

WHAT'S NEXT ON THE FISCAL AGENDA:

	Taxes	Medicare/Health Care	Defense	All other spending
December 2011	<ul style="list-style-type: none"> <u>December 31</u>: Tax provisions expire: Payroll tax holiday ends and employee payroll tax rate reverts to 6.2% from 4.2%; Alternative minimum tax (AMT) “patch” expires; Number of taxpayers affected by AMT jumps from 4 million to 33 million in 2012; Other tax provisions, including the R&D tax credit, expire. 	<ul style="list-style-type: none"> <u>December 31</u>: Waiver of sustainable growth rate provision expires, triggering a reduction in Medicare physician payments by 30% compared to 2011 levels. 	<ul style="list-style-type: none"> OMB determines whether 2012 appropriations exceed the security discretionary spending cap for 2012, which includes defense, homeland security, veterans, international affairs, and other related programs. Sequestration ordered if they do. 	<ul style="list-style-type: none"> <u>December 31</u>: Emergency unemployment benefits expire. OMB determines whether 2012 appropriations exceed non-security discretionary spending cap for 2012 Sequestration ordered if they do.
2012	<ul style="list-style-type: none"> <u>October 1</u>: FY 2013 begins. <u>December 31</u>: Expiring tax provisions include: Individual tax cuts enacted in 2001 and 2003, and extended in 2010; Lower rates for estate and gift taxes, capital gains, and dividends; Accelerated depreciation provisions for business. 	<ul style="list-style-type: none"> OMB and CBO issue sequestration preview reports showing amounts of deficit reduction required for fiscal years 2013-2021. Medicare spending would be reduced by about \$11 billion in 2013, and increasing amounts through 2021 according to preliminary CBO estimates. <u>October 1</u>: FY 2013 begins. 	<ul style="list-style-type: none"> <u>January 15</u>: Security spending caps revised downward to reflect only defense activities (removing broader national security functions) for 2013-2021. OMB and CBO issue sequestration preview reports showing cap and spending reductions required for fiscal years 2013-2021 as a result of supercommittee inaction and any appropriations decisions that exceed caps. Enact defense appropriations for 2013. <u>October 1</u>: FY 2013 begins. 	<ul style="list-style-type: none"> <u>January 15</u>: Non-security spending caps revised upward to include veterans, homeland security, international affairs, and related programs. OMB and CBO issue sequestration reports showing cap and spending reductions required for fiscal years 2013-2021 as a result of supercommittee inaction and any appropriations decisions that exceed caps. Enact non-defense appropriations for 2013, with discretionary spending subject to the caps. <u>October 1</u>: FY 2013 begins.
Policy Considerations Beyond 2012	<ul style="list-style-type: none"> Fundamental tax reform to raise additional revenue while increasing efficiency and reducing complexity, including by eliminating tax spending provisions. 	<ul style="list-style-type: none"> <u>January 2, 2013</u>: Sequestration cuts Medicare spending. Payment and delivery system reforms to overall health care system to bend the cost curve increase health care value. Federal health program reforms to reduce subsidies to higher income beneficiaries while protecting those with lower incomes. 	<ul style="list-style-type: none"> <u>January 2, 2013</u>: Sequestration cancels about 10% of 2013 defense appropriations and lowers spending caps for 2014-2021. Review defense mission and define national security strategy that fits within the available (capped) funding levels. 	<ul style="list-style-type: none"> <u>January 2, 2013</u>: Sequestration cancels about 7% in 2013 non-defense discretionary appropriations and lowers caps for 2014-2021. Non-exempt mandatory programs also canceled. Review priorities across all program eliminate unnecessary and ineffectual programs and to provide sufficient resources to fund public investment as well as core functions of government.

*Social Security, Medicaid, the Children’s Health Insurance Program, and other safety net programs are exempt from sequestration. Medicare spending cannot be cut by 1