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OA/ID Number: 29138
Folder ID Number: 29138-008

Folder Title:
Budget Summit [1990] [6]

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

LOSERS

Losers (agreed)

\$ 18

EITC

9

\$ 27

RAISERS

Agreed

\$ 75.5

Energy

40.3

Persn (4%)

24.0

HI (to \$69,000)

10.0

FUTA

5.2

Interest on S+L Tax Deficiencies

2.0

\$ 157.0

Net Deficit Reduction

\$ 130.0

**Revenue Effects of \$0.01 Per Gallon Tax
On Refined Petroleum Products**

	Fiscal Years:					
	1991	1992	1993	1994	1995	1991-1995
	(\$ billions)					
Gasoline	\$0.5	\$0.7	\$0.7	\$0.7	\$0.7	\$3.3
Other Motor Fuel	<u>0.2</u>	<u>0.3</u>	<u>0.3</u>	<u>0.3</u>	<u>0.3</u>	<u>1.5</u>
Subtotal	\$0.7	\$1.0	\$1.0	\$1.0	\$1.0	\$4.8
Distillate Used for		0.1	0.1	0.1	0.1	0.4
Other	<u>0.3</u>	<u>0.4</u>	<u>0.4</u>	<u>0.4</u>	<u>0.5</u>	<u>1.9</u>
TOTAL	\$1.0	\$1.5	\$1.5	\$1.5	\$1.6	\$7.1

Department of the Treasury
Office of Tax Analysis

22-Sep-90
05:03 PM

Note: Sales to manufacturers are exempt from tax.

" " " " less than \$50 million



Regressivity Offset Proposal in Democratic Offer (9/17)

- o The proposal is poorly targeted. Despite its cost (\$28 billion over the budget period), many poor families will not benefit from the increase in the earned income tax credit (EITC) and the standard deduction.
- o Although the working poor with children will benefit from a doubling of the earned income tax credit, other poor families will not receive any additional assistance. Only eight percent of families with family economic income below \$10,000 receive the EITC. Poor families who are not eligible for the EITC and who would not benefit from the proposal include:
 - The working poor with no children.
 - The elderly whose main source of income is social security or supplemental security income (SSI).
 - Families who receive welfare income and have no other sources of income.
- o Because the EITC does not adjust for family size, the proposal will provide disproportionate benefits to certain recipients. The single mother of one child who works full-time at a minimum wage job will receive the same amount (\$1992) as the mother of three who works beside her.
- o The proposed changes in the EITC will raise the marginal tax rates for families in the phase-out range of the credit. Families with AGI in the phase-out range could face marginal tax rates of 50 percent (reflecting the combined effect of both individual income and payroll tax rates).
- o Changes in the standard deduction will not benefit those who currently do not incur any individual income tax liability. Nearly 45 percent of the reduction in tax liabilities resulting from the change in the standard deduction will go to families with income in excess of \$50,000.

ENTITLEMENT OPTIONS

(\$ billions)

	DEMOCRATIC OFFER 9/17		REPUBLICAN OFFER 9/17		REPUBLICAN VS. DEMO OFFER	
	1991	1991-95	1991	1991-95	1991	1991-95
Agriculture/price supports.....	-1.3	-11.8	-1.1	-13.3	0.2	-1.5
Crop insurance.....	---	---	---	-0.5	---	-0.5
Medicare:						
Providers.....	-3.1	-30.0	-3.4	-33.0	-0.3	-3.0
Deductible/premium/ co-insurance.....	-1.5	-22.0	-2.5	-31.5	-1.0	-9.5
Subtotal Medicare.....	-4.6	-52.0	-5.9	-64.5	-1.3	-12.5
Civil Service:						
Lump sum.....	-1.3	-8.5	-1.3	-8.5	---	---
Postal Service reforms.....	---	---	-0.7	-4.4	-0.7	-4.4
FEHB.....	---	---	-0.3	-0.9	-0.3	-0.9
COLAs.....	-0.5	-2.5	---	---	0.5	2.5
Other.....	-0.9	-6.8	---	-1.5	0.9	5.3
Subtotal civil service.....	-2.7	-17.8	-2.3	-15.3	0.4	2.5
Medicaid:						
Employee payor.....	---	---	-0.1	-1.1	-0.1	-1.1
Pharmaceutical purchasing.....	---	---	-0.1	-1.5	-0.1	-1.5
First dollar coverage.....	---	---	---	-5.7	---	-5.7
Unspecified.....	-0.2	-2.6	---	---	0.2	2.6
Subtotal medicaid.....	-0.2	-2.6	-0.2	-8.3	---	-5.7
Military retirement.....	-0.4	-8.2	---	---	0.4	8.2
Stafford loans (GSLs).....	---	-0.7	-0.1	-3.1	-0.1	-2.4
Child nutrition.....	---	---	-0.2	-1.3	-0.2	-1.3
Unemployment insurance.....	---	---	---	-4.6	---	-4.6
Rail pension fund liability.....	-0.1	-0.4	-0.1	-0.4	---	---
Foster care admin.....	---	---	-0.2	-2.9	-0.2	-2.9
CSE admin.....	---	---	-0.4	-2.1	-0.4	-2.1
Social security overpmts.....	0.0	-0.2	0.0	-0.2	---	---
FHA assignment waiver.....	-0.2	-1.0	-0.2	-1.0	---	---
Other FHA reforms 1/.....	-0.5	-1.3	-0.4	-3.4	0.1	-2.1
Tongass.....	0.0	-0.2	0.0	-0.2	---	---
Veterans.....	-0.4	-2.2	-0.4	-2.2	---	---
Subtotal entitlements.....	-10.4	-98.4	-11.5	-123.3	-1.1	-24.9

NOTE: CBO estimates

11:17 AM

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.

DEMOCRATIC OFFER also included fees of \$2.5 billion in 1991 and \$22.4 billion over 1991-95 in the entitlement category in their 9/17 offer.

Other Beneficiary Options

FY91 FY92 FY93 FY94 FY95 FY91-95

A. Provider reforms at (3.5/35); \$150 Part B deductible, Indexed to CPI, 20% copayment for clinical labs; 30% premium.

Providers

	CBO/Staff						
	OMB	3,500	5,250	6,710	8,577	10,963	35,000

Beneficiary

Set Part B deductible at \$150, index to CPI

	CBO/Staff						
	OMB	911	1658	1,823	1,987	2,146	8,525

20% Coinsurance on Clinical Labs

	CBO/Staff						
	OMB	500	720	820	930	1,050	4,020

Move Part B premium to 30%

	CBO/Staff						
	OMB	1,082	2,332	3,665	5,175	6,797	19,051

Subtotal, Beneficiary

	CBO/Staff						
	OMB	2,493	4,710	6,308	8,092	9,993	31,596

**Total Medicare
(3.5/35)**

	CBO/Staff						
	OMB	5,993	9,960	13,018	16,669	20,956	66,596

B. Provider reforms at (3.5/35); \$150 Part B deductible, Indexed to CPI, 20% copayment for clinical labs; 29% premium.

Providers

	CBO/Staff						
	OMB	3,500	5,250	6,710	8,577	10,963	35,000

Beneficiary

Set Part B deductible at \$150, index to CPI

	CBO/Staff						
	OMB	911	1658	1,823	1,987	2,146	8,525

20% Coinsurance on Clinical Labs

	CBO/Staff						
	OMB	500	720	820	930	1,050	4,020

Move Part B premium to 29%

	CBO/Staff						
	OMB	852	1,844	3,110	4,546	6,091	16,443

Subtotal, Beneficiary

	CBO/Staff						
	OMB	2,263	4,222	5,753	7,463	9,287	28,988

**Total Medicare
(3.5/35)**

	CBO/Staff						
	OMB	5,763	9,472	12,463	16,040	20,250	63,988

C. Provider reforms at (3.3/33); \$150 Part B deductible, Indexed to CPI, 20% copayment for clinical labs; 30% premium.

Providers

CBO/Staff OMB	3,300	4,950	6,327	8,087	10,336	33,000
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Beneficiary

Set Part B deductible at \$150, index to CPI

CBO/Staff OMB	911	1,658	1,823	1,987	2,146	8,525
------------------	-----	-------	-------	-------	-------	-------

20% Coinsurance on Clinical Labs

CBO/Staff OMB	500	720	820	930	1,050	4,020
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Move Part B premium to 30%

CBO/Staff OMB	1,094	2,368	3,710	5,232	6,870	19,274
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Subtotal, Beneficiary

CBO/Staff OMB	2,505	4,746	6,353	8,149	10,066	31,819
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**Total Medicare
(3.3/33)**

CBO/Staff OMB	5,805	9,696	12,680	16,236	20,402	64,819
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D. Provider reforms at (3.3/33); \$150 Part B deductible, Indexed to CPI, 20% copayment for clinical labs; 29% premium.

Providers

CBO/Staff OMB	3,300	4,950	6,327	8,087	10,336	33,000
------------------	-------	-------	-------	-------	--------	--------

Beneficiary

Set Part B deductible at \$150, index to CPI

CBO/Staff OMB	911	1,658	1,823	1,987	2,146	8,525
------------------	-----	-------	-------	-------	-------	-------

20% Coinsurance on Clinical Labs

CBO/Staff OMB	500	720	820	930	1,050	4,020
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Move Part B premium to 29%

CBO/Staff OMB	864	1,878	3,153	4,602	6,162	16,659
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Subtotal, Beneficiary

CBO/Staff OMB	2,275	4,256	5,796	7,519	9,358	29,204
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**Total Medicare
(3.3/33)**

CBO/Staff OMB	5,575	9,206	12,123	15,606	19,694	62,204
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FY91 FY92 FY93 FY94 FY95 FY91-95

E. Provider reforms at (3.1/30); \$150 Part B deductible, Indexed to CPI, 20% copayment for clinical labs; 30% premium.

<u>Providers</u>							
	CBO/Staff						
	OMB	3,100	4,650	5,823	7,293	9,134	30,000
<u>Beneficiary</u>							
Set Part B deductible at \$150, index to CPI							
	CBO/Staff						
	OMB	911	1,658	1,823	1,987	2,146	8,525
20% Coinsurance on Clinical Labs							
	CBO/Staff						
	OMB	500	720	820	930	1,050	4,020
Move Part B premium to 30%							
	CBO/Staff						
	OMB	1,106	2,403	3,769	5,325	7,011	19,614
<u>Subtotal, Beneficiary</u>							
	CBO/Staff	2,517	4,781	6,412	8,242	10,207	32,159
	OMB						
Total Medicare (3.1/30)							
	CBO/Staff						
	OMB	5,617	9,431	12,235	15,535	19,341	62,159

F. Provider reforms at (3.1/30); \$150 Part B deductible, Indexed to CPI, 20% copayment for clinical labs; 29% premium.

<u>Providers</u>							
	CBO/Staff						
	OMB	3,100	4,650	5,823	7,293	9,134	30,000
<u>Beneficiary</u>							
Set Part B deductible at \$150, index to CPI							
	CBO/Staff						
	OMB	911	1,658	1,823	1,987	2,146	8,525
20% Coinsurance on Clinical Labs							
	CBO/Staff						
	OMB	500	720	820	930	1,050	4,020
Move Part B premium to 29%							
	CBO/Staff						
	OMB	876	1,913	3,210	4,691	6,299	16,989
<u>Subtotal, Beneficiary</u>							
	CBO/Staff	2,287	4,291	5,853	7,608	9,495	29,534
	OMB						
Total Medicare (3.1/30)							
	CBO/Staff						
	OMB	5,387	8,941	11,676	14,901	18,629	59,534

CY Monthly Premiums: Part B

3.5/35

	<u>91</u>	<u>92</u>	<u>93</u>	<u>94</u>	<u>95</u>
29%	34.29	36.15	41.32	45.93	50.84
30%	35.47	37.40	42.74	47.51	52.59

3.3/33

	<u>91</u>	<u>92</u>	<u>93</u>	<u>94</u>	<u>95</u>
29%	34.35	36.24	41.43	46.07	51.01
30%	35.53	37.49	42.86	47.66	52.77

3.1/30

	<u>91</u>	<u>92</u>	<u>93</u>	<u>94</u>	<u>95</u>
29%	34.41	36.33	41.57	46.29	51.35
30%	35.59	37.58	43.01	47.89	53.12

* ~~EY~~ 91 Amount does not reflect actuarial adjustments for contingency amounts/balances. OMB estimates these to be about $-\$1.50$ /month for CY91 only. Outyears very close to actuarial.

22

Medicare SMI Premium

	1990	1991	1992	1993	1994	1995
25% Premium--No Outlay Savings	\$28.60	\$31.40	\$34.00	\$38.90	\$43.50	\$48.40
30% Premium	\$28.60	\$33.00	\$37.30	\$42.70	\$47.50	\$52.70
50% Premium	\$28.60	\$55.00	\$62.17	\$71.17	\$79.17	\$87.83
75% Premium	\$28.60	\$78.50	\$85.00	\$97.25	\$108.75	\$121.00

current law: 15 BP and if Fund decline
 + 7.5 increase max./yr. and
 absolute cap 32.5 BP.

Additional premium

Conzales memo 21-Sep-90
 7.5 constraint and
 Fund decline constraint

SUMMARY TABLE
 ALTERNATIVES TO MIDSESSION OUTLAYS ESTIMATE
 FDIC BANK INSURANCE FUND
 (\$ in Millions)

001

90 = 12 BP
 + 7.5 out for comment
 19.5 now = track for '91

	FY90	FY91	FY92	FY93	FY94	FY95	Total FY91-95
- OMB MIDSESSION OUTLAYS 11 (15 BP in 91-95)	3,904	945	(252)	(1,261)	(2,446)	(3,521)	(6,535)
- See other memo total for 19.5 thru '95 - 7.5 rec. 23 and 1.5 (last below)							
- NET CHANGES TO OMB MIDSESSION OUTLAYS: RIEGLE ALTERNATIVE 12 (27 BP Premium, CBO Pricing)		(800)	(2,200)	(2,700)	(3,100)	(3,200)	(12,000)
- OMB PRICING, 27 BP, ZERO GROWTH 13 (80 Bank Failures)	0	(1,073)	(3,224)	(1,842)	(2,050)	(2,215)	(10,404)
- OMB PRICING, 27 BP, 1.5 % DECLINE 14 (80 Bank Failures)	0	(1,002)	(3,012)	(1,493)	(1,541)	(1,527)	(8,575)
- OMB PRICING, 23 BP, ZERO GROWTH 15 (50 Bank Failures)	0	(1,073)	(2,139)	(725)	827 (2,927)	856 (988)	5620 (7,852)
- OMB PRICING, 23 BP, 1.5 % DECLINE 16 (50 Bank Failures)	0	(1,002)	(1,958)	(426)	393 (2,493)	269 (401)	4048 (5,280)
MEMO: OTHER ADJUSTMENTS TO OMB BASELINE							
CBO Failure Rate, 15 BP 17	605	2,898	2,443	(303)	(245)	120	4,913
OMB Revised CBO Rate 18	605	7,972	8,012	6,774	4,973	1,138	28,869

(Handwritten scribble around the (12,000) value)

Notes:

- 11 15 BP Premium Assessment '90-'95, Midsession Deposit Growth GNP Assumptions.
- 12 27 BP Premium Assessment '91-'95, CBO (4.5 annual) Deposit Growth, No Bank Failures due to premium increase.
- 13 27 BP Premium Assessment, Deposit Growth = nominal GNP at 0 short-term real growth, 80 Bank Failures ('93-'95).
- 14 27 BP Premium Assessment, Deposit Growth = real GNP growth less 150 BP each year, 80 Bank Failures ('93-'95).
- 15 23 BP Premium Assessment, Deposit Growth = nominal GNP at 0 short-term real growth, 50 Bank Failures ('93-'95).
- 16 23 BP Premium Assessment, Deposit Growth = real GNP growth less 150 BP each year, 50 Bank Failures ('93-'95).
- 17 CBO Bank Failure Assumptions (9/90) based on recent ('87-'90) failure rates and capitalization level rates.
- 18 CBO Failure Assumptions plus 1 Money Center Bank Failure (\$8B in Disbursements), \$4B "put option" exercised, 20 % increase in other failures.

Additional Bank failures

12:19

09/21/90

TAX PACKAGE

AGREED. 45.4
 IRS. 9.4
 RETIREMENT HEALTH 1.3
 STATE & LOCAL HI 5.2
 ALCOHOL 12.2
 BUSINESS LOOP 2.0

75.5

25.5

75.5

✓ 63. - ✓

✓ 15. - ✓

153.5

S.S * 10. -

PEASE 50K/2 1/2 15. -
 25.

SUB 100.5

ENERGY 48.

148.5

153.

X 3.3

~~75.~~
4

REV. LOSERS:

~~ENERGY. 3.5
 LI HOUSE/RE 2.0
 SMALL BUS. 8.0
 INDEX. 4.5
18.0~~

78 E. / PEASE / OTHER

23.

25

5.2 ✓

7.3 ✓

(1.1)

30

5.8

8.1

1.1

35

6.4

30 = 1.2
25 =

$$5.8 \times \frac{7.3}{5.2} =$$

REVENUE ESTIMATES

9/29
10 PM

8 ESTIMATES

7 REQUESTED

1 DEM

- 7.3 @ 25%
30% = 9.8

① MINIMUM BASIS / DELETED BASIS

REV. LOSS OF - .7 5 yrs

Job generator

② R/D 30% SMALL COS

- 4 for 1 year

③ INDEXING (NO TIME UNIT)

Significant

ALL STOCK

COMMON & PREFERRED

ALL POST AGREEM - 2.3 B. 5 yrs

④ INDEX SMALL

COMMON

- 400 5 yrs Acquisition cost

⑤ CORP. BUBBLE

- .5

⑥ EXPENSING

2 yr Amort

50,000,000
of Assets
SMALL SET

10k 0.1k
40-130k

- 1.9 ✓

⑦ EXPENSING

2 yr

scientific equip

⑧ permanent

DOUBLE 10k to 20k

For 50,000,000 of Equity

- 3.1 B (5 yrs)

⌋

DAC	10.0
Airport	11.8
LUT	0.6
Hacker	1.8
	<hr/>
	45.4

Small bus equity deduction	-8.0
Indexing for newly issued small bus. stock	-0.2

ADDITIONAL AGREED

IRS	9.4
Retiree Health	1.3
St. + Loc. HI	5.2
Alcohol	12.2
Loughbores (bus.)	2.0
	<hr/>
	30.1
	<hr/>
	75.5
	<hr/>

Expensing ↑	?
- small active corp.	?
- scientific	?
	<hr/>
	-15.6 + ?
	<hr/>

NET: 60 - ? SHORT 72 + ?

Additional incentives

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

Additional Raisers (?)

- Energy 40 + (?)
- State + Local SS 11.7
- HI cap ↑ Part B @ 65K (+) 9.5
- Peace @ 2% 11.0
| | --- |
| | 72.2 |

ADJUSTMENTS TO ABOVE!

- Losers
- Luxury ? ?
 - DAC -2
 - [Retirement test] ?

- Raisers
- Energy : ?

Data from the 1988 Statistics of Income
For Returns with Taxable Income

Number of Returns (millions)

Taxable Income Class	15% Rate	First 28% Rate	Bubble 33% Rate	Second 28% Rate	Total
1 to 10000	35.9	0.0	0.0	0.0	35.9
10000 to 20000	19.6	1.7	0.0	0.0	21.3
20000 to 30000	8.9	5.0	0.0	0.0	13.9
30000 to 50000	0.0	12.3	0.4	0.0	12.7
50000 to 75000	0.0	3.3	0.6	0.0	3.9
75000 to 100000	0.0	0.0	1.1	0.0	1.1
100000 to 200000	0.0	0.0	0.8	0.2	1.0
200000 and Above	0.0	0.0	0.0	0.5	0.5
TOTAL	64.4	22.2	2.9	0.7	90.3

Taxable Income Taxed At Various Regular Tax Marginal Rates (\$billions)

Taxable Income Class	15% Rate	First 28% Rate	Bubble 33% Rate	Second 28% Rate	Total
1 to 10000	152	0	0	0	152
10000 to 20000	310	2	0	0	312
20000 to 30000	312	30	0	0	342
30000 to 50000	348	132	1	0	482
50000 to 75000	111	115	7	0	233
75000 to 100000	30	43	19	0	92
100000 to 200000	28	40	62	5	136
200000 and Above	15	22	57	229	322
TOTAL	1306	383	147	234	2070

1988 is the latest available data. Current revenue estimates are extrapolated from this information.

Demos need recession for success, Eagleton says

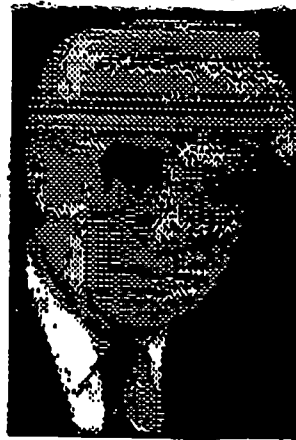
The Associated Press

KANSAS CITY — The Democratic Party will not return as a viable force in Missouri or the nation until the economy goes into recession, former U.S. Sen. Tom Eagleton says.

"I don't think it is dead," Eagleton said Sunday of the party. "I think it is in a deep sleep, to be reinvigorated by a recession."

The Missouri Democrat also predicted that New York Gov. Mario Cuomo would be the 1992 Democratic presidential nominee.

"I think he'll probably be a loser," Eagleton told a forum at the All Souls Unitarian Church. "But at least if we have to go down the tube,



Eagleton

we'll go down the tube in style."

The three-term senator who retired in 1986 said unemployment could induce a recession, which would brighten

chances for the Democratic Party. He called it "a rather morbid way to base a political policy."

#-15-90

*Looks like the Demos
want a recession!
The Hancock*

PLEASE 6% \approx 1.8% TAX RATE

Reduce Phase-out Rate from 5% to 3%

- The proposal would reduce the phase-out rate of personal exemptions and the 15% rate from 5% to 3%.
- In other words, the proposal would flatten and lengthen the bubble. The bubble rate would fall from 33% to 31%, but the amount of taxable income taxed at the bubble rate would increase by two-thirds.
- The maximum capital gains rate is assumed to be 28%.
- The effective date of the proposal would be 1/1/91.

	Fiscal years (\$billions)					
	<u>1991</u>	<u>1992</u>	<u>1993</u>	<u>1994</u>	<u>1995</u>	<u>1991-95</u>
OTA	-1.1	-1.8	-2.0	-2.2	-2.4	-9.5
JCT			[unknown]			

In 1991, the phase-out range end points are:

	<u>Current law</u>	<u>3% phase-out</u>
Single, 1 exemption	114,200	157,500
Joint, 3 exemptions	206,490	289,417
Head of household, 2 exemptions	165,280	228,567

Revenue Neutral Third Individual Tax Rate

- The proposal would eliminate the "bubble" and would create a third rate so that the proposal would be revenue neutral.
- The OTA revenue neutral third rate is 30.5%. The JCT revenue neutral rate is probably slightly higher (based on comparison of OTA and JCT revenue estimates of 15-28-31 structure).
- The proposal assumes that the maximum capital gains rate is 28%.
- The effective date of the proposal would be 1/1/91.

	Fiscal years (\$ billions)					
	<u>1991</u>	<u>1992</u>	<u>1993</u>	<u>1994</u>	<u>1995</u>	<u>1991-95</u>
15-28-30.5						
OTA	.3	.7	.4	.3	.2	1.9
JCT			[unknown]			
15-28-31						
OTA	1.4	2.6	2.5	2.5	2.5	11.5
JCT	.5	1.2	1.4	1.7	2.0	6.8

Proposal

Repeal the phase-out (bubble) and add a 3rd explicit rate of 33% (with a 28% maximum rate on capital gains) with starting points of \$120,000 (single), \$160,000 (head of household), and \$200,000 (joint) and an end point of approximately \$900,000. After \$900,000, the rate would revert to 28%. This proposal is revenue neutral.

A \$1 million ending point picks up approximately \$.5 billion in the first calendar year, and no ending point raises approximately \$2.5 billion in the first calendar year.

- (1) Repeal bubble phase outs and impose an explicit 3rd rate of 31% at levels the bubble currently begins.
- (2) Provide a 30% exclusion for individual assets (other than collectibles) (1 year holding period, full recapture and AMT).

Based on Table 90-3 113 (15 Sept. 90), the JCT should score this option as raising money in the first year and losing approximately \$1 to 2 billion over the period.

JCT distribution as with all capital gains proposals will show much larger losses. However a distribution of change in taxes paid by income classes should show an increase in taxes paid by the highest income class.

OTA Preliminary
Revenue Effect of Percentage Point Increases in AMT Rate
Assuming a 31% Top Rate and a 45% Capital Gains Exclusion

		Fiscal Years (\$Billions)					
		<u>1991</u>	<u>1992</u>	<u>1993</u>	<u>1994</u>	<u>1995</u>	<u>1991-95</u>
Increase	New Rate						
1	22%	0.1	0.7	0.9	1.1	1.2	4.0
2	23%	0.3	1.4	1.9	2.3	2.7	8.6
3	24%	0.4	2.2	2.9	3.6	4.3	13.5
4	25%	0.5	2.9	4.2	5.4	6.4	19.3

JCT has consistently estimated the AMT lower than OTA

15-28 Individual Rate Structure

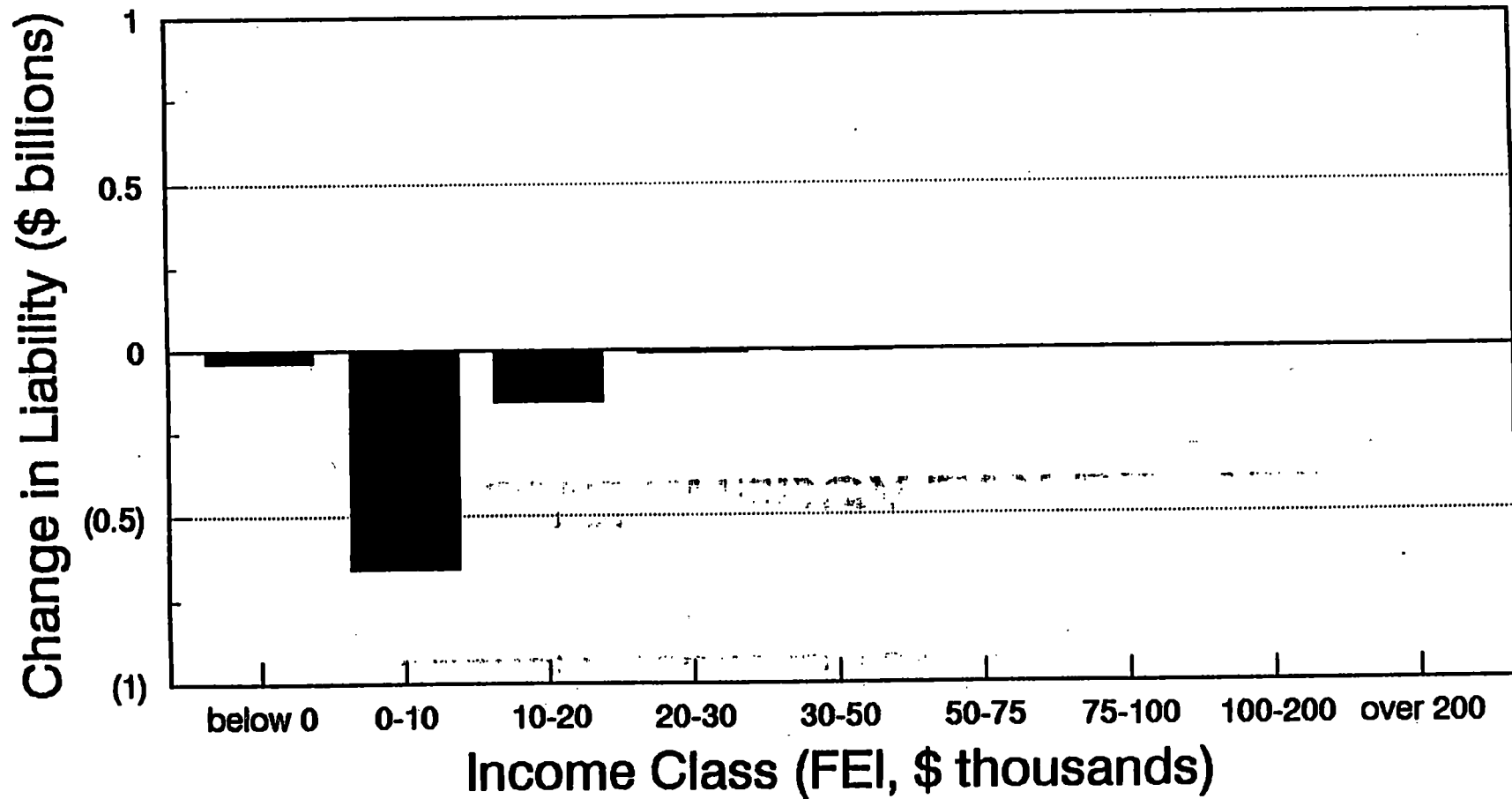
- The proposal would eliminate the phase-outs of personal exemptions and the 15% rate.
- In other words, the proposal would eliminate the "bubble" and simply have two rates, 15% and 28%.
- The effective date of the proposal would be 1/1/91.

Fiscal years (\$ billions)

	<u>1991</u>	<u>1992</u>	<u>1993</u>	<u>1994</u>	<u>1995</u>	<u>1991-95</u>
OTA	-4.9	-8.6	-9.6	-10.4	-11.1	-44.6
JCT	-4.8	-9.1	-10.2	-11.3	-12.7	-48.1

LOW INCOME ENERGY TAX REBATE

Annual Change in Tax Liability



- Indexing - 4.5 but time limited (e.g. 5 yrs.)
- 2% Pease
- Energy

OPTION 4 (No indexing)

- Enterprise Zone -1
 - Energy Production Incentives -3.5 - 5
 - R+D* (LIT) -2.9
 - Small Business Venture Incentive: 6.9 per -10.7
- ~~with minor indexing~~
 f profit in new equity
 50M. - Go from 25 to 30% ~18

ADD

~~deduction for dividends paid to individuals: (deduct 1/4 = 5B/yr. = 25B/5 yrs.)~~
~~straight minimum basis: 50% of sales price / 3 yrs. = 4.5 * 5B~~
~~[could be sales price %age]~~

- expensing for tangible investment (old ITC basis)
 - move from 10,000 to 100,000 (?)
 - over an amt. of _____
 - 2-yr. window
 - applies to 50M or less
 - plus expensing add of 50K for scientific equip ~~(e.g. 100K)~~ 0.2

• change schedule of tax rate at low corp. income end

* R+D credit @ 30% for under 50M equity firms 1

~~• [rollover for rental property gain up to 100K]~~

* • Rollover for 50K of assets: 1 time; 3-year til expiration (defer gain; carry forward basis)

~~• NYT indexing for new investments in 50M~~
~~• tax capital gains at death: add to option~~

effects: • NYTimes: all stocks, prospective [might limit if sweeteners adequate]

• Energy

LOW INCOME ENERGY TAX REBATE

The proposal includes an energy tax designed to reduce America's dependence on foreign oil, encourage energy conservation, and reduce automobile emissions and other sources of air pollution. The energy tax applies at a low rate to all conventional sources of energy so that the tax achieves its important goals in the economically most efficient and fairest manner possible. To insure that the tax does not impose a disproportionate burden on low income households, a low income energy tax rebate would be provided.

Description of Rebate

All households with annual money incomes of less than \$10,000 would be eligible for an energy tax rebate of \$48 each year. To receive the rebate, a household would certify to its electric utility company that it had income in the preceding year of less than \$10,000. The rebate would then be provided directly to the household by the electric utility as a \$4 per month offset to the household's electricity bill.

Low income households whose electricity is provided as part of their rent would certify to their landlords that their income in the preceding year was less than \$10,000. Each landlord would then make a combined certification for all of their low income renters to the electric utility. The landlord would pass the rebate from the utility through to each low income renter as a \$4 per month reduction in the household's rent.

Electric utilities would receive a credit against their energy tax liabilities for all low income energy tax rebates they paid, either directly to low income families or to landlords of low income households.

To insure that the rebate went only to truly low income households, it would not be allowed to full time students or to dependents of another taxpayer.

Targeted Relief

The proposed rebate would target relief to low income households much better than would an increase in the standard deduction. Many of the lowest income households have income too low to benefit from an increase in the standard deduction. Those who received the maximum benefit from an increase in the standard deduction would receive as little as \$15, less than a third of the proposed low income energy tax rebate. The rebate is also better targeted to the lowest income class than is an increase in the earned income tax credit.

The attached chart shows the distribution by family economic income class of the low income energy tax rebate. Because "family economic income" is a broader concept of income than "money income," the income concept would be used to determine eligibility for the rebate, the chart shows that some households with more than \$10,000 of family economic income would receive the rebate.

Attachment

OFFERS BY ADMINISTRATION TO JO'S @ 3:45PM SUNDAY

MODIFY OUR CAP GAINS OFFER -

ADDRESS DISSATISFACTION WITH S/L INC TAX

AS GENL. MATTER WITH PROVISIONS THAT APPLY ONLY TO RICH

I.E. $\geq 740K$ TAXPAYERS

BY DESIGN FULLY OFFSET CAPITAL GAINS LOSS...

1) FOR ALL \uparrow $\$200K$ AGI, ADD BACK TO TAX I. A % OF SCHED.

A. DEDUCTIONS - 5% - 10% ?

(1a) THRESHOLD TO TAX INCOME TO GET FULL OFFSET.

2) N.Y. STATE

$\S 36.B.$

3). S/L. MODIFIED TO GET MORE OUT OF FEWER/RICHER.
@ $\$200K$ AGI

4) SLIDE THE BUBBLE OPTIONS -

OVERPAY FROM THESE TAXPAYERS

LOSERS

Blue = ~~6.38~~
Their response
9/29/6 38 p.m.

Enterprise Zones	-1.0
Energy Incentives	-4.0
1-yr. extend: R+D/LIH	-2.9
<u>Job-creating incentives:</u> (≤ 50 M equity corp's)	
- small business ded. 30%	-8.0
- expensing (gen)	-2.0
(science)	-0.2
- corp. rates 15% ↑	-0.5
- small ^{50M} business stock indeny (new equity purchase)	-0.2
- smaller co. R+D ↑ 30%	-0.3
- Brady deemed basis	-0.4 ✓
- all new individ. stock indeny	-0.6
EITC (ex child care)	-5.0

accept the extra 1.3 B (tot. 10.9 + 1.3)

[NOTE: child care + telephontax included separately and subject to subsequent authorization 6.71]

-25.1

REVENUE RAISERS

Gasoline 5, 10, 10, 10, 10
[95% only] 50-150 }
Petroleum 2¢/gallon
Peace @ 3% @ 100/100/100
HI to 69K

+ 45	
<u>13.4</u>	11.5
18	
11	13
<u>87.4</u>	

How HRS W/ten

Luxury	2.
Tobacco	5.9
Ozone	0.5
Salvage/loss ded.	1.1
Corp/st/local interest ded.	3.2
foreign compliance	0.2
SAC	<u>9.0</u> *
Airport	11.8
LUST	0.6
Harbor Maint.	1.8
IRS Compliance	9.4
Retire Health	<u>1.3</u> *
Alcohol	10.0
Loopholes (bus.)	<u>2.0</u>
	<u>58.8</u>
Social Security State+local	+11.7
QMB	-2
Ret. Test	<u>-2</u>
	<u>7.7</u>
State+local HI	<u>5.2</u>

+ 159.4
- 25.1
NET 134.3

~~+ 153.9~~
~~- 25.1~~
~~128.8~~
~~134.3~~

1) 1.3

ANTI JOB GROWTH
 ANTI EXPANSION
 MITCHELL RECESSION
 PRESSING FOR RATE CHANGE
 REFUSE TO DELIVER ON ENTITLEMENTS.
 LARGE ENERGY TAX -
 ALL EXCISE TAXES
 LIMITATIONS OF DEDUCTIONS -
 DOCUMENT FROM COMMITTEE
 NO POSSIBILITY TO THAT -
 OBJECTIVE TO REACH

\$ 21 B ↔ 8%

\$ 120 B NET.
 \$ 90 B. = <
\$ 30 B -

\$ 6 B CAP GAINS WITH ALT. OFFSET

loss.
 Interested with
 Surcharge -
\$ 5.4 B.

TEMP. DEF. REDUCTION SURCHARGE -
 'TIL BUDGET IS BALANCED

\$ 160 B. - \$ 180 → \$ 185

190 - 210 B REV. PACKAGE
\$ 38 B

Agreed on \$ 128 B NET.

\$ 120 B NET.

\$ 210 B
 200 B M.
70 B.
480 B

\$ 138 vs \$ 128 = ACCEPTED -
\$ 70 B
\$ 58 B Net. cuts -

\$ 130 B



1.5 PET.

.15 ELEC.

1.5% NAT.

\$

7¢ gasolt.

31.5

①

15/28/31 + 18% → -S.I.S.

+ EXEMPTIONS LOST (TAXP. & SPOUSE) @ 200,000

SHOW ↑ 28 → 31 FOR 100,000 or 200,000 +

SHOW CAR GAINS SAVINGS FOR 100K +

200K +



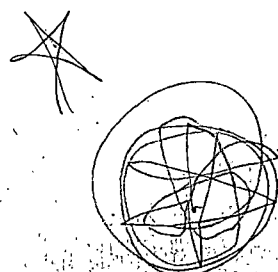
GET NET + IN
"RICH"

	<u>1991</u>	<u>1991-95</u>
I. Revenue Raisers		
A. Extenders		
1. Leaking underground storage tank (LUST) trust fund	0.1	0.6
2. Telephone	1.5	12.9
B. New Revenues		
1. IRS Reforms (3)	0.3	4.3
2. Airport/Airway increase	1.3	11.8
3. State and local HI- modified	.8	6.0
4. State and local SS	1.6	11.7
5. Shippers increase	0.3	1.7
6. Salvage value/insurance- modified	0.3	0.9
7. Pension/retiree health	0.6	2.0
8. DAC - Insurance reform- modified	2.0	10.0
9. Alcohol- modified	2.2	14.5
10. Luxury excise taxes	1.1	9.0
11. Ozone depleting chemical excise tax	0.1	0.5
12. Indexing of excise taxes (other than alcohol, tobacco, and ad valorem)	0.5	8.6
13. Petroleum fuels tax	0.8	7.0
14. Deny deduction of interest on corporate income tax underpayments	4.8	4.5
 II. Revenue Losers		
A. Extenders		
1. Health insurance for self employed	-0.3	-1.8
2. R&E allocation rules	-0.4	-3.6
3. R&E credit	-0.5	-5.5
 III. Initiatives for Growth, Low Income and Upper Income Offset		
A. Low Income		
1. Enterprise Zones	-0.1	-2.0

B. Savings/Investment/Growth		
1. Capital gains (45% exclusion, individuals only - with AMT and recapture)	3.7	-21.5
2. Family Savings Account (FSA)	-0.2	-5.0
3. Energy security (President's Budget)	-0.3	-2.6
C. Upper Income Offset		
Limit State and local income tax deduction	2.4	32.6
IV. User Fees (5 year)	6.0	33.4
	<hr/>	<hr/>
	28.6	130.2

Major Outstanding Issues

<u>Issue</u>	<u>Size</u>	<u>Composition</u>
Energy		
Democratic	49.1	To be determined. The \$49.1 billion estimate is based on a Joint Tax estimate of what a 10 cent gasoline tax would raise over 5 years.
Republican	7.0	Petroleum fuels tax. This is * broader than a simple gas tax.*
State and Local HI		
Democratic	4.0	Phase-in to achieve.
Republican	6.0	Modified to be phased in per a discussion in the budget summit. (raised \$6.0 billion rather than \$8.4)
State and Local SS		
Democratic		Revenues intended to be dedicated to liberalizing the Social Security Retirement test as part of child care.
Republican	11.7	
Indexing of Excise Taxes		
Democratic		Not in plan
Republican	8.6	Indexing of excise taxes other than alcohol, tobacco and ad valorem.
Telephone Excise Tax		
Democratic		Intended for pay-as-you-go for child care.
Republican	12.9	
Initiatives		
Democratic		None
Republican	-2.0	Enterprise Zones
	-5.0	Family Savings Account
	<u>-2.6</u>	Energy Security
TOTAL	-9.6	
User Fees		
Democratic	14.2	(From Tentatively agreed list)
Republican	30.6	



Alcohol Taxes

Democratic	13.6	Modified Option A with beer at \$21.98 per barrel (40 cents). DSP increased by \$1.50. Wine at \$1.93 per gallon (40 cents). Fortified wine at 50 cents per bottle.
Republican	14.5	Not yet specified.

Capital Gains

Democratic		Not in plan.
Republican	-21.5	45% capital gains exclusion. Full recapture. AMT.

Bubble/Surtax

Democratic	app.	44.0	Piercing the bubble or a 20% surtax on individuals making more than \$200,000.
Republican			Not in plan.

HI Wage Increase

Democratic	app.	40-53	Not in final offer.
Republican			Not in plan.

September 14, 1990
11:30 a.m.

**BROAD-BASED PER-UNIT ENERGY TAX WITH
MANUFACTURING EXEMPTION**

Structure of the Tax. The tax would be imposed at a 1 cent per gallon rate on refined petroleum products.* (This roughly approximates 1 percent of national average retail price.) Electricity, natural gas (including propane) and coal would be taxed on a per-unit basis with rates that approximate 1 percent of national average retail prices.

Products not used as fuel, such as asphalt, lubricants, waxes and feedstocks, would not be taxed. Sales of fuels for the generation of electricity would be exempt, since electricity would be taxed separately.

Point of Collection. In general, taxes would be paid by refiners of refined petroleum products, utilities generating electricity, local natural gas distribution companies, industrial users of coal, and importers.

Imports and Exports. Imported fuels and electricity are taxed, and exported fuels and electricity are exempt from tax.

Manufacturers' Exemption. Fuels and electricity 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.

Effective Date. The tax would go into effect on January 1, 1991.

*Taxed refined petroleum products would include gasoline, diesel fuel, aviation gasoline and jet fuel, kerosene and residual fuel oil.

9/14/90 Fri 11:42:40

RATES AND REVENUE ESTIMATES

Revenue Estimates

(\$ billions)

	1991	1992	1993	1994	1995	1991-1995
I. Refined Petroleum Products Rate: 1¢/gallon						
Gasoline	.5	.7	.7	.7	.7	3.3
Heating Oil	*	*	*	*	*	0.2
Other Petroleum Products	.5	.7	.7	.7	.7	3.2
Total Petroleum Products	1.0	1.4	1.4	1.4	1.5	6.7
II. Electricity Rate: \$1.00/1000 kwh (1 mill/kwh)						
	1.0	1.4	1.4	1.5	1.5	6.7
III. Natural Gas Rate: 6.3¢/mcf $\approx 1.9\%$						
	.2	.3	.3	.3	.3	1.6
IV. Coal Rate: 47.6¢/ton $\approx 1\%$						
	*	*	*	*	*	*
V. Other						
	*	*	*	*	*	*
VI. Total Broad-Based Per-Unit Energy Tax	2.2	3.1	3.2	3.2	3.3	15.0

GASOLINE
 1.5 = 0.10 ✓
 0.15 ✓
 0.4 ✓
 1.12 ✓
 2.4 ✓
 2.4 ✓
 4.2 ✓
 4.2 ✓
 4.2 ✓

3.0
 16.6

56.4
 42
 108
 8128

6.7
 16.5
 5.7
 3.2

15.0
 3.3
 18.3

*Less than \$50 million.

9/14/90 Fri 11:21:50

TOTAL BROAD-BASED PER-UNIT ENERGY TAX REVENUE ALTERNATIVESRevenue Estimates

(\$ billions)

	1991	1992	1993	1994	1995	1991-1995
1¢/gal on petroleum products and equivalents	2.2	3.1	3.2	3.2	3.3	15.0
2¢/gal on petroleum products and equivalents	4.3	6.3	6.4	6.5	6.6	30.1
3¢/gal on petroleum products and equivalents	6.5	9.4	9.6	9.7	9.9	45.1
4¢/gal on petroleum products and equivalents	8.6	12.5	12.8	13.0	13.2	60.1

**Preliminary Revenue Estimates
Individual Income Tax Options 1/
(FY, \$ Billions)**

	1991	1992	1993	1994	1995	1991-95
A. 15,28,31% Rates, Cap=28% AGI	0.9	1.7	1.6	1.5	1.4	6.9
B. 15,28,32% Rates, Cap=28% AGI	2.5	4.7	4.8	4.9	5.0	22.0
C. 15,28,31% Rates, Cap=28% Taxable Income	-1.8	-2.8	-3.2	-3.6	-3.9	-15.3
D. 15,28,32% Rates, Cap=28% Taxable Income	-1.2	-1.9	-2.2	-2.4	-2.7	-10.4
E. 15,28,31% Rates, Cap=28% Taxable Income + Exemptions	-1.2	-1.8	-2.0	-2.2	-2.4	-9.6
F. 15,28,32% Rates, Cap=28% Taxable Income + Exemptions	-0.6	-0.6	-0.7	-0.8	-1.0	-3.7
G. 15,28,28% Rates	-4.9	-8.6	-9.6	-10.4	-11.1	-44.6

1/Estimates assume a 28% capital gains cap. Companion capital gains proposals will change the revenue effect.

**Distribution by FEI, Change in 1991 Liability
(\$ Billions)
Option**

FEI Class	A	B	C	D	E	F
0 and below	*	*	*	*	*	*
0-10,000	*	*	*	*	*	*
10,000-20,000	*	*	*	*	*	*
20,000-30,000	*	*	*	*	*	*
30,000-50,000	*	*	*	*	*	*
50,000-75,000	*	*	*	*	*	*
75,000-100,000	-0.1	*	-0.1	*	-0.1	*
100,000-200,000	-0.6	-0.1	-0.6	-0.1	-0.6	-0.1
> 200,000	2.4	4.6	-2.0	-1.6	-1.0	-0.5
Total	1.8	4.5	-2.6	-1.7	-1.7	-0.5

2

	<u>1991</u>	<u>1991-95</u>
I. Revenue Raisers		
A. Extenders		
1. Leaking underground storage tank (LUST) trust fund	0.1	0.6
2. Telephone	1.5	12.9
B. New Revenues		
✓ 1. IRS Reforms (3)	0.3	4.3
✓ 2. Airport/Airway increase	1.3	11.8
✓ 3. State and local HI- modified	0.8	6.0
4. State and local SS	1.6	11.7
✓ 5. Shippers increase	0.3	1.7
✓ 6. Salvage value/insurance- modified	0.3	0.9
✓ 7. Pension/retiree health	0.6	2.0
✓ 8. DAC - Insurance reform- modified	2.0	10.0
9. Alcohol- modified	2.2	14.5
10. Luxury excise taxes	1.1	9.0
11. Ozone depleting chemical excise tax	0.1	0.5
12. Indexing of excise taxes (other than alcohol, tobacco, and ad valorem)	0.5	8.6
13. Petroleum fuels tax	0.8	7.0
14. Deny deduction of interest on corporate income tax underpayments	4.8	4.5
II. Initiatives for Growth, Low Income and Upper Income Offset		
A. Low Income		
1. Enterprise Zones	-0.1	-2.0
B. Savings/Investment/Growth		
1. Capital gains (45% exclusion, individuals only - with AMT and recapture)	3.7	✓ -21.5
2. Family Savings Account (FSA)	-0.2	✓ -5.0
3. Energy security (President's Budget)	-0.3	✓ -2.6
C. Upper Income Offset		
Limit State and local income tax deduction	2.4	32.6
III. User Fees (5 year)	5.6	30.6
	<hr/> 29.2	<hr/> 138.1

Sep 17 90 2:56pm

ENFORCEMENT

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

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

2. **GRH, Sequester, and Caps (see attachment)**

3. **Pay-as-you-go (entitlements & revenues)**

4. **Budget Act Points of Order**

- extend to out-years.
- apply to budget resolutions and appropriation bills that do not meet caps.
- 3/5ths point of order against legislation to modify sequester unless fully offset
- Extension of 302 point of order to outlays in the House and repeal of Fazio rule (exception to 311 point of order in the House if a subcommittee meets its allocation)

5. **Reconciliation**

- Mandate 5 year reconciliation
- Strengthen Byrd rule in Senate
- Extend Byrd rule to the House

6. **Credit Reform**

- implementation date FY 1992 (hold harmless for subsequent 3 years).
- Provide enforcement of credit levels in the Senate.

7. **GSEs.** Mandate studies and trigger a legislative response to assure financial soundness of government sponsored enterprises (GSEs).
8. **RTC**
 - Carry on-budget but exclude from GRH deficit calculations.
9. **Egyptian Debt Forgiveness.** Hold Egyptian debt forgiveness harmless against summit caps.
10. **Scorekeeping.** Adopt current scorekeeping guidelines.

REPUBLICAN PROPOSAL FOR GRH EXTENSION AND ENFORCEMENT OF CAPS

General Description

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

Caps

- o The agreement would establish five year caps on defense, international affairs, and domestic discretionary spending.
- o 60 vote points of order would apply to budget resolutions or appropriation bills that exceeded these caps.

Current GRH Sequester

- o If fully implemented, the agreement would cancel the FY 1991 sequester order.
- o The agreement would retain fixed statutory deficit targets and the current sequester process until the GRH deficit was balanced.
- o The 1991-95 GRH targets would be modified in the agreement to reflect new economic and technical projections. In March 1991, GRH targets would be revised to reflect new economic projections.
- o For FY 1993 and subsequent years, the portion of the sequester due solely to economic factors would be limited to \$30 to \$40 billion.

New Sequesters

- o If the summit caps were violated, the President would use **existing** rescission authority to propose discretionary spending reductions by summit category. If Congress did not enact a rescission measure to bring discretionary spending within the summit categories, a categorical sequester by summit category would be implemented.
- o To restrain entitlement growth, a categorical lookback sequester for entitlements would be added to GRH. After the close of a fiscal year, OMB would lookback at the previous year and determine the amount of spending added due to policy changes. A sequester on entitlements and mandatories would be added to the regular sequester.

REPUBLICAN ENFORCEMENT OPTION

<u>Summit Categories</u>	<u>FY 1991</u>	<u>FY 1992</u>	<u>FY 1993</u>	<u>FY 1994</u>	<u>FY 1995</u>	<u>FY 1996</u>
Non-defense Discretionary	Cap	Cap	Cap	Cap	Cap	
Defense	Cap	Cap	Cap	Cap	Cap	
International Affairs	Cap	Cap	Cap	Cap	Cap	
Rescission	Maintain current law on rescission authority. If caps are violated, President proposes rescission within summit categories. If Congress does not adopt a rescission measure in 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	
Economics	Adjust for economics		Limit sequester to \$30-\$40 billion	Limit sequester to \$30-\$40 billion	Limit sequester to \$30-\$40 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.				

SENATOR WILLIAM V. ROTH, JR.

SEPTEMBER 26, 1990

OUTLINE

ITEM	FY 1991	FY 1992	FY 1993	FY 1994	FY 1995	1991-1995
REVENUE ITEMS						
IRA (w/Rollover)	\$1.50	\$3.40	\$3.30	\$3.30	\$3.30	\$14.80
Extension of Current Law Tax Provisions	\$1.85	\$3.04	\$2.97	\$2.90	\$2.81	\$13.57
Retiree Health Benefits Rollover	\$0.20	\$0.40	\$0.20	\$0.00	\$0.00	\$0.80
SUBTOTAL OF INCREASES	\$3.55	\$6.84	\$6.47	\$6.20	\$6.11	\$29.17
SPENDING CUTS						
Defense	\$6.00	\$17.00	\$34.00	\$50.00	\$69.00	\$176.00
Non-Defense Discretionary (\$12B off final approp.)	\$12.00	\$13.00	\$14.00	\$15.00	\$16.00	\$70.00
Entitlement Changes	\$6.30	\$9.11	\$10.54	\$13.43	\$16.89	\$56.27
User Fees	\$5.49	\$1.45	\$1.55	\$1.36	\$1.65	\$11.50
Net Interest	\$1.60	\$5.60	\$10.50	\$16.00	\$23.40	\$57.10
SUBTOTAL OF CUTS	\$31.39	\$46.16	\$70.59	\$95.79	\$126.94	\$370.87
TOTAL	\$34.94	\$53.00	\$77.06	\$101.99	\$133.05	\$400.04

SENATOR WM. V. ROTH, JR. PLAN

SEPTEMBER 26, 1990

DETAIL OUTLINE

ITEM	FY 1991	FY 1992	FY 1993	FY 1994	FY 1995	1991-1995
REVENUE ITEMS						
IRA (w/Rollover)	\$1.50	\$3.40	\$3.30	\$3.30	\$3.30	\$14.80
Extension of Expiring Provisions						
a) Permanent Research & Development Credit	(\$0.50)	(\$0.90)	(\$1.10)	(\$1.30)	(\$1.60)	(\$5.40)
b) Educational Assistance Act	(\$0.23)	(\$0.33)	(\$0.35)	(\$0.36)	(\$0.37)	(\$1.63)
c) Health Insurance for Self-employed	(\$0.25)	(\$0.31)	(\$0.36)	(\$0.41)	(\$0.46)	(\$1.79)
d) Foreign Allocation of R & D	(\$0.50)	(\$0.71)	(\$0.77)	(\$0.84)	(\$0.90)	(\$3.72)
e) Mortgage Rev. Bonds & Credit Certificate	(\$0.01)	(\$0.05)	(\$0.14)	(\$0.24)	(\$0.33)	(\$0.77)
f) Airport & Airway Trust Fund Taxes	\$0.88	\$1.56	\$1.67	\$1.81	\$1.99	\$7.91
g) IRS User Fees	\$0.06	\$0.06	\$0.06	\$0.06	\$0.06	\$0.30
h) Admin. Expense Limits of Private Foundations	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
i) Tax on Deep Seabed Hard Minerals	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
j) Telephone Excise Tax Extension	\$1.50	\$2.50	\$2.70	\$2.90	\$3.10	\$12.70
k) FUTA 0.2% Surtax Extension	\$0.77	\$1.09	\$1.12	\$1.15	\$1.18	\$5.31
l) Extension of Leaking Underground Storage Tax	\$0.13	\$0.13	\$0.13	\$0.13	\$0.14	\$0.66
Retiree Health Benefits	\$0.20	\$0.40	\$0.20	\$0.00	\$0.00	\$0.80
SUBTOTAL OF INCREASES	\$3.55	\$6.84	\$6.47	\$6.20	\$6.11	\$29.17
SPENDING CUTS						
Defense	\$6.00	\$17.00	\$34.00	\$50.00	\$69.00	\$176.00
Non-Defense Discretionary (\$12 B off final approp.)	\$12.00	\$13.00	\$14.00	\$15.00	\$16.00	\$70.00
Agriculture Subsidies						
a) Reduce Price Supports	\$1.50	\$2.10	\$2.40	\$3.00	\$3.50	\$12.50
b) Reduce REA Loan Subsidies	\$0.07	\$0.19	\$0.33	\$0.43	\$0.50	\$1.52
Medicare						
a) Secondary Payer Reform	\$0.31	\$1.27	\$1.63	\$1.98	\$2.33	\$7.52
b) Part B Premium Floor 25%	\$0.00	\$0.67	\$1.75	\$3.13	\$4.81	\$10.36
c) Rural Hospital Capital at 85%	\$0.17	\$0.21	\$0.23	\$0.25	\$0.27	\$1.13
d) Urban Hospital Capital at 75%	\$1.36	\$1.72	\$1.88	\$2.05	\$2.22	\$9.23
e) Overvalued Procedures	\$0.11	\$0.18	\$0.21	\$0.24	\$0.26	\$1.00
f) Durable Medical Equipment	\$0.11	\$0.20	\$0.22	\$0.25	\$0.27	\$1.05
Medicaid						
a) Eliminate Federal Medicare Match	\$0.61	\$0.66	\$0.71	\$0.76	\$0.81	\$3.55
b) Pay Employee Premium if Cost Effective	\$0.18	\$0.22	\$0.26	\$0.31	\$0.37	\$1.94
General Government & Postal Service						
a) Federal Retirement Lump Sum	\$0.96	\$0.72	(\$0.06)	(\$0.07)	(\$0.07)	\$1.48
b) Federal Employee Health Program	\$0.32	\$0.37	\$0.38	\$0.50	\$0.42	\$1.99
c) Postal Service Indirect Subsidy	\$0.60	\$0.60	\$0.60	\$0.60	\$0.60	\$3.00
User Fees						
a) Customs	\$0.81	\$0.82	\$0.84	\$0.86	\$0.88	\$4.21
b) Nuclear Regulatory Commission	\$0.30	\$0.32	\$0.33	\$0.34	\$0.36	\$1.65
c) Naval Petroleum Reserve	\$1.00	(\$0.09)	(\$0.03)	(\$0.27)	(\$0.03)	\$0.58
d) Food & Drug Administration	\$0.18	\$0.16	\$0.16	\$0.17	\$0.17	\$0.82
e) Strategic Petroleum Reserve	\$3.00	\$0.00	\$0.00	\$0.00	\$0.00	\$3.00
f) Additional User Fees	\$0.22	\$0.24	\$0.25	\$0.26	\$0.27	\$1.24
Net Interest	\$1.60	\$5.60	\$10.50	\$16.00	\$23.40	\$57.10
SUBTOTAL OF CUTS	\$31.39	\$46.16	\$70.59	\$95.79	\$126.94	\$370.87
TOTAL	\$34.94	\$53.00	\$77.06	\$101.99	\$133.05	\$400.04

(1) Estimates based on CBO, OMB and JCT figures

WILLIAM V. ROTH, Jr.
DELAWARE

104 HART SENATE OFFICE BUILDING
TELEPHONE: 202-224-2441

United States Senate

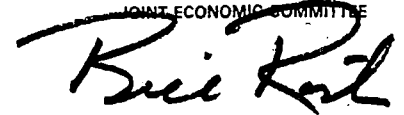
WASHINGTON, DC 20510

September 26, 1990

COMMITTEES:
GOVERNMENTAL AFFAIRS
FINANCE

BANKING, HOUSING AND URBAN AFFAIRS

JOINT ECONOMIC COMMITTEE



Dear Colleague:

As the October 1 Gramm-Rudman-Hollings sequester deadline is imminent, I am writing to present to you an alternative to other plans currently under discussion. This five year \$400 billion package meets the need for real deficit reduction while providing a better environment for continued economic growth.

This plan is designed to break the gridlock in the budget negotiations while saving the American people from a tax increase at a time when the economy is weakening. My plan would drop proposed increases in taxes, reduce the deficit by \$400 billion over five years, and would institute several policies to stimulate economic growth, without the proposed cut in the capital gains tax rate. It is straightforward and easy to understand.

Though the economy has performed well during this longest peacetime expansion in our history, the pace of growth has slowed lately. Consequently, the economy is especially vulnerable to the implications of a large tax increase. What we need is a budget plan that would enhance economic growth, and generate the job creation, expanded opportunity, and income gains that come with it. This is why I have put together a complete budget package that provides spending restraint and deficit reduction.

First, I abandon the budget negotiators' proposed tax increases. Warning signs point to a recession and a tax increase would throw the nation into a recession headfirst.

Second, I lay aside a proposed cut in the capital gains tax.

Third, I cut the federal deficit by \$400 billion over five years, a significant cut, but one which will not have damaging effects on an already weakened U.S. economy. This deficit reduction includes: defense savings of \$6 billion in the first year and \$176 billion over five years; entitlement savings of \$6 billion in the first year and \$56 billion over five years; and non-defense discretionary savings of \$12 billion in the first year and \$70 billion over five years. In addition, my alternative would raise \$11.5 billion in new user fees and \$29 billion in additional revenues, primarily through a rollover provision in the expanded IRA.

Fourth, this alternative expands Individual Retirement Accounts to enhance savings incentives as well as raise federal revenue. In addition, the R&D credit is made permanent and education incentives are broadened to keep our industries competitive and our employment base strong.

My plan is balanced and would benefit the economy, instead of undermining it. Deficit reduction would be substantial while incentives would be provided for savings and innovation, boosting economic growth. I urge you to consider this alternative package.

Sincerely,

A handwritten signature in black ink, appearing to read "Roth". The signature is written in a cursive style with a large, prominent initial "R".

William W. Roth, Jr.

120

119.15

+4

134

134.

170.

70.

493.15

423.15

70

493.15

6.85

4.

2.85

1 ADDL.

GSL +1. → 2

1.

VETS .5

.5

FHA. → .5

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AG.

.64

PBGC .64

13.

15.64