<u>Sec. 1001. Extension of the Temporary Payroll Tax Reduction through December 31, 2012.</u>

Under the law in effect for all of 2011 and forJanuary and February of 2012, employees and the self-employed have been provided a 2-percentage point reduction in their Social Security payroll (or self-employment) tax rate, which has decreased that rate from the generally applicable rate of 6.2 percent to 4.2 percent. For 2011, this reduction applied to all covered wages up to the 2011 taxable wage base of $106,800 and did not phase out with income. For January and February of 2012, this 2-percentage point reduction has applied to all covered wages up to the 2012 taxable wage base of $110,100, but has also been limited to $18,350 in wages received (or self-employment income earned) during those first two months of 2012. To the extent that, over those two months, a taxpayer benefits from the 2-percentage point reduction on wages (or self-employment income) exceeding $18,350 – two-twelfths of the 2012 taxable wage base – that excess benefit is subject to recapture. Under the provision in effect for 2011 and for January and February of 2012, employers have continued to pay the generally applicable rate of 6.2 percent of wages, and the total amount of revenue that has been foregone to the Social Security Trust Funds as a result of the payroll tax reduction has been replaced with General Fund transfers of the same amount. This temporary payroll tax reduction is currently scheduled to expire on February 29, 2012.

Sec. 1001 of the conference agreement on H.R. 3630 follows the House bill, providing an extension of the 2-percentage point payroll tax reduction through December 31, 2012. Additionally, the recapture provisions applying to taxpayers with wages (or self-employment income) exceeding $18,350 over the first two months of 2012 would be repealed. As under the law that is currently in effect, all the revenue foregone to the Social Security Trust Funds as a result of this extension of the payroll tax reduction would continue to be replaced with General Fund transfers of the same amount. According to the Joint Committee on Taxation (JCT), approximately 170 million workers and self-employed individuals stand to benefit from the payroll tax reduction in 2012, with a typical middle-class worker earning $50,000 receiving approximately $833 more in take-home pay this year as a result of this provision than he or she would if this benefit were permitted to expire on February 29, 2012. JCT estimates that this extension of the 2-percentage point payroll tax reduction through December 31, 2012 would provide taxpayers $93.219 billion in tax relief over the 2012-2022 period.

<u>Sec. 7001. Repeal of Certain Timing Shifts of Corporate Estimated Tax Payments</u>

Under current law, companies are generally required to pay corporate estimated income taxes according to a regular schedule set by statute. For companies with assets of $1 billion or more, that general payment schedule has occasionally been modified to shift the timing for payment of certain such installments. Typically, these enacted provisions have increased covered corporations' estimated tax payments that are due in the fourth quarter of particular years by a certain percentage, while decreasing those corporations' payments by a corresponding amount in the first quarter of the following years. While netting out to a revenue effect of zero over the full 10- or 11-year budget windows of the legislative vehicles in which they were enacted, such timing shifts permitted Congress to satisfy certain budgetary requirements over various other budget windows by effectively moving revenue, for scorekeeping purposes, from the first quarter of a given year to the fourth quarter of the year before.

Sec. 7001 of the conference agreement on H.R. 3630 follows the House bill, providing that a series of these recently enacted timing shifts would be repealed and that the regular payment schedule that applied prior to the enactment of those timing shifts would be restored. This provision effectively unwinds these previous timing shifts, allowing companies to use the payment schedule thatwould have been in effect had the shifts never been enacted. According to the Joint Committee on Taxation (JCT), this provision of the conference agreement would have no revenue effect over 2012-2021.