



CERTIFIED PUBLIC ACCOUNTANTS

## *Special Tax News Flash*

### *In This Acuity Update:*

- **White House Releases Proposed “American Jobs Act of 2011”**

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On September 12, the Obama Administration submitted the “American Jobs Act of 2011” to Congress. It formally released the legislative text of the proposed jobs-and-stimulus measure, along with a section-by-section summary. The proposed Act can be viewed on the White house website at:

<http://www.whitehouse.gov/sites/default/files/omb/legislative/reports/american-jobs-act.pdf>.

In the PDF document, the President’s message to Congress appears on pages 2-3, and a section by section explanation appears on pages 159-199. The intervening pages are the actual legislative language. Much work needs to be done before this bill or anything in it can become law, but at least the bill is an indication of where this Administration wants to steer the country.

Some of the more notable features of the bill are those that are absent:

- The bill does not contain changes to the estate and gift tax.
- The bill does not escalate any of the income tax rates. However, one of the revenue raisers in the bill would limit itemized deductions for taxpayers over a certain adjusted gross income level.

And here are some highlights of what the bill proposes to do to the tax code:

- Extends to 2012 the 100% bonus first-year depreciation deduction that generally applies only for assets placed in service in 2011 under current law.
- Cuts the employer portion of Social Security tax (Old Age, Survivors and Disability Insurance, or OASDI, tax) in half from 6.2% to 3.1% on the first \$5 million in wages paid by all employers (there are limited exceptions).
- Creates a payroll tax credit that fully offsets the employer OASDI tax that otherwise would apply to aggregate increases in wages from the prior year, up to \$50 million increase. For example, if an employer paid wages subject to Social Security tax of \$5 million in 2011 and \$6 million in 2012, the credit would eliminate the employer’s OASDI taxes on the \$1 million of increased wages.

- There are also credits for new hires, as follows:
  - Up to \$9,600 for a veteran unemployed for at least 6 months who has a service-connected disability.
  - Up to \$2,400 for a veteran unemployed for at least 4 weeks.
  - Up to \$5,600 for a veteran unemployed for at least 6 months.
  - Up to \$4,000 for a non-veteran unemployed for over 6 months.
- For employees and self-employed individuals, the employee share of OASDI taxes would be cut to 3.1%, half of the usual 6.2% (4.2% in 2011).
- For state and federal government agencies, new rules that would require 3% withholding on payments to contractors would be pushed back one year, to January 1, 2014. (For Accuity's prior coverage of this issue [click here](#).)

These would be paid for by, among other things:

- A 28% limitation after 2012 on the value of all itemized deductions and certain other tax expenditures for "high income taxpayers" (those with adjusted gross income over \$250,000 for married taxpayers filing jointly, and over \$200,000 for single taxpayers), with a similar limitation applying for purposes of the alternative minimum tax;
- Taxing carried interest in investment partnerships as ordinary income that also would be subject to self-employment tax;
- Treating general aviation aircraft as 7-year (rather than 5-year) MACRS property for depreciation purposes;
- Repealing certain oil subsidies; and
- Modifying the foreign tax credit rules applicable to dual capacity taxpayers; and
- Modifying the special foreign tax credit limitation rules for foreign oil and gas income now contained in Code Sec. 907.

Please keep in mind that this 150-page bill proposes more than simply changing the tax code. Again, the [entire proposal can be found here](#); the [summary only may be downloaded here](#).

If you have questions about any of these news items,  
 your client service team at Accuity can bring you the resources that you may need.  
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