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THEY'RE BACK, WE'RE BACK

Let me get this out of the way – the conventions are anachronisms that need to be dumped. What a waste of money, including some taxpayer money.

Congress returns this week and as I previously had pointed out, their schedule is from the minimalist school of thought – just a handful of days between now and mid-October. Otherwise, it is campaign, campaign, and campaign.

Despite our hopes and efforts, it does not look like there is a glimmer of hope that they will deal with the elements that put altitude in the fiscal cliff – the expiring tax relief provisions, the pending sequestration and the looming debt ceiling – before the elections. While they were out, the Congressional Budget Office (CBO) lent its voice to our call for "do it now." Said the CBO: "In CBO's judgment, the sharp increases in federal taxes and reductions in federal spending that, under current law, are scheduled to begin in calendar year 2013 are likely to interrupt the recent economic progress, resulting in what would probably be considered a recession."

The Senate Finance Committee is trying its hardest to try to get the Congress to at least deal with the small "e" tax extenders – not the Bush era items, but some of the perennial renewals like the Research and Experimentation Credit. The biggest item of interest is an extension of the Alternative Minimum Tax (AMT) income "patch." This is the temporary increase in the incomes levels at which the AMT kicks in. As you recall, the last patch actually expired at the end of 2011, so if the patch is not re-applied some of us are already at risk. The Committee's patch would cover 2012 and 2013. (The amounts would be $50,600 for individuals and $78,750 for joint returns in 2012 and $51,150 and $79,850 respectively for 2013.)

Second on our list that is in the bill would be a temporary extension of higher direct expensing allowance amounts. Section 179 of the tax code allows businesses to write off the amount of equipment and asset purchases in the year of purchase up to a certain amount as long as the business does not spend more than a specific total amount on such purchases in a year. We have been riding a wonderful wave of temporary increases that is about to come to an end at the end of 2012.

Public Law 111-312, the Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act (TRUIRJCA) permits taxpayers to use a direct expensing allowance in 2012 of $125,000. The $125,000 amount is reduced (but not below zero) by the amount by which the cost of qualifying property placed in service during the taxable year exceeds $500,000. The $125,000 and $500,000 amounts are indexed for inflation. As a result, for 2012, the adjusted allowance is $139,000 and the phase out is $560,000. At the beginning of 2013, the amounts revert to pre-2003 levels of $25,000 and $200,000 without inflation indexing. The Finance Committee bill would increase the Section 179 expensing amounts and threshold limits to $500,000/$2,000,000 for 2012 and 2013.

The Finance Committee has approved the Family and Business Tax Cut Certainty Act of 2012. It includes roughly 50 items, including the aforementioned items, and comes with a price tag of $205 billion. This is a bipartisan effort and they might be able to persuade the Senate to consider the bill. Unfortunately, in the House of Representatives, the majority in the House Ways and Means Committee has pledged to break the nation's addiction to these extenders. They say some are good and some are not so good, but they have not published any definitive list so it hard to say whether there is a compromise possible.

SO WHAT ELSE?

Do not expect much else out of Congress before the election. I am hoping wiser heads will prevail after the election and the lame duck does deal with the fiscal cliff issues. The election will tell us who will have to blink but I do not think it is necessarily a slam-dunk that they will.

There are a few regulatory projects kicking around the agencies that might be released (there is a formaldehyde in composite wood regulation that is required by law that will probably see the light of day) but it is hard to imagine that if it is discretionary, an agency head is going to sign off on a regulation that could become a campaign issue.

NO FILLERS ADDED

While the general rule of thumb is the Weekly is published when Congress is in session, if they are going to do their best to do nothing until after the elections, we are not in the business of filling your inbox with hot air. Fair warning that Weekly may be sporadic until after the elections and hopefully we will have a lot to work on after that.