	A corporation may elect to accelerate the AMT and research credits in lieu of first-year bonus depreciation for eligible qualified property. If the corporation makes the election, it must also use the straight-line method to depreciate the property. The election is available with respect to qualified property placed in service during and after corporation's first tax year ending after March 31, 2008.	Extended.	Property placed in service after Dec. 31, 2012 and before Jan. 1, 2014.
199(d)	Domestic production activities deduction for Puerto Rico activities.	Deduction had expired for years beginning before Jan. 1, 2012.	Retroactively extended.	Tax years beginning in 2012 and 2013.
306	Section 306 stock (a stock received as dividend on preferred stock).	Amount treated as ordinary income in sale or other disposition of 306 stock is treated as qualifying dividend under Section 1(h)(11).	Made permanent.	Tax years beginning after Dec. 31, 2012.

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Code Section	Topic	Law Before ATRA	2012 ATRA	Effective Date
341	Collapsible corporations.	Under pre-2010 TRA law, the collapsible corporation rules were repealed, but were set to expire for tax years beginning after Dec. 31, 2012. Under these rules, if a corporation fit the definition of a “collapsible” corporation, certain transactions that would ordinarily result in recognition of long-term capital gain by its stockholders were treated under Section 341 as resulting in ordinary income.	Repeal of collapsible corporation provision is made permanent.	Tax years beginning after Dec. 31, 2012.
530(d)	Timing to return excess contributions to Coverdell ESAs to avoid penalty.	Rule allowing excess contributions to be corrected by June 1 the following year was scheduled to sunset starting in 2011.	Permanently extended rules to return excess contributions avoid 10% penalty.	Tax years beginning after Dec. 31, 2012.
531	Reduced rates under accumulated earnings tax.	Tax on a corporation’s accumulated earnings is 15%.	Accumulated earnings tax is 20%.	Tax years beginning after Dec. 31, 2012.
541	Reduced rate under personal holding company tax.	Personal holding company tax on undistributed personal holding company income is 15%.	Personal holding company is 20%.	Tax years beginning after Dec. 31, 2012.
613A(c)(6)(H)	100% of net income limitation on percentage depletion for oil and gas from marginal wells.	Marginal wells are generally subject to the 100% of net income limitation on percentage depletion.	No action.	None. Suspension expired for any taxable year beginning after Dec. 31, 2011.
854(a) & (b)	Limitations applicable to dividends received from regulated investment company.	Determines the treatment of capital gain income from RICS.	Permanently extended.	Tax years beginning after Dec. 31, 2012.
857	Limitations applicable to dividends received from real estate investment trusts.	Determines the treatment of capital gain income from REITS.	Permanently extended.	Tax years beginning after Dec. 31, 2012.
871(k)	Tax on nonresident alien individuals.	Withholding tax exemption for RIC interest-related dividends and short-term capital gains dividends paid to foreign persons. Expired for tax years beginning in 2012 and 2013.	Extended.	Retroactively extended for taxable years beginning after Dec. 31, 2011 and on or before Dec. 31, 2013.

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Code Section	Topic	Law Before ATRA	2012 ATRA	Effective Date
881(e)(1)(A)	Tax on income of foreign corporations not connected with United States business.	Withholding tax exemption for RIC interest-related dividends and short-term capital gains dividends paid to foreign corporations. Expired for tax years beginning in 2012 and 2013.	Extended.	Retroactively extended for taxable years beginning after Dec. 31, 2011 and on or before Dec. 31, 2013.
897(h)(4)	Disposition of investment in United States real property.	Inclusion of RICs in the definition of qualified investment entity is extended for certain FIRPTA purposes. Expired for tax years beginning in 2012 and 2013.	Extended.	Retroactively extended for taxable years beginning after Dec. 31, 2011 and on or before Dec. 31, 2013.
904(i)	Foreign Tax Credits.	Nonrefundable personal credits can offset AMT and regular tax. Expired for tax years beginning in 2012 and 2013.	Extended.	Retroactively extended for taxable years beginning after Dec. 31, 2011.
936	American Somoa Economic Development Credit.	Possessions tax credit for American Samoa. Expired for tax years beginning in 2012 and 2013.	Extended.	Retroactively extended for tax years beginning after Dec. 31, 2011 and before Jan. 1, 2014.
1391(d)	Empowerment zones.	Empowerment zone designations (that had not previously been terminated under Section 1391(d)(1)(B) or (C)) terminated on Dec. 31, 2011. 100% exclusion for stock acquired in 2010 and 2011 and held five years. 60% exclusion for stock acquired after 2011 and held five years (gain for periods after Dec. 31, 2016 not applicable for exclusion).	Extended recognition period.	Retroactively extended through Dec. 31, 2013.
1394	Empowerment zones.	Empowerment zone bonds (issued as part of an issue 95% or more of the net proceeds of which are used to provide any enterprise zone facility is an exempt facility bond) where the interest on the bond is tax exempt, expired Dec. 31, 2011. Tax-exempt enterprise zone facility bonds cannot be issued after Dec. 31, 2011.	Retroactively extended use of tax-exempt bonds while empowerment zone designation remains in effect. See Section 1391(d).	Retroactively extended through Dec. 31, 2013.

Section B

Code Section	Topic	Law Before ATRA	2012 ATRA	Effective Date
1396	Empowerment zones.	The empowerment zone employment credit, a part of the general business credit, expired when the empowerment zone designations terminated Dec. 31, 2011.	Retroactively extended.	Retroactively extended from Dec. 31, 2011 to Dec. 31, 2013.
1400C(d)	DC Homebuyer Credit.	Nonrefundable personal credits can offset AMT and regular tax for all tax years through Dec. 31, 2011.	Nonrefundable personal credits can offset AMT and regular tax for all tax years beginning after Dec. 31, 2012.	Tax years beginning after Dec. 31, 2012.
1400L	New York Liberty Zone.	Qualified New York Liberty Zone bonds must be issued after March 9, 2002 and before Dec. 31, 2011.	Retroactively extended for bonds issued after March 9, 2002 and before Dec. 31, 2013.	Bonds issued after Dec. 31, 2011 and before Jan. 1, 2014.
2001, 2010, 2502	Maximum estate & gift tax rate.	Maximum estate and gift tax rate is 35%.	The maximum rate has been increased to 40%.	For decedents dying, gifts made, and generation-skipping transfers made after Dec. 31, 2012.
2001, 2010, 2502	Modifications of estate and gift taxes to reflect differences in credit resulting from different tax rates.	In computing the unified credit for gift and estate taxes, the amount is figured as if the donor died at the end of the year (to allow "portability" of the credit for gift tax purposes). For purposes of this computation, the offset for the gift tax unified credit allowable for gifts made in prior years is determined by using the gift tax rates for the current year (rather than the rates in effect for prior years).	Made permanent.	For decedents dying, gifts made, and generation-skipping transfers made after Dec. 31, 2012.
2010, 2505, 2631	Increase in estate tax, gift tax, and GST exemption to $5 million (indexed for inflation in years after 2011).	For decedents dying, gifts made, and generation-skipping transfers made in 2012, the exemption amount is $5,120,000.	Made $5 million exemption permanent with inflation adjustments.	For decedents dying, gifts made, and generation-skipping transfers made after Dec. 31, 2012.
2011, 2012-2016, 2053, 2056A, 2058, 2102, 2106, 2107, 2201 & 2604	Estate tax deduction for State death taxes paid.	State death taxes paid are deducted from the taxable estate before computing the estate tax.	Made permanent.	For decedents dying after Dec. 31, 2012.

Section B

Code Section	Topic	Law Before ATRA	2012 ATRA	Effective Date
2632, 2642	Modifications to generation-skipping transfer (GST) tax rules regarding deemed allocations of exemption to certain transfers in trust, and relief for late elections.	Individuals are allowed to make retroactive allocations of their GST exemption to prior transfers when a non-skip person to whom a future interest was previously transferred in trust, predeceases the transferor. Any remaining GST exemption is deemed allocated to direct skips occurring at death and all trusts with respect to which a taxable distribution or termination might occur at or after the transferor's death. The value of the transfer is the amount as finally determined for gift or estate tax purposes.	Made permanent.	For decedents dying after Dec. 31, 2012.
2642	Severance of a generation skipping trust into exempt and non-exempt trusts.	A trust to which a GST exemption has been allocated, but which has an inclusion ratio of between zero and one, may be split into two trusts: one with an inclusion ratio of one and the other with an inclusion ratio of zero.	Made permanent.	For tax years beginning after Dec. 31, 2012.
3402(p)	Mandatory income tax withholding from certain payments.	The 2001 Tax Relief Act set withholding rates for required withholding from federal payments, unemployment benefits, gambling winnings, and Indian casino profits.	Made permanent.	For tax years beginning after Dec. 31, 2012.
3406(a)	Backup withholding.	When backup holdings is required, 28% must be withheld.	Made permanent.	For tax years beginning after Dec. 31, 2012.
4101(a)	Biofuel Credits.	A credit is available for certain biofuel producers.	Algae is treated as a qualified feedstock for purposes of the cellulose biofuel producer credit.	Fuels sold or used after Jan. 2, 2013.
6039H	Information reporting for Alaska Native Settlement Trusts.	A specific statement must be filed with the individual's tax return.	Made permanent.	For tax years beginning after Dec. 31, 2012.
6103(k)(10)	Disclosure of prisoner return information to certain prison officials.	IRS is authorized to disclose returns and return information to certain prison officials.	Made permanent.	Effective Jan. 2, 2013.

Section B

Code Section	Topic	Law Before ATRA	2012 ATRA	Effective Date
6166	Modifications to estate tax installment payment rules.	If an estate includes a certain percentage of assets in a closely held business, the estate taxes may be paid on the installment basis over a period of years. Clarifying rules defined what type of businesses are eligible for such deferral.	Made permanent.	For tax years beginning after Dec. 31, 2012.
6409	Eligibility for federal programs and federally assisted programs.	Tax refunds do not affect eligibility for federal benefit programs.	Made permanent.	For amounts received after Dec. 31, 2012.
6426 & 6427	Alcohol fuel mixture excise tax credit.	Income and excise tax credits/refunds for biodiesel, renewable diesel and alternative fuels are available.	Extended retroactively through 2013.	Applies to fuel sold or used after Dec. 31, 2011 and before Jan. 1, 2014.
7518	Nonqualified withdrawals from Merchant Marine Construction Funds.	Tax rate will not exceed 15% for noncorporate taxpayers.	Increased tax rate to not exceed 20%.	For tax years beginning after Dec. 31, 2012.
7652	Temporary increase in excise tax on liquor imported from Puerto Rico and the Virgin Islands.	The excise tax is limited to $13.25 per proof gallon for distilled spirits brought into the U.S. before Jan. 1, 2012; however, it was set to return to $10.50 per gallon.	Retroactively extended the $13.25 excise tax for distilled spirits brought into the U.S.	Retroactively applies to spirits brought into the U.S. before Jan. 1, 2014.

Section C

ORS change necessary: a change to the ORS is necessary in order to conform to this federal provision. To increase taxpayer compliance, it is recommended that Oregon Statutes be amended to conform as closely as possible to this change.

Code Section	Topic	Law Before ATRA	2012 ATRA	Effective Date
21	Dependent care credit.	Dollar limit on creditable expenses is $3,000 for one child and $6,000 for two or more children; applicable credit percentage is 35%; beginning of phaseout range is $15,000.	Permanently extended.	Tax years beginning after Dec. 31, 2012.
32	Earned income tax credit.	Credit percentage for taxpayer with three or more qualifying children increased to 45%; phaseout amount for married taxpayers filing a joint return is increased by $5,000; adjusted gross income used to determine phaseout; nontaxable employee compensation is excluded from the definition of earned income; taxpayer's earned income credit is not reduced by the amount of alternative minimum tax imposed on the taxpayer for the taxable year (expires for taxable years beginning after Dec. 31, 2012).	Extended for five years through 2017 the 45% rate and the $5,000 increase in the phaseout for joint returns. Permanently extended the use of adjusted gross income, the definition of earned income, and the alternative minimum tax relief.	For the 45% rate and $5,000 increase in the phaseout for joint returns, tax years beginning after Dec. 31, 2012 and before 2018. For the use of adjusted gross income, definition of earned income, and AMT relief, tax years beginning after Dec. 31, 2012.
38(b)(15) & 45F	Credit for employer-provided child care.	A 25% credit for the cost of establishing and administering an employee child care facility or 10% credit for making child care resource and referral expenditures. Maximum credit is $150,000.	Permanently extended.	Tax years beginning after Dec. 31, 2012.
125(i)(1)	Health Flexible Spending Arrangements (FSAs).	Prior to 2013, there was no limit on how much individuals may elect to contribute/defer tax-free per year to a flexible spending account to be used for the reimbursement of certain qualified health care expenses, not otherwise covered by medical insurance. However, employers usually set a cap in their cafeteria plans. For tax years beginning after Dec. 31, 2012, tax-free contributions to flexible spending accounts will be limited to $2,500 (adjusted for inflation for taxable years beginning after Dec. 31, 2013).	Not addressed in 2012 ATRA; the limit on Health FSA contributions becomes effective for 2013 as scheduled.	Years beginning after Dec. 31, 2012.

Section C

Code Section	Topic	Law Before ATRA	2012 ATRA	Effective Date
170(e)(3)(D)	Enhanced charitable deduction for contributions of book inventories to public schools.	For contributions of book inventories made after Dec. 31, 2011, the donee must be a tax-exempt organization described in Section 170(e)(3)(A) for the contribution to be eligible for the enhanced charitable deduction under Section 170(e)(3)(B). Donations to public schools no longer qualify.	No action. Congress allowed this provision to expire.	Not applicable.
170(e)(6)(G)	Enhanced charitable deduction for corporate contributions of computer equipment for educational purposes.	Generally, no enhanced deduction. To qualify, the qualified computer contribution must be made in any taxable year beginning before Jan. 1, 2012, otherwise, the reduction under Section 170(e)(1) is in full effect.	No action. Congress allowed this provision to expire.	Not applicable.
2010(c)(4)	"Portability" rules permitting a surviving spouse to use the unused estate and gift tax exemptions of the last deceased spouse.	Surviving spouse can use decedent spouse's unused unified credit.	Made permanent.	For decedents dying after Dec. 31, 2012.
6041(a)	Change in reporting requrements on Form 1099.	1099 Information reporting was to be required if $600 or more was paid for property, rental payments, or payments to a non-tax-exempt corporation.	Requirement was retroactively repealed.	Payments made after Dec. 31, 2011.