**CGA NEWS**

(1-2-13)

To:       CGA

From:   Congressional and Governmental Affairs Staff

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·                     Congress Approves Short-Term Deal to Address “Fiscal Cliff”

After much drama, including votes on New Year’s eve and New Year’s day, both chambers of Congress finally cleared a short-term legislative package to address the “fiscal cliff” facing the country.

The Senate adopted the American Taxpayer Relief Act, H.R. 8, by a vote of 89 to 8 early Monday morning, while the House waited until yesterday to pass it, by a vote of 257 to 167.  In the House, the bill was carried by a coalition of the vast majority of Democrats and a sizable minority of Republicans.

The following is in an initial summary of the provisions of most relevance to public universities in the legislation:

o        Sequestration

The bill delays the implementation of sequestration by two months.  If there is no further fix to the sequester, then technically, the across-the-board cuts would be implemented on March 27, the same day that the current six-month continuing resolution (CR) expires.  However, the White House is required to release its sequester report and order the cuts on March 1.

In addition, the deal lowers the total amount of sequestration by $24 billion (from $1.2 trillion to $1.176 trillion), paying for half ($12 billion) via increased revenues and the other half via cuts to the discretionary budget caps set forth in the Budget Control Act (BCA) of 2011. These discretionary cuts are spread out over two years:  $4 billion from FY2013 and $8 billion from FY2014.  In FY13, $2 billion will come from security accounts and $2 billion will come from non-security accounts, per the firewall set out in the BCA.  (For FY2013, the BCA includes the Department of Defense as well as the Department of Homeland Security, State Department foreign operations, the Department of Veterans Affairs, military construction, the National Nuclear Security Administration, and the intelligence community management account as “security” spending, and other discretionary programs as “non-security” spending.)

 In FY2014, the fiscal cliff legislation decreases the discretionary budget cap for the Defense Department by $4 billion and the cap for non-defense discretionary spending by $4 billion.

The $12 billion in increased revenues would come from changes to Roth individual retirement accounts (IRAs).

o        Tax

By far the major focus in the compromise deal was on taxes, including a very public fight on the marginal income tax rates for  high earners. The legislation also addresses a number of tax issues of interest to the higher education community.

The bill extends for five years the American Opportunity Tax Credit (AOTC) while making permanent the employer-provided education assistance program (“Sec. 127”) and the student loan interest deductions.  Coverdell educational accounts are also made permanent under this bill.

The tuition tax deduction and the research and development (R & D) tax credit are both extended through 2013.

Provisions related to deductions for charitable donations remain unchanged.

To recap the much-discussed tax changes, the bill permanently extends Bush-era income tax rates for individuals earning up to $400,000 and families earning up to $450,000.  Those earning more will see their marginal rates increase from 35% to 39.6%.  For taxes on investments, capital gains and dividend rates will increase from 15% to 20% only for those above the $400,000/$450,000 income threshold.  Additionally, the bill continues (and indexes for inflation) the $5 million per-person estate tax exemption while increasing the tax rate above the exempted value from 35% to 40%.  The bill also includes a permanent patch for the alternative minimum tax (AMT).

o        Medicare sustainable growth rate (SGR)

The bill includes a one-year Medicare “doc fix,” temporarily preventing a 26.5% cut in Medicare payments for doctors.

o        Farm Bill

Of specific concern to many A۰P۰L۰U institutions, the deal package includes an extension of the Farm Bill through FY2013.  The extension makes some changes to how some programs are funded, including four National Institute of Food and Agriculture (NIFA) programs:  the Organic Agricultural Research and Extension Initiative; Specialty Crop Research Initiative; Beginning Farmer and Rancher Development; and Biomass Research and Development.  Last year’s House and Senate Farm Bills included mandatory funding for these programs, but the fiscal cliff deal removes the “mandatory funding” status for these programs and instead makes them subject to annual appropriations.  The legislation does set higher authorization levels for the four programs, however.

A copy of H.R. 8 is available [here](http://www.gpo.gov/fdsys/pkg/BILLS-112hr8eas/pdf/BILLS-112hr8eas.pdf%22%20%5Ct%20%22_blank).  A۰P۰L۰U staff will provide additional details as more information emerges.

·                     House Appropriations Subcommittee Chairs Announced

On December 31st, the House Appropriations Committee Chairman, Hal Rogers (R-KY),  [announced](http://appropriations.house.gov/news/documentsingle.aspx?DocumentID=315979" \t "_blank) the new and returning Subcommittee chairs, which are as follows:

Subcommittee on Agriculture and Rural Development – Chairman Robert Aderholt (R-AL)

Subcommittee on Commerce, Justice, and Science – Chairman Frank Wolf (R-VA)

Subcommittee on Defense – Chairman Bill Young (R-FL)

Subcommittee on Energy and Water Development – Chairman Rodney Frelinghuysen (R-NJ)

Subcommittee on Financial Services – Chairman Ander Crenshaw (R-FL)

Subcommittee on Homeland Security – Chairman John Carter (R-TX)

Subcommittee on the Interior, Environment – Chairman Mike Simpson (R-ID)

Subcommittee on Labor, Health and Human Services, Education – Chairman Jack Kingston (R-GA)

Subcommittee on the Legislative Branch – Chairman Rodney Alexander (R-LA)

Subcommittee on Military Construction, Veterans Affairs – Chairman John Culberson (R-TX)

Subcommittee on State, Foreign Operations – Chairwoman Kay Granger (R-TX)

Subcommittee on Transportation, Housing and Urban Development – Chairman Tom Latham (R-IA)

·                     Legislative Activities of Interest this Week

Floor Activities

While the House and Senate are in session today, there is no action expected. The House and Senate will convene at noon tomorrow, January 3rd, to begin the 113th Congress. Legislative schedules have not been announced for later this week.

·                     Final House Letter to Protect NIH Funding Sent

Attached is the final copy of the bipartisan letter, led by Reps. Marcia Fudge (D-OH) and Steve Stivers (R-OH), which urged Congressional leaders to recognize the importance of funding NIH and biomedical research as they debate a budget agreement. The letter, sent on December 21, garnered 60 signers, including 8 Republicans.