RSC Republican Study Committee
Rep. John Shadegg (R-AZ), Chairman
Neil Bradley, Executive Director
432 Cannon House Office Building
Washington, D.C. 20515
http://www.house.gov/burton/RSC/
(202) 226-9717

Common Questions and Answers About the Tax Bill

Q. Why Do All the Provisions of the Tax Bill Expire in 2010?

A. Under the Byrd Rule (named after its sponsor Senate Democratic Appropriations Chairman Robert Byrd (WV)) a point of order in the Senate lies against any tax reduction contained in a reconciliation bill that reduces taxes beyond the window of the reconciliation bill, in this case ten years. Unless, at least 60 Senators vote to overturn the point of order, the point of order is sustained and the entire tax cut provision is stripped out of the bill. **In other words, it takes 60 votes in the Senate to pass a tax bill that doesn't repeal all the tax cuts after ten years. Only 58 Senators voted for the tax bill, two short of what would have been necessary to make the tax cuts permanent.**

Since the tax bill was going to have to include a sunset or repeal provision, it was decided to move the repeal up one year (in other words repeal the changes after 9 years instead of 10). This was done so that the money that would have gone to tax cuts in the tenth year could be used to speedup the tax relief in the early years.

It is important to note that numerous tax provisions have expiration or sunset dates. Congress almost always extends the tax provisions and often uses that opportunity to expand tax relief.

Q. Who Will Receive a Rebate Check?

A. Taxpayers who filed and paid income taxes for tax year 2000 (filed in April of this year) will receive a rebate of 5% of their:

- first $6,000 in taxable income if they are single (maximum rebate $300),
- first $10,000 in taxable income if they are the head of a household (maximum rebate $500), and
- first $12,000 in taxable income if they are a couple filing jointly (maximum rebate $600).

If the taxpayer has less taxable income than the amounts listed above, they will receive 5% of their actual taxable income. For example a single individual with $5,000 in taxable income will receive a rebate of $250. (*It is important to remember that the tax rebate applies to taxable income (the amount of income on which taxes are actually paid), not gross, adjusted gross, or total income.)*

In no instance will a taxpayer receive a rebate for more than what they actually paid in taxes in 2000.

While the tax rebate is for the taxes that are owed in tax year 2001 (to be paid in April of 2002), it is based on the taxes paid for tax year 2000. If a taxpayer does not receive the maximum rebate, but has higher taxable income this year, they will receive a tax credit when they file their 2001 tax return. However, if a taxpayer receives a check based on tax liability from tax year 2000, but has no tax liability for tax year 2001, the taxpayer does NOT have to return the rebate.

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