FISCAL CLIFF UPDATE, JANUARY 2, 2013

The Senate took the first step in stopping our economy from going over the fiscal cliff – a mix of upcoming tax hikes and automatic, across-the-board spending cuts. The package passed was negotiated by Senate Republican Majority Leader Mitch McConnell (R-KY) AND Vice President Joe Biden on New Year's Eve.

It is expected that the House of Representatives will take up the package in the next few days. Since no package was signed by President Obama before the New Year, any final deal will likely take place retroactively so tax rates will continue uninterrupted for most American taxpayers.

Below are details of the first- step legislation passed by the Senate:

- Permanently extends current tax rates for families earning less than $450,000 per year;
- Makes permanent current capital gains and dividends rates for families earning less than $450,000 while changing the rate to 20 percent for families making more than $450,000 per year;
- Extends popular tax credits, including tuition and child care tax credits, for five years;
- Extends the current $5 million estate tax exemption but the tax rate on estates over that limit would change from 35 to 40 percent;
- Prevents a 27 percent reduction in Medicare payments to doctors and other health care providers treating patients on Medicare;
- Replaces two months of the approximately $100 billion across-the-board spending cuts known as sequestration scheduled to start in January;
- Extends the current farm bill, which passed in 2008, through the end of this fiscal year;
- Permanently patched the Alternative Minimum Tax. This tax was originally designed to prevent high-income earners from using exemptions to avoid paying income taxes but did not automatically adjust for inflation. Without patching the AMT, this tax would impact nearly 135,000 Nebraska households earning as little as $33,750 a year according to the Congressional Research Office.
- The government temporarily lowered the payroll tax rate in 2011 from 6.2% to 4.2% to put more money in the pockets of Americans. That adjustment, which has cost about $120 billion each year, expired Monday.

  Now, Americans earning $30,000 a year will take home $50 less per month.