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Record Group/Collection: George H.W. Bush Presidential Records
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Series: Sununu, John, Files
Subseries: Issues Files

OA/ID Number: 29138
Folder ID Number: 29138-004

Folder Title:
Budget Summit [1990] [2]

Stack:	Row:	Section:	Shelf:	Position:
G	10	18	3	2

BASIC DOMENICI PACKAGE

	2.15	3.6	5.1	6.7	8.4	+26.0
① LESS: DROP DEDUCTIBLE FROM $150 INDEXED TO $100 INDEXED	-.5	-.65	-.7	-.75	.79	-3.4
② PLUS: GRAMM REVISED*	1.9	3.4	3.9	4.3	4.7	+18.2
GRAMM / DOMENICI HYBRID	3.55	6.35	8.3	10.25	12.3	+40.75
NET TO ORIGINAL DOMENICI	1.4	2.8	3.2	3.5	3.9	+14.8

* GRAMM REVISED ASSUMES:

— ALL BENEFICIARIES PAY 30% UP TO $25K SINGLE / $32 COUPLE

— PREMIUM SCALED FROM 30% TO MAXIMUM OF 75% AT $60 K SINGLE / $76,800 COUPLE

DRAFT-1

Washington, September 14 - Secretary of Agriculture Clayton Yeutter and Secretary of the Interior Manuel Lujan today announced the report of the Administration's Task Force on the Spotted Owl. This Task Force was established on June 26, 1990, following the June 22, 1990 listing of the Northern Spotted Owl as a threatened species under the Endangered Species Act of 1973 (ESA). The report includes a proposed Forest Service timber sale program for FY 1991 and recommendations for longer term responses to the issue.

Secretary Yeutter and Secretary Lujan called the report, "A significant step in fulfilling the government's responsibility to achieve equity, fairness, and balance between reasonable and competing environmental and timber objectives."

"The Task Force sought to balance preservation of the Spotted Owl and the economic well-being of men and women who live in the region," Yeutter and Lujan stated. "This is not an ultimate or perfect answer. We don't believe there is a perfect answer. But it is the beginning of a good balance built on knowledge and dialogue to protect our heritage, while minimizing economic dislocation in timber-dependent communities of the American Northwest."

The Secretaries of Agriculture and Interior said that the Task Force issued its report after working in close consultation with key Members of Congress and after having sent a sub-cabinet level working group on a five-day trip in August to Washington, Oregon, and northern California.

Yeutter and Lujan proposed short and long-term strategies to guarantee balance in this important question. In the near term, the Administration will request that Congress immediately enact legislation permitting the sale of __________ billion board feet (bbf) of timber in FY 1991 in Forest Service Region 5 (northern California) and __________ in Region 6 (Washington and Oregon). These sales would include ___ bbf of timber carried over from the FY 1990 program for Region 6 and ___ bbf of new sales in the two Regions. All timber sold would be outside the habitat conservation areas proposed by the Interagency Scientific Committee. In order for those sales to proceed in a timely way, the legislation should provide insulation from the National Forest Management Act (NFMA), the National Environmental Policy Act (NEPA), and certain provisions of last year's Section 318 legislation.

The Administration will also ask Congress to enact legislation authorizing the immediate convening of the Endangered Species Committee to review land management plans of the Forest

Service and the Bureau of Land Management. Secretaries Yeutter and Lujan emphasized that this recommendation would not in any way alter the substance of the Endangered Species Act. The intent is to allow the Endanagered Species Committee to act efficiently in applying the standards of the ESA to actions taken by the Federal land management agencies.

Both Secretaries stressed that little time remains in this Congressional session, and emphasized the importance of quickly finding a legislative vehicle for enactment of these recommendations. Otherwise, FY 1991 timber sales could be drastically curtailed from traditional levels.

The longer-term response calls for continuation of the Administration Task Force, which is chaired by Secretary Yeutter, but with a new charge that it now broadly review the nation's forest management needs. This review will encompass considerations of: (1) the potential economic impact of other possible listings under the Endangered Species Act: (2) the challenge of conserving our ancient forests in an appropriate manner; (3) the need to anticipate and plan for adjustments in forest usage, so that abrupt disruptions of local communities can be minimized or avoided; (4) the necessity of finding flexible approaches in dealing with multiple demands on our forest resources, including new forestry techniques that may reduce the incompatibility between timber harvesting and habitat preservation; and (5) the development of a "timber reserve" for responding to cyclical adjustments in timber demand; and other issues to protect America's heritage. The Task Force will recommend administrative and legislative responses necessary to achieve effective and balanced management of public lands.

Language regarding the Fish and Wildlife Service that could be included in a spotted owl press release:

Secretary Lujan announced that the Fish and Wildlife Service, operating under current law, would not severely restrict harvests on State and private lands and, specifically, that the ISC recommendations would not be applied to State and private lands. Secretary Lujan remarked that "many of the very high estimates of job losses associated with the listing of the spotted owl were based on the assumption that Federal law would require the adoption of the ISC proposal by State and private landowners." "This interpretation of the law," Secretary Lujan stated, "is not correct."

In addition, Secretary Lujan announced that the Fish and Wildlife Service would continue to review evidence that the Northern Spotted Owl is thriving in certain second and third growth forests, particularly in northern California. "If those reports are borne out," Lujan stated, "the Fish and Wildlife Service may well have more flexibility in applying the ESA." These particular measures, Lujan emphasized, need not await new legislation in order to be implemented.

OFFER: 9/10/90 -- 9:15 p.m.

(A) PROVISO: This offer is entirely contingent upon the satisfactory conclusion of a related procedural agreement governing implementation, process reform, and fully credible provisions for enforcement on a multi-year basis. Detailed specifications for enforcement measures are included with this offer along with proposals for credit reform.*

(1) NON-FEE, NON-REVENUE DOMESTIC SAVINGS: (Select from qualified items in previous offers)	120
(2) DEFENSE, REVENUES & FEES: (Detail to be provided upon receipt of selections from item (1))	308
(3) INTEREST:	72
(4) TOTAL: (first year 50; 5 years 500)	500

* NOTE: Democratic offer of one-year caps and floating baselines provides neither discipline nor enforceabilty.

DISTRIBUTION EFFECT OF A 45% CAPITAL GAINS EXCLUSION AND LIMITING STATE AND LOCAL TAX DEDUCTIONS TO $10,000

[1990 Income Levels]

INCOME CLASS (1)	Number of Returns With Tax Increase (Thousands)	Percent of Total Returns (2) (Percent)	Average Tax Increase (Dollars)	Aggregate Tax Increase (Millions)	Number of Returns With Tax Decrease (Thousands)	Percent of Total Returns (2) (Percent)	Average Tax Decrease (Dollars)	Aggregate Tax Decrease (Millions)	Aggregate Tax Change (Millions)
Less than $10,000	--	--	--	--	150	0.5%	$-117	$-17	$-17
10,000 - 20,000	7	0.0%	(3)	$4	895	3.1%	-153	-137	-133
20,000 - 30,000	14	0.1%	$75	1	1,411	6.3%	-250	-353	-352
30,000 - 40,000	4	0.0%	244	1	1,321	7.9%	-442	-584	-583
40,000 - 50,000	16	0.2%	714	11	966	10.5%	-640	-618	-607
50,000 - 75,000	72	0.6%	765	55	1,623	14.1%	-922	-1,497	-1,442
75,000 - 100,000	69	2.3%	1,405	97	656	21.4%	-1,862	-1,222	-1,125
100,000 - 200,000	341	11.8%	1,373	468	890	30.8%	-4,368	-3,890	-3,422
200,000 and Over	312	31.5%	9,292	2,903	360	36.4%	-27,338	-9,921	-7,018
TOTALS	**836**	**0.7%**	**$4,236**	**$3,541**	**8,275**	**6.8%**	**$-2,204**	**$-18,239**	**$-14,698**

Joint Committee on Taxation
9-Sep-90

NOTE: Details may not add to totals due to rounding.

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(1) The income concept used to place tax returns into classes is adjusted gross income (AGI) plus: [1] tax-exempt interest; [2] employer contributions for health plans and life insurance; [3] inside buildup on life insurance; [4] workers' compensation; [5] nontaxable social security benefits; [6] deductible contributions to individual retirement accounts; [7] the minimum tax preferences; and [8] net losses, in excess of minimum tax preference, from passive business activities.

(2) Total returns include filing and nonfiling units. Filing units include all taxable and nontaxable returns. Nonfiling units include individuals with income that is exempt from Federal income taxation (e.g., transfer payments, interest from tax-exempt bonds, etc.). However, individuals who are dependents of other taxpayers are excluded.

(3) Indeterminate due to small number affected.

DISTRIBUTIONAL EFFECT OF A 45% CAPITAL GAINS EXCLUSION WITH FULL DEPRECIATION RECAPTURE AND AMT PREFERENCE

[1990 Income Levels]

INCOME CLASS (1)	Number of Returns With Tax Change (Thousands)	Percent of Total Returns (2) (Percent)	Average Tax Reduction (3) (Dollars)	Aggregate Tax Reduction (3) (Millions of Dollars)	Percent Distribution of Aggregate Tax Change (Percent)
Less than $10,000	59	0.2%	$-102	$-5	(4)
10,000 - 20,000	640	2.3%	-123	-79	0.4%
20,000 - 30,000	1,376	6.1%	-150	-207	1.1%
30,000 - 40,000	1,823	10.9%	-249	-447	2.3%
40,000 - 50,000	1,506	16.4%	-424	-639	3.4%
50,000 - 75,000	2,434	21.1%	-660	-1,570	8.3%
75,000 - 100,000	987	32.3%	-1,281	-1,223	6.4%
100,000 - 200,000	1,290	44.7%	-3,477	-3,836	20.2%
200,000 and Over	554	66.1%	-26,814	-11,024	57.9%
TOTALS	**10,763**	**8.9%**	**$-2,500**	**$-19,030**	**100.0%**

Joint Committee on Taxation
9-Sep-90

NOTE: Details may not add to totals due to rounding.

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(1) The income concept used to place tax returns into classes is adjusted gross income (AGI) plus: [1] tax-exempt interest; [2] employer contributions for health plans and life insurance; [3] inside buildup on life insurance; [4] workers' compensation; [5] nontaxable social security benefits; [6] deductible contributions to individual retirement accounts; [7] the minimum tax preferences; and [8] net losses, in excess of minimum tax preference, from passive business activities.

(2) Total returns include filing and nonfiling units. Filing units include all taxable and nontaxable returns. Nonfiling units include individuals with income that is exempt from Federal income taxation (e.g., transfer payments, interest from tax-exempt bonds, etc.). However, individuals who are dependents of other taxpayers are excluded.

(3) The tax reduction reported here assumes no change in taxpayer behavior. Thus, this measure understates the tax benefit received by certain taxpayers.

(4) Less than 0.05%.

DISTRIBUTIONAL EFFECT OF A $10,000 CAP ON STATE AND LOCAL INCOME TAX DEDUCTIONS

[1990 Income Levels]

INCOME CLASS (1)	Number of Returns With Tax Change (Thousands)	Percent of Total Returns (2) (Percent)	Average Tax Change (Dollars)	Aggregate Tax Change (Millions of Dollars)	Percent Distribution of Aggregate Tax Change (Percent)
Less than $10,000	--	--	--	--	--
10,000 - 20,000	7	(3)	(4)	$4	0.1%
20,000 - 30,000	4	(3)	$156	1	(3)
30,000 - 40,000	3	(3)	186	(5)	(3)
40,000 - 50,000	9	0.1%	843	8	0.1%
50,000 - 75,000	46	0.4%	580	26	0.5%
75,000 - 100,000	76	2.5%	1,368	104	1.9%
100,000 - 200,000	396	13.7%	1,541	610	11.2%
200,000 and Over	431	43.6%	10,883	4,692	86.2%
TOTALS	**972**	**0.8%**	**$5,603**	**$5,446**	**100.0%**

Joint Committee on Taxation
9-Sep-90

NOTE: Details may not add to totals due to rounding.

(1) The income concept used to place tax returns into classes is adjusted gross income (AGI) plus: [1] tax-exempt interest; [2] employer contributions for health plans and life insurance; [3] inside buildup on life insurance; [4] workers' compensation; [5] nontaxable social security benefits; [6] deductible contributions to individual retirement accounts; [7] the minimum tax preferences; and [8] net losses, in excess of minimum tax preference, from passive business activities.

(2) Total returns include filing and nonfiling units. Filing units include all taxable and nontaxable returns. Nonfiling units include individuals with income that is exempt from Federal income taxation (e.g., transfer payments, interest from tax-exempt bonds, etc.). However, individuals who are dependents of other taxpayers are excluded.

(3) Less than 0.05%.

(4) Indeterminate due to small number affected.

(5) Less than $500,000.

OFFER: 9/10/90 -- 12:15 p.m.

(A) PROVISO: This offer is entirely contingent upon the satisfactory conclusion of a related procedural agreement governing implementation, process reform, and fully credible provisions for enforcement on a multi-year basis. Detailed specifications for enforcement measures are included with this offer along with proposals for credit reform.

(1) ENTITLEMENTS:	
-- Democratic offer #4 (adjusted to score fees as fees)	125.6
(2) FEES & TAX MEASURES:	
(a) Republican offer of 9/8/90	130.0
(b) Additional Revenue Measures (see attached list)	24.1
(c) Adjust for CBO/JCT scoring	-16.0
Subtotal	138.1
(3) DEFENSE:	
Nunn adjusted for Desert Shield	170.0
(4) INTEREST:	72.0
TOTAL	505.7

11-Sep-90 4:57pm

#90-3 094
PRELIMINARY
11-Sep-90

- BUDGET SUMMIT -
Revenue and User Fees Items Contained in Republican and Democratic Offers

Fiscal Years 1991-1995
[Billions of Dollars]

Provision	Effective	1991	1992	1993	1994	1995	1991-95
I. Identical Items							
A. Health Insurance for Self Employed	10/1/90	-0.3	-0.3	-0.4	-0.4	-0.5	-1.8
B. Leaking Underground Storage Tank (LUST) Trust Fund (5 years)	10/1/90	0.1	0.1	0.1	0.1	0.1	0.6
C. Increase Airport Trust Fund Aviation Excise Taxes (5 years) (1)...(2)	1/1/91	1.3	2.3	2.5	2.7	3.0	11.8
D. Increase Harbor Maintenance Tax (1)...(3)	1/1/91	0.3	0.3	0.4	0.4	0.4	1.8
E. Ozone-Depleting Chemical Excise Tax	1/1/91	0.1	0.1	0.1	0.1	0.1	0.5
SUBTOTALS, Identical Items		**1.5**	**2.5**	**2.7**	**2.9**	**3.1**	**12.9**
II. Similar Revenue-Raising Items							
A. Loss Deductions and Salvage Values for Insurance Companies:							
1. Republican	1/1/90	0.3	0.2	0.2	0.1	0.1	0.9
2. Democratic	1/1/90	0.5	0.3	0.3	0.2	0.1	1.3
B. Amortize Insurance Policy Deferred Acquisition (DAC) Expenses:							
1. Republican	1/1/91	0.7	2.0	3.2	4.5	5.7	16.1
2. Democratic	1/1/91	1.3	1.4	1.6	1.6	1.6	7.5
C. Alcohol Taxes:							
1. Republican	10/1/90	4.6	4.9	4.9	5.0	5.1	24.5
2. Democratic	10/1/90	1.7	1.8	2.0	2.2	2.4	10.1
D. Luxury Excise Taxes:							
1. Republican	10/1/90	1.1	1.7	2.0	2.1	2.1	9.0
2. Democratic	1/1/91	1.3	2.0	2.1	2.3	2.5	10.2

Provision	Effective	1991	1992	1993	1994	1995	1991-95
E. Energy Security:							
1. Republican	____	0.8	1.4	1.5	1.6	1.7	7.0
2. Democratic:							
a. Impose 4% broad-based ad valorem energy tax	1/1/91	7.8	11.6	12.3	13.0	13.7	58.4
b. $20 price floor for imported crude oil; exemption for Canada, Mexico, and Venezuela; revenue devoted to low-income energy assistance	1/1/91	--	--	--	--	--	---
c. Double gas guzzler tax	1/1/91	0.1	0.1	0.1	0.1	0.1	0.5
d. Extend highway fuels excise tax and increase motor fuels tax by 7 cents per gallon (4)	1/1/91	5.4	6.9	6.9	7.0	7.0	33.2
F. Pension/Retiree Health:							
1. Republican	1/1/91	0.6	0.4	0.4	0.4	0.3	2.0
2. Democratic:							
a. Excess pension funds to pay retiree health benefits (5)	1/1/91	0.6	0.4	0.4	0.3	0.3	2.0
b. Increase the tax on asset reversions from defined benefit plans to 30%	9/10/90	(6)	(7)	(7)	(7)	(7)	-0.1
SUBTOTALS, Similar Revenue-Raising Items: Republican		**8.1**	**10.6**	**12.2**	**13.7**	**15.0**	**59.5**
SUBTOTALS, Similar Revenue-Raising Items: Democratic		**18.7**	**24.5**	**25.7**	**26.7**	**27.7**	**123.1**
III. User Fees							
1. Republican (8) [target]	____	6.0	6.8	6.8	6.9	6.9	33.4
2. Democratic	____	1.7	2.7	3.0	3.2	3.5	14.2
IV. Similar Revenue-Losing Items							
A. Enterprise Zones:							
1. Republican [revenue target]	--	-0.1	____	____	____	____	-2.0
2. Democratic	--	--	-0.2	-0.4	-0.6	-0.8	-2.0
B. Incentives for Domestic Energy Production:							
1. Republican	1/1/91	-0.3	-0.4	-0.6	-0.6	-0.7	-2.6
2. Democratic (9)	1/1/91	-0.3	-0.5	-0.8	-0.9	-1.1	-3.6

14.2

Provision	Effective	1991	1992	1993	1994	1995	1991-95
C. Savings / Investment Growth:							
1. Republican: Family Savings Account (FSA) proposal	______	-0.2	-0.6	-1.0	-1.3	-1.8	-5.0
2. Democratic: IRA/FSA proposal	1/1/92	--	-1.6	-4.6	-5.6	-6.6	-18.5
SUBTOTALS, Similar Revenue-Losing Items: Republican		**-0.6**	**-1.0**	**-1.6**	**-1.9**	**-2.5**	**-9.6**
SUBTOTALS, Similar Revenue-Losing Items: Democratic		**-0.3**	**-2.3**	**-5.8**	**-7.1**	**-8.5**	**-24.1**

Joint Committee on Taxation

NOTES: Interaction between or among items has not been taken into account for the purpose of this table.
Estimates provided are consistent with the Congressional Budget Office (CBO) updated budget baseline. Additional items contained in the President's budget proposal, relating to employment taxes and user fees, are estimated by CBO.

(1) Estimate is net of income tax offset.
(2) This estimate is presented relative to the CBO baseline which assumes extension of the Airport and Airway Trust Fund (AATF) taxes with the trigger in effect. The estimate reflects the effects both of removing the trigger and of increasing the rates of certain of the AATF taxes as proposed in the President's budget.
(3) Estimate provided by CBO.
(4) Extension assumed in budget baseline. At least 50% of motor fuels tax increase dedicated to deficit reduction; remainder dedicated to Highway Trust Fund (20% of this portion to be allocated to mass transit). Each State to receive Highway Trust Fund expenditures equal to at least 95% of its contribution.
(5) The estimate of the effect of this proposal does not account for possible interaction with the proposal to increase the tax on asset reversions.
(6) Gain of less than $50 million.
(7) Loss of less than $50 million.
(8) Total includes amount in original Republican offer (9/7/90) ($5.6 billion in FY1991; $30.6 billion in 5 years) plus $2.8 billion ($0.4 billion in FY1991) included among $9.9 billion of User Fees in Democratic "mandatory savings" package of 9/10/90 that were not included in original Republican offer.
(9) Includes incentives comparable to Administration budget plus proposal to extend section 29 credit and expand to tight sands gas.

11-Sep-90 5:42pm

#90-3 106
PRELIMINARY
11-Sep-90
{D=#90-5 107}
(corrected)

- BUDGET SUMMIT -
Revenue and User Fee Package
Democratic Offer

Fiscal Years 1991-1995
[Billions of Dollars]

Provision	Effective	1991	1992	1993	1994	1995	1991-95
A. High Income Individuals							
1. Impose temporary deficit reduction 20% surtax on individual income over $500,000 (1)	1/1/91	2.2	4.3	4.9	5.6	6.5	23.4
2. Remove HI wage cap	1/1/91	4.6	11.1	11.8	12.7	13.5	53.7
3. Impose 10% luxury excise tax (2)	1/1/91	1.3	2.0	2.1	2.3	2.5	10.2
B. Energy Security and Conservation							
1. Impose 4% broad-based ad valorem energy tax (3)	1/1/91	7.8	11.6	12.3	13.0	13.7	58.4
2. $20 price floor for imported crude oil; exemption for Canada, Mexico, and Venezuela; revenue devoted to low-income energy assistance	1/1/91	--	--	--	--	--	---
3. Double gas guzzler tax	1/1/91	0.1	0.1	0.1	0.1	0.1	0.5
4. Extend section 29 credit and expand to tight sands gas	1/1/91	(5)	-0.1	-0.2	-0.2	-0.3	-0.9
5. Adopt incentives for domestic energy production	1/1/91	-0.3	-0.4	-0.6	-0.6	-0.7	-2.6
C. Health and Environment							
1. Double beer and wine taxes; index beginning in 1992 (exclude sparkling wine)	10/1/90	1.3	1.4	1.6	1.8	2.0	8.1
2. Increase distilled spirits tax by $2.00 to $14.50 per proof gallon	10/1/90	0.4	0.4	0.4	0.4	0.4	2.0
3. Add new ozone-depleting chemicals covered by Montreal Protocol	1/1/91	0.1	0.1	0.1	0.1	0.1	0.5
D. Miscellaneous Revenue Items							
1. Extend FUTA surtax	1/1/91	0.7	1.1	1.1	1.1	1.2	5.2
2. Amortize insurance policy deferred acquisition expenses (DAC)	1/1/91	1.3	1.4	1.6	1.6	1.6	7.5
3. Account for salvage and subrogation in property and casualty insurance company loss deductions	1/1/90	0.5	0.3	0.3	0.2	0.1	1.3
4. Adopt foreign compliance provisions	3/20/90	(4)	0.1	0.1	0.1	0.1	0.3
5. Excess pension funds to pay retiree health benefits (6)	1/1/91	0.6	0.4	0.4	0.3	0.3	2.0
6. Increase the tax on asset reversions from defined benefit plans to 30%	9/10/90	(4)	(5)	(5)	(5)	(5)	-0.1
7. Payroll tax deposit stabilization	--	1.0	2.2	-3.2	--	--	---

2000 x 8000

Provision	Effective	1991	1992	1993	1994	1995	1991-95
E. User Fees							
1. Increase Airport Trust Fund aviation excise taxes (5 years) (7)............ (8)	1/1/91	1.3	2.3	2.5	2.7	3.0	11.8
2. Increase harbor maintenance excise tax (7).. (9)	1/1/91	0.3	0.3	0.4	0.4	0.4	1.8
3. Extend IRS user fees (5 years) (7)... (9)	10/1/90	(4)	(4)	(4)	(4)	(4)	(4)
4. Extend leaking underground storage tank (LUST) trust fund (5 years).......	10/1/90	0.1	0.1	0.1	0.1	0.1	0.6
5. Extend highway fuels excise tax and increase motor fuels tax by 7 cents per gallon (10)..	1/1/91	5.4	6.9	6.9	7.0	7.0	33.2
F. Growth and Equity Incentives							
1. Extend certain expiring provisions (permanent)..	--	-0.6	-1.1	-1.7	-2.3	-2.8	-8.5
2. Adopt IRA proposal..	1/1/92	--	-1.6	-4.6	-5.6	-6.6	-18.5
3. Other items..	--	-1.2	-1.4	-1.7	-2.1	-2.5	-8.6
G. Regressivity Offset (11)..	--	-1.8	-10.1	-11.1	-13.8	-14.6	-51.5
GRAND TOTALS..		**25.1**	**31.4**	**23.6**	**24.9**	**25.1**	**130.1**

11-Sep-90 Joint Committee on Taxation

NOTES: Estimates provided are consistent with the Congressional Budget Office (CBO) updated budget baseline. Additional items contained in the President's budget proposal, relating to employment taxes and user fees, are estimated by CBO.

(1) Surtax to stay in effect until the budget is balanced.

(2) Tax applies to specific newly-manufactured items with retail prices above the following thresholds: automobiles--$30,000; private boats and yachts--$30,000; private aircraft--no threshold; electronics--$1,000; jewelry--$5,000; and furs--$500. Tax is 10% of purchase price in excess of thresholds.

(3) Estimate assumes tax based on retail price for electricity; adjustments are made for actual energy imports and exports but no further adjustments are assumed. (Details of this tax are subject to further development.) At least 50% of motor fuels tax component of broad-based energy tax dedicated to deficit reduction; remainder dedicated to Highway Trust Fund (20% of this portion to be allocated to mass transit).

(4) Gain of less than $50 million.

(5) Loss of less than $50 million.

(6) The estimate of the effect of this proposal does not account for possible interaction with the proposal to increase the tax on asset reversions.

(7) Estimate is net of income tax offset.

(8) This estimate is presented relative to the CBO baseline which assumes extension of the Airport and Airway Trust Fund (AATF) taxes with the trigger in effect. The estimate reflects the effects both of removing the trigger and of increasing the rates of certain of the AATF taxes as proposed in the President's budget.

(9) Estimate provided by CBO.

(10) Extension assumed in budget baseline. At least 50% of motor fuels tax increase dedicated to deficit reduction; remainder dedicated to Highway Trust Fund (20% of this portion to be allocated to mass transit). Each State to receive Highway Trust Fund expenditures equal to at least 95% of its contribution.

(11) Estimate assumes increase in EITC to 30% (22.5% phaseout) in 1991 and 1992 and 33% (23.5% phaseout) in 1993 and thereafter; and increase in standard deduction by $150 single, $200 head of household, and $250 joint in 1991 and by $200 single, $250 head of household, and $300 joint in 1992 and thereafter. (Policy decision, including percentages and dollar amounts, not yet made.)

MEETING 3 - September 13, 1990

1. Items agreed to by Republicans and Democrats

		1991-1995
A.	Health Insurance for Self Employed	-1.8
B.	LUST Trust Fund	0.6
C.	Airport Excise Taxes	11.8
D.	Harbor Maintenance Tax	1.8
E.	Ozone-Depleting Chemical Excise Tax	0.5
Total		12.9

2. Review of items remanded to staff (other than energy)

		Minimum Revenue Target 9/12/90 1991-1995	Agreed Target Level (Subject to Structure) Per Discussion Meeting 1 9/13/90 1991-1995
A.	Loss Deductions and Salvage Value for Insurance Companies	1.1	
B.	DAC	10.0	10.0
C.	Alcohol	18.0	14.0
D.	Luxury Excise Taxes	9.0	8.7
E.	Pension Retiree Health	1.9	
F.	Tobacco		5.9

		Revenue Range 1991-1995	Proposed Targets
3.	Additional Revenue Items from Republican Offer		
	A. IRS Reforms	4.3 - 9.4	
	B. State and Local HI	8.2 - 8.4	
	C. State and Local SS	11.7 - 12.7	
4.	User Fees		
	A. Agreed in Republican tax and fee offer and in Democratic entitlement offer		7-8
	B. Additional user fees from Republican list		25
5.	Additional Revenue Items Suggested		
	A. Disallow deductions for interest paid by by corporations on tax deficiencies		5(E)
6.	Tough Issues		
	A. Structure of energy tax		
	B. Size of energy tax		
	C. IRAs/FSAs		
	D. Capital gains and offset		
7.	Extenders		
	A. From Republican Offer		
	1. R&E allocation rules		-3.6
	2. R&E credit		-5.5
	Subtotal		-9.1

EXTEND PERM.
$ 5.5B
WITH BASE LIMIT.

MAKE PERMANENT —

Oh.=

Back up rule —

B. From Democratic Offer

		Proposed Targets
1.	Employer-provided educational assistance	-1.7
2.	Mortgage revenue bonds	-0.8
3.	Small-issue manufacturing bonds	-0.6
4.	Low-income housing credit	-3.7
5.	Targeted jobs tax credit	~~-1.4~~
6.	Business energy credits	-0.2
7.	Placed-in-service date for nonconventional fuels (Sec.29)	*
8.	Orphan drug testing credit	*
	Subtotal	-8.4

Duplication Pell grants

for Enterprise Zones

Oh dash out!

C. Other Extenders

Group legal services	~~-0.5~~

8. Energy Incentives

A. In both offers	-2.6
B. Additional item from Democratic offer: Section 29 -- tight sands	-0.9

9. Other

MEETING 4 - September 14, 1990

1. Items Discussed by Republicans and Democrats

		1991-1995	Cumulative
A.	Health Insurance for Self Employed	-1.8	
B.	LUST Trust Fund	0.6	
C.	Airport Excise Taxes	11.8	
D.	Harbor Maintenance Tax	1.8	
E.	Ozone-Depleting Chemical Excise Tax	0.5	
Total			12.9

2. Items discussed and tentative revenue target set

		1991-1995	Cumulative
A.	Loss Deductions and Salvage Value for Insurance Companies	1.1	14.0
B.	DAC	10.0	24.0
C.	Alcohol	14.0	38.0
D.	Luxury Excise Taxes	8.7	46.7
E.	Tobacco	5.9	52.6
F.	Extenders		
	1. R&E allocation rules	-3.6	49.0
	2. R&E credit (to be limited by base limitation)	-5.5	43.5
	3. Employer-provided educational assistance	-1.7	41.8
	4. Mortgage revenue bonds	-0.8	41.0
	5. Low-income housing credit	-3.7	37.3

6. Business energy credits	-0.2	37.1
7. Placed-in-service date for nonconventional fuels (Sec.29)	*	37.1
8. Orphan drug testing credit	*	37.1
3. Items discussed and remanded to staff for estimates		
A. Disallow deductions for interest paid by corporations on tax deficiencies	5(E)	42.1
B. State and Local HI (phase-in)	6(E)	48.1
4. User Fees -- Gephardt to supply list		
A. Agreed in Republican tax and fee offer and in Democratic entitlement offer	7 - 8	56.1
B. Additional user fees from Republican list	25	81.1
5. Items requiring discussion		
A. Extenders		
1. Small-issue manufacturing bonds -- limit	-0.6	
2. Targeted jobs tax credit -- EZ/Indian reservations	-1.4	
3. Ethanol credits	-.3	
B. Pension Retiree Health	-1.9	
C. Foreign Compliance (modified)	.3	
D. Gas Guzzler Tax	.5	
E. Extend IRS User Fees	*	
F. IRS Reforms	4.3 - 9.4	
G. State and Local SS	11.7 - 12.7	

6. Tough Issues

   A. Energy Tax

   B. IRAs/FSAs

   C. Capital gains and offset

7. Energy Incentives

A.	Domestic energy incentives	-2.6
B.	Section 29 -- tight sands	-0.9

8. Other

16-Sep-90 9:00pm

#D90-5 121
PRELIMINARY
[R=#90-3 117]

DISTRIBUTIONAL EFFECT OF A 45% CAPITAL GAINS EXCLUSION AND A CUTBACK ON ITEMIZED DEDUCTIONS FOR HIGH-INCOME TAXPAYERS

[1990 Income Levels]

INCOME CLASS (1)	Number of Returns With Tax Increase (Thousands)	Percent of Total Returns (2) (Percent)	Average Tax Increase (Dollars)	Aggregate Tax Increase (Millions)	Number of Returns With Tax Decrease (Thousands)	Percent of Total Returns (2) (Percent)	Average Tax Decrease (Dollars)	Aggregate Tax Decrease (Millions)	Aggregate Tax Change (Millions)
Less than $10,000	(3)	(4)	(5)	(6)	46	0.2%	$-106	$-5	$-5
10,000 - 20,000	(3)	(4)	(5)	(6)	502	1.8%	-157	-78	-78
20,000 - 30,000	$8	(4)	$30	(6)	1,071	4.8%	-191	-204	-204
30,000 - 40,000	2	(4)	79	(6)	1,428	8.6%	-310	-442	-442
40,000 - 50,000	(3)	(4)	28	(6)	1,181	12.8%	-535	-632	-632
50,000 - 75,000	13	0.1%	151	$2	1,909	16.6%	-805	-1,536	-1,534
75,000 - 100,000	4	0.1%	162	1	772	25.2%	-1,555	-1,201	-1,200
100,000 - 200,000	146	5.1%	2,146	314	992	34.3%	-3,787	-3,756	-3,442
200,000 and Over	569	57.5%	6,184	3,516	342	34.6%	-29,559	-10,124	-6,608
TOTALS	742	0.6%	$5,166	$3,833	8,244	6.7%	$-2,181	$-17,979	$-14,146

Joint Committee on Taxation
16-Sep-90

NOTE: Details may not add to totals due to rounding.

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(1) The income concept used to place tax returns into classes is adjusted gross income (AGI) plus: [1] tax-exempt interest; [2] employer contributions for health plans and life insurance; [3] inside buildup on life insurance; [4] workers' compensation; [5] nontaxable social security benefits; [6] deductible contributions to individual retirement accounts; [7] the minimum tax preferences; and [8] net losses, in excess of minimum tax preference, from passive business activities.

(2) Total returns include filing and nonfiling units. Filing units include all taxable and nontaxable returns. Nonfiling units include individuals with income that is exempt from Federal income taxation (e.g., transfer payments, interest from tax-exempt bonds, etc.). However, individuals who are dependents of other taxpayers are excluded.

(3) Less than 500,000.

(4) Less than 0.05%.

(5) Indeterminate due to small number affected.

(6) Less than $500,000.

OFFER: 9/17/90 -- 8:00 p.m.

PROVISO: This offer is entirely contingent upon the satisfactory conclusion of a related procedural agreement governing implementation, process reform, credit reform, and fully credible provisions for enforcement on a multi-year basis. Specifications for enforcement measures are attached to this offer. NOTE: These are substantially modified from previous offers -- to incorporate some tentative (conditional) summit agreements and to reflect further discussion of outstanding issues (not yet agreed).

(1) ENTITLEMENTS:

(a) Accept 9/10/90 Democratic offer of gross entitlement savings (excluding fees and deficit-increasing measures) -- subject to either of the following:

(i) Modify 9/10/90 Democratic gross savings offer to reflect the full set of program specifications attached to this offer -- yielding $123.3 billion in net entitlement savings;

OR

(ii) Modify 9/10/90 Democratic offer by first accepting all its entitlement savings proposals (gross) and then substituting such alternative entitlement savings measures (individually or as a package) as may be mutually agreed -- in a way that yields at least $123.3 billion in net entitlement savings.

(b) No new entitlement starts in this package; all subsequent entitlement starts on new pay-as-you-go system.

(2) DEFENSE: Accept Senator Nunn's 5-year defense budget path (as understood) -- adjusted for Desert Shield.

(3) NON-DEFENSE DISCRETIONARY (domestic and international): Grow at the inflation rate -- i.e., current services.

(4) REVENUES AND FEES:

(a) Same as Republican offers of 9/7/90 -- 10:00 a.m. and 9/11/90 -- 12:15 a.m., except....

(b) Modify and reduce alcohol tax to reflect tentative (conditional) summit level (NOTE: five-year savings decline from $22.8 billion to $14.0 billion).

(c) Modify DAC proposal to reflect tentative (conditional) summit level (<u>NOTE</u>: five-year savings decline from $15.6 billion to $10.0 billion).

(d) Modify State and Local HI proposal to phase in per tentative (conditional) agreement in Summit discussion (this raises $6.0 billion rather than $8.4 billion).

(e) Add denial of deduction of interest on corporate income tax underpayments (raising $4.5 billion).

(f) Treat child care initiative separately under new pay-as-you-go system (saving $0.2 billion in revenue measures -- plus associated outlay savings of $9.1 billion).

(g) Postpone <u>all</u> extenders for treatment in new pay-as-you-go system.

(h) Preserve current income tax rates; but modify proposed capital gains offset by limiting state and local income tax deductions so that: <u>Capital gains revenue losses are fully offset by those, and only those, with adjusted gross income above $200,000</u>. (<u>NOTE</u>: Modified proposal more than offsets capital gains' alleged five-year revenue loss -- so that combination proposal <u>reduces</u> the deficit and <u>in</u>creases net taxes paid by the rich.)

<u>NOTE</u>: Fee levels assumed in this offer are substantially less than the <u>menu</u> of possible fee alternatives provided with the first offer. That is, a selection of some (not all) of the possible fees will yield the necessary savings.

<u>TOTAL SAVINGS</u>: This offer would reduce the deficit by approximately <u>$503 billion</u> over five years -- of which $138.1 billion would be from revenue and fees; $170 billion from defense; $123.3 billion from all entitlements (net); and <u>zero</u> from all other discretionary programs.

<u>Attachments</u>: -- Specific Entitlement Measures
-- Tax and Fee Measures
-- Process and Enforcement Measures

9/17 6:00 p.m.

3

ENTITLEMENT OPTIONS
($ billions)

	DEMOCRATIC OFFER 9/10 1991	1991-95	ALTERNATIVE CONSTRUCTION OF 9/10 OFFER 1991	1991-95
Agriculture/price supports	-1.1	-10.3	-1.1	-13.3
Crop insurance	---	---	---	-0.5
Medicare:				
Providers	-3.4	-31.5	-3.4	-33.0
Beneficiary cost-sharing:				
Income-related premium	---	---	---	---
Deductible/premium/ co-insurance	-3.9	-40.8	-2.5	-31.5
Subtotal Medicare	-7.3	-72.3	-5.9	-64.5
Civil Service:				
Lump sum	-1.3	-8.5	-1.3	-8.5
Postal Service reforms	---	---	-0.7	-4.4
FEHB	---	---	-0.3	-0.9
Other	-0.9	-6.8	---	-1.5
COLA:				
Civilian	-0.7	-9.0	---	---
Military	-0.9	-12.0	---	---
Medicaid/employee payor/ pharmaceutical	-0.2	-2.6	-0.3	-2.6
Stafford loans (GSLs)	---	-0.4	-0.1	-3.1
Child nutrition	---	---	-0.2	-1.3
Unemployment insurance	---	---	---	-4.6
Rail pension fund liability	-0.1	-1.0	-0.1	-0.4
Secondary payor (curr. law)	---	---	---	-5.7
Foster care admin	---	---	-0.2	-2.9
CSE admin	---	---	-0.4	-2.1
Single admin grant for AFDC, Medicaid, Food Stamps	---	---	---	---
SSI admin fee	---	---	---	---
Social security overpmts	---	-0.2	---	-0.2
FHA assignment waiver	-0.2	-1.0	-0.2	-1.0
Other FHA reforms 1/	-0.5	-2.1	-0.4	-3.4
Tongass	0.0	-0.2	0.0	-0.2
Veterans	-0.4	-2.2	-0.4	-2.2
Subtotal entitlements	-13.6	-128.6	-11.6	-123.3

1/ FHA reforms in the Possible Offer assume Senate-passed S.566.
Details may not add to totals due to rounding. All estimates assume cash-based accounting, adjustments may be required if credit reform proposals are adopted.

Entitlements Summary

9/17 6:00 p.m.

Proposed changes to 9/10 offer

	FY91	FY92	FY93	FY94	FY95	FY91-95
Agriculture CCC						
CBO/Staff						
OMB	1,100	1,700	2,800	3,500	4,200	13,300

Extend 1985 farm bill by cutting target prices 2% per year and implement 3% per year "triple base" acre reduction program. [NOTE: alternative combinations of target prices and base reductions can achieve same savings.]

	FY91	FY92	FY93	FY94	FY95	FY91-95
- Crop insurance reform (350-1x)						
CBO/Staff						
OMB	37	105	112	116	120	490

This is roughly 10% program savings from reform of the existing subsidy and insurance program.

Medicare

Providers

	FY91	FY92	FY93	FY94	FY95	FY91-95
CBO/Staff						
OMB	3,400	5,900	6,900	7,900	8,900	33,000

Reduced substantially from $5.3/$44.0 in original offer.

Beneficiary

	FY91	FY92	FY93	FY94	FY95	FY91-95
Set Part B deductible at $150, index to CPI						
CBO/Staff	1,000	1,700	1,900	2,000	2,200	8,800
OMB	911	1658	1,823	1,987	2,146	8,525

Part B deductible has been at $50 from '67 to '82; at $75 since '82 and has never been indexed.

	FY91	FY92	FY93	FY94	FY95	FY91-95
20% Coinsurance on Clinical Labs						
CBO/Staff	400	700	800	800	1,000	3,700
OMB	500	720	820	930	1,050	4,020

20% Copayment was in place prior to July '84. This reinstates the prior law provisions.

	FY91	FY92	FY93	FY94	FY95	FY91-95
Move Part B premium to 30%						
CBO/Staff	800	2,000	3,500	5,100	6,800	18,200
OMB	1,069	2,278	3,625	5,144	6,825	18,941

Change premiums to 30%. Premium was originally 50%; eroded to 25% due to indexing policies.

	FY91	FY92	FY93	FY94	FY95	FY91-95
Subtotal - CBO	2,200	4,400	6,200	7,900	10,000	30,700
OMB	2,480	4,656	6,268	8,061	10,021	31,486

Subtotal, Medicare

	FY91	FY92	FY93	FY94	FY95	FY91-95
CBO/Staff						
OMB	5,880	10,556	13,168	15,961	18,921	64,486

5

	FY91	FY92	FY93	FY94	FY95	FY91-95
Eliminate lump sum Civil Service Retirement						
CBO/Staff						
OMB	1,300	1,800	1,800	1,800	1,800	8,500

Eliminates lump sum. Current law through FY 90 is 1/2, 1/2. No change from 9/10 Democratic offer.

	FY91	FY92	FY93	FY94	FY95	FY91-95
FEHB						
- USPS funding of post 1970 annuitants (550-2)						
CBO/Staff	700	800	900	1,000	1,000	4,400
OMB	726	803	881	975	1,046	4,431

Requires postal service to pick up cost of its annuitants.
Was expected to be part of OBRA '89, but postal reforms were not included in reconciliation/ USPS off budget package. No change from 9/10 Democratic offer.

	FY91	FY92	FY93	FY94	FY95	FY91-95
- Extend Medicare limits to 65+ (FEHB) (550-3)						
(mand) CBO/Staff	250	190	140	135	155	870
(mand) OMB	250	190	140	135	155	870

Includes the 1% of 65+ population not covered by Medicare (pre - 1984 retirees) under Medicare payment limits. No change from 9/10 Democratic offer.

	FY91	FY92	FY93	FY94	FY95	FY91-95
Other Postal/Civil Service						
CBO/Staff						
OMB	0	300	400	400	400	1,500

Unspecified savings in earlier Democratic offer at plug level above combined FEHB proposals for annuitant funding and Medicare limits. No change from 9/10 Democratic offer.

	FY91	FY92	FY93	FY94	FY95	FY91-95
Prudent Pharmaceutical Purchasing						
CBO/Staff	220	291	326	365	409	1,611
OMB	220	291	326	365	409	1,611

For single source drugs (patented), manufacturers would be limited to charging Medicaid the best price given any bulk purchaser in State, subject to minimum discount, with savings returned to Medicaid through end of year rebate. Merck and other drug companies have recently proposed very similar packages. VA and DOD already receive such discounts. Savings will be tied to baseline. Manufacturers of multiple source (generic) drugs would bid to become sole source providers for individual Medicaid drugs in each State. The proposal does not include any therapeutic substitution provisions. 1/

	FY91	FY92	FY93	FY94	FY95	FY91-95
Pay employee health premium, if cost effective						
CBO/Staff	180	220	260	310	970	1,940
OMB	110	120	130	140	500	1,000

States would pay for private insurance premiums if cheaper than Medicaid coverage. Many states already do so. 1/

1/ No change from dollar level in 9/10 Democratic offer for Medicaid (unspecified E&C/Finance; .2/2.6)

	FY91	FY92	FY93	FY94	FY95	FY91-95
GSL reforms						
* CBO/Staff	100	300	500	1,000	1,250	3,150
OMB	127	314	542	1,040	1,308	3,331

Reform to reduce GSL default rates in proprietary schools and others, improve GSL decertification procedures, especially for schools with high default rates, tighten oversight, enhance the financial strength of guarantors. (Revised proposal)

Child Nutrition

* CBO/Staff	220	244	259	270	283	1,276
OMB	172	189	204	214	227	1,006

The 29¢/meal school lunch subsidy to families above 350% of poverty ($42,350 for a family of 4) is eliminated. Also increase subsidy to families between 185%-350% of poverty by 20¢/meal.

Unemployment Insurance
- 2 week waiting period

CBO/Staff	0	1,100	1,150	1,150	1,200	4,600
OMB	0	1,100	1,150	1,150	1,200	4,600

States would not pay unemployment insurance benefits for the first two weeks, effective 10/1/91.

Fund rail pension liability

* CBO/Staff	0	100	100	100	100	400
OMB	90	130	180	240	310	950

Railroads did not accrue retirement payments sufficient to meet systems obligations. Pension fund has $34 billion unfunded liability. This would require an increase in contributions of about .75% of total payroll. This funds only a small portion of the underfunding and is one quarter of savings in 6/20 proposal. (CBO scoring varies because the payroll base for the .75% receipt assumption varies). No change from 9/10 Democratic offer.

Secondary Payor/Better ID 1st dollar health coverage recovery

* CBO/Staff	0	750	1,290	1,690	1,970	5,700
OMB	310	1,270	1,630	1,980	2,330	7,520

Create single purpose agency to back up efforts of all Federal agencies to more efficiently acquire share and cross-reference information to ensure that private coverage is billed before public coverage. The $5.7 billion CBO estimate prices only the continuation of current law Medicare authorities and assumes no new policy savings.

Foster Care
- Limit admin costs growth

CBO/Staff	71	170	288	428	596	1,553
OMB	200	400	600	800	1,000	2,900

Improve existing broad statutory language that has allowed 2800% cost growth since '80; to restrict growth to 2x CPI. Policy included in Senate Labor/HHS Appropriations mark.

Child Support Enforcement .
- Reduce federal match

CBO/Staff	355	390	425	465	495	2,130
OMB	400	308	352	405	460	2,100

Reducing match to 50% still results in 70% federal share of admin. costs. Policy included in Senate Labor/HHS Appropriations mark.

*** CBO pricing used for totals.**

	FY91	FY92	FY93	FY94	FY95	FY91-95
Social Security Overpayments						
CBO/Staff						
OMB	0	100	100	0	0	200

Use IRS offset for former beneficiaries. No change from 9/10 Democratic offer.

	FY91	FY92	FY93	FY94	FY95	FY91-95
FHA Assignment						
CBO/Staff						
OMB	200	200	200	200	200	1,000

This proposal would offer a cash settlement to lenders not to assign eligible section 221(g)(4) mortgages to HUD's FHA. No change from 9/10 Democratic offer.

	FY91	FY92	FY93	FY94	FY95	FY91-95
Other FHA Reforms						
CBO/Staff						
OMB	400	550	700	800	950	3,400

FHA reforms in Senate passed S.566.

	FY91	FY92	FY93	FY94	FY95	FY91-95
Tongass Forest						
CBO/Staff	28	44	44	44	44	204
OMB	28	44	44	44	44	204

Elimination of permanent appropriation for Tongass timber fund. No change from 9/10 Democratic offer

	FY91	FY92	FY93	FY94	FY95	FY91-95
Unspecified Veterans						
CBO/Staff	400	400	400	500	500	2,200
OMB	400	400	400	500	500	2,200

As assumed in Democratic offer (details not specified). No change from 9/10 Democratic offer.

	FY91	FY92	FY93	FY94	FY95	FY91-95
Total Entitlements						
CBO/Staff						
OMB	11,571	20,361	25,452	30,351	35,508	123,318

	1991-95
I. Revenue Raisers	
A. Extenders	
1. Leaking underground storage tank (LUST) trust fund	0.6
2. Telephone	12.9
B. New Revenues	
1. IRS Reforms (3)	4.3
2. Airport/Airway increase	11.8
3. State and local HI- modified	6.0
4. State and local SS	11.7
5. Shippers increase	1.7
6. Salvage value/insurance- modified	0.9
7. Pension/retiree health	2.0
8. DAC - Insurance reform- modified	10.0
9. Alcohol- modified	14.5
10. Luxury excise taxes	9.0
11. Ozone depleting chemical excise tax	0.5
12. Indexing of excise taxes (other than alcohol, tobacco, and ad valorem)	8.6
13. Petroleum fuels tax	7.0
14. Deny deduction of interest on corporate income tax underpayments	4.5
II. Initiatives for Growth, Low Income and Upper Income Offset	
A. Low Income	
1. Enterprise Zones	-2.0
B. Savings/Investment/Growth	
1. Capital gains (45% exclusion, individuals only - with AMT and recapture)	-21.5
2. Family Savings Account (FSA)	-5.0
3. Energy security (President's Budget)	-2.6
C. Upper Income Offset	
Limit State and local income tax deduction	32.6
III. User Fees (5 year)	30.6
	138.1

Sep 17 90 7:41pm

ENFORCEMENT

1. **GRH, Sequester, and Caps**

General Description

- The five year agreement would be enforced through budget resolutions, caps, and sequester. Fixed GRH deficit targets would be extended until GRH deficit is balanced.

- GRH would be modified in several ways to reduce burden on appropriated programs.

Caps

- The agreement would establish five year BA and outlay caps on defense, international affairs, and domestic discretionary spending.

- 60 vote points of order would apply to budget resolutions or appropriation bills that exceeded these caps.

GRH Sequester

- If fully implemented, the agreement would cancel the FY 1991 sequester order.

- The agreement would retain fixed statutory deficit targets and the current sequester process until the GRH deficit was balanced.

- The previuosly discussed summit baselines would be adjusted for recent economiic data in conjunction with this agreement.

- FY 1991-1996 GRH deficit targets will be set in the agreement and will refelct the adjustements incorporated above and all provisions of the summit agreement.

- In March 1991, GRH targets would be automatically revised to reflect new data on actual economic performance.

- For FY 1993 and subsequent years, the portion of the sequester due solely to economic factors would be limited to $35 billion.

- If the summit caps were violated in any of the three discretionary categories (domestic, defense, and international affairs -- "summit categories"), the President would use rescission authority to propose discretionary spending reductions by summit category. If a rescission measure to bring discretionary spending to or below the summit categorical caps was not enacted within 15 days, a categorical sequester by summit category would be implemented automatically.

- o A categorical lookback sequester for entitlements and mandatories would be added to GRH. After the close of a fiscal year, there would be a lookback at the previous year to determine the increase in the deficit (if any) due to policy changes in existing or new entitlement programs that failed to fulfill the terms of the summit agreement, to meet the pay-as-you-go test, or failed to meet future reconciliation instructions. A broadened sequester of the amount of any such increase in entitlements and mandatories would be then applied to entitlements and mandatories. The baseline on which the new fiscal year's GRH sequester caclculations would be based would reflect the adjustments (if any) for this entitlement sequester.

2. **Social Security cash Off-GRH**

- o Take Social Security cash balances out of Gramm-Rudman-Hollings in 1991.
- o Provide a firewall, including a point of order against legislation that would violate the 5 year and 75 year actuarial balance and a feedback mechanism, to protect Social Security surpluses.

3. **Pay-as-you-go**

- o A 60 vote point of order would lie against any legislative measure creating new mandatory spending (as defined by section 401(c) of the Budget Act) or reducing revenues over the next five years unless it was fully offset by reductions in other mandatory spending, increases in revenues, or a combination of both.

4. **Budget Act Points of Order**

- o Extend to out-years, specifically sections 302 and 311, and make certain technical changes to close loopholes.
- o Apply to budget resolutions and 302(b) appropriation allocations that do not meet caps.
- o 3/5ths point of order against legislation to modify sequester unless fully offset
- o Extension of 302 point of order to outlays in the House and repeal of Fazio

exception (exception to 311 point of order in the House if a subcommittee meets its allocation)

5. **Reconciliation**

- o Mandate 5 year reconciliation instructions.
- o Strengthen Byrd rule in Senate (awaiting Senator Byrd's proposals)
- o Extend Byrd rule to the House by requiring the House Budget Committee to strike any extraneous measures from a reconciliation bill.

6. **Credit Reform**

- o Implement in FY 1992. FY 1992 subsidy appropriation estimates will apply to all existing programs for FY 1993 and 1994.
- o Provide interim enforcement of credit levels in the Senate in FY 1991. Credit guarantee levels to be set in the 1991 conference agreement on the budget resolution.

7. **GSEs**

- o Mandate studies of the financial soundness of GSEs.
- o Instruct committees to study Administration GSE proposals and report legislation insuring GSEs' financial soundness by September 15, 1991.
- o If committees fail to produce legislation by September 15, 1991, provide for fast-track procedures for consideration of Administration proposals by October 15, 1991.

8. **RTC**

- o Include and display <u>on</u>-budget.
- o Hold appropriations harmless for GRH sequester effects caused by RTC.

9. **Scorekeeping**

- o Adopt scorekeeping guidelines in staff document titled "Scorekeeping Guidelines for FY 1991" (subject to resolution of outstanding staff issues)

APPENDIX ON ENFORCEMENT

Summit Categories	FY 1991	FY 1992	FY 1993	FY 1994	FY 1995	FY 1996
Domesitc Discretionary	Cap	Cap	Cap	Cap	Cap	
Defense	Cap	Cap	Cap	Cap	Cap	
International Affairs	Cap	Cap	Cap	Cap	Cap	
Rescission	If caps are violated, President proposes rescission within summit categories. If a rescission measure is not enacted to bring into compliance with summit categories, sequester down to caps.					
Entitlements & Mandatories		Lookback sequester for 1991 policy overages	Lookback sequester for 1992 policy overages	Lookback sequester for 1993 policy overages	Lookback sequester for 1994 policy overages	
[redacted]						
Economics	Adjust for economics		Limit sequester to $35 billion	Limit sequester to $35 billion	Limit sequester to $35 billion	
	Revise economics 6 or 7 months after agreement and adjust GRH targets.					
GRH targets (illustrative)	167	141	104	70	27	0
Overall Sequester	Cancel if Agreement fully implemented	Retain current sequester to meet fixed deficit targets with a $10 billion buffer.				

Withdrawal/Redaction Sheet
(George Bush Library)

Document No. and Type	Subject/Title of Document	Date	Restriction	Class.
01. Outline	Points for Discussion Re: Budget deal (1 pp.)	9/18/90	~~P5~~	

Collection:

Record Group: Bush Presidential Records
Office: Chief of Staff, White House Office of
Series: Sununu, John, Files
Subseries: Issues Files
WHORM Cat.:
File Location: Budget Summit [1990] [2]

Open on Expiration of PRA
(Document Follows)
By JP (NLGB) on 10/28/05

Date Closed: 12/16/2004	**OA/ID Number:** 29138-004
FOIA/SYS Case #: 1998-0004-F[1] **Re-review Case #:** 2005-0426-S **P-2/P-5 Review Case #:**	**Appeal Case #:** **Appeal Disposition:** **Disposition Date:**
AR Case #: **AR Disposition:** **AR Disposition Date:**	**MR Case #:** **MR Disposition:** **MR Disposition Date:**

RESTRICTION CODES

Presidential Records Act - [44 U.S.C. 2204(a)]

P-1 National Security Classified Information [(a)(1) of the PRA]
P-2 Relating to the appointment to Federal office [(a)(2) of the PRA]
P-3 Release would violate a Federal statute [(a)(3) of the PRA]
P-4 Release would disclose trade secrets or confidential commercial or financial information [(a)(4) of the PRA]
P-5 Release would disclose confidential advice between the President and his advisors, or between such advisors [a)(5) of the PRA]
P-6 Release would constitute a clearly unwarranted invasion of personal privacy [(a)(6) of the PRA]

C. Closed in accordance with restrictions contained in donor's deed of gift.

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Freedom of Information Act - [5 U.S.C. 552(b)]

(b)(1) National security classified information [(b)(1) of the FOIA]
(b)(2) Release would disclose internal personnel rules and practices of an agency [(b)(2) of the FOIA]
(b)(3) Release would violate a Federal statute [(b)(3) of the FOIA]
(b)(4) Release would disclose trade secrets or confidential or financial information [(b)(4) of the FOIA]
(b)(6) Release would constitute a clearly unwarranted invasion of personal privacy [(b)(6) of the FOIA]
(b)(7) Release would disclose information compiled for law enforcement purposes [(b)(7) of the FOIA]
(b)(8) Release would disclose information concerning the regulation of financial institutions [(b)(8) of the FOIA]
(b)(9) Release would disclose geological or geophysical information

FOR DISCUSSION -- 9/18/90

I. CONTEXT

-- Andrews: some significant progress; still significant differences in all areas (not just capital gains); venue shifting to Capitol (leaders meeting with S/B/D today).

-- Mitchell: repeat of last year; holding firm on rates/capital gains; dominating Democrats; intimidating moderate Republicans (who don't much care about capital gains).

-- Sequester: looming; but not a very credible threat -- Congressional word-of-mouth is that Congress will undo sequester and override veto on this issue, if necessary.

II. CAPITAL GAINS

-- Issue would seem to be: How high a price to pay before either

(a) taking sequester; or
(b) separating capital gains out (procedurally).

III. ENTITLEMENTS

-- Issue: still need to get higher total via either

(a) means-testing Medicare; or
(b) limiting all COLAs.

NOTE: Democrats take the position that the tougher the entitlements package, the more they have to oppose capital gains.

IV. ENERGY TAXES

-- These are likely to prove manageable, but with some "regressivity offset" (increase in the standard deduction).

V. DEFENSE

-- "Nunn adjusted for Desert Shield" seems acceptable for three years -- but Democrats insist on treating Desert Shield adjustment as a supplemental.

VI. PROCESS REFORM

-- This is being debated in arcane terms. An enforceable deal with a revised and satisfactory G-R-H system seems achievable if other pieces fall into place.

OFFER - 9/26

Entitlement Savings	$124.14
Revenues	$131.7

9/26 OFFER

Entitlement Savings:

CORE PACKAGE

	1991	5-year	We
Agriculture	1.26	12.00	
Medicare	4.6	60.00	S=30 DAY WIND
Eliminate Lump-sum	1.3	8.10	8.5
Other P/O & Civil Service Reforms	0.9	6.3	6.8 ?
Unspec Energy & Commerce Ctte PL/M.	0.2	2.0	2.6 ?
Guaranteed Student Loans	0.0	1.0	✓
Rail Pensions	0.05	0.35	
Social Security Overpayments	0.26	0.16	
FHA Assignment Waivers	0.19	0.96	
Other FHA Reforms	0.45	1.29	
Tongass	0.02	0.20	
Unspecified Veterans	0.4	2.20	
BIF	0.4	4.0	Sa
PBGC	0.06	0.32	Sa
Subtotal	9.90	100.88	OK

ADDITIONAL ENTITLEMENT SAVINGS

	1991	5-year
1/2 Taxation of Social Security Benfits to 85 percent	.550	10.05
Additional Savings from unspecified reforms in the following programs: - Guaranteed Student Loans - Child Support Enforcement - Foster Care or Medicare	---	4.0
Fees (see attached)	1.27	11.21
Subtotal =	1.82	25.26

Core Package	98.88
Additional offer	+ 25.26
Total =	$124.14

Revenues

Losers

R&D and Low Income Housing (one-year)	-2.0
Energy	-3.5
Small Business Equity Deduction (5-year)	-4.5
EITC/Standard Deduction	-15.9 *
Total	-25.9

Raisers

Energy	38.0	
Tentatively Agreed Items	45.4	
IRS Reforms	9.0	9.4
Retiree Health	1.3	
State and Local HI	5.2	
Alcohol	12.0	12.2
Pease [target]	10.5	
Business Tax Loopholes	2.5	
HI Wage Cap to $75,000	13.7	
2-months tax indexing delay	10.0	
Taxation of Social Security Benefits	10.0	
Payroll Tax Stabilization	0.0	
Total	157.6	

Double counting 4 ofit

NET DEFICIT REDUCTION 131.7

* EITC number does not reflect Child Care initiative which is treated separately.

User Fees:							
Flood/Crime Ins........	-0.014	-0.346	-0.177	-0.150	-0.146	-0.833	Bank
OSHA/MSHA fees.........	-0.095	-0.195	-0.230	-0.280	-0.330	-1.130	E&L
Customs fees...........	-0.291	-0.323	-0.501	-0.560	-0.581	-2.256	W&M
NRC....................	-0.299	-0.321	-0.333	-0.345	-0.363	-1.661	E&C/In
VA fees (unspec).......	-0.120	-0.125	-0.130	-0.135	-0.140	-0.650	VA
Patent & Trademark.....	-0.100	-0.104	-0.108	-0.112	-0.116	-0.540	Judic
Coast Guard............	-0.200	-0.208	-0.216	-0.223	-0.230	-1.077	MM&F
APHIS..................	-0.079	-0.082	-0.086	-0.091	-0.095	-0.433	Ag
For. Serv. recreation..	-0.008	-0.008	-0.008	-0.008	-0.008	-0.040	Ag
EPA....................	-0.018	-0.029	-0.029	-0.029	-0.029	-0.134	E&C/MM
Railroad safety........	-0.020	-0.037	-0.037	-0.038	-0.038	-0.170	E&C
US Travel & Tourism....	-0.007	-0.009	-0.009	-0.009	-0.009	-0.043	E&C
Hardrock mining claims.	0.000	-0.030	-0.030	-0.030	-0.030	-0.120	Int
NOAA weather service...	-0.005	-0.005	-0.005	-0.005	-0.005	-0.025	MMF/S&
Corps of Engineers rec.	-0.020	-0.020	-0.020	-0.020	-0.020	-0.100	PWT
Subtotal, fees.....	-1.276	-1.842	-1.919	-2.035	-2.140	-9.212	
	-------	-------	-------	-------	-------	--------	

Additional $2 billion in user fees to compensate for BIF reduction 2.000

Total = 11.212

DEMOCRATIC OFFER -- 9/26/90, 1:30 a.m.
(as understood)

Process Reform: TBD

Enactment Agreement: TBD

Entitlements: $100.2 billion total savings net

-- no new starts (except for treatment of child care TBD)
-- see attached list

Fees: $15 billion as may be mutually agreed, including $4 billion for BIF and at least $8 billion from overlap in previous offers

Discretionary savings: $170 billion

-- Categories and caps unresolved
-- Desert Shield treatment unresolved

Taxes:

-- Energy tax (8 cents motor fuels)	38.0	
-- "Tentatively agreed" (Andrews)	45.4	
-- IRS	9.4	
-- Retiree health	1.3	
-- State & local HI	5.2	
-- Alcohol	12.2	
-- Business loopholes	2.5	114.0
-- Social Security benefits at 85%	20.0	
-- HI cap lifted to 75K	13.7	
-- 60-day indexing delay	10.0	
-- Itemized ded. floor at 3% of AGI over 100/125/150	10.5	54.2
-- EITC	-15.9	
-- Energy production incentives	- 3.5	
-- LIH/R&D: one year	- 2.0	
-- Small business job creation	- 4.5	-25.9
	142.3	142.3

ENTITLEMENT OPTIONS

($ billions)

	DEMOCRATIC OFFER 9/10		DEMOCRATIC OFFER 9/17		DEMOCRATIC OFFER 9/26	
	1991	1991-95	1991	1991-95	1991	1991-95
Agriculture/price supports	-1.1	-10.3	-1.3	-11.3	-1.3	-11.5
Crop insurance	---	---	---	-0.5	---	-0.5
Medicare:						
Providers	-3.4	-31.5	-3.1	-30.0	-3.1	-30.0 NOT YET
Deductible/premium/ co-insurance	-3.9	-40.8	-1.5	-22.0	-2.5	-30.0
Subtotal Medicare	-7.3	-72.3	-4.6	-52.0	-5.6	-60.0
Civil Service:						
Lump sum	-1.3	-8.5	-1.3	-8.5	-1.3	-8.5
Postal Service and FEHB reforms	-0.9	-6.8	-0.9	-6.8	-0.9	-6.8
COLA:						
Civilian	-0.7	-9.0	-0.3	-1.5	---	---
Military	-0.9	-12.0	-0.6	-9.2	---	---
Medicaid/employee payor/ pharmaceutical	-0.2	-2.6	-0.2	-2.6	-0.2	-2.6
Stafford loans (GSLs)	---	-0.4	---	-0.7	---	-1.0
Child nutrition	---	---	---	---	---	---
Unemployment insurance	---	---	---	---	---	---
Rail pension fund liability	-0.1	-1.0	-0.1	-0.4	-0.1	-0.4
Foster care admin	---	---	---	---	---	---
CSE admin	---	---	---	---	---	---
Other (Foster Care, CSE, GSL, Medicare)	---	---	---	---	-0.8	-4.0
Social security overpmts	---	-0.2	---	-0.2	---	-0.2
FHA assignment waiver	-0.2	-1.0	-0.2	-1.0	-0.2	-1.0
Other FHA reforms	-0.5	-2.1	-0.5	-1.3	-0.5	-1.3
Tongass	----	-0.2	---	-0.2	---	-0.2
Veterans	-0.4	-2.2	-0.4	-2.2	-0.4	-2.2
Subtotal entitlements	-13.6	-128.6	-10.4	-98.4	-11.3	-100.2

28-Sep-90 8:05pm

#90-3 217
PRELIMINARY
28-Sep-90
{D=#90-5 218}

- SUMMIT PACKAGE 1 -

Fiscal Years 1991-1995

[Billions of Dollars]

Item		Effective	1991	1992	1993	1994	1995	1991-95
A. Revenue-Losing Provisions								
1. Enterprise zones [target]		1/1/91	--	-0.1	-0.2	-0.3	-0.4	-1.0
2. Energy incentives		1/1/91	-0.3	-0.5	-0.8	-0.8	-1.0	-3.4
3. Extend certain expiring provisions for one year:								
a. R&E credit	(1)	______	-0.6	-0.4	-0.1	-0.1	(2)	-1.2
b. Low-income housing credit		______	-0.2	-0.3	-0.4	-0.4	-0.4	-1.7
4. Small business equity deduction (3) [target]		--	-0.9	-1.5	-1.7	-1.9	-2.0	-8.0
5. Reduce corporate phaseout rate from 5% to 2-1/2% for small active corporations		______	______	______	______	______	______	0.0
6. Expand section 179 expensing from $10,000 to $________ for small active corporations [target]		______	______	______	______	______	______	0.0
7. Capital gains indexing		(4)	--	(2)	(2)	-0.1	-0.1	-0.2
8. Increase EITC (5) [target]		1/1/92	--	-0.3	-5.4	-5.8	-6.2	-17.7
Subtotals, Revenue-Losing Provisions			***-2.0***	***-3.1***	***-8.6***	***-9.4***	***-10.1***	***-33.2***
B. Revenue-Raising Provisions								
1. Motor fuels energy tax (8 cents)	(6)	12/1/90	6.8	7.9	7.8	7.9	8.0	38.4
2. Tentatively agreed items (see attached)	(7)	--	10.5	7.3	8.3	9.6	9.9	45.4
3. Additional tentatively agreed items:								
a. IRS management reforms [target]	(8)	--	3.0	1.8	1.8	1.5	1.2	9.4
b. Retiree health with reversion compromise		1/1/91	0.5	0.2	0.1	0.1	(9)	0.9
c. State and local HI (10) [target]		1/1/92	--	0.7	1.4	1.6	1.6	5.2
d. Distilled spirits, beer, wine [target]		1/1/91	1.5	2.0	2.0	2.1	2.1	9.7
4. Business tax loopholes		--	0.2	0.4	0.5	0.6	0.7	2.5

Item	Effective	1991	1992	1993	1994	1995	1991-95
5. Limitation on itemized deductions (11) [target]	1/1/91	1.1	7.3	7.4	8.1	8.9	32.8
6. Taxation of social security benefits [target] (12)	1/1/91	0.6	1.9	2.2	2.5	2.8	10.0
7. Payroll tax deposit stabilization	1/1/91	1.0	2.2	-3.2	--	--	---
Subtotals, Revenue-Raising Provisions		*25.2*	*31.7*	*28.3*	*34.0*	*35.2*	*154.3*
Net Deficit Reduction		25.2	31.4	22.9	28.2	29.0	136.6

Joint Committee on Taxation

NOTES: Details may not add to totals due to rounding.
Interaction between or among items has not been taken into account for the purpose of this table.

(1) Base limitation is retained at current level of 50%.
(2) Loss of less than $50 million.
(3) Preference included in minimum tax, recapture deduction as ordinary income, 5-year sunset, and $160,000 annual purchase limit.
(4) For newly-issued stock of small business corporations issued after date of Summit agreement, allow indexing of basis for inflation occurring after date of acquisition, sold after 12/31/91, and held for at least one year.
(5) Increase EITC to 25% (18% phaseout rate) in 1992.
(6) At least 50% of motor fuels tax increase dedicated to deficit reduction; remainder dedicated to Highway Trust Fund (20% of this portion to be allocated to mass transit account). Each State to receive Highway account apportionments and allocations equal to at least 95% of its contribution attributable to increased revenue.
(7) Excludes distilled spirits, beer, and wine provision.
(8) Estimate will be provided by the Congressional Budget Office.
(9) Gain of less than $50 million.
(10) Rate = 0.8% in 1992, 1.35% in 1993, 1.45% in 1994 and thereafter.
(11) Disallow itemized deductions in an amount equal to 6% of AGI in excess of $100,000 for single returns, $100,000 for joint returns, and $100,000 for head of household returns. Proposal does not apply to medical expenses or investment interest. Disallowance under the proposal cannot exceed 80% of otherwise deductible itemized deductions subject to the proposal.
(12) The estimate shown reflects half of the projected receipts from a proposal targetted to raise $20 billion over the fiscal year 1991-1995 period. The additional amount is shown as a decrease in spending.

Attachment {Table #90-3 109}

28-Sep-90 12:12pm

#90-3 109
PRELIMINARY
28-Sep-90

- BUDGET SUMMIT -
Tentatively Agreed Items

Fiscal Years 1991-1995
[Billions of Dollars]

Provision	Effective	1991	1992	1993	1994	1995	1991-95
I. Provisions Affecting High Income Individuals							
A. Impose 10% luxury excise tax (1)	1/1/91	1.0	1.9	2.0	2.0	2.1	9.0
II. Health and Environment							
A. Increase tobacco taxes by 4 cents per pack in 1991 and by 4 cents per pack in 1993	1/1/91	0.6	0.8	1.5	1.5	1.5	5.9
B. Increase taxes for distilled spirits, beer and wine	1/1/91	1.8	2.8	2.9	3.0	3.1	13.6
C. Ozone-depleting chemical excise tax	1/1/91	0.1	0.1	0.1	0.1	0.1	0.5
III. Reforms and Revenue Raisers							
A. Loss deductions and salvage values for insurance companies	1/1/90	0.3	0.2	0.2	0.2	0.2	1.1
B. Disallowance of deduction for interest paid on tax obligations	1/1/91	4.8	-0.5	-0.7	0.5	0.5	4.5
C. Adopt foreign compliance provisions including certain provisions from H.R. 4308 (S. 2410)	3/20/90	(2)	(2)	0.1	0.1	0.1	~~0.2~~ 0.3
D. Amortize insurance policy deferred acquisition expenses (DAC)	9/12/90	2.0	2.1	2.1	2.0	1.9	10.0

Provision	Effective	1991	1992	1993	1994	1995	1991-95
IV. User Fees							
A. Leaking underground storage tank (LUST) trust fund (5 years)...........	10/1/90	0.1	0.1	0.1	0.1	0.1	0.6
B. Increase Airport Trust Fund aviation excise taxes (5 years) (3).....(4)	1/1/91	1.3	2.3	2.5	2.7	3.0	11.8
C. Increase harbor maintenance tax (3)...(5)	1/1/91	0.3	0.3	0.4	0.4	0.4	1.8
GRAND TOTALS..		12.3	10.1	11.2	12.6	13.0	59.0

Joint Committee on Taxation

NOTES: Details may not add to totals due to rounding.
Interaction between or among items has not been taken into account for the purpose of this table.
Estimates provided are consistent with the Congressional Budget Office (CBO) updated budget baseline. Additional items contained in the President's budget proposal, relating to employment taxes and user fees, are estimated by CBO.

(1) Tax applies to specific newly-manufactured items with retail prices above the following thresholds: automobiles--$30,000; private boats and yachts--$30,000; private aircraft under 5,000 lbs.--no threshold; electronics--$1,000; jewelry--$5,000; and furs--$500. Tax is 10% of purchase price in excess of thresholds.

(2) Gain of less than $50 million.

(3) Estimate is net of income tax offset.

(4) This estimate is presented relative to the CBO baseline which assumes extension of the Airport and Airway Trust Fund (AATF) taxes with the trigger in effect. The estimate reflects the effects both of removing the trigger and of increasing the rates of certain of the AATF taxes as proposed in the President's budget. Increased revenue to be dedicated to deficit reduction.

(5) Estimate provided by CBO.

Bubble-Burst Rates with Capital Gains Exclusions

	1991	1991-95	Rate chan Generals
31% Rate			
35.5% exclusion (20% rate)	3.1	-3.5	7.4
41.9% exclusion (18% rate)	3.3	-5.4	7.4
51.6% exclusion (15% rate)	4.3	-17.4	7.4
32% Rate			
37.5% exclusion (20% rate)	4.8	13.4	25.8
43.8% exclusion (18% rate)	5.0	11.5	25.8
53.1% exclusion (15% rate)	5.9	.3	25.8
33% Rate			
39.4% exclusion (20% rate)	6.6	31.1	45.4
45.5% exclusion (18% rate)	6.7	29.0	45.4
54.5% exclusion (15% rate)	7.6	17.7	45.4

- In each case above, the "bubble" would be eliminated and a new third rate added at the point the current bubble begins.
- These are Joint Committee estimates.

22.4

32

Brady (1)

BUDGET SUMMIT AGREEMENT

September 30, 1990

30-Sep-90
08:55 AM

TABLE I.A.--DEFICIT REDUCTION
(in billions of dollars)

	1991	1992	1993	1994	1995	91-95
Discretionary:						
Domestic..	--	--	-- }			
International....................................	--	--	-- }	53.2	62.0	182.4
Defense..	9.8	22.6	34.8 }			
Mandatory..	12.1	20.9	23.9	28.8	33.3	119.0
Tax and receipt measures......................	16.2	26.7	27.0	32.1	31.8	133.8
Interest..	2.0	6.5	12.2	18.4	25.7	64.8
Total deficit reduction.........................	40.1	76.7	97.9	132.5	152.8	500.0

30-Sep-90
10:09 AM

TABLE I.B.--DEFICIT TARGETS AND PROPOSED SAVINGS
(in billions of dollars)

	1991	1992	1993	1994	1995	91-95
Mid-Session baseline consolidated deficit	231.4	205.0	135.2	79.6	76.8	728.0
Adjustments for:						
Economics	30.4	58.4	54.4	35.8	19.3	198.3
Technical changes	31.2	41.5	37.1	0.1	-12.0	97.9
Enacted legislation and regulations	0.7	1.2	0.6	0.3	0.4	3.2
Subtotal, adjustments	62.3	101.1	92.1	36.2	7.7	299.4
Current baseline consolidated deficits	293.7	306.1	227.3	115.8	84.5	1027.4
Proposed savings	-40.1	-76.7	-97.9	-132.5	-152.8	-500.0
Agreement consolidated deficits (+) or surplus (-)	253.6	229.4	129.4	-16.7	-68.3	527.4
Agreement GRH deficits (excludes deposit insurance and social security)	205.0	197.1	168.6	111.6	63.3	745.6
Revised GRH targets	205.0	197.1	168.6	111.6	63.3	745.6

30-Sep-90

TABLE I.C.--BASELINE AMOUNTS AND REDUCTIONS BY CATEGORY
(in billions of dollars)

	1991	1992	1993	1994	1995	91-95
Total Discretionary						
Adjusted baseline	522.9	546.1	567.4	588.0	602.8	2827.2
Savings	-9.8	-22.6	-34.8	-53.2	-62.0	-182.4
Agreed Level	513.1	523.5	532.6	534.8	540.8	2644.8
Mandatory						
Adjusted baseline	664.8	692.7	678.5	651.1	703.8	3390.9
Savings	-12.1	-20.9	-23.9	-28.8	-33.3	-119.0
Agreed level	652.7	671.8	654.6	622.3	670.5	3271.9
Interest						
Adjusted baseline	197.0	203.0	205.6	204.0	199.8	1009.4
Savings (includes revenues)	-2.0	-6.5	-12.2	-18.4	-25.7	-64.8
Agreed level	195.0	196.5	193.4	185.6	174.1	944.6
Total Outlays						
Adjusted baseline	1384.7	1441.8	1451.5	1443.1	1506.4	7227.5
Savings	-23.9	-50.0	-70.9	-100.4	-121.0	-366.2
Agreed level	1360.8	1391.8	1380.6	1342.7	1385.4	6861.3
Tax and Receipt Measures						
Adjusted baseline	1121.4	1194.2	1278.6	1363.0	1441.1	6398.3
Savings	16.2	26.7	27.0	32.1	31.8	133.8
Agreed level	1137.6	1220.9	1305.6	1395.1	1472.9	6532.1
Revised Economic Assumptions						
Adjusted baseline/Agreed level	30.4	58.4	54.4	35.8	19.3	198.3
Consolidated Deficit						
Adjusted baseline	293.7	306.1	227.3	115.8	84.5	1027.4
Savings	-40.1	-76.7	-97.9	-132.5	-152.8	-500.0
Agreed level	253.6	229.4	129.4	-16.7	-68.3	527.4
GRH Deficit (excludes deposit insurance and social security)						
Adjusted baseline	243.1	271.7	264.2	241.7	213.6	1234.3
Savings	-38.1	-74.5	-95.5	-130.0	-150.1	-488.2
Agreed level	205.0	197.2	168.7	111.7	63.5	746.1
ADDENDUM (Agreed Level)						
Social security operating surpluses	48.7	47.3	60.2	74.6	86.8	317.6
Deposit insurance	97.3	79.6	21.0	-53.6	-44.8	99.5

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TABLE II.A.--DISCRETIONARY PROGRAMS
(in billions of dollars)

	1991		1992		1993		1994		1995		1991-1995	
	BA	O	BA	O	BA	O	BA	O	BA	O	BA	O
Defense:												
Baseline 1/	313.6	306.2	326.0	316.9	338.3	326.1						
Savings	-25.1	-9.8	-35.1	-22.6	-47.2	-34.8						
Agreed level 2/	288.5	296.4	290.9	294.3	291.1	291.3						
International:												
Adjusted baseline 3/	20.1	18.6	20.5	19.1	21.4	19.6						
Savings	--	--	--	--	--	--						
Agreed level	20.1	18.6	20.5	19.1	21.4	19.6						
Domestic:												
Adjusted baseline 3/	182.7	198.1	191.3	210.1	198.3	221.7						
Savings	--	--	--	--	--	--						
Agreed level	182.7	198.1	191.3	210.1	198.3	221.7						
TOTAL DISCRETIONARY:												
Adjusted baseline	516.4	522.9	537.8	546.1	558.0	567.4	570.1	588.0	588.0	602.8	2770.3	2827.2
Savings	-25.1	-9.8	-35.1	-22.6	-47.2	-34.8	-58.6	-53.2	-69.6	-62.0	-235.6	-182.4
Agreed level	491.3	513.1	502.7	523.5	510.8	532.6	511.5	534.8	518.4	540.8	2534.7	2644.8

1/ The adjustments for revised economics for defense accounts will be made in March, 1991.

2/ Agreed Level:

Defense discretionary	288.5	296.4	290.9	294.3	291.1	291.3
Defense mandatory	0.6	0.6	0.7	0.7	0.7	0.7
Total defense	289.1	297.0	291.6	295.0	291.8	292.0

3/ Adjustments for anomalies to the GRH baseline include subsidized housing contract renewels and revised scoring of certain lease purchase contracts.

TABLE II.B--MANDATORY/ENTITLEMENTS/USER FEES -- OMB AND CBO SCORING
(in millions of dollars)

	CBO Savings		OMB Savings		CBO less OMB	
	1991	91-95	1991	91-95	1991	91-95
MANDATORY/ENTITLEMENTS						
1 Agriculture CCC	1,300	13,000	1,300	13,000	--	--

It is presumed that these savings would be achieved through a combination of target price and/or base acre reduction programs (potentially including the "triple base" approach). "Triple base" means that acres which become ineligible for deficiency payments could be planted to any crop. The following provides OMB scoring of several possible options:

	FY91	FY91-95
2% per year target price cut and 3% per year base acre reduction	500	12,400
One time 2% target price cut and one-time 15% "triple base" cut:	1,000	12,200
One-time 25% "triple base" cut (no target price reduction):	1,100	13,800

NOTE:
The following types of measures would NOT be scored as deficit reduction, although they may have been used for such purposes in the past. Prominent examples include:

-- Changes in the timing of payments without reductions in the actual amount of payments;
-- Increases in loan rates;
-- Increases in Acreage Reduction Programs (ARPs);
-- Reductions made contingent on assumptions that are unlikely to occur in reality.

TABLE II.B--MANDATORY/ENTITLEMENTS/USER FEES -- OMB AND CBO SCORING
(in millions of dollars)

	CBO Savings			OMB Savings		CBO less OMB	
	1991	91-95		1991	91-95	1991	91-95
2 Medicare	4,886	60,000	*	4,850	59,911	36	89

	FY91	FY91-95
Providers		
CBO	3,161	30,000
OMB	3,100	30,000

Specific policies have not been identified, but the following policy changes would produce savings beyond those needed to meet these assumptions:

Part A: MBI at 4.1% in FY91; MBI -.75% in FY92; capital at 85% (continuation of current law); indirect medical education at 6.0% [Total: 2.2/16.3]

Part B: Reduce payment for overpriced procedures; update primary care services only; reduce payment for overpriced localities; cap technical copayment of diagnostic tests; extend payment limit on new physicians; limit radiology to 90% and limit technical reimbursement; limit anesthesiology to 90%; limit supervised anesthesia payments; reform assistant at surgery payments; limit surgical global fee payment; ESRD secondary payor identification; outpatient capital at 85%, effective FY92; Durable medical equipment payment reforms; reform clinical lab payments [Total: 1.3/12.5]

Other: Medicare secondary payor policies (continuation of current law); eliminate return on equity for SNFs [Total: .1/6.1]

* Includes additional savings needed to reach $60.0 b ('91-'95) by CBO scoring which will be identified and included in reconciliation bill.

TABLE II.B--MANDATORY/ENTITLEMENTS/USER FEES -- OMB AND CBO SCORING
(in millions of dollars)

	FY91	FY91-95	CBO Savings 1991	CBO Savings 91-95	OMB Savings 1991	OMB Savings 91-95	CBO less OMB 1991	CBO less OMB 91-95
Deductible/Premium/Coinsurance								
CBO	1,725	27,775						
OMB	1,750	29,911						

Policy agreement assumes a) $100, $125, $150, $150, $150 ('91-'95) deductible, b) 20% clinical lab coinsurance and c) a Part B premium of 30%.

Set Part B deductible at $100, $125, $150, $150, $150

	FY91	FY91-95
CBO	350	6,090
OMB	310	5,860

Part B deductible has been at $50 from '67 to '82; at $75 since '82.

20% Coinsurance on Clinical Labs

	FY91	FY91-95
CBO	390	3,595
OMB	360	3,880

20% Copayment was in place prior to July '84. This reinstates the prior law provisions.

Move Part B premium to 30%

	FY91	FY91-95
CBO	985	18,090
OMB	1,080	20,171

Change premiums to 30%. Premium was originally 50% of program costs from 1965 to 1974.

TABLE II.B--MANDATORY/ENTITLEMENTS/USER FEES -- OMB AND CBO SCORING
(in millions of dollars)

	CBO Savings		OMB Savings		CBO less OMB	
	1991	91-95	1991	91-95	1991	91-95
3 Eliminate lump sum Civil Service Retirement	1,000	8,100	1,000	8,100	--	--

Federal employees currently may withdraw a portion of their pension funds in lump sum at retirement. Current law, through FY90, allows this lump sum to be paid in 2 annual installments. This will eliminate the lump sum option, effective 11/1/90 (1 month after announcement of agreement).

	CBO Savings		OMB Savings		CBO less OMB	
	1991	91-95	1991	91-95	1991	91-95
4 Other Post Office/Govt. Affairs	935	6,300	935	6,300	--	--

Although the agreement does not identify specific policies, it is assumed the following options or options substantially similar will be used to meet the savings total:

	FY91	FY91-95
Postal Service Reform/FEHB funding		
CBO	689	4,200
OMB	689	4,200

Requires Postal service to pick up the employer health care premium component of its annuitants who retired between 1971 and 1986. The employer portion of these benefits is now paid from general revenues. This was expected to be part of OBRA '89, but postal reforms were not included in Reconciliation/ USPS off budget package.

TABLE II.B--MANDATORY/ENTITLEMENTS/USER FEES -- OMB AND CBO SCORING
(in millions of dollars)

		CBO Savings 1991	CBO Savings 91-95	OMB Savings 1991	OMB Savings 91-95	CBO less OMB 1991	CBO less OMB 91-95
	FY91	FY91-95					
Extend Medicare limits to 65+ FEHB							
(mand) CBO	250	1,080					
(mand) OMB	185	1,195					
[Disc Memo / CBO]	[0]	[810]					
[Disc Memo / OMB]	[185]	[1,195]					

Includes the 1% of 65+ population not covered by Medicare (pre - 1984 civil service retirees still under FEHB) under the Medicare payment limits. Holds physician payments to Medicare rates and should actually reduce beneficiary premium costs.

Increase Postal Service Contributions to CSRS							
CBO	---	1,187					
OMB	---	1,187					

Beginning in 1994, the Postal Service would increase contributions to the Civil Service Retirement Fund to pay for annuity COLA benefits that current Postal Service employees will receive after they retire. The new rate applies only to Postal Service employees covered by the CSRS.

TABLE II.B--MANDATORY/ENTITLEMENTS/USER FEES -- OMB AND CBO SCORING
(in millions of dollars)

	CBO Savings		OMB Savings		CBO less OMB	
	1991	91-95	1991	91-95	1991	91-95
5 Unspecified Energy & Commerce/Finance	220	2,600	220	2,600	--	--

A combination of the following Medicaid proposals are presumed to make up these savings:

	FY91	FY91-95
Prudent Pharmaceutical Purchasing		
CBO	220	1,611
OMB	220	1,611

Manufacturers of the multiple source (generic) drugs with the highest Medicaid volume would bid to become sole source providers for individual Medicaid drugs in each State. For single source drugs (patented), manufacturers would be limited to charging Medicaid the best price given any bulk purchaser in State, subject to a maximum discount (20% in '91) and a minimum discount (10%), with savings returned to Medicaid through quarterly rebate. Numerous drug companies have recently proposed similar packages. VA and DOD already receive such discounts. Savings will be tied to the Medicaid baseline through a year-end reconciliation with state programs to assure achievement of baseline savings.

Pay employee health premium, if cost effective		
CBO	120	1,090
OMB	110	1,100

Many Medicaid beneficiaries have parents or spouses who have employer health coverage that could cover family members. This would allow states to opt for payment of private insurance premiums for qualified family members if those premiums are if cheaper than Medicaid coverage. Many states already do so.

TABLE II.B--MANDATORY/ENTITLEMENTS/USER FEES -- OMB AND CBO SCORING
(in millions of dollars)

	CBO Savings		OMB Savings		CBO less OMB	
	1991	91-95	1991	91-95	1991	91-95
6 GSL reforms	--	2,000	--	2,000	--	--
7 Fund rail pension liability	25	200	25	200	--	--
8 Social Security Overpayments	26	160	26	160	--	--

6 GSL reforms: Reform GSL by identifying for disqualification proceedings the worst high default schools, with special provisions to help protect good schools with high rates; improve guarantee agency oversight and financial strength; protect students and reduce program abuses.

7 Fund rail pension liability: Railroads did not accrue retirement payments sufficient to meet systems obligations. Pension fund has $34 billion unfunded liability. This proposal funds only a small portion of the underfunding (approx. 1/20) Scoring assumes a .40% increase on the RRB wage base payroll (capped at $38,100). Alternative policy would use recalculation at current rates, but attributing employer contributions on a rolling 10 yr. base to account for reduced number of rail employees and thus greatly reduced contribution by some railroads.

8 Social Security Overpayments: Collect outstanding social security overpayments by withholding the amount due from Federal income tax refunds. Use tax refund offsets only for amounts owed by former beneficiaries, and only when benefit adjustments or direct payments by the overpaid individual have not been successful.

TABLE II.B--MANDATORY/ENTITLEMENTS/USER FEES -- OMB AND CBO SCORING
(in millions of dollars)

	CBO Savings 1991	CBO Savings 91-95	OMB Savings 1991	OMB Savings 91-95	CBO less OMB 1991	CBO less OMB 91-95
9 FHA Assignment	193	965	193	965	--	--

This proposal would offer a cash settlement to lenders not to assign eligible section 221(g)(4) mortgages to HUD's FHA.

	CBO Savings 1991	CBO Savings 91-95	OMB Savings 1991	OMB Savings 91-95	CBO less OMB 1991	CBO less OMB 91-95
10 Other FHA Reforms	200	2,500	200	2,500	--	--

Assumes the elimination of distributive shares and the retention of current loan limits.
Also assumes enactment of S.566 or similar reforms necessary to restore actuarial soundness.
Per the agreement, it is understood that any proposals must include an aggregate increase in the actuarial soundness of the FHA loan program.

	CBO Savings 1991	CBO Savings 91-95	OMB Savings 1991	OMB Savings 91-95	CBO less OMB 1991	CBO less OMB 91-95
11 Unemployment Insurance	--	4,600	--	3,165	--	1,435

States would not pay employment benefits for the first two weeks after job separation. 41 states currently have at least a one week delay.

	CBO Savings 1991	CBO Savings 91-95	OMB Savings 1991	OMB Savings 91-95	CBO less OMB 1991	CBO less OMB 91-95
12 Tongass Forest	28	204	28	204	--	--

Elimination of permanent appropriation for Tongass timber fund.

TABLE II.B--MANDATORY/ENTITLEMENTS/USER FEES -- OMB AND CBO SCORING
(in millions of dollars)

	CBO Savings		OMB Savings		CBO less OMB	
	1991	91-95	1991	91-95	1991	91-95
13 Unspecified Veterans	500	2,700	500	2,700	--	--

Specific policies have not been identified. However, the following proposals have been discussed and would meet these savings totals:

-- Expand and improve third party recoveries in medical care;
-- in the loan guaranty program, include resale losses in net-value and allow eligibility for only 10 years after service;
-- in compensation and pensions, limit inheritance of remote heirs and do not pay compensation for secondary effects of willful misconduct; and verify pension eligibility as well as revise eligibility for veterans over age 65.

	CBO Savings		OMB Savings		CBO less OMB	
	1991	91-95	1991	91-95	1991	91-95
14 Miscellaneous Other Mandatory Entitlements/Fees	600	3,000	600	3,000	--	--

Specific selection of this set of mandatory savings is to be determined by the summit negotiators prior to enactment of the reconciliation bill.

	CBO Savings		OMB Savings		CBO less OMB	
	1991	91-95	1991	91-95	1991	91-95
Subtotal, Mandatory/Entitlements	9,913	106,329	9,877	104,805	36	1,524

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TABLE II.B.--MANDATORY/ENTITLEMENTS/USER FEES -- OMB AND CBO SCORING
(Outlay savings in millions of dollars)

	CBO Scoring		OMB Scoring		CBO less OMB	
	1991	1991-1995	1991	1991-1995	1991	1991-1995
MANDATORY/USER FEES						
1 Animal and plant health inspection........................	79	433	79	433	--	--
Establish a fee that would recover the cost of certain veterinary diagnostic services, import-export inspections, and agricultural quarantine inspections at ports of entry.						
2 Bank Insurance Fund assessment increase...........	999	4,045	999	4,045	--	--
The Bank Insurance Fund fee increase is consistent with legislation recently proposed by Gonzalez, Riegle, and the Administration. The legislation would remove restrictions on FDIC's ability to raise rates. The estimates assume that, if the legislation passes, rates will increase from .15 percent of deposits to .195 percent in FY 1991 and to .23 percent thereafter.						
3 Coast Guard: $25 annual decal............................	200	1,077	200	1,077	--	--
Charge each recreational and commercial boater using waterways patrolled by the Coast Guard $25 annually for a decal, and charge direct fees for specific Coast Guard services, such as licensing and inspections.						
4 Corps of Engineers recreational fee......................	20	100	20	100	--	--
Establish fees at developed recreational sites administered by the Corps. Receipts would be used to expand operation and maintenance activities at the recreational sites beginning in 1992.						
5 Customs passenger and merchandise processing..	291	2,256	--	2,823	291	-567
Extend the merchandise and passenger processing fees. The proposal should be structured to ensure that the higher target and equivalent deficit reduction are accomplished.						
6 EPA permit, certification, and registration fees......	18	134	31	155	-13	-21
Establish fees on EPA-issued water permits, auto fuel and certification tests, radon proficiency ratings, and pesticide registrations.						

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TABLE II.B.--MANDATORY/ENTITLEMENTS/USER FEES -- OMB AND CBO SCORING
(Outlay savings in millions of dollars)

		CBO Scoring		OMB Scoring		CBO less OMB	
		1991	1991-1995	1991	1991-1995	1991	1991-1995
7	FEMA flood and crime insurance..........................	14	833	14	224	--	609
	For FEMA flood insurance, increase fees on policy holders to recover the cost of administering the program; and establish a student registration fee of $25 per week or any part of a week for State and local officials attending training sessions at the Emergency Management Institute or the National Fire Academy. The Democratic estimates include savings from reauthorization of the existing program. These should not be counted as savings, since the baseline assumes the program continues.						
8	Forest Service recreational fee............................	8	40	8	40	1	1
	Broaden the type of existing fees that may be charged at Forest Service recreation facilities, with increased receipts funding the cost of associated recreation operation and maintenance beginning in 1992.						
9	Hardrock mining claim holding fee........................	--	120	78	390	-78	-270
	Establish an annual fee of $100 per claim to keep mining claims on public lands active, replacing the current Federal requirement that claimholders spend at least $100 per year on development of the claim.						
10	NOAA weather service..	5	25	5	25	--	--
	Establish fees to recover NOAA costs associated with providing weather data and information.						
11	Nuclear Regulatory Commission...........................	299	1,661	296	1,646	3	15
	Increase existing fees to recover 100 percent of the NRC's costs incurred in regulating nuclear power plants.						

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TABLE II.B.---MANDATORY/ENTITLEMENTS/USER FEES -- OMB AND CBO SCORING
(Outlay savings in millions of dollars)

	CBO Scoring		OMB Scoring		CBO less OMB	
	1991	1991-1995	1991	1991-1995	1991	1991-1995
12 OSHA/MSHA fees	95	1,130	95	1,130	--	--
Increase the penalties for not complying with the law. For OSHA, the maximum fine for non-serious violations would increase from $1,000 to $5,000 per violation. For serious violations, the maximum OSHA fine would increase from $10,000 to $50,000; and for MSHA, from $10,000 to $30,000.						
13 Patent and trademark	100	540	100	540	--	--
This increase would fully fund the program in 1991; all applicants would be required to pay a fee; and public search rooms would be operated on a fee basis.						
14 Pension Benefit Guaranty Corporation (PBGC)	120	640	120	640		
Amend ERISA to raise the basic PBGC insurance premium rate, the maximum variable rate portion of the premium, and the assessment per $1,000 of unfunded vested benefits.						
15 Railroad safety inspections	20	170	20	170	--	--
Establish a fee, to be phased in over two years, to cover the cost of the railroad safety program.						
16 U.S. Travel and Tourism Admininstration (USTTA).	7	43	7	63	--	-20
Establish a fee to be assessed on commercial airlines and cruise ship carriers to recover the full cost of USTTA operations. Under the proposal, USTTA would still require an annual appropriation.						
17 Veterans fees (unspecified)	120	650	120	650	--	--
Subtotal, Mandatory/User Fees	2,395	13,897	2,192	14,152	203	-255
TOTAL MANDATORY	12,308	120,226	12,069	118,957	239	1,269

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II.C. TAX AND RECEIPT TABLES

- BUDGET SUMMIT AGREEMENT -

Fiscal Years 1991-1995

[Billions of Dollars]

Item		Effective	1991	1992	1993	1994	1995	1991-95
A. Budget Outlays								
State and local Social Security offset:								
a. Social Security package [target]		--	-0.5	-0.3	-0.4	-0.4	-0.4	-2.0
b. Medicare package [target]		--	-0.5	-0.4	-0.4	-0.4	-0.4	-2.0
B. Revenue-Losing Provisions								
1. Enterprise zones [target]		1/1/91	--	-0.1	-0.2	-0.3	-0.4	-1.0
2. Energy incentives [target]		1/1/91	-0.4	-0.6	-0.9	-1.0	-1.1	-4.0
3. Extend certain expiring provisions through 12/31/91:								
a. R&E credit (1)		--	-0.6	-0.4	-0.1	-0.1	(2)	-1.2
b. Low-income housing credit		--	-0.2	-0.3	-0.4	-0.4	-0.4	-1.7
4. Additional growth incentives for certain small businesses:								
a. Minimum basis		10/1/91	0.2	-0.1	-0.2	-0.3	-0.3	-0.7
b. Research and development credit of 30% (1 year)		1/1/91	-0.1	-0.2	-0.1	(2)	(2)	-0.4
c. Deduction for stock purchases (25%)	(3)	1/1/91	-0.4	-1.0	-1.4	-1.9	-2.6	-7.3
d. Indexing of common stock	(4)	1/1/92	(2)	(2)	-0.1	-0.1	-0.2	-0.4
e. 2-year expansion of expensing		1/1/91	-2.8	-3.4	0.7	2.1	1.5	-1.9
f. Additional expensing for scientific equipment		1/1/91	-0.5	-0.6	0.1	0.4	0.3	-0.3
g. Reduce corporate phaseout rate from 5% to 2-1/2%		1/1/91	-0.1	-0.1	-0.1	-0.1	-0.1	-0.5
h. Additional growth incentives subject to mutual agreement [target]		--	(2)	-0.1	-0.1	-0.2	-0.2	-0.6
5. Increase EITC (5) [target]		1/1/91	-0.1	-1.1	-1.2	-1.3	-1.3	-5.0
Subtotals, Revenue-Losing Provisions			***-5.0***	***-8.0***	***-4.0***	***-3.2***	***-4.8***	***-25.0***

Item	Effective	1991	1992	1993	1994	1995	1991-95
C. Revenue-Raising Provisions							
1. Energy taxes:							
a. Motor fuels tax (5 cents; 10 cents after 7/1/91)........................	12/1/90	5.4	10.1	9.8	9.9	9.9	45.0
b. 2-cent petroleum tax, without home heating oil (6)..................	1/1/91	1.4	2.4	2.5	2.7	2.9	11.8
2. Increase tobacco taxes by 4 cents per pack in 1991 and by 4 cents per pack in 1993..	1/1/91	0.6	0.8	1.5	1.5	1.5	5.9
3. Beer, wine, and distilled spirits taxes..	1/1/91	1.5	2.1	2.1	2.1	2.2	10.0
4. 10% luxury excise tax (7)..	1/1/91	0.2	0.3	0.4	0.5	0.5	1.9
5. Ozone-depleting chemical excise tax..	1/1/91	0.1	0.1	0.1	0.1	0.1	0.5
6. Loss deductions and salvage values for insurance companies...	1/1/90	0.3	0.2	0.2	0.2	0.2	1.1
7. Adopt foreign compliance provisions including certain provisions from H.R. 4308 and S. 2410..	3/20/90	(8)	(8)	0.1	0.1	0.1	0.3
8. Amortize insurance policy deferred acquisition expenses (DAC)...	9/30/90	1.5	1.7	1.7	1.6	1.5	8.0
9. Leaking underground storage tank (LUST) trust fund (5 years)..	10/1/90	0.1	0.1	0.1	0.1	0.1	0.6
10. Increase Airport Trust Fund aviation excise taxes (5 years) (9)... (10)	1/1/91	1.3	2.3	2.5	2.7	3.0	11.8
11. Increase harbor maintenance tax (9)... (11)	1/1/91	0.3	0.3	0.4	0.4	0.4	1.8
12. IRS enforcement initiatives [target].. (11)	--	3.0	1.8	1.8	1.5	1.2	9.4
13. Retiree health with reversion excise increase [target].................	1/1/91	0.5	0.2	0.2	0.1	0.1	1.0
14. State and local HI (12) [target]..	1/1/92	--	0.7	1.4	1.6	1.6	5.2
15. Corporate interest deduction partial disallowance [target]...........	1/1/91	1.4	0.7	0.6	0.4	0.6	3.9
16. Certain corporate and partnership provisions [target]..................	--	0.2	0.3	0.4	0.5	0.6	2.0
17. Limitation on itemized deductions (13) [target]............................	1/1/91	0.5	4.1	4.0	4.5	4.9	18.0
18. Increase HI wage cap to $73,000 [target]....................................	1/1/91	0.9	2.8	2.9	3.1	3.3	13.0

Item		Effective	1991	1992	1993	1994	1995	1991-95
19. State and local social security (OASDI)	(14)	--	2.0	2.2	2.4	2.5	2.7	11.7
20. Payroll tax deposit stabilization		--	1.0	2.2	-3.2	--	--	---
Subtotals, Revenue-Raising Provisions			*22.2*	*35.4*	*31.8*	*36.1*	*37.4*	*162.9*
Net Deficit Reduction			16.2	26.7	27.0	32.1	31.8	133.8

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NOTES: Details may not add to totals due to rounding.
Interaction between or among items has not been taken into account for the purpose of this table.

(1) Base limitation is retained at current level of 50%.
(2) Loss of less than $50 million.
(3) For small business equity deduction, preference included in minimum tax, recapture deduction as ordinary income, and 25% on annual deduction per taxpayer of $50,000.
(4) For stock of small business corporations purchased after date of Summit agreement, allow indexing of basis for inflation occurring after 12/31/90, sold after 12/31/91, and held for at least one year.
(5) Amount does not correspond to that used in the accompanying distributional analysis.
(6) Each State to receive Highway account apportionments and allocations equal to at least 95% of its contribution attributable to increased revenue.
(7) Tax applies to specific newly-manufactured items with retail prices above the following thresholds: automobiles--$30,000; private boats and yachts--$100,000; jewelry--$5,000; and furs--$5,000. Tax is 10% of purchase price in excess of thresholds.
(8) Gain of less than $50 million.
(9) Estimate is net of income tax offset.
(10) This estimate is presented relative to the CBO baseline which assumes extension of the Airport and Airway Trust Fund (AATF) taxes with the trigger in effect. The estimate reflects the effects both of removing the trigger and of increasing the rates of certain of the AATF taxes as proposed in the President's budget. Increased revenue to be dedicated to deficit reduction.
(11) Estimate to be provided by the Congressional Budget Office (CBO).
(12) Rate = 0.8% in 1992, 1.35% in 1993, 1.45% in 1994 and thereafter.
(13) Disallow itemized deductions in an amount equal to 3% of AGI in excess of $100,000 for single returns, $100,000 for joint returns, and $100,000 for head of household returns. Proposal does not apply to medical expenses or investment interest. Disallowance under the proposal cannot exceed 80% of otherwise deductible itemized deductions subject to the proposal.
(14) See related outlay offset in Section A.

(Revenue-Losing Provisions in Billions of Dollars)

	1991	1991-1995
B.1. Enterprise Zones	0.0	-1.0

Provisions, designed to provide tax incentives to specially-designated areas in need of economic assistance, similar to those described in H.R. 4993 and H.R. 5190 as mutually agreed will be adopted with a total revenue cost over the five-year budget period of $1.0 billion.

	1991	1991-1995
B.2. Energy Incentives	-0.4	-4.0

Provisions similar to the energy incentives described in the President's budget will be adopted. In addition, the section 29 placed in-service date will be extended for two years and extended to tight sands gas. Incentives for ethanol will be modified and extended. The total of energy security incentives including the foregoing will not exceed $4.0 billion over the five-year budget period.

B.3 Extension of Expiring Provisions

Under the agreement, the following provisions would be extended through December 31, 1991:

	1991	1991-1995
a. Research and experimentation credit. The 25% reduction enacted for 1990 will be restored.	-0.6	-1.2
b. Low-income housing credit. The low-income housing credit allocation limit would also be restored to $1.25 per State resident for 1990 and would be continued at that limit in 1991.	-0.2	-1.7

B.4. Provisions relating to qualified small corporations

(Revenue-Losing Provisions in Billions of Dollars)

	1991	1991-1995

Definition of qualified small corporation -- Qualified small corporations are domestic subchapter C corporations with paid-in capital and retained earnings of less than $50 million. Such corporations must be engaged in an active trade or business for at least 5 years (or, if shorter, the period of their existence), and substantially all of the corporation's assets must be used in active trades or businesses. Among the types of corporations that would be excluded are: banks, savings and loan associations, insurance companies, finance companies, securities holding and management corporations, real estate holding and management companies, personal service corporations, regulated investment companies, real estate investment trusts, and cooperatives.

	1991	1991-1995
B.4.a. Basis Adjustment for Qualified Small Corporations	0.2	-0.7

An individual who sells common stock of a qualified small corporation acquired after September 30, 1990, and held for at least five years would be entitled to claim a tax basis in such stock equal to the greater of (i) his adjusted stock basis or (ii) 50% of the sales price. This rule would be available only if such corporation was a qualified small corporation at any time during the two years immediately preceding the date of the stock sale. This provision would expire December 31, 2000.

	1991	1991-1995
B.4.b. 30% research and experimentation credit for qualified small corporations	-0.1	-0.4

Qualified small corporations would be entitled to an additional 10% credit for research and experimentation expenses (resulting in a total credit of 30%) during 1991.

	1991	1991-1995
B.4.c. Deduction for investment in qualified small corporations	-0.4	-7.3

Individuals would be allowed to deduct of 25 percent of the purchase price of "qualified small business stock" purchased after December 31, 1990. The amount of the deduction for each individual per year would be limited to $50,000. The individual would reduce the basis of such stock by the amount of the deduction.

(Revenue-Losing Provisions in Billions of Dollars)

	1991	1991-1995

"Qualified small business stock" would be defined as common stock of a qualified small corporation originally issued to an individual (either directly or through an underwriter) for money or other property (including debt, but not including stock of the corporation). It would not include stock transferred in exchange for services or issued in redemption of (or otherwise exchange for) stock or any other equity interest that was issued prior to the effective date.

The deduction would be recaptured as ordinary income in the same manner as depreciation recapture. In addition, any of four other events would trigger recapture of an individual's deduction: (i) the death of the individual within 2 years of purchasing the stock (to prevent deathbed transfers for stock that receives a step-up in basis at death); (ii) transfer by the individual to an IRA or other benefit plan; (iii) transfer to a charity (the recapture is accomplished by denying a charitable deduction for the amount of the deduction allowed for qualified business stock), or (iv) failure of the corporation to continue to meet the definition of "qualified small corporation" for reasons other than growth of the corporation or participation in a tax-free reorganization transaction.

Individuals would be allowed to claim deductions only for amounts that they are "at-risk" with respect to the investment. The deduction would not be allowed in computing the alternative minimum tax. If the individual is subject to the alternative minimum tax, he would not have to reduce his basis in the stock by the amount of the deduction. The deduction would not be allowed to trusts, estates, or dependent children.

To prevent abuse, an excise tax would be imposed on corporations that during the 2 years after issuing the qualified business stock either (i) failed to satisfy the active trade or business requirement, or (ii) redeemed a substantial amount of stock without a good business purpose for the redemption. The amount of the tax would be equal to 5 percent of the fair market value of qualified business stock issued during the 2 year period.

(Revenue-Losing Provisions in Billions of Dollars)

	1991	1991-1995
B.4.d. Indexing investment in common stock	---	-0.4

Individuals would increase the tax basis of common stock of a qualified small corporation, whether or not newly issued, acquired after September 30, 1990 and held for at least one year to reflect inflation occurring after December 31, 1991. The provision would expire December 31, 2000.

B.4.f. Expand election to expense certain depreciable business property	-0.5	-0.3

Corporations with total assets of not more than $50 million would be allowed to elect to expense certain amounts in excess of current law limits set forth in section 179. Additional expensing may be provided for certain research and experimentation equipment. Revenue cost over the budget period will not exceed $2.2 billion.

B.4.g. Reduce corporate tax rate phase-out of benefit of lower tax brackets	-0.1	-0.5

For corporations with taxable income in excess of $100,000, the amount of tax would be increased by the lesser of 2.5 percent of such excess or $11,750. Thus, a corporation would not be subject to the flat income tax rate of 34 percent until the corporation has taxable income of $570,000 or more.

B.4.h. Additional incentives to promote growth	---	-0.6

In addition to the foregoing, the Agreement includes additional growth incentives as may be mutually agreed with a revenue cost of $600 million over the 5-year budget period.

B.5. Earned Income Tax Credit	-0.1	-5.0

Under the agreement, the earned income tax credit would be increased at a revenue cost of $5 billion during the period 1991-1995. (This amount is in addition to any increases in the earned income tax credit under child care legislation.)

(Revenue-Raising Provisions in Billions of Dollars)

	1991	1991-1995
C.1.a. Motor Fuels Taxes	5.4	45.0

Increase the excise taxes on gasoline, diesel, and special motor fuels by 5 cents per gallon effective on December 1, 1990, and 10 cents per gallon effective on July 1, 1991 with floor stocks taxes being imposed.

Each State is to receive highway account apportionments and allocations equal to at least 95 percent of its contribution attributable to increased revenue.

C.1.b. Tax on Certain Refined Petroleum Products	1.4	11.8

Effective January 1, 1991, a tax would be imposed at a 2 cent per gallon rate on refined petroleum products including gasoline, diesel fuel, aviation gasoline and jet fuel kerosene and residual fuel oil, home heating oil and distillate fuel oil used for hoe heating purposes would be exempt from tax. Products not used as fuel, such as asphalt, lubricants, waxes and feedstocks, would not be taxed. A floor stocks tax will be imposed.

In general, taxes would be paid by refiners of refined petroleum products and importers. Imported fuels are taxed, and exported fuels are exempt from tax.

Fuels sold for use in manufacturing (including agriculture) would be exempt from tax. Manufacturing would be defined to include all steps in the processing, conversion, or fabrication of raw, unfinished, or semifinished materials into a packaged and finished article of tangible personal property. The exemption would not apply to such things as transportation (including transportation in connection with manufacturing or agriculture), construction, retail trade, wholesale trade, or financial or other services.

C.2. Tobacco Excise Taxes	0.6	5.9

The agreement would increase by 25 percent the current excise taxes on all tobacco products, including cigarettes, cigars, chewing tobacco, snuff, and pipe tobacco (e.g., increase the tax on a pack of 20 small cigarettes from 16 cents to 20 cents per pack), effective January 1, 1991. Further, the agreement would increase by the same dollar amount as the previous 25-percent increase the excise taxes on all tobacco products (e.g.,

(Revenue-Raising Provisions in Billions of Dollars)

	1991	1991-1995

increase the tax on a pack of 20 small cigarettes from 20 cents to 24 cents per pack), effective January 1, 1993. Finally, the agreement would impose floor stocks taxes at the time of each rate increase.

	1991	1991-1995
C.3. Increase Excise Taxes on Distilled Spirits, Beer, and Wine	1.5	10.0

The agreement would increase, effective January 1, 1991, the following taxes as follows:

(1) The distilled spirits tax rate by $1.50 per proof gallon, from $12.50 per proof gallon to $14.00 per proof gallon.

(2) The tax rate on beer from $9.00 per barrel (16 cents per six pack) of $18.00 per barrel (32 cents per six pack).

(3) The tax rate on wine will generally be increased by 22 cents per bottle as follows:

(a) Wine with up to 14 percent alcohol content (commonly referred to as table wine) from $0.17 per wine gallon (3 cents on a 750-milliliter bottle) to $1.77 per wine gallon (25 cents on a 750-milliliter bottle).

(b) Wine with 14 to 21 percent alcohol content (commonly referred to as fortified wine) from $0.67 per wine gallon (13 cents on a 750-milliliter bottle) to $1.77 per wine gallon (35 cents on a 750-milliliter bottle).

(c) Wine with 21 to 24 percent alcohol content from $2.25 per wine gallon (45 cents on a 750-milliliter bottle) to $3.35 per wine gallon (67 cents on a 750-milliliter bottle).

(d) Artificially carbonated wine from $2.40 per wine gallon (48 cents on a 750-milliliter bottle) to $3.50 per wine gallon (70 cents on a 750-milliliter bottle).

(Revenue-Raising Provisions in Billions of Dollars)

	1991	1991-1995

A domestic small producer exemption from the above rate increases (i.e., present law rates would remain in effect with respect to such producers) would apply to the first 100,000 gallons of wine produced by wineries with total production for the calendar year not exceeding 200,000 gallons and to the first 30,000 barrels of beer produced by breweries with total production for the calendar year not exceeding 60,000 barrels. Additional changes will be made to reach a revenue target of $10 billion over the period 1991-1995. Appropriate floor stocks taxes will be imposed.

	1991	1991-1995
C.4. Luxury Excise Tax	0.2	1.9

Impose a 10-percent excise tax on the portion of the retail price of the following items that exceeds the thresholds specified below.

(1) Automobiles above $30,000 -- An automobile is any passenger automobile manufactured primarily for use on public streets, roads, and highways that is rated at 6,000 pounds unloaded gross vehicle weight or less. This includes trucks and vans, except that only trucks and vans with a loaded gross vehicle weight of 6,000 pounds or less are subject to this tax. (No weight limitation applies to limousines.) Also, the tax does not apply to the sale of any passenger vehicle for use by the purchaser exclusively in the active conduct of a trade or business of transporting persons or property for compensation or hire.

(2) Private boats and yachts above $100,000 -- Boats and yachts that are used exclusively in a trade or business (except for leasing, rental, business entertainment or other recreational purposes) are exempt from this tax.

(3) Jewelry above $5,000 -- The tax applies on a item-by-item basis. Custom fabrication of jewelry also is subject to this tax. Watches are included as jewelry.

(4) Furs above $5,000 -- The tax applies to items made from fur or in which fur is a major component. It does not apply to leather or to artificial fur.

This tax applies only to the first retail sale of newly manufactured items subject to the tax occurring on or after January 1, 1991. This tax would apply to these items upon their importation into the United States, unless the item is being imported by someone in

(Revenue-Raising Provisions in Billions of Dollars)

	1991	1991-1995

the trade or business for subsequent retail sale (in which instance the subsequent retail sale would be subject to tax). This tax does not apply to exported items.

Exemptions - The tax on automobiles and boats would not apply to the sale of those items to a State or local government for use exclusively in police or other law enforcement activities or to any person for use exclusively in providing emergency medical services.

	1991	1991-1995
C.5. Ozone Depleting Chemical Excise Tax	0.1	0.5

In June of 1990, the Montreal Protocol on Substances that Deplete the Ozone Layer was amended to expand the list of controlled chemicals and to make other changes. The list of controlled chemicals was expanded to include carbon tetrachloride and methyl chloroform, among others. Under the amendments to the protocol, consumption and production controls are not applicable to carbon tetrachloride prior to January 1, 1995; consumption and production controls are not applicable to methyl chloroform prior to January 1, 1993; and consumption and production controls are not applicable to CFC-13, CFC-111, CFC-112, CFC-211, CFC-212, CFC-213, CFC-214, CFC-215, CFC-216, and CFC-217 prior to January 1, 1993.

The agreement would add carbon tetrachloride, methyl chloroform, CFC-13, CFC-111, CFC-112, CFC-211, CFC-212, CFC-213, CFC-214, CFC-215, CFC-216, and CFC-217 to the list of taxed chemicals, effective January 1, 1991.

	1991	1991-1995
C.6 Loss Deductions and Salvage Values for Insurance Companies	0.3	1.1

The agreement would reduce the deduction allowed to property and casualty insurance companies for losses incurred, both paid and unpaid, by estimated recoveries of salvage (including subrogation claims) attributable to such losses, whether or not the salvage is treated as an asset for statutory purposes. The provision would apply t taxable years beginning after December 31, 1989. (The change would be treated as a change in the taxpayer's method of accounting requiring a spread of the adjustment over a period not to

(Revenue-Raising Provisions in Billions of Dollars)

	1991	1991-1995

exceed eight years. The amount of the adjustment is the difference between the amount of unreduced loss reserves at the end of the taxable year immediately preceding the first taxable year beginning after December 31, 1989, and the amount of the reduced loss reserve determined under this proposal as of the beginning of the first taxable year beginning after December 31, 1989.)

	1991	1991-1995
C.7. Foreign Compliance Provisions: Information Reporting and Related Provisions of the Foreign Tax Equity Act (H.R.4308/S.2410)	---	0.3

The agreement includes two provisions from the Foreign Tax Equity Act of 1990, which is pending in the House as H.R. 4308 and in the Senate as S. 2410.

a. Apply the information reporting and related provisions of section 6038A, as amended in 1989, to any action the time for performance of which is after the date of enactment of the agreement, without regard to the tax year involved. The 1989 amendments to section 6038A expanded the scope of reporting requirements applicable to any foreign-owned domestic corporation (as well as any foreign-owned foreign corporation that conducts a trade or business in the United States) with respect to transactions with related parties, added a recordkeeping requirement with respect to such transactions, increased monetary penalties related to such requirements, and enhanced the enforceability of IRS summonses pertaining to such transactions (by, among other things, adding a special noncompliance rule applicable to such summonses). Under the agreement, the increased monetary penalties apply only to noncompliance that occurs or continues after enactment, and the special noncompliance rule applies only with respect to summonses that are issued after enactment. In addition, the new recordkeeping requirement only applies to records that were in existence on March 20, 1990.

b. Apply the information reporting and related provisions of section 6038A, as amended in 1989, to any foreign corporation that conducts a trade or business in the United States, and extend the application of those provisions to all tax-related items, not only transactions with related parties. Under the agreement, the extended scope of those provisions applies to any act in the time for performance of which is after the date of enactment, without regard to the tax year involved.

(Revenue-Raising Provisions in Billions of Dollars)

	1991	1991-1995

The agreement includes the following additional provisions:

a. Statute of limitations: The statute of limitations would be extended in certain situations where the IRS has issued a special summons to any corporation. The statute of limitations would in addition be tolled if the Justice Department has sought to enforce the summons in court or the taxpayer has moved to quash the summons. Only one summons issued during an examination may trigger such extension and tolling.

b. Penalty: The current law overvaluation penalty would be broadened to cover large understatements (as well as large overstatements) in valuation, and also would be applicable to services. In addition, the overvaluation penalty would be revised to cover large section 482 adjustments (those in excess of $10 million per taxable year). As under present law, the reasonable cause exception would continue to apply.

c. Section 6103: Clarify that current restrictions against disclosure of taxpayer information by IRS employees and agents cover people (such as experts) who provide services to the IRS.

d. The Treasury Department and GAO would be required to study various issues relating to transfer pricing and compliance.

e. The IRS would be required to revise certain procedures to ensure effective handling of section 482 cases.

	1991	1991-1995
C.8. Amortize Policy Acquisition Expenses of Insurance Companies	1.5	8.0

Effective September 30, 1990, insurance companies would be required to amortize policy acquisition expenses on a straight-line basis over a period of 10 years. Policy acquisition expenses would be defined for each category of insurance contract as a percentage of total premiums (net of reinsurance premiums) for that category of contract. Separate categories are provided for annuity contracts, group life insurance contracts, and for all other life insurance contracts and noncancelable or guaranteed renewable accident and health insurance contracts. Reinsurance contracts are included in each

(Revenue-Raising Provisions in Billions of Dollars)

	1991	1991-1995

category. Contracts entered into under qualified pension plans are generally excluded from the provision.

Acquisition expenses subject to amortization are deemed percentages of total premiums according to the following schedule:

Group Life	1.65%
Annuities	1.40%
Other Life and Noncancelable or Guaranteed Renewable Accident & Health	6.25%

For cancelable accident and health insurance contracts and other similar contracts, the reserves of life insurance companies for unearned premiums and for premiums received in advance (a) would be reduced by 20 percent, and (b) would include in income over a 6-year period 20 percent of such reserves as of the last day of the first taxable year ending on or after September 29, 1990. For noncancelable or guaranteed renewable accident and health insurance contracts, clarify that the reserves of property and casualty insurance companies are to be determined under the present-law rules applicable to life insurance companies. The special treatment of acquisition expenses of life insurance companies under the adjusted current earnings provision of the corporate alternative minimum tax would be repealed.

For a taxable year that includes September 30, 1990, the agreement would apply the amortization requirement only with respect to the portion of premiums deemed attributable on a pro rata basis of the portion of the taxable year that occurs after September 29, 1990. The agreement would not treat the amortization of acquisition costs as a change in a method of accounting. The provisions relating to reserves and the provision relating to the alternative minimum tax would apply to taxable years beginning after September 29, 1990.

	1991	1991-1995
C.9. Leaking Underground Storage Tank (LUST) Trust Fund . .	0.1	0.6

Beginning October 1, 1990, extend the Leaking Underground Storage Tank Trust Fund taxes for five years with no Trust Fund revenue ceiling. As under present law, excise taxes of 0.1 cent per gallon will be imposed on gasoline, diesel fuel, aviation, special

(Revenue-Raising Provisions in Billions of Dollars)

	1991	1991-1995

motor fuels, and fuel used on inland waterways. Receipts from the taxes will be deposited in the Leaking Underground Storage Tank Trust Fund.

	1991	1991-1995
C.10. Increase Airport and Airway Trust Fund Excise Taxes. . .	1.3	11.8

Effective January 1, 1991, increase the following Airport and Airway Trust Fund excise taxes: air passenger ticket tax from 8 percent to 10 percent; domestic air cargo tax from 5 percent to 6.25 percent; noncommercial aviation gasoline tax from 12 cents per gallon to 15 cents per gallon; noncommercial aviation jet fuel tax from 14 cents per gallon to 17.5 cents per gallon. (The international departure tax would remain at $6 per person.) The tax reduction trigger would be repealed.

Revenues from the current aviation tax rates would continue to go to the Airport and Airway Trust Fund. Revenues from the increased tax rates (but not the extension) would go to the General Fund.

	1991	1991-1995
C.11. Increase Harbor Maintenance Excise Tax	0.3	1.8

Increase the harbor maintenance excise tax from 0.04 percent to 0.125 percent, effective January 1, 1991. As under present law, the tax will be imposed on the value of commercial cargo loaded or unloaded at U.S. ports and on commercial ship passenger fares. Revenues from the tax will continue to be transferred to the Harbor Maintenance Trust Fund.

	1991	1991-1995
C.12. IRS enforcement initiatives	3.0	9.4

The agreement would require IRS management reforms and provide additional funding for IRS audit and collection efforts to meet a revenue target of $9.4 billion for the 5-year budget period. The agreement anticipates specific appropriations to meet the revenue target.

	1991	1991-1995
C.13. Reversions of Excess Pension Assets	0.5	1.0

(Revenue-Raising Provisions in Billions of Dollars)

	1991	1991-1995

1. General Rule. The current law 15% excise tax on reversions of excess pension assets to the employer would be raised to 20%. In addition, the employer would be required to transfer a cushion equal to 20% of the excess to a new retirement plan. If the employer fails to establish any new plan, then an additional excise tax equal to 20% of the excess would be applied (this additional 20% excise tax would not apply if the employer is in bankruptcy liquidation). (Retirees are not treated as pension plan participants.)

2. Special Rule to Encourage Provision of Additional Benefits to Retirees. If the employer provides benefit increases to retirees as a part of the plan termination transaction, then the 20% cushion would be reduced to 15%.

Allow certain limited annual transfers of assets from ongoing pension plans to pay for retiree health benefits subject to certain conditions:

-- Transfers could not reduce pension plan assets below the level specified in the current law full funding limitations (i.e., below the pint where further pension contributions are not permitted). In addition, transfers could in no event reduce the fair market value of pension plan assets below 150% of the plans current pension liabilities.

-- All participants in the ongoing plan are immediately vested in 100% of their benefits.

-- The employer could not decrease expenditures on retiree health expenses for a period of 5 years.

-- The transfer could not be for the benefit of key employees of the employer.

-- Advance notice of the transfer would have to be given to the Federal government and to affected participants.

-- Conforming ERISA changes would be made.

	1991	1991-1995
C.14. Extend Medicare to State and Local Employees	0.0	5.2

(Revenue-Raising Provisions in Billions of Dollars)

	1991	1991-1995

Extend coverage under the Medicare system to all employees of State and local governments not currently covered under the system. Effective January 1, 1992, subject the wages of such employees to the Medicare (HI) portion of tax under the Federal Insurance Contributions Act phased-in to raise revenues of $5.2 billion over the 5-year budget period.

	1991	1991-1995
C.15. Deny Deduction for Interest Paid by Corporations to the IRS on Tax Obligations	1.4	3.9

Deny a deduction for interest paid by a corporation to the IRS on underpayments relating to Federal income tax (and, if necessary to meet the revenue target, other types of Federal tax). The provisions would be effective for payments made, in the case of a cash basis taxpayer, or interest accrued, in the case of an accrual basis taxpayer, on or after January 1, 1991, regardless of the taxable period (if any) to which the interest payment may relate. The present-law procedures permitting a taxpayer to make a payment of contested tax and interest thereon after a deficiency notice has been mailed, while continuing to contest the asserted deficiency in Tax Court, would not be changed. Provided the revenue target can be satisfied, consideration will be given to providing appropriate relief in cases in which there has been an extraordinary delay in the issuance of a statutory notice of deficiency or assessment beyond the control of the taxpayer.

	1991	1991-1995
C.16. Certain corporation and partnership revisions. . . .	0.2	2.0

The agreement provides for the inclusion of certain revisions in corporate and partnership tax provisions as may be mutually agreed upon to raise approximately $2 billion during the period 1991-1995.

	1991	1991-1995
C.17. Limitation on Itemized Deductions.	0.5	18.0

Effective January 1, 1991, reduce total otherwise allowable itemized deductions (other than medical expenses and investment and interest expense) by an amount equal to three percent of the amount of a taxpayer's adjusted gross income (AGI) in excess of $100,000. In no event, however, would total otherwise allowable itemized deductions (excluding medical expenses and investment interest) be reduced by more than 80 percent.

(Revenue-Raising Provisions in Billions of Dollars)

	1991	1991-1995

In computing the amount of the reduction of total itemized deductions under the proposal, all present-law limitations applicable to such deductions first would be applied and the otherwise allowable total amount of deductions would then be reduced until this rule. An appropriate adjustment will be provided for alternative minimum tax purposes.

	1991	1991-1995
C.18. Increase the Cap on Wages Subject to the Medicare Hospital Insurance Payroll Tax.	0.9	13.0

Effective January 1, 1991, the agreement would increase to $73,000 the cap on wages and self-employment income considered in calculating the tax liability for the Medicare hospital insurance (HI). In 1990, the HI tax is 1.45 percent of the first $51,300 of wages and is paid by both the employer and the employee.

	1991	1991-1995
C.19. Extend social security (OASDI) coverage to certain State and local employees.	2.0	11.7

Effective January 1, 1991, OASDI coverage would be mandatory for State and local government employees not participating in a public employee retirement system in conjunction with their current State or local employment.

	1991	1991-1995
C.20. Stabilize Payroll Tax Deposit Rules	1.0	0.0

Under the Omnibus Budget Reconciliation Act of 1989, employers who have accumulated $100,000 or more of withheld employee taxes must deposit these taxes by the close of the next working day in 1990, 1993, and 1994. The employer must make the deposit within 2 days in 1991, and within three days in 1992. The agreement would make the deposit requirements consistent for all years by requiring that the deposit be made by the close of the next working day.

Note: Child care provisions to be offset by extension of the telephone excise tax will be included separately and subject to a subsequent authorization bill.

III. BUDGET PROCESS REFORM AND ENFORCEMENT

- o Extend the G-R-H sequester system with new deficit targets for five years.

- o Pay-as-you-go for entitlements and revenues. All entitlement or revenue legislation passed by Congress after adoption of this Summit Agreement must be deficit neutral. This will prevent entitlement or revenue policy actions from causing a sequester on discretionary accounts.

- o Require reconciliation instructions to cover five years.

- o Discretionary caps on budget authority and outlays for each year, 1991-1993, for each of the following three categories: defense; international; and domestic. Combine defense, international, and domestic discretionary into one category in '94 and '95 with one cap on budget authority and outlays in each of these years.

- o Automatic across-the-board offset triggered within each of the categories (defense; domestic discretionary; international discretionary) to the extent any appropriation bill (including supplementals) violates either the budget authority or outlay cap for that category (trigger 15 days after enactment if bill enacted before July 1, lookback if after July 1).

  -- For a Presidentially-declared emergency request in supplementals or regular appropriations bills, this across-the-board offset would not apply to the extent of the funds requested by the President (only if the Congress agreed in the Act that it was for an emergency). If Congress proposes and the President requests new items or additional amounts for the supplemental, the offset would not apply to the items or additions.

- o Add categorical sequester for mandatories; add reconciliation for revenues:

  -- Mandatory: Automatic across-the-board offset within mandatory category triggered to the extent any legislation is enacted that adds mandatory spending that is not fully offset. Change limits on sequester for existing mandatory sequester base from two percent to four percent. The offsets are triggered 15 days after enactment if the bill is enacted before July 1; look back sequester is triggered if bill is enacted after July 1.

-- Revenues: If revenue decreases are not offset, then automatic reconciliation instruction by Budget Committee to Ways and Means, Finance, or relevant offending committee to provide offset.

    -- Sixty vote point of order would apply to all revenue losing bills.

o Include social security in the consolidated budget, but remove social security cash from G-R-H baseline, which will prevent technical or economic changes in social security estimates from causing a sequester on discretionary accounts.

o Include all deposit insurance accounts in the consolidated budget, but remove those accounts from G-R-H baseline, which will prevent technical or economic changes in deposit insurance accounts from causing a sequester on discretionary accounts. (Deposit insurance accounted for an estimated 99.6% of the net mandatory technical changes in 1990.)

o Two revisions of economic assumptions:

-- Update assumptions at the time of the Summit Agreement, thus holding appropriations harmless for 1991.

-- Update assumptions at the end of March 1991. The end of March economic assumptions will be used in calculating the sequester in '92, thus holding appropriations harmless for economic changes in FY 1992.

o Credit reform:

-- Begin in '92 thus holding harmless discretionary accounts for the new scoring method in '91.

-- Adjust discretionary caps for current service credit levels scored under credit reform in '92 and '93, thus holding harmless discretionary accounts to changes in scoring in these years.

- Hold adjusted baseline harmless for revisions in credit reform subsidy estimates in '92 and '93.

- Hold cap harmless for IMF.
- Hold cap harmless for Egyptian debt forgiveness (See Section VI).
- Hold harmless for Desert Shield funding requirements (see Section VI).
- Hold cap harmless for contributions to DoD.
- Sixty vote points of order would apply to budget resolution and to appropriation bills that exceed caps.
- Sections 302 and 311 points of order would be extended to out-years.
- Budget authority and outlays caps for 1991-1995 (see Table 2A).
- New methods to protect discretionary appropriations from sequester:

  - In 1991, discretionary appropriations held completely harmless for technical and economic adjustments.
  - In 1992, discretionary appropriations held completely harmless for economic adjustments, and held harmless for technical reestimates for caps in the outlay amounts of:

    - $2.5 billion for domestic;
    - $1.5 billion for international; and
    - $2.5 billion for defense.

  The G-R-H cushion will be $15.0 billion less any of the above amounts that are used.

-- Aggregate budget authority for the three categories for 1991, 1992, and 1993 (together) may exceed the caps by not more than 0.4 percent, provided that not more than 0.2 percent may be applied to any one category.

-- In calendar 1992, a meeting will be convened of the two Appropriations Chairmen, the Speaker, House and Senate leaders and three senior Administration representatives. They will review technical and economic assumptions for fiscal 1993. Any adjustments the group unanimously agrees upon will be legislatively pursued jointly and expeditiously. In 1993, 1994, and 1995, baseline held completely harmless for economic and technical adjustments enacted in accordance with unanimous leadership group recommendations. Additionally, technicals adjusted for 1993 so that they do not cause or contribute to a 1993 sequester.

-- In 1993, 1994, and 1995, discretionary appropriations held harmless for technical estimates for caps in the outlay amounts of:

  -- $2.5 billion for domestic;

  -- $1.5 billion for international; and

  -- $2.5 billion for defense.

  The G-R-H cushion will be $15.0 billion less any of the above amounts that are used.

-- In all years, 1991 through 1995, discretionary appropriations held harmless for new or expanded mandatory spending by categorical sequester on mandatories and for new revenue losing measures by pay-as-you-go and automatic reconciliation instructions to provide offset.

o Cancellation of the FY 1991 sequester order will be accomplished when a reconciliation bill and appropriations bills reflecting agreement are enacted (as stated in section IV, Agreement Concerning Enactment).

o Protect Social Security by establishing, in the House, a point of order against legislation that would violate either the 5-year or 75-year actuarial balance of the funds and, in the Senate, by establishing a 60 vote point of order against legislation that would violate the 5-year actuarial balance. In addition, a study must be submitted by the Finance Committee on the 75-year actuarial balance effect. A feedback mechanism would also apply to such legislation.

- GSEs: Treasury shall submit a report and proposed legislation to Congress on the financial soundness of Government-sponsored enterprises. CBO will also prepare a report on the types of risks that each GSE assumes. The appropriate committees will study GSE proposals and report legislation ensuring GSEs financial soundness by September 15, 1991. If such legislation is not reported, the leadership of the House and Senate commit to provide for the consideration of Administration proposals by the end of the first session of the 102nd Congress.

- Scorekeeping -- adopt scorekeeping guidelines to be included in report entitled "Scorekeeping Guidelines for 1991."

- Extend statutory limit on the public debt for 5 years.

- The credit reform provisions of the Budget Summit Agreement include:

  -- Makes the subsidy component of Federal direct and guaranteed loans the focus of credit budgeting.

  -- Defines the subsidy to be the cost to the Government of a direct loan or loan guarantee.

  -- Except for entitlements, subsidy budget authority will be controlled by appropriations.

  -- Treats the non-subsidy cash flows as a means-of-financing the deficit and excludes them from the calculation of the budget deficit.

  -- Provides for adjustment of budget baselines and allocations to reflect changes in accounting.

  -- Prohibits Federal agencies from making or modifying a direct or guaranteed loan unless budget authority is appropriated for subsidy associated with the loan, guarantee, or modification.

IV. AGREEMENT CONCERNING ENACTMENT

UNDERSTANDING RE: TIMING & PROCESS FOR ENACTMENT
BUDGET SUMMIT AGREEMENT -- 9/30/90

The President and the Bipartisan Congressional Leadership (The Speaker of the House, the Senate Majority Leader, the Senate Republican Leader, the President Pro Tempore of the Senate, the House Majority Leader, and the House Republican Leader) agree to the following undertakings. These represent commitments to good faith efforts; they do not purport to amend or suspend rules of the House or Senate; nor do they in any way affect Constitutional powers and prerogatives of the parties.

(1) The President and the Bipartisan Congressional Leadership agree to engage in a coordinated bipartisan effort seeking to enact the Budget Summit Agreement by Friday, October 19, 1990.

(2) Their coordinated effort shall seek to produce support for the Agreement by a majority of both Democrats and Republicans in both the House and the Senate.

(3) Joint announcement of the Agreement shall occur on September 30th.

(4) Immediately following joint announcement, a continuing resolution authorizing appropriations through October 5, and suspending sequester through October 5, shall be made in order in both houses of Congress -- with a view toward its prompt enactment.

(5) The Appropriations Committees shall revise their 302(b) allocations to be consistent with the Budget Summit Agreement as reflected in the budget resolution by October 10.

(6) Prior to the expiration of the continuing resolution on October 5, both houses shall pass the 1991 budget resolution with detailed reconciliation instructions fully reflecting the Budget Summit Agreement and no other matters. Such budget resolution shall be voted upon prior to the expiration of the continuing resolution on October 5. Such budget resolution shall instruct appropriate Committees to report, with or without a recommendation, all legislation necessary to implement fully the Budget Summit Agreement (except appropriations) by October 12.

(7) The President has stated that his intention is that no further continuing resolution (beyond October 5) shall be signed until a budget resolution with reconciliation instructions fully reflecting the Budget Summit Agreement shall have passed both houses of Congress.

(8) Upon passage of a budget resolution fully reflecting the Budget Summit Agreement, a second continuing resolution -- authorizing appropriations until October 19 and suspending sequester until October 19 -- shall be voted in both Houses.

(9) The Budget Summit Agreement shall be fully legislated (except for appropriations) through a Reconciliation bill.

(10) Throughout the conference, the reconciliation Conference report shall be reviewed by the parties to this Agreement to assure its consistency with the Budget Summit Agreement. If it is deemed to be inconsistent, remedial efforts shall be made by all parties to assure consistency. Such efforts shall include bi-partisan leadership amendments as necessary.

(11) On or before October 19, 1990, a Conference Report on the reconciliation bill that fully reflects the Budget Summit Agreement shall be voted in both houses of Congress.

(12) The parties to this Agreement shall work together to support all amendments and provisions consistent with the Budget Summit Agreement and to oppose all amendments and provisions inconsistent with, or unrelated to, the Budget Summit Agreement.

(13) Conference reports on all appropriations bills consistent with the Budget Summit Agreement shall be voted in both houses by October 19.

(14) The President has stated that it is his intention that no bill suspending sequester beyond October 19 shall be signed until the following have occurred: a) a reconciliation conference report on a bill fully reflecting the Budget Summit Agreement has been passed by both houses of Congress; and b) a reconciliation bill and all 13 appropriations bills consistent with the Budget Summit Agreement have been presented to the President.

(15) To the maximum extent possible, all parties shall employ "Scorekeeping Guidelines for FY'91" (included as part of this Agreement). Nonetheless, all scoring issues related to this agreement shall be determined by OMB for the Executive Branch and by the Budget Committees for the Congress -- with the understanding that parties from each branch shall respect the appropriateness of the other's using its own scoring conventions and scoring organizations for interpretation of consistency with this Agreement. In no case will payment timing shifts or other artificial savings measures be deemed acceptable for deficit reduction scoring unless they have been specifically approved by <u>all</u> parties to this Agreement.

(16) The parties to this Agreement shall, in their respective areas of jurisdiction, support waiving points of order that might impede the implementation of this Agreement.

30-Sep-90
06:24 AM

TABLE V.A.--ECONOMIC ASSUMPTIONS
(calendar years)

	1989	1990	1991	1992	1993	1994	1995
Nominal GNP:							
Level ($ billions)	5201	5486	5807	6199	6670	7141	7607
Percent change, 4th/4th	5.4	6.0	6.0	7.3	7.5	6.8	6.4
Real GNP, percent change, 4th/4th	1.6	0.7	1.3	3.8	4.1	3.7	3.5
GNP deflator, percent change, 4th/4th	3.8	5.2	4.6	3.4	3.2	3.0	2.8
Unemployment rate	5.2	5.6	6.1	6.4	5.6	5.3	5.1
Interest rates:							
91-day Treasury bills	8.1	7.7	7.2	5.7	4.9	4.4	4.2
10-year Treasury notes	8.5	8.7	8.3	7.1	6.1	5.6	5.3
Domestic oil prices ($/bbl)	17.88	21.15	24.15	21.10	21.79	22.41	23.02

30-Sep-90

TABLE V.B.---MAJOR TECHNICAL REVISIONS
(outlays in billions)

	1991	1992	1993	1994	1995
Bank Insurance Fund......................	3.7	4.5	1.8	0.5	0.8
Resolution Trust Corporation...........	25.9	29.5	18.8	-14.2	-25.9
Credit Reform;					
International Discretionary:					
BA..	--	-0.1	-0.1	-0.2	-0.2
Outlays..................................	--	0.3	-0.2	-0.1	0.0
Domestic Discretionary:					
BA..	--	1.6	1.7	1.7	1.8
Outlays..................................	--	1.1	1.3	1.3	1.3
Mandatory:					
BA..	--	1.5	-0.3	-1.1	-4.3
Outlays..................................	--	3.5	2.2	-0.2	0.6
Interest (BA & Outlays)................	--	0.2	0.5	0.6	0.6

VI. MISCELLANEOUS ADDITIONAL UNDERSTANDINGS

- Scorekeeping guidelines reflecting general budget accounting conventions that will be used in measuring compliance with the Budget Agreement will be included in the reports accompanying the budget resolution presenting this agreement. Attached to the scorekeeping guidelines will be a complete listing of budget accounts included within each budget agreement category.

- Additional funding for losses and working capital requirements of the Resolution Trust Corporation are included in this agreement and displayed on-budget. However, GRH baselines will be held harmless for these requirements to remove uncontrollable mandatory spending from sequester calculations.

- International discretionary spending will be held harmless for the periodic assessment to the International Monetary Fund (IMF). The U.S. and other IMF countries have agreed to a 50% increase in special drawing rights (SDR). The U.S. participation will require budget authority in 1992, but will not result in outlays. Budget authority will be exchanged for SDRs of the IMF, a monetary asset of equal value.

- Baselines will be held harmless for Egyptian debt forgiveness. International discretionary budget authority and outlays will be adjusted for not more than the amounts specified below as a result of debt relief proposed by the President and approved by the Congress. New scoring procedures will be developed by OMB and CBO that reflect the real value of debt relief proposals. These procedures will be developed for use at least in time for the FY '92 budget.

($ billions)

	FY '91	FY '92	FY '93	FY '94	FY '94
BA...........	.157	.177	.205	.246	.300
Outlays......	.207	.294	.361	.446	.522

o Treatment of Desert Shield Supplemental:

-- The amount of the presumed level in the absence of hostilities is $15 billion. This amount is in addition to the total Defense level proposed by Senator Nunn.

-- It is assumed that half of the proposed supplemental will be financed by contributions from other countries.

-- It is assumed that the remainder of this proposed supplemental will not require offsets because the Summit Agreement takes into account the supplemental costs. This supplemental will have no matters extraneous to the President's request. All matters must pertain solely to Desert Shield.

-- In the event of hostilities, the President may submit a dire emergency request for supplemental funding for Desert Shield purposes that will not be required to be offset. This supplemental, if needed, will contain no matters extraneous to the President's request. All matters must pertain to Desert Shield.

Defense (Function 050) Budget Levels

	1991		1992		1993	
	BA	Outlays	BA	Outlays	BA	Outlays
Nunn levels................	289.1	297.0	291.6	295.0	291.8	292.0
Desert Shield Supplemental Total......	15.0	11.5	--	2.8	--	0.6
Less: Contributions from other countries......	- 7.5	- 5.8	--	- 1.4	--	- 0.3
Net Supplemental..........	7.5	5.7	--	1.4	--	0.3
Additional Desert Shield Supplemental in the Event of Hostilities.....	?	?	?	?	?	?

NEWT GINGRICH
6TH DISTRICT, GEORGIA

REPUBLICAN WHIP

1620 LONGWORTH BUILDING
WASHINGTON, DC 20515
202-225-0197

Congress of the United States
House of Representatives
OFFICE OF THE REPUBLICAN WHIP
Washington, DC 20515

September 28, 1990

MEMORANDUM

To: John Sununu
Dick Darman

From: Newt Gingrich

About: Possible budget agreement

After seeing the amount of confusion which surrounds the parameters of a potential budget agreement, I think it is essential that the full Republican conference be aware of any agreement's specific parts before I, or any member of the leadership, commit to support it.

If you are successful in negotiating an agreement, I would like your commitment that Republican members will receive a detailed summary of the agreement at least 12 hours before you expect a public commitment from the Republican leadership to support a package.

Besides knowing of the budget details, we will need to have your guidance on the time frame during which it will be enacted and through which method, i.e., budget resolution. Our members must also know what you want done with a continuing resolution and, most importantly, how such an agreement will treat pending legislation like the farm bill and child care.

With a good agreement and full partnership in the decision process on the other items the Republican leadership and membership will work hard.

cc: Bob Michel
Bill Frenzel

Agenda SS TAX ON SS BENEFITS

Tax Rate

Bentsen SS —

R in Congress hide behind SS

Dole / muddled cap gains undercut

Incentives for Cap Rate

1) 6 MO. LATE
→ START UP PROB.

2) 50-5-4-4% → 4% ECONOMY

3) TAX RATE 33%

---

4) NO SPEND CUTS SPEND ↑

5) PROCEDURAL

---

6) DEF. HELD BUT STRUGGLE SASSER - ?

7) STARS - GEPH / PANETTA -
GOATS - SASSER
DEMS RUN BY CONGRESS STAFF

8) MITCHELL CAPTIVE TO SEN PROG

9) FOLEY —
CONG ALL BOTTOM UP
CONG. TURF
MY MONEY

UNDERSTANDING RE: TIMING & PROCESS FOR ENACTMENT
BUDGET SUMMIT AGREEMENT -- 9/30/90

The President and the Bipartisan Congressional Leadership (The Speaker of the House, the Senate Majority Leader, the Senate Republican Leader, the President Pro Tempore of the Senate, the House Majority Leader, and the House Republican Leader) agree to the following undertakings. These represent commitments to good faith efforts; they do not purport to amend or suspend rules of the House or Senate; nor do they in any way affect Constitutional powers and prerogatives of the parties.

(1) The President and the Bipartisan Congressional Leadership agree to engage in a coordinated bipartisan effort seeking to enact the Budget Summit Agreement by Friday, October 19, 1990.

(2) Their coordinated effort shall seek to produce support for the Agreement by a majority of both Democrats and Republicans in both the House and the Senate.

(3) Joint announcement of the Agreement shall occur on September 30th.

(4) Immediately following joint announcement, a continuing resolution authorizing appropriations through October 5, and suspending sequester through October 5, shall be made in order in both houses of Congress -- with a view toward its prompt enactment.

(5) The Appropriations Committees shall revise their 302(b) allocations to be consistent with the Budget Agreement by October 5.

(6) The conference on the 1991 budget resolution shall convene and report a conference agreement with detailed reconciliation instructions fully reflecting the Budget Agreement and no other matters. This conference report shall be voted upon prior to the expiration of the continuing resolution on October 5. Such budget resolution conference agreement shall instruct appropriate Committees to report all legislation necessary to implement fully the Summit Agreement (except appropriations) by October 10.

(7) The President has stated that his intention is that no further continuing resolution (beyond October 5) shall be signed until a budget resolution conference agreement with reconciliation instructions fully reflecting the Summit Agreement shall have passed both houses of Congress.

(8) Upon passage of a budget resolution conference agreement fully reflecting the Summit Agreement, a second continuing resolution -- authorizing appropriations until October 19 and suspending sequester until October 19 -- shall be voted in both Houses.

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(13) Conference reports on all appropriations bills consistent with the Summit Agreement shall be voted in both houses by October 19.

(14) The President has stated that it is his intention that no bill suspending sequester beyond October 19 shall be signed until all of the following have occured: a) a reconciliation conference report on a bill fully reflecting the Summit Agreement has been passed by both houses of Congress; ~~[b) a conference report on each appropriations bill consistent with the Summit Agreement shall be passed by both houses in identical form;]~~ and c) a reconciliation bill and all 13 appropriations bills consistent with the Summit Agreement have been presented to the President.

(15) To the maximum extent possible, all parties shall employ "Scorekeeping Guidelines for FY'91" (included as part of this Agreement). Nonetheless, all scoring issues related to this agreement shall be determined by OMB for the Executive Branch and by the Budget Committees for the Congress -- with the understanding that parties from each branch shall respect the appropriateness of the other's using its own scoring conventions and scoring organizations for interpretation of consistency with this Agreement. In no case will payment timing shifts or other artificial savings measures be deemed acceptable for deficit reduction scoring unless they have been specifically approved by <u>all</u> parties to this Agreement.

(16) The parties to this Agreement shall, in their respective areas of jurisdiction, support waiving points of order that might impede the implementation of this Agreement.

Revenue Losing

Enterprise Zones	-1.0
Energy Incentives	-3.5
Extend R&D and LIH	-2.9
Additional incentives for Business	-10.7

Sm. Bus. Ded.	- 8.0
Expensing	2.0
Corp Rates	.5
Sm. Bus. Indexation	.2
	10.7

.2
.6
.4

B
1.2

R/D SMALL BUS.
INDEX INCREMENT (ACL) ST.
DEEMED BASIS.

Increase EITC	~~-9.0~~ -5.
	- 27.1

Revenue Raisers

Motor Fuels	43.0	?
Tentatively agreed Package (DAC @ 10.F !! 45.4 - 9. LUX)	31.9	
Add'l. agreed Items:		
IRS Management	9.4	
Retiree Health	0.9	VS. 1.3
State & Local HI	5.2	
Alcohol	10.0	
10% Luxury Tax (BOATS @ 75K- CARS @ 30.K FURS. JEWELRY @ 5K- NO PLANES NO COMPUTERS NO ELECTRIC.)	2.0	HAS SOME EXCLUSIO[NS] ?
Corporate, State, Local Interest Deduction	STARK ~~[illegible]~~ 3.0	
Limitation on itemized deductions	22.0	
~~Delay of top bracket index~~	~~2.3~~	X
~~Increase HI cap to 69K~~	11.0	
Payroll Tax Speed up	—	
Business Tax Loopholes	2.5	

State and Local S.S. (net)	3.2
~~Futa Tax (net)~~	~~4.8~~
Taxation of S.S. (50% to 72.5%)	5.0
Total	157.4

Net deficit reduction 130.1

9/26 OFFER (revised)

Entitlement Savings:

CORE PACKAGE

	1991	5-year
Agriculture	1.26	12.00
Medicare	4.6	60.00
Eliminate Lump-sum	1.3	8.10
Other P/O & Civil Service Reforms	0.9	6.3
Unspec Energy & Commerce Ctte	0.2	2.0
Guaranteed Student Loans	0.0	1.0
Rail Pensions	0.05	0.35
Social Security Overpayments	0.26	0.16
FHA Assignment Waivers	0.19	0.96
Other FHA Reforms	0.45	1.29
Tongass	0.02	0.20
Unspecified Veterans	0.4	2.20
BIF	0.4	4.0
PBGC	0.06	0.32
Subtotal	9.90	100.88

ADDITIONAL ENTITLEMENT SAVINGS

	1991	5-year
1/2 Taxation of Social Security Benfits to 85 percent	.550	10.05
Additional Savings from unspecified reforms in the following programs: - Guaranteed Student Loans - FHA Reforms - Agriculture - (other)	---	4.0
Fees (see attached)	1.27	11.21
Subtotal =	1.82	25.26

Core Package	100.88
Additional offer	+ 25.26
Total =	$126.14

9/28/90
11 38 p.m
5 + 3
Foley's
−23

Losers

Losers (agreed)	−18
EITC	−5
	−23

Raisers

Agreed	75.5	
Energy	50.3	
Pease (3%)	18.0	
HI (69K)	10.0	
Interest S+L Tax Defic.	2.0	
	155.8	
· State + Local Soc Sec.	+11.7	
Retirement Test	−4	
	+7.7	+163.5

Adjustments

Luxuries	~~0.5~~	~~(was 9)~~	
	−8.5	(was 9)	
Corporate interest	−3	(was 5)	
DAC	−2	(was 10)	
Alcohol	−2.2	(was 12.2)	
	−15.7		−15.7
			124.3
Soc. Sec. tax (total of 10 : ½/½			+5
			129.3

9/28/90

"AGREED" (ANDREWS)

Luxury	9.0
Tobacco	5.9
Ozone	0.5
Loss ded.	1.1
disallow interest on corp./IRS	4.5
foreign compliance	0.2
DAC	10.0
Airport	11.8
LUST	0.6
Harbor	1.8
	45.4

ADDITIONAL AGREED

IRS	9.4
Retiree Health	1.3
St. + Loc. HI	5.2
Alcohol	12.2
Loopholes (bus.)	2.0
	30.1
	75.5

LOSERS

Agreed

Ent. Zones	-1.0
Energy Incent.	-3.5
1 yr. extension	
R+E	-1.2
LIHC	-1.7
~~Small~~ job-creating bus. equity deduction	-8.0
Indexing for newly issued ~~small bus.~~ stock	-0.2
Expansion ↑	
- ~~small~~ widely-held active corp.	?
- scientific	?
	-15.6 + ?

NET: 60 - ? SHORT ~ 72 + ?

Additional incentives

- R+D for small bus ↗ 30% -0.3
- Indexing all new stock (incremental) -0.6
- Phase-out / lower rate Δ small / income corp. ?
- EITC / telephone (?)

Additional Raisers (?)

- Energy 40 + (?)
- State + Local SS 11.7
- HI cap ↑ Part B @ 65K (+9) 9.5
- Pease @ 2% 11.0

72.2

ADJUSTMENTS TO ABOVE:

Losers

Luxury ?	?
DAC	-2
[Retirement test]	?

Raisers

Energy: ?

SEP 26 (LEG. DAY SEP 10) 1990
(Date)

Roll Call Vote

CLOTURE TITLE X 50-46

Legislative NO. 256

SUBJECT CLOTURE S. 110 - CMTE SUBST. As Mod. and Amended

YEAS		NAYS
	Adams	
	Akaka	
	Armstrong	
	Baucus	
	Bentsen	
	Biden	
1	Bingaman	
	Bond	
	Boren	
	Boschwitz	
	Bradley	
	Breaux	
	Bryan	
	Bumpers	
	Burdick	
	Burns	
	Byrd	
	Chafee	
	Coats	
	Cochran	
	Cohen	
	Conrad	
	Cranston	
	D'Amato	
	Danforth	
	Daschle	
	DeConcini	+
	Dixon	
2	Dodd	
	Dole	
	Domenici	
	Durenberger	1
	Exon	
	Ford	2
	Fowler	
	Garn	
	Glenn	
	Gore	
	Gorton	
	Graham, Florida	
	Gramm, Texas	
	Grassley	
	Harkin	
	Hatch	3
	Hatfield	
	Heflin	

	Heinz		
	Helms		
3	~~Hollings~~		
	Humphrey		
	~~Inouye~~		
	Jeffords		
	~~Johnston~~		
	Kassebaum		
	Kasten		
4	Kennedy		
	Kerrey, Nebraska		
	Kerry, Massachusetts		
	Kohl		
	Lautenberg		
	Leahy		
5	Levin		
	Lieberman		
	Lott	4	
	Lugar		
	Mack		
	McCain		
	McClure		
	McConnell		+
	Metzenbaum		
	Mikulski		
	Mitchell		
	Moynihan		
	Murkowski	5	
	Nickles		
	Nunn		
6	Packwood		
	~~Pell~~		
	Pressler	6	
	Pryor		
	Reid		
7	Riegle		
	Robb		
	Rockefeller		
	Roth	7	
	Rudman		
	Sanford		
	Sarbanes		
8	Sasser		
9	Shelby		
10	Simon		
	Simpson		
	Specter	8	
	Stevens		
	Symms		
	Thurmond		
	Wallop		
	Warner		
	Wilson		+
	Wirth		

GPO : 1990 32-376 (n)

50 46

SEP 26 (LEG. DAY SEP 10) 1990

(Date)

Roll Call Vote

CLOTURE MOTOR-VOTER

55-42

Legislative ~~Executive~~

NO. 257

SUBJECT CLOTURE MOTION

MOTION TO PROCEED TO S.874

YEAS		NAYS
1	Adams	
	Akaka	
	Armstrong	1
	Baucus	
2	Bentsen	
3	Biden	
4	Bingaman	
	Bond	2
	Boren	
	Boschwitz	
	Bradley	
	Breaux	
	Bryan	
	Bumpers	
5	Burdick	
	Burns	3
	Byrd	
	Chafee	4
	Coats	5
	Cochran	6
	Cohen	
	Conrad	
	Cranston	
	D'Amato	
	Danforth	
6	Daschle	
	DeConcini	
7	Dixon	
	Dodd	
	Dole	7
	Domenici	8
	Durenberger	
	Exon	
8	Ford	
	Fowler	
	Garn	
	Glenn	
	Gore	
	Gorton	9
	Graham, Florida	
	Gramm, Texas	
	Grassley	10
	Harkin	
	Hatch	11
	Hatfield	
	Heflin	

	[illegible]	
	Heinz	
	Helms	
	Hollings	
	Humphrey	
	Inouye	
	Jeffords	
	Johnston	
	Kassebaum	12
	Kasten	
9	Kennedy	
	Kerrey, Nebraska	
	Kerry, Massachusetts	
	Kohl	
	Lautenberg	
	Leahy	
	Levin	
	Lieberman	13
	Lott	
	Lugar	
	Mack	
	McCain	
	McClure	+
	McConnell	
	Metzenbaum	
	Mikulski	
	Mitchell	
	Moynihan	
	Murkowski	
	Nickles	
	Nunn	
10	Packwood	
	Pell	
	Pressler	
	Pryor	
	Reid	
11	Riegle	
	Robb	
	Rockefeller	
	Roth	
	Rudman	
	Sanford	
	Sarbanes	
	Sasser	
	Shelby	
	Simon	
	Simpson	
	Specter	
	Stevens	
	Symms	
	Thurmond	
	Wallop	14
	Warner	+
	Wilson	
	Wirth	

GPO : 1990 [illegible]

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Withdrawal/Redaction Sheet
(George Bush Library)

Document No. and Type	Subject/Title of Document	Date	Restriction	Class.
02. Memo	From David Taylor to John Sununu Re: Administration position on S. 120 (1 pp.)	9/13/90	~~P-5~~	

Collection:

Record Group: Bush Presidential Records
Office: Chief of Staff, White House Office of
Series: Sununu, John, Files
Subseries: Issues Files
WHORM Cat.:
File Location: Budget Summit [1990] [2]

Open on Expiration of PRA
(Document Follows)
By JP (NLGB) on 10/28/05

Date Closed:	12/16/2004	**OA/ID Number:**	29138-004
FOIA/SYS Case #:	1998-0004-F[1]	**Appeal Case #:**	
Re-review Case #:	2005-0426-S	**Appeal Disposition:**	
P-2/P-5 Review Case #:		**Disposition Date:**	
AR Case #:		**MR Case #:**	
AR Disposition:		**MR Disposition:**	
AR Disposition Date:		**MR Disposition Date:**	

RESTRICTION CODES

Presidential Records Act - [44 U.S.C. 2204(a)]

P-1 National Security Classified Information [(a)(1) of the PRA]
P-2 Relating to the appointment to Federal office [(a)(2) of the PRA]
P-3 Release would violate a Federal statute [(a)(3) of the PRA]
P-4 Release would disclose trade secrets or confidential commercial or financial information [(a)(4) of the PRA]
P-5 Release would disclose confidential advice between the President and his advisors, or between such advisors [a)(5) of the PRA]
P-6 Release would constitute a clearly unwarranted invasion of personal privacy [(a)(6) of the PRA]

C. Closed in accordance with restrictions contained in donor's deed of gift.

PRM. Removed as a personal record misfile.

Freedom of Information Act - [5 U.S.C. 552(b)]

(b)(1) National security classified information [(b)(1) of the FOIA]
(b)(2) Release would disclose internal personnel rules and practices of an agency [(b)(2) of the FOIA]
(b)(3) Release would violate a Federal statute [(b)(3) of the FOIA]
(b)(4) Release would disclose trade secrets or confidential or financial information [(b)(4) of the FOIA]
(b)(6) Release would constitute a clearly unwarranted invasion of personal privacy [(b)(6) of the FOIA]
(b)(7) Release would disclose information compiled for law enforcement purposes [(b)(7) of the FOIA]
(b)(8) Release would disclose information concerning the regulation of financial institutions [(b)(8) of the FOIA]
(b)(9) Release would disclose geological or geophysical information

EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

September 13, 1990

MEMORANDUM TO GOVERNOR SUNUNU
ANDY CARD
ROGER PORTER
BOYDEN GRAY
FRED McCLURE
BILL KRISTOL

FROM: David Taylor
OMB Legislative Affairs

SUBJECT: Administration Position on S. 120

S. 120 -- Adolescent Pregnancy, Prevention, Care, and Research Grants Act of 1990

Tom Scully asked that I bring the attached issue to your attention and seek your guidance on the level of the veto threat contained in the attached preliminary draft Statement of Administration Policy (SAP).

Senator Kennedy is trying to clear this bill for floor action. S. 120 is not on the Majority Leader's "wish list" for the remainder of the Congress; however, the bill is expected to generate a number of abortion-related amendments that appear consistent with Mitchell's election-year agenda. At this time, there are two Republican "holds" on S. 120.

The attached preliminary draft SAP contains a veto threat. The appropriate level of the veto threat has yet to be resolved. Comments on the attached draft, especially the veto threat, are requested by noon Wednesday, September 19.

Attachment

cc: Tom Scully

DRAFT

S. 120 - Adolescent Pregnancy Prevention, Care, and Research Grants Act of 1989
(Kennedy (D) MA)

The Administration strongly opposes S. 120, a bill which would alter significantly the current Adolescent Family Life (AFL) program. S. 120 is totally inconsistent with the strategies the Administration believes are most effective for addressing adolescent pregnancy and pregnancy prevention. If this legislation were presented to the President,

Specifically, S. 120 would:

-- redirect the program's focus from promoting abstinence from teenage sexual activity emphasizing information and education about family planning services and methods. This requirement is a significant departure from current law and is duplicative of services already available under the title x family planning program and other HHS programs.

-- delete the existing requirement that grantees obtain parental consent before providing services to any minor. S. 120 would require that AFL projects provide services regardless of parental involvement, notification or consent to such services. This weakens the emphasis on family involvement which is at the core of the AFL program.

-- eliminate the existing restriction on abortion counseling, abortion referral and abortion advocacy by AFL projects. The bill would require that all projects inform pregnant clients about the availability of counseling, either on-site or through referral, on all pregnancy options, including abortion.

Finally, under S. 120, promoting adoption as an option for unmarried pregnant teens would no longer be a focal point of the AFL program. This is a reversal of the AFL program's original emphasis on encouraging teens to carry their pregnancies to term and on adoption as an option for pregnant teenagers.

* * * * * * *

Withdrawal/Redaction Sheet
(George Bush Library)

Document No. and Type	Subject/Title of Document	Date	Restriction	Class.
03. Memo	From Ed DiPrete to John Sununu Re: Federal assistance (2 pp.)	9/26/90	~~P5~~	

Collection:

Record Group: Bush Presidential Records
Office: Chief of Staff, White House Office of
Series: Sununu, John, Files
Subseries: Issues Files
WHORM Cat.:
File Location: Budget Summit [1990] [2]

Open on Expiration of PRA
(Document Follows)
By JL (NLGB) on 10/28/05

Date Closed: 12/16/2004	**OA/ID Number:** 29138-004
FOIA/SYS Case #: 1998-0004-F[1] **Re-review Case #:** 2005-0426-S **P-2/P-5 Review Case #:**	**Appeal Case #:** **Appeal Disposition:** **Disposition Date:**
AR Case #: **AR Disposition:** **AR Disposition Date:**	**MR Case #:** **MR Disposition:** **MR Disposition Date:**

RESTRICTION CODES

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MEMORANDUM

TO: John Sununu

FROM: Ed DiPrete

SUBJ: Federal Assistance

DATE: September 26, 1990

John:

The following issues are pending before the federal government which would be extremely beneficial to me and the State of Rhode Island. Any assistance you could provide would be greatly appreciated.

1. Children's Crusade for Higher Education - Meetings earlier this year between my office and officials from the offices of Secretary Dole and Secretary Cavazos have resulted in a tentative commitment from the federal government of between $3 - $5 million for the Crusade. Sue Ironsfield in Secretary Dole's office (Division of Intergovernmental Affairs) is the point person for this project.

2. Alternative Fuels Program - The state has applied for a $401,500 Alternative Fuels grant which will permit us to retrofit buses for Compressed Natural Gas. We have been notified that we have been awarded the grant by the United States Department of Transportation. They simply have not forwarded the check. The money is nearly one year overdue. It would be very helpful if we could announce and start a Rhode Island Alternative Fuels Program before November. Contact at DOT is Douglas Kerr, Chief of Program Guidance and Support.

3. Drug Grants - We have applied for different grants from the Office of Treatment Improvement in the National Institute of Drug Abuse, U.S. Department of Health and Human Services. Dr. Benny Primm, who is the director of the Office, is planning to announce these grants sometime this month.

$333,660	treatment of minorities with the HIV virus: Drug and Alcohol Treatment Association.
$498,852	treatment of adolescents in housing projects: Drug and Alcohol Treatment Association.

$424,294	treatment of high-risk delinquent/substance abusing youth at DCF
$399,490	treatment of racial and ethnic minorities incarcerated at the Department of Corrections

4. <u>Oil Spill Response Site</u> - The Coast Guard is planning to locate an oil spill response site somewhere in the Northeast. We are proposing the former Quonset Point Naval Air Station as an option. The contact at the Department of Transportation is Galen Reser, Assistant Secretary for Government Affairs.

Thank you.

4102d

TODAY'S NEWS EVENTS

Thursday, September 27, 1990

Major White House News Events

7:05 a.m.	The President drops by Minnesota Educators Meeting. Minneapolis.
7:20 a.m.	The President attends Fundraising Reception and Breakfast for Minnesota GOP. Minneapolis.
9:20 a.m.	The President departs Minneapolis for Cleveland, Ohio.
12:40 p.m.	The President attends VIP Reception and Voinovich for Governor Fundraising Luncheon. Cleveland.
2:00 p.m.	The President meets with European Ethnic Leaders. Cleveland.
2:50 p.m.	The President departs Cleveland for Detroit, Michigan.
4:00 p.m.	The President arrives Westin Hotel. Detroit.
5:35 p.m.	The President meets with European Ethnic Leaders. Detroit.
6:00 p.m.	The President attends Schuette for Senate Fundraiser. Detroit.
7:25 p.m.	The President departs Detroit for Washington.
9:00 p.m.	The President arrives White House. South Lawn.

Issues of the Day

1) Budget: President Bush began softening his demand for a capital gains tax cut Wednesday in a meeting with GOP Congressional leadership, after which Sen. Dole said the President was willing to compromise on the tax cut issue. An Administration official said the President will give up capital gains if he gets enough spending cuts, enforcement discipline and some kind of capital formation element. (Washington Post)

-more-

2) <u>Pay Cuts</u>: The Senate voted Wednesday to apply automatic spending cuts under GRH to members of Congress, presidential appointees and White House staff, including the Vice President. (<u>Washington Post</u>)

3) <u>Offshore Leases</u>: The House approved by 391 to 32 legislation that would restore state veto power over Federal oil and gas lease sales in the outer continental shelf. (<u>Los Angeles Times</u>)

4) <u>Poverty</u>: Despite seven years of economic expansion, the percentage of Americans in poverty remained stubbornly high at 12.8 percent last year. (<u>Washington Post</u>)

5) <u>Arms Sale</u>: President Bush is expected to ask Congress to approve an immediate $7.5 billion arms sale to Saudi Arabia. (<u>Wall Street Journal</u>)

# # #

THE WHITE HOUSE

WASHINGTON

September 27, 1990

TO: Governor Sununu

FROM: **EDE HOLIDAY**

☐ FYI

☐ Action

☐ Comment

FYI

Reilly touts pollution prevention

By Ronald A. Taylor
THE WASHINGTON TIMES

The war on pollution should target the gravest threats to human health and the environment and stop attacking problems on a piecemeal basis, Environmental Protection Agency Administrator William Reilly said yesterday.

In what was billed as a major policy speech to a National Press Club audience, Mr. Reilly emphasized pollution prevention as a key element in shifting away from what he called "ready-fire-aim" policies that have guided EPA since its creation 20 years ago.

"Every time we saw a blip on the radar screen, we unleashed an arsenal of control measures to eliminate it," he said, comparing the tactics of the anti-pollution battle to "Space Invaders," an early video game.

He said his thinking on the topic is guided in part by the advice he got from Sen. Daniel Patrick Moynihan, New York Democrat: "Above all — above all — do not allow your agency to become transported by middle-class enthusiasm."

"What he meant," Mr. Reilly said, "was 'Respect sound science; don't be swayed by the passions of the moment.' "

Although dramatic environmental gains have occurred during EPA's two decades, he said, "we have never been directed by law to seek out the best opportunities to reduce environmental risks in toto, nor to employ the most efficient, cost-effective ways of proceeding."

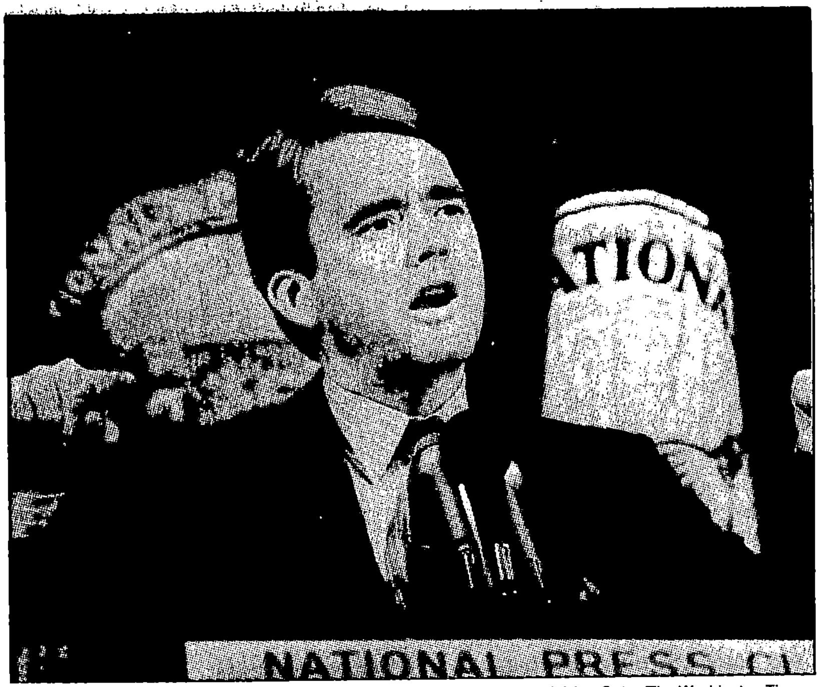

Photo by Walter Oates/The Washington Times

EPA Administrator William Reilly wants the government to stop chasing down every environmental fad and focus on sound, long-term prevention efforts.

The remedy, he said, is to rank environmental problems scientifically by the risk each problem poses. He unveiled the findings of EPA's science advisory board's examination of current problems and called for a "broad, robust national dialogue [on] environmental priorities based on relative risk."

Shortly after his confirmation as EPA chief, Mr. Reilly ordered the science panel to review a 2-year-old agency assessment of the health and environmental threats posed by 31 environmental problems. The list of problems included everything from toxic dumps to species extinction.

The high-risk problems, according to the study, are habitat alteration and destruction, species extinction, ozone depletion and global climate change.

Medium-risk problems include acid rain, river pollution from toxic substances and excessive amounts of nutrients from agricultural chemical runoff.

Relatively low-risk problems are oil spills, ground-water pollution, radioactive wastes, and acid runoff to lakes and rivers.

The panel was headed by Raymond Loehr, a civil engineering professor at the University of Texas, and Jonathan Lash, Vermont's secretary of natural resources.

If Mr. Reilly has his way, there will be a de-emphasis on regulations that spell out the way a company must control its pollutants. While the agency would not abandon its statutory mandates, more research, public education and regulatory emphasis are to be directed to the most serious problems.

He said costly prohibitive rules "can actually be counterproductive, serving only to inhibit innovation and to discourage regulated industries from going beyond minimum legal requirements."

Michael Deland, chairman of the Council on Environmental Quality, agreed with Mr. Reilly, saying, "The time has long since come to shift our focus from the discharge from the pipe to prevention of pollution in the first place."

Ellen Silbergeld, senior toxicologist for the Environmental Defense Fund and a member of the EPA science panel, while hailing Mr. Reilly's basic idea, called his plan "ambitious but vague.

"It's philosophically rich but as a can-do document, it's thin," she said. "I'm not sure that EPA is committed to a wholesale rethinking of its strategies."

THE WHITE HOUSE
WASHINGTON

DATE: 9/27/90

NOTE FOR: THE CHIEF OF STAFF

The President has reviewed the attached, and it is forwarded to you for your:

information ☒

action ☐

Thank you.

James W. Cicconi
Assistant to the President
and Deputy to the Chief of Staff
(x-2702)

cc:

CHARLS E. WALKER ASSOCIATES, INC.
1730 PENNSYLVANIA AVENUE, N.W.
WASHINGTON, D.C. 20006-4787
TELEPHONE (202) 393-4760 TELECOPIER (202) 393-572

THE PRESIDENT HAS SEEN

September 14, 1990

The President
The White House
Washington, D. C.

Dear Mr. President:

It's been a long time since we last talked, but if we had done so recently, I would have commended you strongly for your magnificent leadership at this crucial time. You are, I know, extraordinarily busy and occupied, with hardly a spare minute during the day. I will therefore state the point of this letter in the fewest possible words.

The American Council for Capital Formation, which I chair (and whose board includes your friends Ken Lay, Jack Moseley, Paul O'Neill and Bob Strauss), built the "15-Percent Solution" on capital gains in 1986-87 on the basis of Larry Lindsey's research; you endorsed it then, and again in your campaign; you proposed it to Congress early in your tenure; and you reiterated your support strongly in your speech Tuesday evening. That was great -- and most timely!

I am writing to make certain that you know of the depth and breadth of support in Congress for a cut in capital gains taxes, for both individuals and corporations. Impartial experts are convinced that fully 60-percent of the members in each house support a cut. Moreover, many of those House members (including Ed Jenkins, Bill Archer and many of the members of the Timber Caucus) believe strongly that the cut, to be fully fair and effective, should cover corporations as well as individuals.

Responsible econometric simulations, with which Dr. Boskin is familiar, indicate that a cut in the capital gains rate to 15 percent for all taxpayers (with a one year holding period) would provide a strong and important boost to our weakening economy. It would add significantly to GNP, business investment and jobs in the 1990's. And it would result in a substantial increase in Federal revenues when both the macroeconomic "feedback" and "unlocking" effects are considered.

My message is simple: Please do not settle for a "weak tea" capital gains tax cut. Intelligence that has come to me in the past few days indicates that even the Democratic Summitteers are now convinced that a capital gains cut will enhance the popularity in Congress of a budget package. That is especially true if corporations are included, a matter of considerable political significance to a number of Southern and Western Senators.

Thus I would urge you to stick to your "original" gun -- "15-Percent Solution," as you requested last year, broadened to increase its popularity in the Congress by including corporations.

On this and other issues of importance to our nation, I am, as in the past, yours to count on.

Respectfully yours,

Charly

Charls E. Walker
Chairman

P.S. Harmolyn & I send our best to Mrs. Bush & we recall with pleasure our dinner in Houston in 1970 when I "campaigned" for you.