

Without Congressional action before 12/31/12

Pre-2001 income tax rates return, maximum 39.6%

Phase-out itemized deductions & personal exemptions

Marriage penalty returns

Higher withholding on January 1, 2013

Millions hit by AMT (starting 1/1/12)

Maximum capital gains rate goes from 15% to 20%*

Maximum rate on dividends goes from 15% to 39.6%*

Estate tax is reinstated with \$1 million exemption and 55% maximum rate

Payroll tax holiday ends (tax increase of 2%)

* Jan.1, 2013, Obamacare 3.8% tax on investment income

Lame Duck Session

Post-election lame duck session is likely to decide what happens on all of these.

Three scenarios:

- Big compromise on tax rates, deficit reduction**
- Standoff – tax cuts expire, spending cuts take effect**
- Kick the can down the road -- one year extension of all or most tax cuts, postponement of spending cuts**

Likely Outcomes in Lame Duck

| | |
|---------------------------------|-----|
| Kick the can for one year: | 25% |
| Kick can & down-payment deal: | 20% |
| Chance of grand bargain: | 0% |
| Chance of going over the cliff: | 55% |

If there is an agreement to avoid going over the fiscal cliff, there will be an agreement to try to complete a grand bargain in 2013

If There is an Agreement to Avoid the Cliff

Extender package likely will move with extension of Bush tax cuts.

Details will be negotiated between SFC & W&M Chairmen and Ranking Members. Base bill will be SFC-passed extender package.

NEE and AWEA continue on-going efforts to keep the SFC-passed version of the PTC extension in the package.

If There is No Agreement to Avoid the Cliff

Extender package not likely to move separately. Congress may try to enact an AMT patch. If so, that would be a potential vehicle to move the extender package.

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NEE and AWEA continue on-going efforts to keep the SFC-passed version of the PTC extension in the package.