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Post Budget Summit [1990] [2]

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Budget

EXECUTIVE OFFICE OF THE PRESIDENT
COUNCIL OF ECONOMIC ADVISERS

November 5, 1990

To: Gov. Sununu

From: Michael J. Boskin MJB

FYI. Letter from Congressmen Gephardt and Panetta to Alan Greenspan.

Michael J. Boskin
Chairman

MB

Congress of the United States
House of Representatives
Washington, DC 20515

October 31, 1990

Honorable Alan Greenspan
Chairman,
Board of Governors of the Federal Reserve System
Constitution Avenue and 20th Street, NW
Washington, D.C. 20551

Dear Mr. Chairman:

We are writing to encourage you to review the contents of the budget agreement developed between Congress and the Administration, and to provide world financial markets with notice of your acceptance and endorsement of this agreement by allowing an easing of credit conditions in the United States. We are concerned that a modest quarter of a percentage point cut in short-term interest rates sends an ambiguous message to the markets and would limit the benefit of the deficit reduction package on our economic growth.

The commonly accepted criterion for the credibility of a budget agreement -- namely, the standard of deep, credible and enforceable deficit reduction achieved through changes in permanent law -- has been met. For any level of economic performance, federal credit demands will be substantially reduced. It is now the hope of the Congressional leadership that these actions will receive the closest review by financial markets.

Having honored our commitment to a sound national economy, we now ask that you provide the agreement with the endorsement that financial markets seek. Our actions in a number of areas, including Medicare, agriculture, veterans affairs, and federal employee policy, were politically painful but, in our view, meet the demands of serious deficit reduction.

Moreover, we believe that by making public your confirmation of the solidity of the deficit reduction agreement, and ideally -- given a positive response from the financial markets -- by sanctioning our agreement with an appropriate easing of credit, you have the opportunity to inform our nation's leaders that credible and meaningful deficit reduction will be accommodated. Given our shared understanding that the coming years will require further actions on this front, this message is vital.

Most of all, there is the question of fairness. The American families that will endure the hardship of deficit reduction now merit the rewards of lower interest rates and continued employment.

We look forward to your response and to the actions that will maintain our economy on a path of balanced growth and create the political momentum for continued progress toward a sound fiscal policy.

Sincerely,

Richard A. Gephardt
Majority Leader

Leon E. Panetta
Chairman, Committee on Budget

Withdrawal/Redaction Sheet
(George Bush Library)

Document No. and Type	Subject/Title of Document	Date	Restriction	Class.
01. Outline	State of the Economy for Discussion 11/9/90 (1 pp.)	11/9/90	~~P5~~	

Collection:

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Bush

FOR DISCUSSION 11/9/90

I. STATE OF THE ECONOMY

(1) "Recession" is essentially here -- according to most outside economists (and the Fed). (See Blue Chip, etc. -- NOTE: Administration forecast has not yet fully adjusted.)

(2) "Fear" -- especially of Mideast war and oil risks -- is a major contributing element of the problem. (See consumer confidence and DRI analysis.)

(3) "Credit Crunch" -- partly caused by regulation, partly by recession/uncertainties/fear -- is another contributing element.

(4) Major risks: Mideast/deeper recession/major financial system problems (including major bank failures, bank insurance fund problems, insurance company failures, strong adverse market reactions).

(5) Good news(!): A responsible, orderly fiscal fix has been legislated. Inventories are low. Average post-war recessions are 11 months long. With the right break in the Mideast, this recession could be shorter -- and the run toward '92 could be very favorable.

II. ISSUES REQUIRING NEAR-TERM ATTENTION

(1) Contingency planning for economic effects of Mideast conflict.

(2) Federal Reserve policy.

(3) S&L/Banking -- fix for the obvious problems: RTC overhang reduction; RTC funding; deposit insurance reform; bank insurance fund shortfall fix -- another $50 billion-plus!

(4) Comprehensive fix for troubled financial sector: monetary policy; regulatory policy; entry of commercial players; holding company requirements; acceleration of consolidations; etc., etc.

(5) Budgetary priorities:

(a) short-term stimulus issues [NOTE: GRH waiver may be triggered.]
(b) long-term growth issues -- expenditure shift toward R&D, investment, early childhood; tax incentives? or no-tax-change policy?

(6) Energy strategy.

(7) Anti-poverty strategy.

(8) Various issues requiring defensive strategy.

(9) Themes.

TR

Post-Bud

The Budget Agreement: Process Reform

- **The "categorical sequester" means that for the first time, when a sequester occurs, "the offender pays." From now on, runaway growth in entitlement spending will stop eating away at our ability to invest.**

Under the old Gramm-Rudman-Hollings law, when a sequester occurred, regardless of its cause, it applied to all government programs, unless they were exempt. Many of the big entitlements -- Social Security, Medicare, Medicaid, Food Stamps -- were either exempt or largely exempt from sequester. Thus big sequesters were being applied to a narrow base -- which explains why a $100 billion sequester on a $1.2 trillion budget would have caused a 38% sequester this year , instead of a 9% sequester. The result was that unanticipated growth in entitlement spending, including the creation of new entitlement programs, caused sequesters that primarily affected appropriated (discretionary) programs -- roads, bridges, universities, environmental protection, the space program, etc.

The budget agreement corrects this imbalance. Under the budget agreement, if mandatory spending is greater than planned because of a program expansion, then *mandatory programs only* will be subject to a sequester. If defense spending is greater than the agreed-to cap on defense, then *defense programs only* will be subject to a sequester. If non-defense discretionary spending exceeds its cap, *non-defense discretionary spending* will be subject to a sequester.

Further, the sequester base has been broadened. A larger proportion of mandatory programs will be subject to a sequester, should it occur.

These two changes will combine to have one important effect: from now on, the sequester will become more realistic, more usable, and more effective.

- **Mandatory entitlement spending will now be subject to a "pay as you go" rule.**

The single biggest area of runaway spending growth in the last 30 years has been in mandatory entitlement spending. It has gone from about 25% of the budget in 1960 to nearly 50% of the budget today. The budget agreement tries to address this unrestrained growth. From now on, any new entitlement program or existing program expansion must be paid for with either cuts in other entitlement spending or a new revenue source.

- **The budget agreement caps *spending* in the major areas of government -- and not just deficits.**

The President has long believed that spending growth is the principal cause of the deficit. Where the old Gramm-Rudman-Hollings contained deficit targets for each fiscal year, the new budget agreement contains caps on *spending* in the categories of domestic discretionary, international, and defense. This is a much more effective and enforceable tool -- especially for OMB, which will be responsible for scoring the spending associated with appropriations bills and thus determining if a sequester is triggered.

- **The budget agreement gets control over supplemental appropriations.**

Under Gramm-Rudman-Hollings, once the final sequester snapshot is taken at the beginning of the fiscal year, all discipline was removed from the system. There was no effective method, short of a Presidential veto, for the executive branch to control supplemental appropriations and prevent them from becoming "Christmas trees" which sharply increased the deficit. Thus, the experience of the last few years has been that *actual* end of the year deficits have been much higher than *estimated* beginning of the year deficits.

Under the new budget agreement, only supplementals which reflect funding needed for "dire emergencies" -- *as defined by the President* -- are permitted. Thus, the President can now send forward a request for emergency assistance in response to an earthquake or a foreign policy crisis with the confidence that it won't become loaded up with unrelated domestic pork. Any additions to a supplemental beyond the Presidentially defined "dire emergency" would be subject to a Budget Act point of order and would require a supermajority vote to be approved.

- **The budget agreement retains the basic structure of Gramm-Rudman-Hollings for future years.**

One goal of those who advocate more Federal spending was to eliminate the bothersome constraint of Gramm-Rudman-Hollings. Under the new budget agreement, fixed targets (as in Gramm-Rudman-Hollings) are maintained for fiscal years 1994 and 1995. In 1991, 1992, and 1993, a system of categorical sequesters and spending caps applies, with adjustments permitted for various economic and technical reestimates.

- **The budget agreement allows the government, for the first time, to begin accurately account for and control its various contingent liabilities.**

The budget agreement contains an entire set of provisions related to "credit reform." Until now, when the government guaranteed loans in areas from education to agriculture to power generation, it never recorded any liability until the borrower defaulted. Thus, the government has been carrying and indeed increasing a huge portfolio of risk without any method of recording it. Under the new credit reform package, the subsidy value of these loan guarantees will be scored at the time the loan is made, and reforms will be required to increase the creditworthiness of borrowers and thereby limit the risk to the government.

Post Bud

NBC News

MEET THE PRESS

Sunday, October 14, 1990

GUEST: JOHN SUNUNU
White House Chief of Staff

MODERATOR: Garrick Utley - NBC News

PANEL: David S. Broder - The Washington Post
Alan Murray - The Wall Street Journal

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MEET THE PRESS - NBC NEWS
(202) 885-4598
(Sundays: (202) 885-4200)

MR. UTLEY: Hello, again. On "Meet the Press" today, government in action--the president, the Congress, the budget. Who leads? We'll get the view from the White House.

Our guest today is John Sununu, the president's chief of staff.

The record of the past week is not one the president or Congress would want to put in a time capsule as a model for posterity; and yet the confusion in Congress and the flip-flops at the White House were an accurate model of where we are and where we may be headed in the painful quest for fiscal responsibility.

As of this Sunday, there is still no agreement on a budget, even though we are now entering the third week of the new budget year, and this is all happening as the inflation index rises, the economy weakens, and the markets send clear messages that something is wrong. That is why we are talking this morning with John Sununu, the White House chief of staff. And joining me here are David Broder of The Washington Post and Alan Murray of The Wall Street Journal.

Good morning, Mr. Sununu. Thanks for coming by.

MR. SUNUNU: Good to be here.

MR. UTLEY: Let's try to penetrate some of this confusion, clear up where we are right now in terms of what the president will accept in terms of a budget agreement. House Democrats have a proposal which, among other things, calls for a major increase in income tax rates for upper-income earners. Is that something you would entertain?

MR. SUNUNU: The president has said that the 33-percent rate they're proposing is not appropriate. The president does not want to play around with income tax rates. Playing around with income tax rates at one end of the budget ends up rippling through. That budget also includes playing around with the income tax rates at the lower end because it delays indexing. So, in fact, what they are doing is raising rates across the board.

MR. UTLEY: Okay. You say the president does not want to do this; that is not the same thing as saying he will not accept it. If, at the end of this week as we approach the Friday deadline, that is part of the package, will he accept that or will he--

MR. SUNUNU: The president has said he would not accept playing around with the rates at 33 percent at the upper end. What he will accept is a budget that is close to the summit agreement. That has been his position all along. He came to an agreement with the Republican and Democratic leadership in Congress out of the summit, sent that budget in. There was an unwillingness in Congress to vote, particularly for some of the spending cuts that were in that. And he has said, all right, the ball is in Congress's court; you put a budget together under the budget law, under reconciliation, and send it back in, and we'll take a look at it and decide.

MR. UTLEY: Okay, let's get specific again. You say he won't accept 33 percent. Would he accept a 30 or thirty--

MR. SUNUNU: We're not going to play the number game.

MR. UTLEY: Period?

MR. SUNUNU: We're saying we came to an agreement with the summit. That is the reference point. We'd like a budget, the president would like a budget, as close as possible to that. Congress, the House and the Senate, are now going through the machinations that they have to go through to get to reconciliation.

MR. MURRAY: Now, the Senate Finance Committee has put out a bill that is very close to the original budget agreement. It increases gasoline taxes, liquor taxes, cuts Medicare. I want to make sure that we understand the White House position on this.

MR. SUNUNU: It's a much better reference point for reconciliation than the House package.

MR. MURRAY: You accept that bill?

MR. SUNUNU: We don't accept that per se; but we believe in reconciliation that can be brought even closer to the summit agreement--and that package would be acceptable.

MR. MURRAY: Governor, I have read dozens of--I'm sorry. Go ahead.

MR. SUNUNU: I want to make one thing clear. The confusion of the last week was not the president's. The president has said he likes the summit package; he wants the solution as close as possible to the summit package. It's Congress drifting back and forth trying to find variations of the theme, that is, trying to find some combination to send to the president, that is having trouble deciding where it wants to be.

MR. MURRAY: But, Governor, I have read dozens of column inches on this subject--

MR. SUNUNU: So have I.

MR. MURRAY: --seen hours of political talk shows in the last few days. I'm sure you have, too. And every commentator--Republican or Democratic, liberal or conservative--has called this a disaster for the president. They say the president has seemed to vacillate; the president has seemed to lack conviction on this issue. How did it happen?

MR. SUNUNU: The president has--I go back to what I said earlier. He has stood firm--that what he wants is something as close to the summit package as possible. That's not a vacillation; that's not a movement. It is saying we worked long and hard to come an agreement with the Democratic and Republican leaders of Congress. The problem has always been a problem of Congress being able to muster the political will to vote for a tough package.

We are six months late in the process. We wouldn't be here if the president hadn't take the lead, brought the summit together; and if we hadn't worked with the leadership long and hard to bring a package to the point we have it.

It came to the floor. Congress was unwilling in particular to vote for the spending cuts. You cannot have $500 billion worth of budget deficit reduction without having a tough vote to cast. And they just didn't want to cast a tough vote.

MR. MURRAY: All right. Let me ask you a political question. The House Republicans feel that you have put them in a politically impossible bind. You've taken away--we're just a couple of weeks before an election; you've taken away what they considered their best campaign issue, which was the no-new-tax pledge. But at the same time you have refused to go along with any kind of an increase with tax rates on the rich.

So it looks like you're for increasing taxes as long as the taxes aren't on the wealthy. Isn't that a formula for Republican defeat at the polls?

MR. SUNUNU: We're opposed to playing around with the income tax rate for Americans across the board. The House package as it came--as it is now called, the Ways and Means package that came out--I believe it's the Rostenkowski package--has, in fact, a delay in indexing, which is playing around with income tax rates across the board, in fact. There's a change in the load on Americans from top to bottom.

It is not appropriate to start playing around with tax rates at a time when what you have is a package that doesn't need to play around with tax rates.

MR. MURRAY: But these are Republicans making this complaint--your own party.

MR. SUNUNU: Both Republicans and Democrats are complaining.

MR. BRODER: Governor, in the 1988 campaign, the president liked the song "Don't Worry, Be Happy." Is that--

MR. SUNUNU: No, the press liked the song "Don't Worry, Be Happy."

MR. BRODER: Is that your message to Republicans and to the American public today: "Don't Worry, Be Happy?"

MR. SUNUNU: No. The message is that we are going through a very difficult time in terms of making legislation that will impact the deficit. No one said it would be easy. The president recognized he'd have to cash political capital in doing this. He didn't like eating the tax broccoli package that he was forced to eat a while back; but he said he would do it in an effort to get a deficit reduction package.

At each step of the way, he's stood up and done the tough thing politically. It is not Congress's turn. They have to move through this process and get to reconciliation and send the president a budget package that makes sense. If it is a good package, he'll sign it; if it's not, he'll send it right back with recommendations for change.

MR. BRODER: What have you learned out of this experience?

MR. SUNUNU: That Congress does not like summitry.

MR. BRODER: Have you learned anything about the way you do your job?

MR. SUNUNU: I've learned that there are times where Congress would prefer to have us send packages down that are full of sweetness and light; and that when the tough package comes down, it's an awfully tough thing to deal with--that when you debate that issue in detail intensely, that if it is a very tough issue, they're not going to be happy with the debate.

MR. UTLEY: But, Mr. Sununu, you're putting all the responsibility these days on Congress. What I think we're all trying to--

MR. SUNUNU: As it is constitutionally, Garrick.

MR. UTLEY: All right. But as we look at it right now--

MR. SUNUNU: But don't just waive the fact that, well, it's a constitutional responsibility.

MR. UTLEY: Of course, it's part of the Constitution; they are the two ends of Pennsylvania Avenue--we know that. But you seem to deny that any of this responsibility lies at the doorstep of the White House.

MR. SUNUNU: No. The White House did accept--the president did accept the responsibility. He put the summit together. He accepted changes in the way the summit would be structured to allow revenue to be discussed. He came forth with the summit leaders, with a package that is clear and well-defined. It has significant spending cuts in it. It has cuts in defense, but levels that are appropriate. And it has some revenue increases in it. That was sent down to Congress.

Congress had a chance to vote on it; and didn't want to cast the hard vote.

MR. UTLEY: Look, a few minutes ago, you said this whole budget process has been about six months too late. Isn't the fact, really, that it's a year or two years or several years too late--that this was wasted time that really started back in 1988 with the president's presidential campaign?

MR. SUNUNU: No. Each year the president sent down a budget that would address the deficit. In fact, the last budget he sent down included some significant cuts in spending that Congress didn't want to vote on then. They wouldn't even bring it to the floor because of the spending cuts.

MR. UTLEY: Well, if it's all like this--black and white, White House and Congress--how do you explain what's happened in the latest polls that are coming out? Newsweek, New York Times, CBS polls are all showing a sharp drop in the public attitude towards George Bush, the way he's handling--

MR. SUNUNU: And Congress.

MR. UTLEY: And Congress.

MR. SUNUNU: And Congress. And the public is unhappy at the way the system is operating.

MR. UTLEY: Right--

MR. SUNUNU: An interesting statistic from the polls, since you brought it up, is that when you ask people whose fault is it that we have a problem in getting a budget, 60 percent say it's Congress, 20 percent say it's the president. We're not going by the polls. But don't misunderstand the fact that the American public does realize that it is Congress's muddling around and trying to avoid a vote right now that's creating a great deal of the difficulty.

MR. UTLEY: And you're saying that, these polls notwithstanding, the president doesn't share a certain burden of responsibility?

MR. SUNUNU: The president sent a budget up; the president then sent a budget up with the summit. Right now, the responsibility is in the congressional committees and the floor of Congress to vote a reconciliation package, a budget package. The president doesn't get a vote on the floor. The president doesn't get a vote in the process until it's his opportunity to decide whether he accepts it or not. And when Congress sends a package, the president is back in the loop.

MR. MURRAY: Governor, you personally have made a fair number of enemies in Congress over the last three weeks. Do you think that has undercut your effectiveness, your ability to do your job as White House chief of staff?

MR. SUNUNU: I don't think so. I think that I realized, the president realized, we all realized that in trying to get Congress to cast this difficult vote, a little china would have to be broken. There are people you have to encourage one way and folks you have to encourage another way. And that's part of my job.

MR. MURRAY: Do you think you've just been made a scapegoat?

MR. SUNUNU: No, no. I probably am as bad as they've all said I am.

MR. BRODER: Governor, there are people in Congress who say that the president, given the condition of the economy, given what's happened to his polls, cannot afford to veto another budget. Is that your view?

MR. SUNUNU: No, that's another way of saying that Congress is going to find a way to send a budget down without making a hard vote; and it's going to be the president's responsibility to accept it.

He's gone this far. I don't believe that the president is of a mind to do that. In fact, I'm positive he's not. He wants a budget solution that is a good solution; and a bad solution will not improve the economy.

MR. BRODER: What's your scenario for next weekend when the time table expires?

MR. SUNUNU: I suspect that they'll go into--the House will pass one version, the Senate will pass another version; they'll go into conference and the president will be, at that point, actively trying to make recommendations to them how to get a package down--a combination of the package, a reconciliation of the package, that will make sense. And I think that's where the final, if you will, political exchange of ideas will take place. And I hope that over a relatively short period of time, the conference will reconcile not only the House Senate differences, but the legislative executive branch differences.

MR. BRODER: What are the odds that we'll have another shutdown of government a week from today?

MR. SUNUNU: Probably relatively high--as that conference will not be completed. On best estimate, that conference will have difficulty in being completed by midnight Friday.

MR. UTLEY: And if it's shut down--the president is ready to do that?

MR. SUNUNU: We hope that Congress works quickly to come to a conclusion and send a package to the president he can sign.

MR. UTLEY: I think we've heard this song before, Mr. Sununu.

MR. SUNUNU: Play it again, Sam.

MR. UTLEY: We'll be right back with more questions about the budget, other questions of foreign and domestic policy, with John Sununu, as we continue here on "Meet the Press."

MR. UTLEY: We're back now on "Meet the Press." David Broder, Alan Murray and I are talking with John Sununu, the White House chief of staff. Governor Sununu, let's go to the Persian Gulf crisis. The Pentagon now says that there are 200,000 or more American servicemen and women in that part of the world. The polls are showing that although a majority of Americans still supports the president's policy, there is an erosion now with time. How long do you think that the president's going to have the people behind him?

MR. SUNUNU: Well, there should be no surprise that over a period of time support for something like that does erode. I think the president's understood that all along. He's also understood that there was a fragile nature to the international coalition over a period of time, and yet the fact is that his commitment to making sure that no aggression of the kind of the Iraqi invasion of Kuwait shall allow that to go with reward. And the fact is that he is going to do what he has to do over whatever length of time it is to accomplish the goals he laid out.

MR. UTLEY: But he can do what he thinks he has to do only if he has pretty strong American public opinion and commitment behind him. Do you think the president--or is the president going to have to articulate in a more precise way sort of stage two of where we are and were we are going in the Persian Gulf?

MR. SUNUNU: I think there's going to have to be a--over a period of time--a constant re-establishing of the dialogue, the direct dialogue, as to why we're there by the president, and I think he intends to do that. It's not necessarily to be done now, but at another point in time it should be done.

MR. MURRAY: Governor, the Persian Gulf crisis has now driven oil prices over $40 a barrel. The stock market is falling sharply. Unemployment is rising. Most people think we are headed for a recession, according to polls. What's your assessment of where the economy is right now?

MR. SUNUNU: Well, the best thing to do is to pass the $500-billion deficit reduction package and hope that we get the drop in interest rates that the Fed has indicated might be forthcoming then, and hope that that gives the economy a shot in the arm.

MR. MURRAY: What I'm told from people at the Federal Reserve is that if there's a budget package, you get something like a quarter percentage point drop in short-term rates. Is that what you're talking about? Is that enough to get the economy going again? Or are you looking for something much more than that?

MR. SUNUNU: We're hoping for both a short-term and long- term movement in the downward direction.

MR. MURRAY: But how large?

MR. SUNUNU: That's for the Fed to make the final decision on, of course, but we're hoping for significantly more than you've raised.

MR. BRODER: Governor, the Israeli cabinet this morning said that it would not cooperate in any way with the investigation that the United Nations has ordered into the killings two weeks ago, 10 days ago. Is the United States prepared to use its influence with the Israeli government to change that view?

MR. SUNUNU: David, I haven't seen that report, and I haven't had a chance to just hear it discussed, or discuss it with Brent Scowcroft, Secretary of State Baker or the president, so I don't want to comment on that.

MR. BRODER: Without being that specific, then, how concerned is the administration that this focus on the Israeli action has the potential of disrupting the whole strategy for putting international pressure on Saddam Hussein?

MR. SUNUNU: The administration's been reluctant to have a linkage of the Gulf crisis and the broad Middle East crisis. They have tried to resist any direct tying of that, because the president and the secretary of state did not feel that would be a productive way to solve either of the problems. They also understood that through actions that might not be directly related to either, there would be a constant effort to tie them together. They're going to try and resist that linkage. They're going to try and work the two problems separately, knowing full well and good that there will be this constant effort to tie them together, and I can't tell you specifically what will be done at what point, but that's the general theme in the approach they've taken.

MR. BRODER: Are you planning to go back to the U.N. this next week to seek additional sanctions or actions against Iraq?

MR. SUNUNU: There's been discussions of going back to the U.N. As to the specific time, I can't tell you. But there are some concerns in particular about the terrible things that have been done in Kuwait, the dismantling of a population, the atrocities that have taken place there. The president feels strongly that they ought to receive international condemnation, and there's been discussion of putting together a proposal for a resolution in the U.N. addressing that in particular, among other things.

MR. UTLEY: Let me come back to a point that Alan Murray was touching on. That is, with the oil prices up to $40 a barrel or more, the recession that is here or is coming, there's going to be added pressure to do something about Iraq and the Persian Gulf--to get off the dime, so to speak. Either there's going to be a war, and the thing is settled one way or the other, or the signal is clearly sent there is not going to be a war and let the true supply and demand forces come into play. Isn't it really an intolerable situation we have to face now, that the president or the government has to face this sooner rather than later?

MR. SUNUNU: Well, this is a difficult situation. No major issues of this nature are ever easy. The president made the tough decision in deciding to defend Saudi Arabia and sending our troops over there. He made the tough decision in urging international participation, so there's an international force there. And at some point, if there's a provocation, they'll have to respond; if not, they will hope that the sanctions do their--put the pressure on Iraq to achieve the withdrawal.

MR. UTLEY: You can also say in a certain way that $40 a barrel for oil is a provocation, an economic provocation, of a sort. So you say at some time we have to address that. But isn't that time coming sooner rather than later?

MR. SUNUNU: Garrick, you're sounding bellicose now. I suspect that if the president did something, you'd sound on the other side of the issue.

He'll make that decision when he--whatever decision he has to make, he'll make on the basis of the situation at a given moment; and what he foresees has to be done to deal with the problem in the future. That's what makes the presidential decision a tough one.

MR. MURRAY: You know, because of these economic problems in part, the president has insisted from the beginning that the budget package be a, quote, pro-growth budget package. But now that he's given up on his insistence on a cut in the capital gains tax, is there anything in this package, other than your hope that Alan Greenspan and the Federal Reserve will lower interest rates efficiently--is there anything in the package that will help the economy over the next 12 to 24 months?

MR. SUNUNU: Well, some of the important things that are not in the package that the president is fighting to keep out are part of it. You don't want to have a tax structure that is anti-growth. You don't want to play around with incentives on the private sector side. You don't want to play around with personal income tax rates--that's one of the reasons he's opposing that. There are some incentives for energy exploration in the Senate package which we hope stay in there and we will work hard to keep in there. And we want very much to try, even in the reconciliation in the conference, to get some of the incentives for the economy back into the package.

MR. BRODER: We've got three crises going here--an international crisis in the Persian Gulf, a budget crisis, and probably an economic crisis at home.

In this week the words that are going to be remembered from President Bush are "Let Congress clear it up" and "Read my hips." Is that the best you can do?

MR. SUNUNU: Well, what we hope that people will understand is that Congress does have the responsibility at this stage. The president took his responsibility at the front end, came up with a package. The president will be back in making specific decisions when this comes to him from the conference. We will try and communicate into the conference preferences. But to try and press again into Congress a new presidential package when the first summit package was seen as being a summit package, and that was part of the burden it carried, wouldn't be productive.

The idea is to get a solution to the problem. If we get a budget reconciliation package through and the president can sign it, that will be a very important solution to the economic side of the problem you've underlined.

MR. UTLEY: Do you think this week will be better than last week for the president, in terms of his quotes, such as "Read my hips," as well as the substance?

MR. SUNUNU: You always hope that tomorrow is better than today, next week better than last week, and next month better than the month past--even when things are going well.

MR. UTLEY: John Sununu, thank you very much for being with us this morning here on "Meet the Press."

In a moment, David Broder, Alan Murray and I will be back with some personal observations.

(Announcements)

MR. UTLEY: Back on "Meet the Press" now, Alan and David listened to John Sununu, the White House chief of staff. The refrain from the White House is: the ball is Congress's court, that's where it all happens, don't look to us at the White House right now.

David, you've been around the country. Are the people buying that?

MR. BRODER: People are not very happy, as Governor Sununu pointed out, with Congress. But people expect a president to lead when the country is in trouble. The big fact in their lives is the slide into recession which they can feel--and the impression that the president is not in charge is both politically damaging to him and very worrying to people.

MR. UTLEY: And what's the economic impact on all of this if there isn't an agreement by Friday?

MR. MURRAY: Our economy depends vitally on confidence--the confidence of people that they'll have a job next month, confidence of investment that their money is safe, confidence of businesses. And they've seen this confidence eroded steadily over the last year--the savings and loan crisis, the Middle East crisis, now the budget crisis.

What they need from Washington is a sense that somebody is in charge--and they don't have right now.

MR. UTLEY: All right. They have Congress and the president; somebody's in charge. Friday deadline--there's supposed to be an agreement. We've seen these deadlines fade before. Will there be an agreement, or does government get closed down again?

MR. BRODER: I think there will be an agreement. The sense that I get from what Governor Sununu has told us is that, if it is as tilted toward the hit on the upper brackets as the Democrats would like, the president will probably veto it and shut the government down again.

MR. MURRAY: There's an enormous amount of work to be done. If I were a government employee, I think I would start thinking about a holiday next Monday and Tuesday.

MR. UTLEY: Any bets as to what we'll be talking about next Sunday on "Meet the Press," gentlemen?

Tune in. David, Alan, thanks for being here.

Finally, let's contemplate our world this Sunday. In the Persian Gulf, the American forces now reach 200,000; and we are still tottering on the precipice of war. In this country, there has clearly been a failure at the top over the budget. Is there a connection between the two? You watch what happened in Washington this past week and you start to think about such things as credibility, decisiveness--in a word, leadership.

And it's not just Americans who start to ask questions about leadership. Those overseas are watching, too, and they include Saddam Hussein. You wonder how does he read events here. What does he think about all this? George Bush has established his credibility by sending the troops to the Persian Gulf and by organizing the international choke collar around Saddam's neck. But if the president is weakened at home in the political blood sport of the budget, he could be weakened in his face-to-face with Saddam Hussein.

Yes, they are separate issues, but they share a key element. At the center of each is the credibility of American leadership; and at the very heart of that is the performance of the president. Last week was a bad week. Tomorrow, as they say, is another day. Perhaps things will go better at the White House and in Congress. People are watching--and they include Saddam Hussein.

I'm Garrick Utley. I hope you join this evening for "NBC Nightly News" and again next week for "Sunday Today" and "Meet the Press."

P. Bud

Marriott Dinner
Wednesday, November 28, 1990

Invite List:

1. Governor John Sununu - A
2. Bill Bennett - A
3. Andy Card - A
4. Ed Rogers - A
5. Vice President Quayle - A (reception only)
6. Bill Kristol - A
7. Fred Malek - A
8. Ken Duberstein - A
9. Rich Bond - A
10. Secretary Skinner - A
11. Secretary Baker - **R**
12. Secretary Brady - A
13. Secretary Mosbacher - **R**
14. Haley Barbour - **R**
15. Charlie Black - A
16. Roger Ailes - A
17. Governor Jim Thompson - **R**
18. Wally Ganzi - **R**
19. Larry Bathgate - A
20. Tom Loeffler - A
21. Senator Mitch McConnell - A
22. Senator Phil Gramm - A
23. Bill Harris - A
24. Craig Fuller - **R**
25. Guy Molinari - A
26. Bob Teeter - A
27. Mary Matalin - A
28. Dick Darman - A
29. David Carney - A
30. Mitch Daniels - **R**

ONE HUNDRED FIRST CONGRESS

U.S. House of Representatives

COMMITTEE ON THE BUDGET

Washington, DC 20515

December 5, 1990

P-Bud

To: All Republicans

From: Bill Frenzel

Subject: Budget Agreement

Enclosed: New York Times article, December 5, 1990

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1. Bob Michel has already written of the House Democrats' attempt to welsh on the Enforcement provisions of the Agreement by amending the House Rules to require the use of CBO estimates rather than OMB's.

This is a gross violation of the Agreement before the ink is even dry. If this rule is adopted, no Republican can ever trust any agreement, however insignificant, made with Speaker Foley, Majority Leader Gephardt, or Chairman Panetta.

It is one thing to be out-negotiated, another to think one has a "good" deal when it isn't good, but it is quite a different issue to make a deal and then welsh on it.

I sat in on all the enforcement negotiations. This provision was hotly debated up to and including the final night. There was no misunderstanding, nor lack of clarification. The Democratic leadership, including Congressmen Foley, Gephardt, and Panetta, agreed to OMB scorekeeping, and knew exactly what they agreed to.

If the Democrats get away with this cheating, Republicans should drop out of the game. There is no sense in dealing with people who can't keep their word.

2. The New York Times article attached, in my judgement, sets the direction for Republican efforts next year.

The hogs, including our own, are already crying "foul." Allegations of "miscalculation" or "technical error" are, I believe, unwarranted. Nonetheless, there will be an even worse howl from Democrats on the Appropriations Committee.

Here again, the agreed limits were well known and were spread on the record long before the Agreement was passed in OBRA 1990.

Republicans, in the Pursell-Kasich Report, demanded far deeper cuts in domestic discretionary spending. It is my fervent hope that Republicans, and the President, will hold firm on the agreed limits. That means no changes, no emergencies, and a strict adherence to Pay-Go requirements.

3. I wish all of you a frugal and curmudgeonly 1991. Remember, a trillion saved is a trillion earned.

Bill Frenzel

Miscalculations Put a Tight Lid On '92 Budget

By ROBERT PEAR

Special to The New York Times

WASHINGTON, Dec. 4 — Bush Administration officials said today that they had discovered that less money would be available for new domestic spending in the 1992 fiscal year than White House and Congressional budget negotiators had expected.

The discovery reflects the fact that new budget procedures and spending limits were set in an atmosphere of confusion at the end of October. The negotiators were juggling large sums of money, and there was apparently a miscalculation, the reason for which is not yet clear. Another factor is that Congress was at the same time adding money to the Federal budget for the 1991 fiscal year, which began Oct. 1.

Assigning the Blame

As a result, there is less room for growth in the next fiscal year than the negotiators thought they were allowing. In fact, Administration officials said today that spending limits set in the new budget law were slightly lower than the amount needed to continue the services at existing levels, and hardly any money would be available for new domestic initiatives.

So far, there has been no finger-pointing, but budget officials and Congressional aides said that could come later.

The fact that the budget agreement's limits on domestic spending are tighter than people realized came to light in a memorandum sent to Cabinet officers by President Bush's budget director, Richard G. Darman. In responding to their budget requests for 1992, he said they had not caught up with "the new world of firm, fixed (and lower!) domestic discretionary spending caps," or limits.

He also scolded them, saying that they had submitted excessive budget requests for 1992. He said the Cabinet officers had displayed "near-universal expectations" that cuts would come in someone else's programs.

Mr. Darman and Congressional leaders set the domestic spending cap at $191.3 billion for 1992. They thought they were allowing a cushion for new spending, because the 1992 limit was nearly $30 billion more than the amount spent in 1990. But a late burst of appropriations pushed the 1991 spending close enough to the limit to eat up most of the cushion.

A Shocking Surprise

In addition, Presidential appointees at several Cabinet departments said they had been told by Mr. Darman's staff that there had been "a miscalculation" or "a technical error" in computing the new limits for domestic spending.

"I have every reason to believe that this came as a surprise to Darman," said a senior official at one of the bigger Federal agencies. He spoke on condition of anonymity.

When White House and Congressional negotiators set the statutory limits on domestic spending for the next fiscal year, they envisioned small increases, in addition to increases to make up for inflation, in education, housing, law enforcement, environmental protection, scientific research and other national needs.

The chairman of the Senate Appropriations Committee, Robert C. Byrd of West Virginia, said at the time that domestic spending programs were the "little runt pig" of the budget, had been starved for 10 years and would now get their "fair share" of Federal funds.

The budget bill signed by Mr. Bush on Nov. 5 established new budget procedures, including separate limits on "discretionary spending" for domestic, military and international programs. Congress sets the level of such spending by passing appropriation bills each year. Discretionary spending differs from spending on benefits like Social Security, paid automatically to people who meet certain eligibility criteria.

In his memorandum to the heads of Federal departments and agencies, Mr. Darman said he had "received and reviewed all agencies' budget requests for domestic discretionary programs" in the next fiscal year. "Unfortunately," he said, "the total requested for fiscal year '92 exceeds the legally binding cap by over $20 billion," or more than 10 percent.

"The excessive agency requests (in

> 'There was a one-year orgy, and now the chickens are coming home to roost.'

aggregate) would seem to have resulted" from "near-universal expectations that somehow cuts in someone else's area would be used as offsets" against increases in programs cherished by each Cabinet Secretary, Mr. Darman wrote.

Officials at the Office of Management and Budget and the Congressional Budget Office said Congress had already approved policy changes that would push Federal domestic spending above the new ceiling.

'A Big Windfall'

A White House official said the 1992 budget would be tighter than Mr. Darman and Mr. Byrd initially assumed, in part because Congress approved "a big windfall" in domestic spending for the 1991 fiscal year just before adjourning.

As a result, he said, there will be substantial increases built into the budget for 1992, and those increases will eat up virtually all the funds available under the spending limit for domestic programs. The spending levels approved by Congress in one year are used as a starting point in preparing and analyzing budget requests for the next year.

"There was a one-year orgy, and now the chickens are coming home to roost," said a White House official, noting the increases in 1991 appropriations for many domestic programs.

Congress provided $182 billion in the 1991 appropriations bill for the Departments of Labor, Education, and Health and Human Services, up 14 percent from 1990. Spending for Federal highway projects will be allowed to rise more than 18 percent, to $14.5 billion in 1991. Congress approved a 9 percent increase in appropriations for energy and water projects, to $20 billion in 1991.

As a result of such increases in the current fiscal year, the White House and Congress will have little opportunity to spend money in creative new ways next year. They are already near the 1992 spending limits for domestic programs.

"We thought we would be in the land of milk and honey, with plenty of money to spread around in fiscal 1992," said the budget officer of a Cabinet department with many popular domestic programs. "But there was evidently a miscalculation of the spending caps. When the Administration and Congress were discussing those limits for 1992, they didn't know exactly what the 1991 appropriations would be."

Mr. Darman warned Cabinet officers to get ready for a new climate of fiscal austerity. The President's 1992 budget, which is to be submitted to Congress in two months, "will have to be far below agency requests, in aggregate," he said in his memorandum. "We must obey the legal limits on domestic discretionary spending."

Under the new budget law, there would be automatic across-the-board cuts in scores of domestic programs if the spending levels approved by Congress exceeded the statutory limit for domestic discretionary programs.

BOB DOLE
KANSAS

United States Senate

OFFICE OF THE REPUBLICAN LEADER
WASHINGTON, DC 20510-7020

FACSIMILE COVER SHEET

Bud TIME: 10:30 DATE: ____________

TO: SUNUNU

FROM: Sen Dole

RE: ____________

13 PAGES TO FOLLOW THIS COVER SHEET

COMMENTS: ____________

SENT BY: ____________

TELEPHONE: (202) 224-7771 FACSIMILE: (202) 224-3163

PLEASE DELIVER A.S.A.P.

132 Cong Rec H 8419 Thursday, September 25, 1986

Mr. DUNCAN. Madam Speaker, I yield such time as he may consume to the gentleman from Pennsylvania [Mr. Ritter].

(Mr. RITTER asked and was given permission to revise and extend his remarks.)

Mr. RITTER. Madam Speaker, I rise in strong support of the conference report.

Mr. ROSTENKOWSKI. Madam Speaker, I yield 3 minutes to the gentleman from Missouri [Mr. Gephardt].

Mr. GEPHARDT. Madam Speaker, Barber Conable, an honored Member of this body who now has gone to be the head of the World Bank used to say about some pieces of legislation, "There's something in this legislation that everybody can hate."

I have not seen a piece of legislation like this one where there are so many things that people have objections to; but I understand it, because it is a big piece of legislation. There are hundreds of things in this bill that you can find that you do not like. There are things in it I do not like, that I disagree with, and I have been talking about tax reform with the gentleman from New York [Mr. Kemp] and others for a long time.

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As the gentleman from New York [Mr. Downey] said, "I think we have got to step back from the trees that we are looking at so closely and look at the forest, and look at the good things that are done in this bill." If you will do that, I am convinced you will vote for it, because there are some very important good things that come out of this bill.

First, fairness. It has got a minimum tax, the best minimum tax we have ever had. It makes me angry, that 250 families earned over $1 million last year and paid no taxes. It makes me angry that corporations in this country that make millions of dollars get by with paying no taxes; many of them do not even want that to be the case.

This bill makes sure that does not happen anymore. It does give a tax cut, and importantly it gives it to ordinary, average taxpayers. It does not give the lion's share to the people at the top. It helps people at the bottom; 6 million people off the tax roles, at the bottom, and an 8- or a 9-percent tax cut to people in the middle, the people that we are supposed to be worrying so much about; and much less tax cut to people at the top.

Third and most important, we would stop the trend of the last 25 or 30 years of every time we do a tax cut doing it by giving this group and this individual and that group a tax cut, a tax loophole, a tax preference, and keeping

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and that group a tax cut, a tax loophole, a tax preference, and keeping everybody's tax rate up to pay for those individual treatments.

This changes that whole trend and moves us to a fairer and simpler Tax Code.

Now we all have to make a decision; we have got to look at the good and the bad and decide which is predominate, which is the most important. I just ask you today as you make this vote to not think of all the lobbyists and all the representatives who are legitimately here who have been talking to you for the last 3 weeks, or maybe the last 3 years about this tax bill; and remember the lobbyist you have not seen here is the lobbyist for the average, ordinary taxpaying family in this country. That lobbyist is not here. You have not heard from them. You are the lobbyist for that individual, that family, and that family wants you to stand up for them today and I hope you will.

Mr. ROSTENKOWSKI. Madam Speaker, may I inquire as to how much time is remaining?

The SPEAKER pro tempore. The Chair will inform the gentleman from Illinois [Mr. Rostenkowski] that he has 7 minutes remaining, the gentleman from Tennessee [Mr. Duncan] has 11 minutes remaining, and the gentleman from Texas [Mr. Archer] has 7 minutes remaining.

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did.

Mr. ROSTENKOWSKI. Madam Speaker, I yield myself 2 minutes.

Madam Speaker, almost 16 months, to the day, I sat in a room off the Chamber and answered the President of the United States in his plea for tax reform. The President was looking to this Congress to right some wrongs that have been in the code for many years. I take great pride in the fact that we answered with bipartisan effort.

We asked the American people how they felt about the code, and their response was overwhelming: "Get fairness into it." As the President put it: "Let's go for it." Go for it to help the American farmer. Go for it to help the wealthy doctor. But most of all, go for it to help middle-income America and the poor.

That was not a Democratic issue and it was not a Republican issue. So we plotted and prodded and I think this afternoon we recognize that tax reform is a bipartisan issue. It was the Ronald Reagan and the Tip O'Neills, the Jim Bakers, and the Don Regans. It was all of them who worked for today. The Bob Doles, the Bob Packwoods, and the Dick Gephardts and the Bill Bradleys, it was the Jack Kemps and the Bob Kastens. It was all of us.

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So here we are, trying to decide this afternoon what we are going to do about fairness and equality in the code.

We have got to answer that mandate. This afternoon we are going to let the American people know that their legislative process is working; that when they request of their leaders in Washington a change, that we respond.

Today we celebrate for that American that needs help.

I say to my colleagues, it is high time that we do it.

Madam Speaker, I yield 5 minutes to the gentleman from Massachusetts [Mr. O'Neill], the Speaker of the House of Representatives.

Mr. O'NEILL. Madam Speaker, I rise in support of the tax reform conference report.

This is an historic moment in the House. We are about to vote on the final passage of the most sweeping tax reform legislation in the history of this Nation. If we approve this report today, the 99th Congress will assume a special place in the history of this country. This will be the Congress that accomplished what eluded all the 20 preceding Congresses that talked about the comprehensive tax reform but failed to enact it.

For me, this is a decision of a political lifetime. I first ran for Congress in 1952. I remember my party platform. We pledged the continual effort toward the elimination of tax loopholes. To quote from that platform: "Justice requires the elimination of tax loopholes which favor special interests." That was in 1952 when the business corporations of America paid 40 percent of the taxes of America, and yet we can see how down the line, through the ingenuity of tax experts that the corporations of America now pay between 5 and 8 percent of the tax bill, and the largest employer in my district pays no tax, but his 8,000 employees pay a tax.

It is not fair. That is what the American people have said. It is not fair.

I am talking about 1952. Each party, both sides of the aisle, in our platforms have said and promised the American public that we were going to close the loopholes.

In 1960 my close personal friend, Jack Kennedy, was the President of the United States. We still talk about the Kennedy tax bill, how it stimulated the economy of America. That tax bill was meant to be tax reform and yet the Kennedy proposal for comprehensive reform was brushed aside. The people at that time said that tax reform is just too difficult, too hard. Reform will have to wait. Year after year, reform has had to wait.

Ever since, many people have spoken beautifully of building a fairer tax system. Of the overall objective, all have generally agreed, on both sids of the aisle, we should reduce the number of special loopholes so that we can reduce the taxes of the average American taxpayer, the person who does not have a whole division of accountants and tax attorneys helping either him or her.

My friend, the gentleman from Illinois, Dan Rostenkowski, said on national television 2 years ago that the average fellow, that average honest taxpayer, has begun to think of himself as a chump. The big boys have had all the tax loopholes, yet he, the average American taxpayer, is stuck with a big withholding taken out of his tax every week.

In all the years that I have been in Congress, the majority of us have agreed on the need to help this average American citizen, this middle class fellow. We have all agreed on the idea of tax reform, but after agreeing on the idea of tax reform, every Congress since 1952, has adjourned without doing anything about it.

eliminates 6 million people from the tax rolls. Instead of adding burdens to those on the bottom, it reduces taxes for millions of low-income people. Just think of the poor person at the bottom. He pays an income tax and he pays a Social Security tax. He may pay $400 or $500 or $600, but if you eliminate that, it could be the difference in getting out of the rut that they have been in for so many years. Over 5 years it would cut the taxes of the lower income people by $40 billion. It gives them an incentive to work and to support themselves. It is a $40 billion program of economic relief and economic opportunity.

I have been around here for years and I have seen the fight on poverty. I have seen what we have done on poverty, but this is the best antipoverty bill that has been in this House, I would have to say, in at least half a dozen years.

It is a fair bill. It shifts the burden of taxation from the average individual taxpayer to those who have avoided taxes through the years.

It opens the windows of economic opportunity by plugging loopholes of inequality.

Now, this is not a partisan measure. It took a great deal of effort to overcome the giant barriers to reform. It took the Bill Bradleys, the Dick

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Gephardts, and Danny Rostenkowski, who were out there selling this gospel and all the members of the committee. It took the White House and the Treasury Department to respond of fairness, an issue raised in the arena of partisan debate, and to produce a measure that made tax reform a bipartisan matter. That is what this is, a bipartisan matter.

Most of all, it took the efforts of Members of the House. I am so proud of Dan Rostenkowski, to meet this great body's responsibility under the Constitution of the United States.

Like it or not, when you were elected to the Congress of the United States, you accepted a duty to ensure that this country has the best and the fairest Tax Code.

Now the time has come. Today, this particular Congress has devoted more time, more energy, more emotion to keeping this pledge that both parties have made for so many years. The time for debate is over, so is the time for offering refinements or modifications or amendments.

There are no multiple choice questions. The choices are down to two. You vote "aye," you set in place a new comprehensive Tax Code.

You vote "no," you add a layer of fresh cement on a tomb that will encase the foundations, and you will not talk about tax reform again for years.

My colleagues, we have come too far down the road now to waiver. We have accomplished too much to give it up. We have struggled too long to fail now.

Let us say "yes" to change. Let us say "yes" to fairness. Let us say "yes" to a brighter new day for the American taxpayers. Let us not wait another 50 years for reform. Let us move forward by voting "yes" on this bill today.

Mr. WEISS. Madam Speaker, I rise to express my admiration for the distinguished chairman, the gentleman from Illinois [Mr. Rostenkowski], for a phenomenal accomplishment.

MADAM SPEAKER, I RISE IN RELUCTANT OPPOSITION TO THE CONFERENCE REPORT ON H.R. 3838, THE TAX REFORM ACT OF 1986.

THE CASE FOR MEANINGFUL TAX REFORM CONTINUES TO BE STRONG AND UNDENIABLE. IN RECENT YEARS, BOTH BIG BUSINESS AND THE WEALTHIEST INDIVIDUALS IN OUR NATION HAVE BEEN ABLE TO AVOID PAYING THEIR FAIR SHARE OF TAXES BY EXPLOITING LOOPHOLES, EXEMPTIONS, AND PREFERENCES. THE LATEST FIGURES DEMONSTRATE THAT 130 OUT OF 250 PROFITABLE CORPORATIONS FAILED TO PAY ANY FEDERAL INCOME TAX IN AT

132 Cong Rec H 5932 Monday, August 11, 1986

The SPEAKER pro tempore. Under a previous order of the House, the gentleman from California [Mr. Panetta] is recognized for 5 minutes.

MR. PANETTA. MR. SPEAKER, I AM INTRODUCING TODAY A RESOLUTION AUTHORIZING THE PRESIDENT TO DESIGNATE THE WEEK OF APRIL 12-18, 1987, AS "NATIONAL WEEK OF THE AMERICAN TAXPAYER."

THIS, OF COURSE, IS THE WEEK IN WHICH APRIL 15 FALLS, WHICH IS THE TIME BY WHICH MOST AMERICANS ARE REQUIRED TO FILE THEIR INCOME TAX RETURNS. IT IS AN APPROPRIATE TIME TO PAY RECOGNITION TO THE AMERICAN TAXPAYER, ON WHOSE SHOULDERS RESTS THE BURDEN OF PAYING FOR GOVERMENT AND ON WHOSE HARD WORK THE VITALITY AND SECURITY OF THIS NATION DEPEND.

IT IS ESTIMATED THAT THE TAXPAYERS OF THIS NATION WILL PAY MORE THAN $1.258 TRILLION DURING 1986 IN FEDERAL, STATE, AND LOCAL TAXES. THIS IS SOME 30 PERCENT OF OUR ENTIRE GROSS NATIONAL PRODUCT. CLEARLY, THE COSTS OF GOVERNMENT AT ALL LEVELS HAVE COMBINED TO IMPOSE AN ENORMOUS WEIGHT ON THE AMERICAN PEOPLE.

WHAT MAKES THIS TAX BURDEN PARTICULARLY ONEROUS TO SO MANY PEOPLE IS THE PERCEPTION THAT IT FALLS DISPROPORTIONATELY ON THOSE WHO ARE LEAST ABLE TO AFFORD IT -- MIDDLE- AND LOW-INCOME TAXPAYERS. THE TAX REFORM EFFORT WHICH IS NEARING A CONCLUSION HERE IN CONGRESS IS A RESPONSE TO THE UNFAIRNESS AND

132 Cong Rec H 5932 Monday, August 11, 1986

IRRATIONALITY OF OUR CURRENT TAX CODE. TAXPAYERS DO NOT FEEL BURDENED JUST BECAUSE OF THE AMOUNT OF TAXES THEY PAY. THEY RESENT THE FACT THAT SOME TAXPAYERS, PARTICULARLY WEALTHY AND CORPORATE TAXPAYERS, ARE ABLE TO EXPLOIT LOOPHOLES IN THE TAX CODE TO AVOID PAYING THEIR FAIR SHARE OF TAXES. OF COURSE, THE AVERAGE TAXPAYER WHO CANNOT TAKE ADVANTAGE OF SPECIAL TAX PROVISIONS MUST MAKE UP THE DIFFERENCE.

AND STILL, DESPITE THE UNFAIRNESS AND DESPITE THE LEVEL OF TAXATION, THE FEDERAL GOVERNMENT EACH YEAR FALLS $200 BILLION SHORT OF PAYING ITS BILLS.

MR. SPEAKER, THIS RESOLUTION WILL NOT REFORM THE TAX CODE. NOR WILL IT EASE THE TAX BURDEN IN THIS COUNTRY. BUT I DO BELIEVE IT WILL LET THE AMERICAN TAXPAYER KNOW THAT CONGRESS AND THE ENTIRE FEDERAL GOVERNMENT RECOGNIZE THERE WOULD BE NO GOVERNMENT WITHOUT HIS AND HER HARD WORK AND SACRIFICE. I HOPE MY COLLEAGUES WILL JOIN ME IN SPONSORING THIS RESOLUTION.

FOLLOWING IS THE TEXT OF MY RESOLUTION:

H.J. RES. 703

Joint resolution to authorize and request the President to designate the week beginning April 12, 1987, as "National Week of the American Taxpayer"

132 Cong Rec E 3152 Thursday, September 18, 1986

are not spoken by a Member of the House on the floor.

MR. HAMILTON. MR. SPEAKER, I WOULD LIKE TO INSERT MY WASHINGTON REPORT FOR WEDNESDAY, SEPTEMBER 3, 1986, INTO THE CONGRESSIONAL RECORD:

TAX REFORM

Last week a House-Senate conference committee agreed to the most sweeping revision of the federal tax code in its 73-year history. the bill will affect every American and every corner of the economy. The tax bill will be sent to the House and Senate for one up or down vote, with no amendments permitted. It is almost sure to be approved by Congress and signed by the president.

The effects of this legislation aren't easy to predict, but the bill represents a fundamental change in tax policy. It reasserts the income tax's primary purpose as a collector of revenue, and reverses a 40-year practice of using the code as a major tool for hidden industrial policies and social and economic engineering. It attempts to lessen the importance of the tax code in daily decision-making. It goes a long way toward leveling the economic playing field. It attempts to achieve equity and guarantee that poor people don't pay more taxes than some millionaires, and that people in the middle class will no longer pay taxes at a higher rate than some corporations. The result is a

$500 BILLION DEFICIT REDUCTION PROGRAM

(1) Deficit Reduction: The largest reduction program in history -- half-a-trillion dollars.

(2) Tax Reduction: A tax rate cut -- from 33% to 31% -- for about 3.5 million middle/upper-middle income taxpayers; and an overall decrease in taxes paid by those with incomes under $20,000.

(3) Entitlement Reform: The first comprehensive and substantial reform of mandatory/"entitlement" programs -- about $100 billion in savings from:

- o Farm program reforms;
- o FHA reforms;
- o Student loan reforms;
- o Veterans Program reforms;
- o Postal subsidy reforms;
- o Federal Employee benefit reforms;
- o Medicare reforms.

(4) Discretionary Program Caps: Firm, fixed, five-year caps on overall discretionary spending -- in law, on day one.

- o Automatic "mini-sequesters" -- in law -- to keep domestic and international spending from growing any faster than inflation;

- o "Nunn levels" for defense to allow orderly defense build-down without threatening national security.

(5) Energy Security: incentives for both conservation and for exploration and development of domestic energy resources.

(6) Child Care: a major reform and expansion of child care -- with emphasis on tax credits to people, block grants to states, and vouchers.

(7) Credit Reform: a new federal accounting and budgeting system to expose and limit previously hidden (and rapidly growing) liabilities.

(8) Social Security: Social Security fully protected and taken off-budget.

(9) Enforcement and Process Reform: toughest enforcement system ever; Gramm-Rudman extended and strengthened -- with caps, mini-sequesters, credit reform, and pay-as-you-go.

(10) Threats avoided: income tax rate increase; Social Security hit; excessive national security hit; indexing delay; sequester; etc.

(11) Growth: allows interest rates to be lower than they would otherwise be (NOTE: 1.5% lower means 100-150,000 more housing starts; 500,000 more auto sales; typical mortgage payment reduced by over $100/month; more long-term investment, productivity, jobs.)

House of Representatives
COMMITTEE ON THE BUDGET
Washington, DC 20515

October 26, 1990

Dear Colleague:

Attached are preliminary estimates and descriptions of deficit reduction in the reconciliation conference report. As of 1 p.m. Friday conferees have completed action in most areas but final details are not available for the Medicare, Medicaid and revenue sections. That information will be provided as details are available. Currently committee staffs are drafting legislation and we are making every effort to have the reconciliation conference report on the House floor later this evening.

Questions on specifics should be directed to the Budget Priorities section of the House Budget Committee at X67166.

Sincerely,

LEON E. PANETTA
Chairman

COMPARISON OF RECONCILIATION DIRECTIVES
AND HOUSE- AND SENATE-PASSED BILLS
(deficit reduction in billions of dollars)

Committee:	Directive FY 1991	Directive 5-Year	House-passed FY 1991	House-passed 5-Year	Senate-passed FY 1991	Senate-passed 5-Year	Conference Agreement (CBO) FY 1991	Conference Agreement (CBO) 5-Year
MERCHANT MARINE								
EPA User Fees*			-0.042	-0.254	-0.022	-0.154	-0.028	-0.180
Coast Guard user fees			-0.028	-0.173	-0.200	-1.080	-0.155	-0.885
Tonnage Taxes	NA	NA	-0.190	-0.950	NA	NA	-0.053	-0.266
Coastal Zone Management Fees			-**	-**	NA	NA	-**	-**
Committee total	-0.222	-1.231	-0.260	-1.377	-0.222	-1.234	-0.236	-1.331
POST OFFICE								
Lump-Sum Retirement Option			-1.430	-7.550	-1.230	-8.050	-1.390	-7.600
Postal Service			-0.780	-5.795	-0.746	-4.799	-0.710	-4.680
FEHB limits age 65+	NA	NA	NA	NA	-0.190	-0.865	0.000	-0.790
FEHB Administrative Reforms			-0.216	-1.115	-0.176	-1.075	-0.216	-1.115
COD portability			NA	NA	-0.006	-0.030	-0.006	-0.030
Computer Matching & Pricing							0.000	-0.135
Committee total 1/	-2.165	-14.350	-2.426	-14.460	-2.348	-14.819	-2.322	-14.350
PUBLIC WORKS								
EPA fees *			-0.042	-0.254	-0.022	-0.154	-0.028	-0.180
Aviation reauthorization	NA	NA	0.000	0.244	NA	NA	...	...
Corps of Eng. rec. fees			NA	NA	-0.020	-0.100	...	...
Committee total	-0.042	-0.254	-0.042	-0.010	-0.042	-0.254	-0.028	-0.180
SCIENCE, SPACE & TECHNOLOGY								
NOAA User Fees	NA	NA	-0.001	-0.008	-0.005	-0.027	-0.002	-0.012
Nuclear Waste Fund Fees			-0.005	-0.025	NA	NA	...	...
Radon Program User Fees	...	...	...	...	...	...	-0.002	-0.008
Committee total	-0.005	-0.025	-0.006	-0.033	-0.005	-0.027	-0.004	-0.020
VETERANS								
Compensation			-0.125	-0.291	-0.125	-0.778	-0.125	-0.291
Vocational Rehabilitation			-0.020	-0.180	-0.063	-0.574	-0.020	-0.180
Compensation and Pensions			-0.010	-0.334	-0.010	-0.334	-0.010	-0.334
Third-party Collections			-0.113	-0.734	-0.113	-0.990	-0.113	-0.826
Pensions	NA	NA	-0.045	-1.056	-0.045	-1.100	-0.067	-1.180
Housing			-0.073	-0.073	-0.098	-0.416	-0.083	-0.093
Remarried Spouses			-0.019	-0.374	-0.019	-0.374	-0.019	-0.374
Prescription Drugs			-0.066	-0.085	-0.066	-0.411	-0.066	-0.085
Medical Care Eligibility			-0.035	-0.045	-0.035	-0.217	-0.035	-0.045
Miscellaneous Reforms			-0.121	-0.430	-0.074	-0.865	-0.083	-0.257
Committee total	-0.620	-3.350	-0.627	-3.602	-0.648	-6.059	-0.621	-3.665
WAYS & MEANS								
Medicare*			-3.710	-43.812	-4.156	-49.267	-3.710	-43.812
Social Security			...	-0.071	-0.089	-0.046	...	-0.071
Other income security			NA	NA	0.001	0.013	...	...
Child care grants			NA	NA	0.039	0.299	...	...
Customs Service User Fees	NA	NA	...	-2.292	0.001	-2.287	...	-2.292
IRS user fees			-0.045	-0.225	NA	NA	-0.045	-0.225
PBGC*			-0.120	-0.640	-0.120	-0.640	-0.120	-0.640
Committee total:								
Mandatory/fee savings	-3.320	-55.603	-3.875	-47.040	-4.324	-51.928	-3.875	-47.040
Deficit reduction DR	-2.000	-20.000	NA	NA	NA	NA	NA	NA
Revenues REV	-13.225	-118.800	-22.400	-148.600	-17.500	-142.100	-14.670	-147.363
Committee total DR	-18.545	-194.403	-26.275	-195.640	-21.824	-194.028	-18.545	-194.403

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COMPARISON OF RECONCILIATION DIRECTIVES
AND HOUSE- AND SENATE-PASSED BILLS
(deficit reduction in billions of dollars)

House committee:	Directive FY 1991	Directive 5-Year	House-passed FY 1991	House-passed 5-Year	Senate-passed FY 1991	Senate-passed 5-Year	Conference Agreement (CBO) FY 1991	Conference Agreement (CBO) 5-Year
AGRICULTURE								
Triple base..................			0.000	-7.906	-0.011	-7.186	-0.868	-9.085
Deficiency pmnt. calculations.			-0.315	-3.364	-0.251	-2.691	...	-0.755
1991 ARPs....................			-0.435	-0.945	-0.724	-1.850	-0.289	-0.905
Dairy assessments............			-0.058	-0.840	-0.100	-0.482	-0.051	-0.822
Origination/service fees......	NA	NA	-0.003	-0.166	-0.004	-0.170	-0.010	-0.329
Subtotal, commodity programs			-0.811	-13.221	-1.090	-12.379	-1.218	-11.896
REA loans....................			-0.028	-0.610	-0.024	-0.697	-0.024	-0.516
FmHA farm loans..............			-0.281	-2.082	-0.095	-1.636	-0.280	-2.114
APHIS fees...................			-0.066	-0.420	-0.066	-0.420	-0.059	-0.413
Savings in Farm Bill..........			NA	NA	NA	NA	...	...
Committee total......	-1.022	-13.627	-1.186	-16.333	-1.275	-15.132	-1.581	-14.939
BANKING								
Bank Insurance Fund...........			-1.100	-9.000	-1.100	-9.000	-1.100	-9.000
FDIC borrowing authority......			NA	NA	-0.003	-0.012	-0.003	-0.012
Priority of FDIC claims.......			NA	NA	0.000	-0.095	...	...
FHA Reforms..................	NA	NA	-0.216	-1.815	-0.218	-2.565	-0.216	-1.815
FHA Assignment Waivers........			-0.212	-1.010	-0.212	-1.010	-0.212	-1.010
FHA maximum mortgage amount 2/			-0.181	-0.749	0.000	-0.568	0.000	-0.568
Flood & Crime Ins. Programs...			-0.014	-0.833	-0.014	-0.833	-0.014	-0.833
(Coin Redesign)..............			...	...	...	...	(...)	(-0.040)
Committee total......	-1.507	-13.258	-1.723	-13.407	-1.547	-14.083	-1.545	-13.238
EDUCATION & LABOR								
Stafford Loans (GSL)........			-0.010	-1.665	0.000	-2.025	-**	-1.695
PBGC*.......................			-0.120	-0.640	-0.120	-0.640	-0.120	-0.640
OSHA/MSHA fees..............	NA	NA	-0.119	-1.432	-0.069	-0.844	-0.112	-1.137
Child labor civil penalties...			-0.009	-0.045	NA	NA	-0.003	-0.015
NLRA civil penalties........			-0.013	-0.096	NA	NA	...	...
Committee total....DR	-0.215	-3.770	-0.271	-3.878	-0.189	-3.509	-0.235	-3.487
ENERGY & COMMERCE								
Medicare *....................			-3.895	-44.010	-4.156	-49.267	-3.710	-43.812
Medicaid.....................			0.061	-0.337	0.026	-0.934	-0.061	...
NRC fees*....................	NA	NA	-0.287	-1.554	-0.287	-1.554	-0.287	-1.554
Railroad Safety Fees..........			-0.020	-0.169	-0.019	-0.166	-0.020	-0.169
EPA fees *...................			-0.042	-0.254	-0.022	-0.154	-0.028	-0.180
Travel & Tourism fees.........			NA	NA	-0.014	-0.079	-0.010	-0.078
Uranium enrichment*...........			NA	NA	-0.063	-0.194	...	...
Committee total......	-3.731	-43.721	-4.183	-46.324	-4.535	-52.348	-4.116	-45.793
GOVERNMENT OPERATIONS								
Computer privacy bill.........	NA	NA	NA	NA	0.000	-0.270	3/	3/
Committee total......	NA	NA	NA	NA	0.000	-0.270	0.000	0.000
INTERIOR								
NRC Fees *...................			-0.287	-1.554	-0.287	-1.554	-0.287	-1.554
Tongass Timber...............	NA	NA	-0.028	-0.204	-0.028	-0.204	-0.028	-0.204
Reclamation Fees.............			...	-0.618	NA	NA	...	-0.832
Fees of Oil Shale Claims......			-0.010	-0.014	NA	NA	...	...
Corps of Eng. rec. fees.......			NA	NA	-0.020	-0.100	...	...
Uranium enrichment*...........			NA	NA	-0.063	-0.194	...	...
Committee total......	-0.343	-2.018	-0.325	-2.390	-0.398	-2.052	-0.315	-2.590
JUDICIARY								
Patent & Trademark Fees.......	NA	NA	...	...	-0.091	-0.495	-0.102	-0.495
Committee total......	-0.091	-0.495	...	...	-0.091	-0.495	-0.102	-0.495

COMPARISON OF RECONCILIATION DIRECTIVES
AND HOUSE- AND SENATE-PASSED BILLS
(deficit reduction in billions of dollars)

House committee:	Directive FY 1991	Directive 5-Year	House-passed FY 1991	House-passed 5-Year	Senate-passed FY 1991	Senate-passed 5-Year	Conference Agreement (CBO) FY 1991	Conference Agreement (CBO) 5-Year
ALL COMMITTEES (w/o double counts):								
MANDATORY/FEE SAVINGS..	-8.867	-103.636	-10.863	-103.817	-10.934	-110.147	-10.807	-100.762
DEFICIT REDUCTION....DR	-2.215	-23.770	NA	NA	NA	NA	NA	NA
+ REVENUES............REV	-13.226	-118.800	-22.400	-148.600	-17.500	-142.100	-14.670	-147.363
TOTAL................DR	-24.307	-246.206	-33.263	-252.417	-28.434	-252.247	-25.477	-248.125

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NEEDED 246.2

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+ = guess

* Joint jurisdiction, double-counts not included in the totals.

** Less than $500,000

1/ DOD portability is a revenue item and only half of computer privacy is scored to this Committee with Energy & Commerce receiving the other half.

2/ The conference figures do not include the savings (-$181 million) from the first-year increase in the FHA maximum mortgage amount because these savings also were included in the conference report on the FY 1991 VA-HUD Apropriations bill which passed the House on October 20, 1990.

3/ These savings were credited to Post Office and Energy and Commerce Committee.

NOTES: All amounts are outlays unless specified as REV (revenues) or DR (deficit reduction -- outlays and revenues combined). Revenue increase are reflected as minuses because they reduce deficit.

NA = Not applicable -- the reconciliation directives did not assume savings from specific programs.

5.7 SHORT
2.7
8.4

171 gross
151 gross / net
142 net

1) .5 FROM MEDICAID
(S ELIGIBILITY ... MAKE IT OPTIONAL ...).

2).

Pres. Reprimand: Skinner Reilly

DESCRIPTION OF RECONCILIATION SAVINGS

Agriculture Committee

The conference agreement assumes the following savings:

- Establishes a triple base plan which reduces the amount of farm acreage eligible for crop subsidies by 15% for crop years 1991-95. In return, producers will be able to grow program crops, oilseeds and non-program crops (except fruits and vegetables) on the flexible acres. Crops planted on the flexible acres will not be eligible for deficiency payments but would be for crop loans.

- Changes the calculation of deficiency payments on wheat, feed grains, and rice to a 12-month national average market price in 1994 and 1995, rather than the current 5-month average price.

- Mandates a 1991 crop year acreage reduction program of 15% for wheat and 7.5% for feed grains.

- Establishes a service fee on CCC dairy purchases of 5 cents per hundredweight in FY 1991 and 11 cents per hundredweight thereafter as an offset to the costs of the dairy support program.

- Establishes a program service fee of 1% on sugar, peanuts, honey, and tobacco loans and deducts 1% from wool and mohair payments.

- Establishes a new marketing loan program for oilseeds at $5.02 per bushel with a 2% loan origination fee for deficit reduction purposes.

- REA direct loans would be reduced by approximately 25%, and REA loan guarantees increased correspondingly.

- Shifts about 50% of FmHA farm loans from direct loan to guaranteed loans over the next 5 years.

- Establishes user fees to recover the costs of inspecting common carrier passengers arriving in the U.S. for agricultural products and pests by the Animal and Plant Health Inspection Service.

- Eliminates spending increases provided in the 1990 farm bill passed by the House for food stamps and other programs in the jurisdiction of the Agriculture Committee. This is necessary to bring the farm bill down to baseline levels.

- GATT Trigger--The reductions in the commodity price support programs are made contingent upon the implementation of an agricultural trade agreement resulting form the Uruguay Round of GATT. If such an agreement is not negotiated by June 30, 1992, commodity export promotion programs would be increased and a marketing loan for wheat and feed grains would be implemented. If an agreement is negotiated, but not put in force by June 30, 1993, the Secretary of Agriculture would be authorized to restore the reductions made in reconciliation.

Banking, Finance, and Urban Affairs Committee

The conference agreement assumes the following savings:

- Changes in the Bank Insurance Fund program which grant the FDIC more flexibility to increase commercial bank insurance premiums. As a result, it is estimated that commercial bank deposit insurance premiums would increase to .195 percent on January 1, 1991 and to .23 percent on January 1, 1992. This provision saves $1.1 billion in 1991 and $9.0 billion over 5 years. The agreement also includes a provision which allows the FDIC to borrow from the Federal Financing Bank (FFB), saving $3 million in 1991 and $12 million over 5 years.

- Reforms of the FHA mortgage insurance program agreed to in the conference on the housing reauthorization bill, which save $216 million in 1991 and $1,815 million over 5 years. These reforms include changes in the down payment and mortgage insurance premiums required for FHA mortgage insurance. These reforms are expected to restore the single family FHA insurance program to actuarial soundness.

- Establishes permanent increase in the maximum mortgage amount eligible for FHA insurance to $124,875. This increase generates additional insurance volume and, hence, additional premium receipts for FHA, which are expected to total $568 million between FY 1992 and 1995. These figures do not include the savings (-$181 million) from the first-year increase in the FHA maximum mortgage amount because the provision also was included in the conference report on the FY 1991 VA-HUD Appropriations bill which passed the House on October 20, 1990.

- Provides for annual subsidy payments to the holders of mortgages otherwise eligible for assignment to FHA in order to bring the yield on those mortgages up to current market yields. In return, the holders of the mortgages would waive their existing option to assign those mortgages to HUD and receive a payment for the remaining principal amount of the mortgage in the form of an FHA debenture. The current market yield would be determined, if necessary, through an auction of the mortgage, including the interest subsidy, by the current holder to other private investors. This provision saves $212 million in 1991 and $1,010 million over 5 years.

- Extends the National Flood and Federal Crime Insurance programs for FY 1992 through 1995, which saves $304 million in 1992 and $609 million over four years. Under current law, these programs are scheduled to expire at the end of FY 1991. The agreement also allows FEMA to increase flood insurance premiums to cover the administrative costs of the flood insurance and flood management programs, saving $14 million in 1991 and $224 million over 5 years.

Education and Labor Committee

The conference agreement assumes the following savings:

Stafford Student Loan Program:

- Requires 30 day delay in disbursement of loans to all first-time borrowers;
- Requires borrowers without a high school diploma or GED to take and pass an independently administered test;
- Eliminates from all student loan programs any school with a calculated default rate over the last three years in excess of 35 percent for 1991 and 1992 and 30 percent or more for 1993 and beyond (does not apply to Historically Black Colleges or Universities or Tribally Controlled Community Colleges until July 1, 1994);
- Extends the current limitation on SLS loan limits in short-term programs;
- Extends the current limitation on SLS loan program eligibility for borrowers attending schools with a calculated default rate in excess of 30 percent;
- Prohibits eligibility of a school filing bankruptcy;
- Amends the Bankruptcy Code to tighten laws as they relate to student borrowers; and
- Mandates supplemental pre-claims assistance on all delinquent loans and reimburse guarantee agencies for successfully preventing a default claim through early intervention.

Pension Benefit Guaranty Corporation:

- Increases the flat premium from $16 to $19 and the variable rate premium from $6 to $9 (capped at $53 per participant) under the Pension Benefit Guaranty Corporation.

OSHA/MSHA Revenues:

- Increases by seven times the maximum civil penalties that can be imposed by the Occupational Safety and Health Administration (OSHA) for violations of OSHA laws with a mandatory minimum penalty of $5,000 for a willful violation.
- Increases by five times the maximum civil penalties that can be imposed by the Mine Safety and Health Administration (MSHA) for violations of MSHA laws, with no minimum penalty.

- Increases the maximum civil penalties that can be imposed by the Labor Department for violations of child labor laws, with no minimum penalty.

Pension Reversions:

- Transfer of excess pension plan assets to health benefit plans and excise tax on pension plan reversions.

Energy and Commerce Committee

The conference agreement assumes the following savings:

- Establishes Nuclear Regulatory Commission (NRC) user fees which fully recover NRC costs, which results in savings of $287 million in FY 1991 and $1,554 million over 5 years.
- Establishes Railroad safety fees which total $20 million in FY 1991 and $169 million over 5 years.
- Establishes travel and tourism fees which generate savings of $14 million in FY 1991 and $79 million over 5 years.
- Authorizes the Environmental Protection Agency (EPA) to assess additional fees for certain permits and activities, which increases receipts by $28 million in FY 1991 and $180 million over 5 years.

Judiciary Committee

The conference agreement assumes the following savings:

- Establishes a 69 percent surcharge on certain existing patent and trademark fees during fiscal year 1991 through 1995 to cover more of the costs of the Patent and Trademark Office, saving $102 million in 1991 and $495 million over 5 years. The provision also establishes statutory ceilings on an annual basis and other controls on the use of these fees by the Patent and Trademark Office.

Interior and Insular Affairs Committee

The conference agreement assumes the following savings:

- Eliminates the permanent appropriation for the Tongass Timber Supply Fund, which saves $28 million in 1991 and $204 million over 5 years;
- Increases existing Nuclear Regulatory Commission (NRC) fees to recover 100 percent of the NRC costs incurred in regulating nuclear power plants, which would save $287 million in 1991 and $1.544 billion over 5 years; and
- Reauthorizes reclamation fees collection for use in cleaning up abandoned coal mines, which increases receipts by $832 million over 5 years.

Merchant Marine and Fisheries Committee

The conference agreement assumes the following savings:

EPA Fees

- Authorizes the Environmental Protection Agency to assess additional fees for certain permits and activities.

Coast Guard Fees

- Allows the Coast Guard to collect direct fees for services, including inspection and examination of vessels; licensing of masters, mates, pilots and engineers; and the engagement and discharge of seamen, and;

- Establishes a schedule of fees for owners of boats over 16 feet in length using United States navigable waters where there is a Coast Guard presence.

Tonnage Duties

- Increases the tonnage charges presently collected from vessels arriving in the United States from foreign ports.

Coastal Zone fees

- Establishes fees to recover to costs of processing appeals under section 307 of the Coastal Zone Management Act.

Post Office and Civil Service Committee

The conference agreement assumes the following savings:

- Suspends for five years the lump-sum retirement option effective December 1, 1990. Employees retiring on or before November 30, 1990 would not be affected by the suspension of the lump sum benefit. Exemptions are provided for workers with a terminal illness, Federal workers who are mobilized because of Operation Desert Shield and employees who are classified as involuntarily separated. The lump-sum proposals save $1,390 million in fiscal year 1991 and $7,600 million over five years.

- Requires Federal Employee Health Benefit (FEHBP) carriers to implement cost-containment measures including: exempting the FEHBP from State premium taxes; requiring improved coordination between the Office Of Personnel Management and the Department of Health and Human Services in order to ensure that Medicare's payments and limits can be correctly applied when the FEHBP carriers make a secondary payment; instituting mandates for cash management controls in administering payments from the Employees Health Benefits Fund and applying Medicare hospital payment limits to payments to providers of services to FEHBP annuitant enrolles who are age 65 and older but not eligible for Medicare (effective

MAJOR PROVISIONS IN BUDGET PROCESS REFORM PACKAGE

PROVISIONS SPECIFICALLY ENFORCING THE FIVE-YEAR BUDGET PACKAGE

- Discretionary Spending Limits There are ceilings on defense, international, and domestic discretionary spending in Fiscal Years 1991-1993, and a single ceiling on total discretionary spending in Fiscal Years 1994-1995. These ceilings are enforced by an end-of-session sequester applied across-the-board solely to the corresponding category.

- Pay-As-You-Go for Entitlements and Revenues Any increase in direct spending or reduction in revenues after enactment of the current reconciliation bill must be paid for by other spending reductions or revenue increases. Otherwise there will be a special reconciliation to eliminate any net revenue loss and a sequester to eliminate any deficit increase. The sequester would come from entitlements, except those that are exempt.

OTHER ENFORCEMENT AND REFORM PROVISIONS

- Social Security Completely Off-Budget Social Security receipts and disbursements would be removed from the Gramm-Rudman-Hollings (GRH) law. (Social Security is already off-budget.) The Social Security trust funds would be protected by "firewall" points of order in the House and Senate against legislation which would reduce trust fund balances.

- Multi-year Budgeting and Enforcement To prevent temporary savings and timing shifts, budget resolutions in each year through Fiscal Year 1995 would be for five years, with five-year 302(a) discretionary spending allocations, revenue floors, and reconciliation. The budget resolution would be required to conform to GRH limits.

- Deficit Targets GRH is extended through 1995, with new Fiscal Years 1991-1995 deficit targets to reflect current economic and technical assumptions. These targets will be adjusted before the Fiscal Year 1992 and Fiscal Year 1993 budget cycles to prevent sequesters due only to changes in economic and technical assumptions. (Hence only "categorical sequesters," based on policy violations, as described above, could occur in Fiscal Years 1991-1993.) In Fiscal Years 1994-1995, the GRH system would return to fixed deficit targets enforced by the current sequestration rules unless the President exercised an option to fully adjust the targets for later economic and technical reestimates.

- Locked-in Estimating Assumptions The economic and technical assumptions used in estimating the President's budget would be locked-in for the GRH sequestration projection later in the year. Congress would no longer be aiming at "moving targets" as the President altered his estimating assumptions during the year.

- Credit Reform Budget accounting for credit programs is modified to reflect true economic costs instead of cash flow.

Science, Space and Technology Committee

The conference agreement assumes the following savings:

- Increases existing NOAA user fees based on the fair market value of a variety of NOAA products and services, which saves $2 million in 1991 and $12 million over 5 years.

- Authorizes EPA to assess fees to offset the costs of EPA radon research program, which saves $2 million in 1991 and $8 million over 5 years.

Veterans' Affairs Committee

The conference agreement assumes the following savings:

- Eliminates compensation for mentally incompetent veterans whose incomes exceed $25,000 which would save $125 million in FY 1991 and $291 over 5 years;

- Requires pension reforms such as eliminating the presumption of total disability at age 65, reducing pensions to Medicaid nursing home patients, and verifying income through IRS would save $67 million in FY 1991 and $1.2 billion over 5 years;

- Establishes a VA medical care cost recovery fund, modifying co-payments and deductibles, and requiring a $2 monthly fee for outpatient drugs would save $214 million in FY 1991 and $956 million over 5 years;

- Limits vocational rehabilitation to veterans with disability ratings of 20% or more would save $20 million in FY 1991 and $180 million over 5 years;

- Changes in the manufactured home loan program and a 0.625% increase in VA housing loan origination fees for 1 year would save $83 million in FY 1991 and $93 million over 5 years;

- Eliminates burial headstone and marker allowances and limiting the burial plot allowances would save $30 million in FY 1991 and $166 million over 5 years;

- Prohibits the payment of compensation for secondary effects of willful misconduct such as alcohol or drug abuse which would save $10 million in FY 1991 and $334 million over 5 years;

- Repeals benefit restoration eligibility for remarried survivors which would save $19 million in FY 1991 and $374 million over 5 years; and

- Rounding down compensation COLAs and requiring disclosure of social security numbers would save $53 million in FY 1991 and $91 million over 5 years.

January 1, 1992). These proposals save $216 million in fiscal year 1991 and $1,905 million over five years.

- Requires the Postal Service to pay the employer FEHBP premiums for those postal employees (and survivors) who retired after June 30, 1971 (postal reorganization), but prorates the Postal Service's liability to reflect only that portion of total service performed as an employee of the Postal Service. This proposal saves $116 million in fiscal year 1991 and $594 million over five years.

- Requires the Postal Service to fund Civil Service Retirement System (CSRS) cost-of-living adjustments for postal retirees (and survivors) who retire after postal reorganization. The payment is prorated to reflect only that portion of total service performed as an employee of the Postal Service. The fiscal year 1991 saving is $322 million and the five year savings are $1,946 million.

- Requires the Postal Service to make payments to the Civil Service Retirement and Disability Fund and the Employees Health Benefits Fund to fund liabilities incurred between July 1, 1971 and September 30, 1986. Payments are spread over fiscal years 1991 through 1995. The fiscal year 1991 saving is $272 million and the five year savings are $2,140 million.

- Amends H.R. 5450, the House-passed Computer Matching and Privacy Protection Act Amendments of 1990 in terms of the time required by law to notify recipients of Federal benefit programs about the results of a computer match prior to taking adverse action against individuals. The bill is also amended to establish an alternative to independent verification requirements set up in 1988. The savings credited to this committee in FY 1991 is zero and the five-year savings are $135 million.

- Assumes the provisions of H.R. 3139, the Portability of Benefits for Department of Defense Nonappropriated Fund Employees Act of 1989. The Act allows the Department of Defense to reorganize the nonappropriated fund (NAF) work force which would cause up to 6,000 NAF employees to be converted to the civil service and up to 2,000 civil service employees to be converted to nonappropriated fund status and provides for appropriate transfer of employee benefits. The fiscal year 1991 saving is $6 million (revenues) and the five-year savings are $30 million.

<u>Public Works and Transportation Committee</u>

The conference agreement assumes the following savings:

Environmental Protection Agency Fees:

- Authorizes the EPA to assess additional fees for certain permits and activities.

PARISON OF FIVE-YEAR DEFICIT REDUCTION IN SUMMIT AGREEMENT AND RECONCILIATION
ons)

	Summit Agreement		Senate-passed Reconciliation		Tentative Conference Reconciliation	
	$	%	$	%	$	%
SPENDING:						
Discretionary (current status)	182.4	36.1%	182.4	36.0%	182.4	37.2%
Entitlement and mandatory:						
Agriculture	13.0	2.6%	15.1	3.0%	14.9	3.0%
Federal workforce and retirement	14.4	2.8%	15.1	3.0%	14.5	3.0%
Stafford loans (GSLs)	2.0	0.4%	2.0	0.4%	1.7	0.3%
FHA reforms	3.4	0.7%	4.1	0.8%	4.1	0.8%
Veterans	2.7	0.5%	6.1	1.2%	3.7	0.7%
Other	8.1	1.6%	0.9	0.2%	0.2	0.0%
Medicare	60.0	11.9%	49.3	9.7%	43.0	8.8%
Medicaid	2.4	0.5%	2.9	0.6%	3.1	0.6%
Entitlement add-backs	-4.1	-0.8%	-2.9	-0.6%	-2.5	-0.5%
Subtotal, Entitlements	101.8	20.1%	92.6	18.3%	82.7	16.9%
User Fees:						
Bank Insurance Fund	9.0	1.8%	9.0	1.8%	9.0	1.8%
Coast Guard	1.1	0.2%	1.1	0.2%	0.9	0.2%
NRC	1.6	0.3%	1.6	0.3%	1.6	0.3%
OSHA/MSHA	1.1	0.2%	0.8	0.2%	1.1	0.2%
Customs	2.3	0.5%	2.3	0.5%	2.3	0.5%
Other	3.7	0.7%	2.5	0.5%	2.7	0.5%
Subtotal, User Fees	18.8	3.7%	17.2	3.4%	17.5	3.6%
Total Mandatory	120.6	23.9%	109.8	21.7%	100.2	20.4%
TOTAL SPENDING	303.0	59.9%	292.2	57.6%	282.6	57.6%
REVENUES:						
Tax credits/incentives/other losers	-24.0	-4.7%	-29.1	-5.7%	NA	0.0%
Revenue raisers	153.9	30.4%	171.2 142	33.8%	138.0	28.1%
IRS enforcement initiative	9.4	1.9%	9.4	1.9%	9.4	1.9%
TOTAL REVENUES	139.3	27.5%	151.5	29.9%	147.4	30.0%
NET INTEREST	63.3	12.5%	63.5	12.5%	60.5	12.3%
TOTAL DEFICIT REDUCTION	505.6	100.0%	507.2	100.0%	490.5	100.0%

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Details may not add to totals due to rounding.
Discretionary savings not specified by category in 1994 and 1995.
Summit Agreement does not include Child Care.
Congressional Budget Office, Joint Committee on Taxation, and staff estimates.
Prepared by SBC Minority Staff, October 26, 1990.

SUPPLEMENTAL INFANT CREDIT.-

"(A) IN GENERAL.-In the case of a taxpayer with a qualifying d who has not attained age 1 as of the close of the calendar in which or with which the taxable year of the taxpayer

-

"(i) the credit percentage shall be increased by 4 percentage points and

"(ii) the phaseout percentage shall be increased by 2-5/6 percentage points.

The percentages under this paragraph shall be in addition to the percentages determined under paragraph (2) [An EITC young child supplement and the EITC] with respect to such child.

"(B) ELECTION BETWEEN DEPENDENT CARE CREDIT AND CREDIT FOR CHILD CLAIMED UNDER THIS PARAGRAPH.-If the taxpayer elects to take a child into account under this paragraph, such child shall be treated as not being a qualifying individual under section 21."

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10 BILLION SHORT

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JST CHANGE

GATT Trigger

GOV. AFFAIRS:
½ BILLION BACK -

CZM:
DEF/INT/...
Fed operations = f(CZM)..

HILD CARE
WEE TOTS
TITLE IV
1.4 ON TOTS
8½
STRUCTURE PROGS. ok TRADE -

EDICAID -
Not a deal breaker. $500 M ours
0 theirs.
$200 MIL. TRADE. -

FAA REAUTHORIZATION. $114M
House ok.
Senate ?

MEDICARE ?

*8) PROCESS REFORM
ABSOLUTE MUST
DEAL BREAKER

½*9) MEDICARE SEQUESTER
@4% (NEED 4%)
(NOW 2% HIT)
IF OTHER ENTITLEMENTS EXPOSED

½*10). DESERT SHIELD ADJUSTMENT
MAKE EXEMPT FROM CAP.

? 11) SOFT LANGUAGE ON GSE'S

TAXES

1). PEP 1% FLATTEN ... HOW REPLACE
½ c ~ 55/666 $2.8B

2). TECHNICAL/TREATY OVERRIDE IN DAC. ..

ROUGH OUTLINE OF PROPOSAL

All Expiring Provisions - One Year
HI at $125,000 ($100K)
31% rate/24% AMT
PEP - 2% - $2500 - 100K/125K/150K (5 year sunset)
Pease 3% - 100K (cosmetic surgery not a deduction) (5 year sunset)
5 cent gas tax 50/50 - 20% mass transit - 95% rule
Energy Incentives - 2.5 Billion
alcohol 32 cents/21 cents/$1.00
luxury - furs/jewelry 10K - raises $1.5 billion
OASDI for state and local - those not covered by pension plan - begin 7/1/91 - raises $9.1 billion.

No Small Business Expensing
Estate Freeze language
Disability Access Credit
1 Year AMT tangible property preference repeal
Some Child Care
double gas guzzler
tobacco
Ozone
LUST
Airport
Harbor
P&C salvage value
DAC at $8 billion
Compliance
Retiree Health
Corporate Interest Disallowance
Business loopholes
IRS User Fees
FUTA surtax
Payroll Stabilization
Telephone
Statute of limitations on collections
House cash reporting rules
House foreign grantor trust provision

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BUDGET RECONCILIATION (H.R. 5835) - REVENUE PROVISIONS
SUBJECT TO APPROVAL BY THE CONFEREES

Fiscal Years 1991-1995

[Millions of Dollars]

Item	Effective	1991	1992	1993	1994	1995	1991-95
I. REVENUE-LOSING PROVISIONS							
A. Extend Expiring Provisions through 12/31/91 (1)							
1. Foreign allocation of R&D	—	-503	-289	—	—	—	-792
2. Research and experimentation tax credit	—	-602	-381	-105	-74	-47	-1,209
3. Employer-provided educational assistance (include graduate students)	—	-340	-128	—	—	—	-468
4. Employer-provided group legal services	—	-98	-29	—	—	—	-127
5. Targeted jobs tax credit	—	-81	-104	-67	-31	-20	-303
6. Business energy tax credits (solar and geothermal property)	—	-55	-28	3	2	1	-77
7. Low-income housing credit (with modifications)	—	-266	-355	-420	-420	-420	-1,881
8. Mortgage revenue bonds and mortgage credit certificates	—	-10	-50	-110	-100	-100	-370
9. Qualified small-issue manufacturing bonds	—	-10	-50	-80	-70	-70	-280
10. Health insurance for self-employed (25% deduction)	—	-253	-102	—	—	—	-355
11. Orphan drug tax credit	—	-4	-3	—	—	—	-7
Subtotals, Extension of Expiring Provisions		*-2,222*	*-1,519*	*-779*	*-693*	*-656*	*-5,869*
B. Other Tax Incentives							
1. Energy incentives:							
a. Extend nonconventional fuels tax credit (section 29) for two years and expand to tight sands gas	1/1/91	-35	-115	-163	-152	-131	-597
b. Adopt tax incentives for ethanol production	1/1/91	16	18	-32	-89	-135	-221
c. Adopt 15% credit for enhanced oil recovery costs	1/1/91	-21	-42	-49	-50	-51	-213
d. Amend percentage depletion provisions	1/1/91	-24	-48	-61	-67	-78	-278

Item	Effective	1991	1992	1993	1994	1995	1991-95
e. Cut back AMT preference for certain intangible drilling costs (IDCs)	1/1/91	-98	-188	-165	-154	-151	-75[illegible]
f. Reduce AMT preference for percentage depletion on marginally producing properties	1/1/91	-42	-84	-87	-92	-100	-404
2. Additional small business incentives:							
a. Modify estate freeze rules (section 2036(c))	10/9/90	12	-17	-126	-251	-393	-77[illegible]
b. Disabled access expenditures:							
i. Adopt disabled persons access tax credit (50%/$5,000)	D/o/E	-50	-90	-92	-94	-96	-422
ii. Lower cap on section 190 expensing to $15,000	D/o/E	58	95	92	90	89	424
c. Repeal AMT preference for charitable contributions of tangible personal property (expires 12/31/91)	1/1/91	-8	-22	8	—	—	-22
Subtotals, Other Tax Incentives		*-192*	*-493*	*-675*	*-659*	*-1,046*	*-3,26[illegible]*
C. Progressivity Enhancement Provisions							
1. Increase EITC and adjust for family size (2)	1/1/91	-75	-1,495	-2,091	-2,969	-5,730	-12,36[illegible]
2. Child health insurance credit (3)	1/1/91	-58	-1,155	-1,239	-1,329	-1,426	-5,207
3. Increase standard deduction by $500 for taxpayers with children under 1 year old	1/1/91	-65	-135	-145	-155	-166	-666
Subtotals, Progressivity Enhancement Proposals		*-198*	*-2,785*	*-3,475*	*-4,453*	*-7,322*	*-18,23[illegible]*
SUBTOTALS: REVENUE-LOSING PROVISIONS		-2,812	-4,797	-4,929	-6,005	-9,024	-27,367
II. REVENUE-RAISING PROVISIONS							
A. Deficit Reduction Provisions							
1. Provisions affecting high-income taxpayers and itemized deductions:							
a. Individual rate structure: 15%/28%/31% (24% AMT rate; 28% maximum capital gains rate)	1/1/91	767	2,313	2,478	2,723	2,955	11,234
b. Phase out personal exemption (2%/$2,500; $100,000/$125,000/$150,000 thresholds; indexed) (5 year sunset)	1/1/91	1,046	2,028	2,275	2,552	2,863	10,764
c. Limit on itemized deductions of high-income taxpayers (3%; $100,000 threshold; indexed) (5 year sunset)	1/1/91	548	3,714	4,101	4,531	5,010	17,904
d. Eliminate medical deduction for cosmetic surgery	1/1/91	9	60	60	70	70	269
2. Impose 5-cent per gallon tax on motor fuels (4)	12/1/90	4,406	5,203	5,111	5,119	5,200	25,039
3. Double gas guzzler tax	1/1/91	75	95	85	70	60	385
4. Increase all tobacco excise taxes by 25% (e.g., for cigarettes 4 cents per pack in 1991and 4 cents per pack in 1993)	1/1/91	542	792	1,546	1,519	1,477	5,876
5. Increase beer, wine, and distilled spirits excise taxes	1/1/91	1,300	1,850	1,862	1,874	1,882	8,768
6. Impose 10% luxury excise tax	1/1/91	25	65	426	461	502	1,479

Item	Effective	1991	1992	1993	1994	1995	1991-9
7. Expand ozone-depleting chemicals excise tax	1/1/91	73	72	84	134	122	48
8. Extend Leaking Underground Storage Tank (LUST) Trust Fund excise tax (5 years)	12/1/90	94	122	124	126	128	59
9. Increase and extend Airport Trust Fund aviation excise taxes (5 years)	12/1/90	1,351	2,335	2,520	2,727	2,975	11,90
10. Increase harbor maintenance excise tax	1/1/91	314	342	369	395	422	1,84
11. Extend telephone excise tax and modify collection period (5)	1/1/91	1,643	2,578	2,757	2,946	3,145	13,06
12. Revise treatment of loss deductions and salvage values for insurance companies	1/1/90	204	83	90	98	106	58
13. Amortize insurance policy deferred acquisition expenses (DAC)	9/30/90	1,445	1,730	1,677	1,610	1,533	7,99
14. Adopt tax compliance provisions including certain provisions from H.R. 4308 and S. 2410	3/20/90	42	47	78	63	68	29
15. Adopt retiree health provision with reversion excise increase and asset cushion requirement	--	491	196	140	83	39	94
16. Increase by 2 percentage points the interest rate on corporate tax underpayments over $100,000 following notice from IRS	1/1/91	1,559	98	79	46	46	1,82
17. Certain corporate business tax provisions:							
a. Expand and clarify reporting and allocation rules for certain asset acquisitions	10/10/90	9	13	15	17	19	7
b. Require accrual of redemption premium for certain preferred stock	10/10/90	19	55	86	104	109	37
c. Expand application of CERT rules to subsidiary acquisitions	10/10/90	45	81	84	77	69	35
d. Require recognition of corporate-level gain in certain divisive corporate transactions (5-year limitation period)	10/10/90	9	25	38	49	60	18
e. Clarify treatment of debt exchanges	10/10/90	111	95	75	53	25	35
18. Extend IRS user fees (5 years) (5)	9/30/90	45	45	45	45	45	22
19. Extend Social Security (OASDHI) to State and local employees not participating in a public employee retirement system (6)	7/1/91	444	1,970	2,108	2,253	2,414	9,18
20. Extend FUTA 0.2% surtax (5 years)	1/1/91	787	1,106	1,137	1,167	1,199	5,39
21. Adopt payroll tax deposit stabilization	—	950	2,200	-3,150	—	—	—
22. Extend Hazardous Substance Superfund taxes (4 years) (7)	1/1/92	—	—	—	—	—	—
23. Increase Medicare (HI) wage cap to $125,000	1/1/91	1,848	5,709	6,058	6,439	6,827	26,881
24. Extend statute of limitations for collection from 6 years to 10 years	1/1/91	1	1	2	2	2	8

Item	Effective	1991	1992	1993	1994	1995	1991-95
25. Increase penalty for intentional disregard of cash reporting requirement and adopt certain other modifications	1/1/91	–	–	–	–	–	–
26. Treat U.S. beneficiary as grantor of foreign trust indirectly funded by beneficiary	D/o/E	2	23	46	91	135	297
Subtotals, Deficit Reduction Provisions		*20,204*	*35,044*	*32,402*	*37,444*	*39,507*	*164,60*
B. Other Provisions							
1. Technical corrections	–	–	–	–	–	–	–
2. Repeal obsolete provisions (deadwood)	–	–	–	–	–	–	–
3. Revise Treasury Departmet study mandates	–	–	–	–	–	–	–
4. Increase Joint Committee on Taxation refund review threshold	D/o/E	–	–	–	–	–	–
5. Review impact of IRS Regulations on small business	D/o/E +30	(8)	(8)	(8)	(8)	(8)	(8)
6. Require pie charts in IRS tax form instruction booklets	1/1/91	–	–	–	–	–	–
Subtotals, Other Provisions		–	–	–	–	–	–
SUBTOTALS: REVENUE-RAISING PROVISIONS		20,204	35,044	32,402	37,444	39,507	164,601
GRAND TOTALS		17,592	30,247	27,473	31,439	30,483	137,234

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.
In "Effective" column: D/o/E = Date of enactment; D/o/E +30 = 30 days after date of enactment.

(1) All estimates assume full restoration of tax benefits for 1990.

(2) Increased EITC by number of children:
In 1991: 1 child = 16.7% credit, 11.93% phaseout; 2 children = 17.3% credit, 12.36% phaseout.
In 1992: 1 child = 17.6% credit, 12.57% phaseout; 2 children = 18.4% credit, 13.14% phaseout.
In 1993: 1 child = 18.5% credit, 13.21% phaseout; 2 children = 19.5% credit, 13.93% phaseout.
In 1994 and thereafter: 1 child = 23% credit, 16.43% phaseout; 2 children = 25% credit, 17.86% phaseout.
Estimate incorporates the Treasury proposal to enhance compliance with EITC eligibility rules.

(3) 6% credit rate; 4.29% phaseout rate; phaseout income levels are the same as EITC.

(4) Railroads will pay 50% of increase in rates. 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).

(5) Modification of collection period effective after 12/31/90.

(6) Estimate provided by the Congressional Budget Office (CBO).

(7) The estimate is presented relative to the CBO baseline which assumes automatic extension of provisions in present law when revenues are dedicated to specific trust funds and when the provision is scheduled to expire within the current budget period.

(8) Negligible amount.

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SUMMARY OF DISTRIBUTIONAL EFFECTS, BY INCOME CATEGORY (1)
Budget Reconciliation (H.R. 5835) - Revenue Provisions
Subject to Approval by the Conferees
(1990 Income Levels)

Income Category (2)	Change in Federal Taxes (1)(3)		Federal Taxes Under Present Law (4)		Federal Taxes Under Proposal (1)(4)		Effective Tax Rates	
	Billions	Percent	Billions	Percent	Billions	Percent	Present Law Percent	Proposal Percent
Less than $10,000.....	-$0.3	-2.0%	$14.2	1.6%	$14.0	1.6%	13.3%	13.1%
10,000 to 20,000.....	-2.1	-3.2%	65.8	7.6%	63.7	7.2%	15.6%	15.1%
20,000 to 30,000.....	1.8	1.8%	102.5	11.9%	104.3	11.8%	18.4%	18.8%
30,000 to 40,000.....	2.3	2.0%	115.8	13.4%	118.1	13.4%	20.0%	20.4%
40,000 to 50,000.....	1.8	2.0%	87.9	10.2%	89.7	10.2%	21.4%	21.9%
50,000 to 75,000.....	2.6	1.5%	172.8	20.0%	175.3	19.9%	24.7%	25.1%
75,000 to 100,000.....	1.4	2.1%	66.5	7.7%	68.0	7.7%	25.8%	26.4%
100,000 to 200,000.....	2.4	2.3%	104.4	12.1%	106.7	12.1%	26.2%	26.8%
200,000 and over.......	8.4	6.3%	133.3	15.4%	141.7	16.1%	25.2%	26.8%
Total, All Taxpayers..	$18.3	2.1%	$863.2	100.0%	$881.5	100.0%	21.8%	22.3%

Joint Committee on Taxation

(1) Distributional analysis includes effects from the Budget Reconciliation (H.R. 5835)-Revenue Provisions with respect to beer, wine, and distilled spirits taxes, tobacco tax, motor fuels tax, telephone tax, increase in HI wage cap, increased individual and AMT rates, phaseout of personal exemption, limitation on itemized deductions, individual AMT component of oil and gas production incentives, increase and modification of the EITC, child health insurance tax credit, and increase in standard deduction for taxpayers with children under 1 year old. Analysis does not take into account effects from changes in taxpayer behavior.

(2) The income concept used to place tax returns into income categories 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 preferences from passive business activities.

(3) Estimates of total tax liability presented in distributions will not match estimated changes in receipts because of differing time periods (CY 1990 vs. FY 1991-95), because of varying patterns of fiscal year receipts.

(4) Distributions represent combined effects of individual income taxes, payroll taxes, Federal excise taxes, and estate and gift taxes. For the purpose of distributions, the full burden of payroll taxes is assigned to employees. Excise taxes are assumed to be borne fully by individuals either directly through purchase of the taxed commodity or indirectly through higher prices on all commodities as businesses pass along these added costs. Because of the uncertainty concerning the incidence of the corporate income tax, it is excluded from this table. Information in table excludes individuals who are dependents of other taxpayers.

Budget Summit Agreement In Nominal Dollars And As A Percentage of GNP

($ in billions)	Actual 1990	1991	1992	1993	1994	1995
Outlays	1252	1361	1392	1381	1343	1385
Revenues	1032	1138	1221	1306	1395	1473
Economic Adjustments	--	30	58	54	36	19
Deficit	-220	-254	-229	-129	17	68
Deficit-w/o Social Sec	-278	-317	-297	-208	-76	-40
GNP	5486	5807	6199	6670	7141	7607

The average annual growth in outlays during this period is 2.1%. (2% on a compound basis.)

(As a % of GNP)	1990	1991	1992	1993	1994	1995
Outlays	22.8	23.4	22.5	20.7	18.8	18.2
Revenues	18.8	19.6	19.7	19.6	19.5	19.4
Deficit	-4.0	-4.4	-3.7	-1.9	0.2	0.9

NOTE: Based on information available at 4 p.m. October 26, 1990. All numbers subject to change.

Prepared by:
HBC Republican Staff
October 26, 1990

The Business Roundtable

THE CHIEF of STAFF
has seen

FOR IMMEDIATE RELEASE

BUSINESS ROUNDTABLE ANNOUNCES SUPPORT OF BUDGET AGREEMENT

WASHINGTON, D.C. -- October 26, 1990 -- The Business Roundtable today announced its support of the budget deficit agreement as it has been outlined this afternoon and urged its immediate passage. Roundtable Chairman Drew Lewis said that "the plan should be enacted by Congress because it contains real deficit reduction and will have a positive influence on jobs and capital growth."

"The budget process reforms, while not perfect, can provide a solid foundation for the spending restraint so desperately needed. These reforms, if adhered to, should ensure that the new revenues will be allocated to deficit reduction and not simply to finance higher spending," Lewis said.

The Business Roundtable is an association of 200 major corporations whose chief executive officers examine public issues that affect the economy and develop positions which seek to reflect sound economic and social policy. The Roundtable has made deficit reduction its top economic priority for the last five years.

# # #

The Washington Times

THURSDAY, JUNE 30, 1988

RAYMOND PRICE

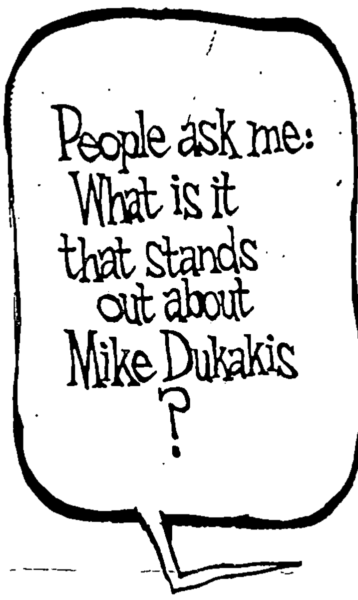
When the tax collector is regarded as 'one of us'

In any political campaign, one or two issues dramatically highlight basic distinctions between the parties. Last week the stage was set for such a clash when Gov. Michael Dukakis endorsed new taxes for Massachusetts while Vice President George Bush hardened his own no-tax-increase pledge.

To exaggerate only slightly, it's a basic rule that Republicans consider it immoral to tax; Democrats consider it immoral for the tax collector to leave anything untaken.

Democrats regard themselves as the party of government. Taxes are income-for-government, hence something for themselves to spend, and therefore good.

Republicans regard themselves as the party of the individual, and hence taxes as something for themselves to pay, and therefore bad.



The Democrats' traditional tax-and-spend policies are the product of a tax-and-redistribute philosophy which rises out of a long tradition of European socialism — an intellectual heritage that rests on the collective ideal and considers it the state's primary duty to take from the rich and give to the poor.

The Republicans' approach, by contrast, is grounded in a sort of native American individualism; in the doctrine that the community belongs to the individuals who comprise it, and that each individual cedes to it only as much of his own freedom as is necessary for the community to function freely and effectively.

Thus it's natural for Democrats to regard tax-cutting as taking away what is rightfully the government's, and giving it instead to those individuals who earned it without regard to need.

It's equally natural for Republicans to regard raising taxes as taking away what is rightfully the individual's, and giving it instead to politicians to redistribute for purposes often more political than social.

The parties differ not only on the level of taxes but also on design of a tax structure.

With regard to design, there are two key questions: (1) How is the burden distributed — who pays? and (2) What impact does it have on economic activity, and therefore on how much we all get, including the tax collector?

Democrats take an essentially theological view of the "who pays" question: Not only is it bad to make the poor pay, but it's also a positive good to make the rich pay — even if making the rich pay more means that everyone gets less.

This punitive approach is concerned less with wealth creation than with wealth distribution. It holds that it's better to have less wealth more evenly distributed than to have more wealth less evenly distributed.

If the price of soaking the rich is to make the poor poorer, then, in this Democratic view, that's the price we have to pay for social justice.

Republicans take it more pragmatically, seeing the purpose of taxes as being to raise the needed revenue with the least destructive impact on the economic system.

They argue that the more of a person's income you take away, the less incentive he has to work. If you take away a large share of the income of the most productive people, it's the most productive that you discourage from working. And if you take away a large share of the return on investment, you discourage those who have money from putting it to the kinds of uses that create jobs and multiply prosperity throughout the economy.

Taxation doesn't just redistribute wealth. It also redistributes the right to spend. Each dollar taxed is a dollar given to Congress to spend. What Congress does by increasing taxes is expand its own capacity to play Lady Bountiful.

To suppose that if taxes were increased, a Democratic Congress would use the revenue to reduce the deficit rather than to increase domestic spending requires a leap of faith that would as readily embrace the tooth fairy, Santa Claus and the divine infallibility of both Jim and Tammy Bakker and the Rev. Al Sharpton.

The Democrats' attraction to higher taxes is less intellectual than it is visceral. As a party, they regard the tax collector not as "one of them," but as "one of us." And that, in a nutshell, is the party difference. To Republicans, the tax collector is always "one of them."

With an anti-tax Republican president, there's going to be a constant battle in which the pro-tax Democratic Congress wins some and the anti-tax president wins some.

But if both Congress and the White House are controlled by the pro-tax party, it's going to be time to hold on to your wallet.

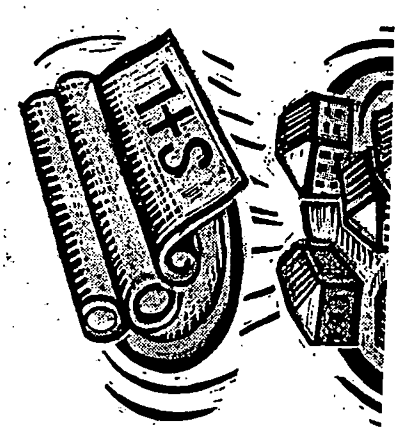
Raymond Price is a nationally syndicated columnist.

FRIDAY, NOVEMBER 10, 1989

The Washington Times

Cancel Congress' catering contract?

RAYMOND PRICE



Watching the Washington circus these days, it's easy to forget that the Congress was created for one purpose and one purpose only: to serve as the national legislature. That is, to make the laws that would apply equally to all of us.

By custom and tradition, however, Congress has also taken on the self-appointed role of ombudsman for the nation — or more precisely, for the individual constituents, defense contractors, crooked savings and loans institutions, seekers after Housing and Urban Development subsidies and other special pleaders in each member's own state or district.

The Constitution (Article I, Section 8) enumerates 18 distinct powers of Congress, ranging from declaring war to providing for the punishment of counterfeiters. Nowhere does it say anything about strong-arming regulatory agencies, filling the pork barrel or fixing parking tickets.

> *There is no way the individual service role cannot corrupt the legislative role. Any member of Congress who plays both roles — as all now do — has an inherent conflict of interest.*

These two roles directly conflict. There is no way the individual service role cannot corrupt the general legislative role. Any member of Congress who plays both roles — as all now do — has an inherent and constant conflict of interest.

In promoting his constituents' private interests, he does so at the expense of the public interest of the national citizenry he's elected to serve. Even helping an individual voter get what he's entitled to under the law is done by, in effect, using his political clout to jump that voter to the head of the line.

This dual role lies at the heart of the corruption that now permeates the legislative branch. It has become so pervasive that many members are blinded to its nature. To them, it's now as natural an environment as water is to a fish.

The hypocrisy it engenders has been on brazen display in the House hearings on the HUD scandals.

Day after day, committee chairman Tom Lantos and his colleagues have piously professed themselves shocked! shocked! at the behavior of former HUD officials who confess having done what congressmen daily brag about doing: that is, steering program grants to friends, contributors and constituents.

Congress' real complaint in the HUD scandal is not corruption per se, but rather executive-branch trespass on what it regards as its own favor-dispensing turf.

The breakdown of the legislative process in recent years has been scandal enough in itself, epitomized by those 1,000-page "continuing resolutions" that get dumped on the president's desk at two minutes before midnight crammed with such hidden treasures as subsidies for Belgian endive growers and Treasury grants for Jewish parochial schools in France, all as constituent favors that by common consent are tucked in where the sponsors hope they won't be found.

There's one simple way to put an end to this, or at least to reduce it drastically and bring what remains into clearer view.

It won't be done — the principal business of the modern Congress, after all, is getting re-elected, and the present system serves quite well at that, thank you — but it should be.

It's a modest proposal, really.

Take Congress completely out of the service business. Create a national ombudsman, whose constituency is the whole country. Let the ombudsman's office be organized along geographic or interest-group or whatever kind of lines might be deemed appropriate, so that individuals with a genuine grievance will have a place they can legitimately turn to. But confine Congress to its constitutional function of making laws.

Make it an offense punishable by imprisonment for a member of Congress even to attempt to use his influence to interfere in the awarding of contracts, the distribution of grants, or any other essentially administrative activity that involves choosing among individual claimants to government monies, goods or services. And publish a regular Bonanza Bulletin in which every appropriation targeted to benefit a particular group is clearly spelled out, categorized and highlighted.

In the still-unfolding savings and loan scandal — in dollar terms, by far the biggest scandal in the nation's entire history — the worst abuses were committed in the name of constituent service.

The best way to stop Congress from abusing its powers is, in this case, to remove the powers it abuses. Then members might even find the time to do the job Congress was created for.

Raymond Price is a nationally syndicated columnist.

Raymond Price

Tightening Our Beltway

SUDDENLY the most popular pastime within the Washington Beltway has become lip reading, and the most popular lip-reading exercise is transposing sounds to form new words — for example, translating "read my lips" into "read my slip."

The Beltway crowd just can't believe that a president-elect would be so callous as to mean it when he says no new taxes. Especially a president-elect who already lives in Washington. One who goes to the same parties, reads the same papers, watches the same newscasts, mixes with the same oracles — why, it's heresy! It has Beltway denizens dusting off their history books, re-reading the epithets of those New Deal-era nabobs who denounced the patrician Franklin Delano Roosevelt as a traitor to his class.

Tax revenues are the Beltway's lifeblood. The Beltway encloses a community wholly devoted to spending federal dollars. To you and to me taxes are outgo; within the Beltway they're income. This is the first key to understanding the Great Tax Debate. The second key lies in the institutional transformation Congress has undergone since successfully insulating itself from the hazards of the electoral process.

Once, Congress represented the nation. Now it represents itself. Thanks to its own elaborate structure of incumbent-protection laws, including genteel extortion of millions of dollars from political action committees, election to the House of Representatives now provides a lifetime sinecure. As a result, Congress has become the most powerful special-interest lobby in the nation, the central element of the permanent Washington establishment.

Members may come originally from places like Iowa or Kentucky. But once ensconced in Congress they become, like the city's correspondents and lawyers and lobbyists, of Washington. Presidents come and go, but congressmen are forever.

Just as Houston's fortunes rise and fall with the price of oil, Washington's fortunes rise or fall with the level of federal expenditures. And it's not just the Washington economy that's hostage to those expenditures. Even more important, it is the infinitely inflatable egos of those who make the town go. What worries the Beltway crowd most about holding down tax rates is not that this expands the deficit. It's that doing so makes it more difficult to increase spending.

Deficits are a real problem, and in an ideal political world the administration and Congress would sit down together in good faith to determine what combination of spending restraints and revenue enhancements would best shrink the deficit without significantly slowing economic growth. A lot of respected economists and businessmen, seduced by the vision of such a world, have joined the Beltway clamor for new taxes.

But we don't live in an ideal world. We live in a real political world in which any new tax that makes its way through Congress is likely to be shaped not to minimize its economic damage but to maximize its political appeal, which is likely also to maximize its damage.

Any sensible proposal risks being demagogued to death. Witness Michael Dukakis' recent relentless demagoguing of George Bush's proposed reduction in the capital-gains tax rate.

Echoed by his partisans in Congress, Dukakis seized on that proposal to denounce Bush for an outrageous "giveaway to the rich." In fact, any economist worth his salt knows that capital-gains taxes are now much too high for the nation's economic health. The whole history of capital-gains taxes shows that when rates are cut, revenues from the capital-gains tax itself increase as a result of greater capital mobility, and capital investment rises with consequently greater economic growth. That's why most economically advanced nations have no capital-gains taxes.

One reason New York and Massachusetts now face budget crises is that their own capital-gains tax revenues have fallen sharply as a direct result of the 1986 boost in federal rates — a boost enacted to placate the populists in Congress as part of a compromise. The states are hurting because the federal increase sharply reduced the volume of capital transfers — which has also meant that enormous amounts of capital remain locked into unproductive uses.

Barring a congressional conscience transplant, the likelihood is that any new tax enacted by Congress would do more harm than good to the economy, while the revenues it produced would go to finance new expenditures rather than to narrow the deficit. The nature of Congress is to spend; Congress with a new revenue source is like a yuppie with a new credit card.

If we're serious about deficits, what we really need is not to raise taxes but to take in our Beltway a notch.

THE WHITE HOUSE

WASHINGTON

October 18, 1990

THE CHIEF of STAFF
has seen

MEMORANDUM FOR GOVERNOR SUNUNU

FROM: LARRY LINDSEY

SUBJECT: NLRA Penalties in Budget Reconciliation

During the debate in the House on budget reconciliation, the Democrats added a provision which had never before seen the light of day. It would establish a minimum fine of $1000 per violation per worker (maximum $10,000) to be assessed at the time the General Counsel decides to pursue a case with the amount of the fine to be determined by the field staff.

- o This must be of dubious constitutionality as no one has to be convicted of anything to pay a fine. (It is equivalent to being fined upon indictment). The business must counter sue and prevail in order to win back his money.

- o In the 60 year history of this Act, no fines have ever been imposed. Instead, the NLRB may require reinstatement and back pay. So, this opens up a new area of sanctions where none existed before.

- o The proposal is scored at $97 million over 5 years, though surely this must be a funny number.

- o No hearings have ever been held on the provision, nor has a formal bill ever been submitted containing this approach.

You may be contacted by Bob Strauss later in the day regarding this bill. Strauss will recommend that you make this a priority to take out of reconciliation. As Strauss may offer an entre to the other side of the aisle on other issues, you may want to consider a return favor.

cc: Roger B. Porter

SENT BY:A ;10-19-90 10:49AM ; 16038939480→ 2024562397;# 1

lia

Lakeside Insurance Agency, Inc.
2 Corporate Place P.O. Box 4031
Wakefield, Massachusetts 01880
Tel. (617) 245-9450

Lakeside Insurance Agency of NH, Inc.
88 Stiles Rd., P.O. Box 6002
Salem, New Hampshire 03079
Tel. (603) 893-9450

THE CHIEF of STAFF has seen

Bud

FACSIMILE COVER MEMO

DATE: 10/19/90

TO: J. KENNEDY

RE: DAC- INDUSTRY POSITION

COMMENTS:

PER OUR PHONE CON. JACKIE:
RED FLAG WENT UP WHEN GOTTEHRER
ADVISED REP "SONNY" CALLAHAN OF ALA
BECAME AWARE PRESIDENT NOT AWARE THIS
TAX. CALLAHAN VOTE AGAINST SUMMIT
AGREEMENT. WHEELER MAINTAINS
THIS TAX "ANTI REPUBLICAN" ??

SIGNED: Ed Kunze

NUMBER OF PAGES PLUS COVER 6

FAX NO. (603) 893-9480

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Tel. (603) 893-9450
Fax. (603) 893-9480

October 19, 1990

MEMO: John Sununu
The White House

Dear John,

Tom Wheeler, the CEO of Mass. Mutual Life Insurance Company knows that you and I are closely associated.

Apparently, part of the budget process that you are struggling with involves what he perceives to be unfair tax on certain class of life insurance companies, of which Mass. Mutual is one.

I do not profess to understand the make up or the ramifications of the tax, but did agree to get information to you. Their concern is that you may not have adequate information regarding the impact on the life insurance industry. I am not sure this is true, but I agreed to forward their position.

Tom then had Barry Gottehrer, who, apparently is a life insurance industry lobbyist, contact me and forward the enclosed. The long sheet apparently is an ad that is in todays Washington Post. The other three sheets are a memo that wrote to Bob Dole on October 18, 1990.

Again, I do not profess to understand what all this is, but it does look like a large tax bite on Mass. Mutual where both you and I are insured. Thank you for your patience.

Sincerely,

Edwin D. Duvall

EDD/rc

18 October 1990

TO: Senator Robert Dole

FROM: Barry Gottehrer

RE: The Evolution of DAC and Mass Mutual

As can be seen by the numbers on the attached sheet, the evolution of the DAC proposal in the legislative process has been substantially adverse to Mass Mutual.

To start at the beginning, DAC is in theory a new business tax, not a a tax on the total of inforce business. Despite this fact, a total premium (as opposed to first premium) base was chosen to estimate expenses to be deferred. No one can believe an ordinary life contract sold in 1961 has in 1991 the same acquisition costs as a contract sold in 1991, but a base was chosen that produces that result. Use of the total premium base helps companies which churn business and hurts companies, like Mass Mutual, which deal in long term business relationships.

No first premium proposal was ever made, but aggregate industry data indicate that Mass Mutual's share of total individual life premiums is about 1.6 times its share of individual life first premiums. Thus, I will say as a rough measure this choice of base changed our "DAC" extra tax from 4.2 million in 1990 and 19 million in 1991 to 6.7 million in 1990 and 28.4 million in 1991. The figures are rough, but clearly we were badly hurt.

The Budget Summit DAC with its total premium base then became a new baseline with Mass Mutual's tax raised by 6.7 million in 1990 and 28.4 million in 1991 respectively. The House modified the package to allow small companies a 5 year amortization period and to carve out "qualified foreign contracts." These changes do not benefit Mass Mutual, but, as they were paid for by increasing the rates, Mass Mutual fully participates in funding the cost: an extra .5 million for 1990 and 2.2 million for 1991.

The Senate Finance Committee then modified the Summit Proposal. Their small company benefit was 5 year amortization of the first 5 million of otherwise deferrable expense, with a phaseout of the amount as deferrable expense goes from 10 million to 15 million. Because it is not restricted to small companies, this appears to be much more costly than the House provision. The Senate also has an exclusion of "qualified foreign contact", identical to the House provision. Finally, the Senate moved noncancellable A&H contracts to which the

the higher other life rate applied to apply instead the lower group life rate. This last does benefit Mass Mutual -- about .4 million in 1990 and 1.7 million in 1991. Again, the changes are paid for with rate changes and again Mass Mutual is a heavy loser: the A&H benefit is completely swamped by the hit to life insurance. The cost to Mass Mutual of the Summit-to-Senate change is 2.2 million for 1990 and 9.4 million for 1991.

In summary, the applicable rates have changed as follows:

	Summit	House	Senate
Annuity	1.40%	1.50%	1.85%
Group Life	1.65%	1.80%	2.20%
Noncancellable A&H	6.25%	6.75%	2.20%
Other Life	6.25%	6.75%	8.30%

The shifts seen here are clearly very damaging to large writers of individual (and group) life insurance who bear the costs, but do not reap the benefits, of changes made. A reasonable accounting change -- deferring of acquisition costs on long term contracts -- has been corrupted into an excise tax on our inforce and then made continually worse in order to benefit others.

Our objections are less to these special changes which may or may not have some merit but, to the fact, that Mass Mutual and other life writers are forced to pay the costs of each of these special changes. If Congress wanted to give special treatment to small companies, those doing business in Japan and disability writers, then it would make sense that Congress not look to us -- those who do not benefit from them -- to pay an extra penalty to pay for these special changes.

This process has been extremely harmful to Mass Mutual and is not fair. I hope that you can give us some help.

	1990	1991
Mass Mutual Tax Before Any Change	45.2	86.0
Possible Mass Mutual Tax With a First Premium Base	49.4	104.0
Mass Mutual Tax With the Summit DAC	51.9	114.4
Mass Mutual Tax With the House DAC	52.4	116.6
Mass Mutual Tax With the Senate DAC	54.1	123.8

TAX ESTIMATES IN MILLIONS OF DOLLARS

October 19,1990

While we believe that an $8 billion DAC is unfair and will have a negative impact on our industry and the nation, we especially are concerned that special amendments adopted in the House and Senate versions will make this situation even worse.

These amendments give special relief for some companies and pay for it by increasing the taxes of their competitors. We urge the conferees to adopt the summit rules on how much acquisition expenses should be capitalized for each insurance policy. If special relief is provided for some companies, that relief should not be paid for by increasing the taxes of their competitors.

As a result of Ways and Means and Finance Committee action, some companies are favored and others are not. For companies not favored by the special provision, the House bill is not an $8 billion DAC, it is an $8.7 billion DAC, and the Senate bill is a $10.6 billion DAC. At the same time, for favored companies, an $8 billion DAC has been reduced to a $7.3 billion DAC under the House bill and a $5.4 billion DAC under the Senate bill. Thus, the significant competitive advantage given these companies through special relief is multiplied by penalizing other non-favored companies. If special relief is provided the rest of the insurance industry should not be forced to bear the cost.

The following numerically demonstrates the varying impact of the DAC proposals on individual companies.

DAC PROPOSAL COST ESTIMATES FOR 1991
(IN MILLIONS)

	MASS MUTUAL	NEW YORK LIFE	PRUDENTIAL
Current Law	$ 86	$200	$235
Budget Summit	$112.5	$270	$355
House Version	$116.8	$275	$365
Senate Version	$123	$296	395

WHY ISN'T ANYBODY IN CONGRESS AND THE WHITE HOUSE LISTENING?

Congress and the White House are now considering increasing the life insurance industry's taxes by $8 billion over five years—a staggering increase of 50 percent. This would be unfair at any time—singling the life insurance industry out as the single largest corporate contributor to the deficit reduction package.

The timing, however, could not be worse. With savings and loans in deep trouble and banks being forced to pull back, Congress and the White House are now planning to raise, by 50 percent, the taxes of the life insurance industry—the primary remaining source of our nation's long term capital, financial strength and credit.

Life insurers are willing to pay their fair share—and do. According to tax experts, the life insurance industry already pays a fair share of taxes and already bears a higher effective tax rate than any other financial institution.

Some people on the Hill and in the Administration have concluded that this tax increase will only affect corporate America. NOTHING IS FURTHER FROM THE TRUTH. The people who will suffer most from this unfair tax are hundreds of thousands of the life industry's employees and agents and our millions of policyholders throughout the United States.

the United States.

Placing an excessive tax burden on the life insurance industry at this time could have far reaching national consequences—leading to the tightening of the noose on many business borrowers, deepening and lengthening the now-likely recession.

The President and Congress have said the deficit reduction package must be fair, should not be excessive for any one group, and must not threaten the economic growth of our nation.

This current proposal raising life insurers taxes by 50 percent is unfair, excessive, and threatens our nation's economic growth. It hurts middle-class America—the owners of life insurance products and the workers who provide them.

MR. PRESIDENT AND MEMBERS OF CONGRESS: WHY AREN'T YOU LISTENING?

Richard S. Schweiker
President
American Council of Life Insurance

Jack E. Bobo, CLU
Executive Vice President and CEO

House of Representatives
Washington, D.C. 20515

Bud

THE CHIEF of STAFF
has seen

MEMORANDUM 10-19-90

Governor —

Enclosed is the proposal that would make DAC bearable without changing dollars.

Secondly, need acceptance of House full push start on the salvage and subrogation provision.

Great thanks,

Nancy

Nancy L. Johnson, M.C.

MUTUAL FAIRNESS TAXATION ASSOCIATION
1120 VERMONT AVENUE, N.W.
SUITE 1000
WASHINGTON, D.C. 20005
202 857-0350

The DAC Disaster

The Mutual Fairness Taxation Association, a group of mid-size and smaller life insurance companies, has been attempting to express its concerns about the life insurance DAC provisions for the last several weeks. In that time, the tax increases in the Budget Summit proposal, which were demonstrably unfair to the policyholders of mid-size and smaller companies, have become appreciably worse. In the process, whatever policy justification there may have been for the DAC proposal has been substantially abandoned, as premium rates that were defended as accurate proxies for acquisition costs have increased by one-third, in some cases, and decreased by two-thirds, in other cases. Moreover, the same companies whose policyholders were already at risk have been asked to pay substantially more for a handful of special cases.

Specifically, the three proposals contain the following rates:

	Budget Summit	House Bill	Senate Bill
Annuity	1.4%	1.5%	1.85%
Group Life	1.65%	1.8%	2.2%
Noncancelable A&H	6.25%	6.75%	2.2%
Individual Life	6.25%	6.75%	8.3%

As we have previously pointed out, these provisions directly affect individuals who purchase life products as their principal form of savings. This tax, especially at the "adjusted" rates in the House and Senate bills, will inevitably diminish this pool of savings. Moreover, the policyholders of mid-size and smaller companies will be most affected because these companies generally have no other lines of business and less capital to absorb increased taxes.

We suggest the following alternate courses of action in conference:

- If the revenue target must be maintained, make the tax progressive.

While the Budget Summit rates were extremely burdensome, the House and Senate bill rates are unconscionable.[1]

---

[1] We should also point out that these latter rates are irreconcilable -- according to our data, the Senate bill raises considerably more than the House bill, although both are scored at the same amount.

If the Congress determines to maintain the same overall revenue target, it should do so by returning to the Budget Summit rates on a progressive basis. Specifically, we propose that the first $900 million of ordinary life and noncancelable accident and health total net premium be subject to a rate of 5.5%, while the amount in excess of $900 million be subject to a rate of 7.75%. This is revenue neutral and would only modestly redistribute the tax to benefit policyholders of smaller companies. In addition, this proposal would substantially decrease the current opposition to the DAC provisions.

° Return to the Budget Summit rates but lessen the impact on mid-size and smaller companies.

As noted, the preceding alternative assumes that Congress will choose to maintain the current revenue level for DAC. We believe, however, that Congress should lessen the revenue impact on the industry as a whole, and should do so on a progressive basis. Specifically, Congress should return to the Budget Summit rates and reduce the impact on policyholders by allowing all companies to amortize some level of deferrable costs over five years.

° The cost of changes for particular products should not be borne by the policyholders of other companies.

Instead of a size-graduated approach benefitting hundreds, both bills contain changes that appear to benefit a few products sold by a handful of companies. While some of these may be justified, they result in more burden on policyholders of small and mid-sized companies who are already bearing a heavy load. If Congress must make provision for a few products, it should pay for them elsewhere in the budget package.

1733m

Policy discussions of Surtax and SurPease

Surtax: People with $1,000,000 income can avoid higher taxes by:

1. Deferring capital gains, perhaps until death

2. Deferring or shifting compensation
   - e.g. Athlete spreads pay over number of years
   - Executive takes stock options

3. Shifting to tax preferred investments
   - state and local bonds
   - growth stock for capital gains instead of dividend producing stock
   - tax-favored investments

Pease:

1. Most people cannot avoid Pease because of state and local taxes -- income and property taxes, plus home mortgage interest.

2. If they avoid by reducing borrowing to reduce home mortgage interest that is good for economy, policy is good.

3. Only disadvantage of SurPease: For some odd cases, some slight reduction of charitable contributions might occur.

Major advantage of Pease: Keeps low rate tax system. Low tax rates minimize disincentives. If you do not have itemized deductions, you do not pay Pease.

Example:

Adjusted Gross Income:	$2,000,000
Itemized Deductions	$500,000
Taxable Income	$1,500,000

7 1/2% surtax effect (assuming 31% tax rate) is approximately 2.325% additional tax on amount above $1,000,000, or 2.325% of $500,000 = $11,600

7 1/2 SurPease effect - $75,000 deductions are lost (7 1/2 x $1 million) which, at a 31% rate increases tax by $23,250.

Medicaid/care.

A. REDUCTIONS

		RELATIVE TO SENATE BILL (in billions)
1.	Reduce itemized deduction limitation to 3 percent with 100K threshold (indexed); impose 5% limitation with $1 million threshold (no indexing--5% limit sunsets after 5 years)	-10.3
2.	Reduce gasoline tax increase to 5 cents effective December 1, 1990	-18.1
3.	Reduce Medicare beneficiary savings (House bill)	- 7.0
	Total reductions from Senate bill	-35.4

$3\frac{1}{2}/7 = +6$

maybe higher

$6¢ = +5B$

Dole gas tax

4 5.B

- 125 ded. (1.6B > Hse)
- House providers 3.3 net
- House premium

CBO OMB

+1.6

take their raisers (2.8)

Medicaid

Senate QMB 125% poverty State ag[illegible] 55/45: 525/1.3

Medicaid child coverage to 10 yrs. old/100% poverty 450/1.2

+12.6

B. ADDITIONS

1.	31% top rate; 25% AMT rate (maximum capital gains rate of 28 percent)	14.0
2.	Increase HI wage cap to $125,000	7.9
3.	Drop:	
	a. small business expensing	2.7
	b. reduce energy incentives	1.4
	c. AMT appreciated property	.1
4.	Include gas guzzler tax	.5
5.	Increase corporate AMT rate from 20% to 24% with prospective depreciation simplification	~~10.3~~
		____
	Total additions to Senate bill	36.9

24 - 2

23.25%

100K - 3

-1.4

leave in 5

-0.3 / 0.1

-0.1 No

22

-5.5

1/2% corp. rate

-12.7

260

218

60

D: 158 votes yes (102 safe) 56

102 votes no

SUMMARY OF DISTRIBUTIONAL EFFECTS, BY INCOME CATEGORY (1)
- POSSIBLE COMPROMISE I -
Budget Reconciliation - Revenue Proposals
(1990 Income Levels)

Income Category (2)	Change in Federal Taxes (1)(3)		Federal Taxes Under Present Law (4)		Federal Taxes Under Proposal (1)(4)		Effective Tax Rates	
							Present Law	Proposal
	Billions	Percent	Billions	Percent	Billions	Percent	Percent	Percent
Less than $10,000.....	-$0.3	-2.1%	$14.2	1.6%	$13.9	1.6%	13.3%	13.1%
10,000 to 20,000.....	-1.8	-2.8%	65.8	7.6%	64.0	7.3%	15.6%	15.1%
20,000 to 30,000.....	1.9	1.8%	102.5	11.9%	104.4	11.9%	18.4%	18.8%
30,000 to 40,000.....	2.3	2.0%	115.8	13.4%	118.1	13.4%	20.0%	20.4%
40,000 to 50,000.....	1.8	2.0%	87.9	10.2%	89.7	10.2%	21.4%	21.9%
50,000 to 75,000.....	2.5	1.5%	172.8	20.0%	175.3	19.9%	24.7%	25.1%
75,000 to 100,000.....	1.4	2.1%	66.5	7.7%	68.0	7.7%	25.8%	26.4%
100,000 to 200,000....	2.1	2.0%	104.4	12.1%	106.5	12.1%	26.2%	26.7%
200,000 and over.......	7.5	5.6%	133.3	15.4%	140.8	16.0%	25.2%	26.6%
Total, All Taxpayers..	**$17.4**	**2.0%**	**$863.2**	**100.0%**	**$880.6**	**100.0%**	**21.8%**	**22.2%**

Joint Committee on Taxation

(1) Distributional analysis includes effects from the Senate Finance Committee Budget Reconciliation-Revenue Proposals, as modified with respect to beer, wine, and distilled spirits taxes, tobacco tax, energy tax, telephone tax, increase in HI wage cap, increased individual and AMT rates, limitation on itemized deductions, individual AMT component of oil and gas production incentives, inclusion of latest Senate child care offer, and increase in the EITC. Analysis does not take into account effects from changes in taxpayer behavior.

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(3) Estimates of total tax liability presented in distributions will not match estimated changes in receipts because of differing time periods (CY 1990 vs. FY 1991-95), because of varying patterns of fiscal year receipts.

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POSSIBLE COMPROMISE I

Typed Version

Medicaid/care

A. REDUCTIONS

RELATIVE TO SENATE BILL (in billions)

1.	Reduce itemized deduction limitation to 3 percent with 100K threshold (indexed); impose 5% limitation with $1 million threshold (no indexing--5% limit sunsets after 5 years)	-10.3
2.	Reduce gasoline tax increase to 5 cents effective December 1, 1990	-18.1
3.	Reduce Medicare beneficiary savings (House bill)	- 7.0
	Total reductions from Senate bill	-35.4

3½ / 7 = +6 Reluctant

maybe higher

125K

+½

Dole 5¢

6¢ = +5B

6¢

Dole gas tax

4 / 5.B

- 125 ded. (1.6B > Hse)
- House providers 3.3 net
- House premium

CBO OMB

+ 1.6 House providers

House Premium Deduct/Split Diff.

Medicaid

- take fair raisers (2.8)
- Senate QMB 125% poverty State option 55/45: 525/1.3
- Medicaid child coverage to 10 yrs. old/100% poverty 450/1.2

+ 12.6

B. ADDITIONS

1.	31% top rate; 25% AMT rate (maximum capital gains rate of 28 percent)	14.0
2.	Increase HI wage cap to $125,000	7.9
3.	Drop:	
	a. small business expensing	2.7
	b. reduce energy incentives	1.4
	c. AMT appreciated property	.1
4.	Include gas guzzler tax	.5
5.	Increase corporate AMT rate from 20% to 24% with prospective depreciation simplification	~~10.3~~
	Total additions to Senate bill	36.9

24 - 2

23.25%

25

Sr? Wee tots $750

100K - 3

Medicaid

Bentsen
Gephardt
Panetta
Waxman
OMB

260

- 1.4 leave as is

- 0.3 / 0.1

- 0.1 No

all the way

vs ½%

22

- 5.5

½% corp. rate

218
60
D: 158 votes yes
102 votes no

(102 safe) 56

- 12.7

SUMMARY OF DISTRIBUTIONAL EFFECTS, BY INCOME CATEGORY (1)
- POSSIBLE COMPROMISE I -
Budget Reconciliation - Revenue Proposals
(1990 Income Levels)

Income Category (2)	Change in Federal Taxes (1)(3)		Federal Taxes Under Present Law (4)		Federal Taxes Under Proposal (1)(4)		Effective Tax Rates	
							Present Law	Proposal
	Billions	Percent	Billions	Percent	Billions	Percent	Percent	Percent
Less than $10,000.....	-$0.3	-2.1%	$14.2	1.6%	$13.9	1.6%	13.3%	13.1%
10,000 to 20,000.....	-1.8	-2.8%	65.8	7.6%	64.0	7.3%	15.6%	15.1%
20,000 to 30,000.....	1.9	1.8%	102.5	11.9%	104.4	11.9%	18.4%	18.8%
30,000 to 40,000.....	2.3	2.0%	115.8	13.4%	118.1	13.4%	20.0%	20.4%
40,000 to 50,000.....	1.8	2.0%	87.9	10.2%	89.7	10.2%	21.4%	21.9%
50,000 to 75,000.....	2.5	1.5%	172.8	20.0%	175.3	19.9%	24.7%	25.1%
75,000 to 100,000.....	1.4	2.1%	66.5	7.7%	68.0	7.7%	25.8%	26.4%
100,000 to 200,000....	2.1	2.0%	104.4	12.1%	106.5	12.1%	26.2%	26.7%
200,000 and over.......	7.5	5.6%	133.3	15.4%	140.8	16.0%	25.2%	26.6%
Total, All Taxpayers..	**$17.4**	**2.0%**	**$863.2**	**100.0%**	**$880.6**	**100.0%**	**21.8%**	**22.2%**

Joint Committee on Taxation

(1) Distributional analysis includes effects from the Senate Finance Committee Budget Reconciliation-Revenue Proposals, as modified with respect to beer, wine, and distilled spirits taxes, tobacco tax, energy tax, telephone tax, increase in HI wage cap, increased individual and AMT rates, limitation on itemized deductions, individual AMT component of oil and gas production incentives, inclusion of latest Senate child care offer, and increase in the EITC. Analysis does not take into account effects from changes in taxpayer behavior.

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Copy to Pinkerton

ALTERNATE MESSAGES FOR PRESIDENT
POST-CONGRESSIONAL ADJOURNMENT

(1) Accomplishments.

There was tough combat and hard negotiation, but Congress passed my programs. Five-year deficit reduction budget. Will get the economy moving again. Child care. Clean air. Civil rights. We're moving ahead, but it would be a lot easier with fewer big spenders and big taxers in Congress. The tax and spend crowd wouldn't let us cut spending enough and forced us to increase your taxes too much. It's obvious we need a change, so vote Republican.

(2) Domestic crisis solved. Go international.

Long tough fight on the budget, but I got my way. A long-term deficit reduction budget. Too many taxes, but Democrats insisted. The economy will move again now. Interest rates will come down, etc.

Now it's time to focus on the challenge the world faces in the Persian Gulf. Why we are there. Who's there with us. Goals. What it means for the future. In post-Cold War world, the threat is not war between superpower alliances. The new threat is from Third World dictators (Saddam, Khadafi, Noriega, Castro). A pattern will be set now for how the world will work. Saddam will get away with aggression and encourage others, or the world, under U.S. leadership, will stop him in his tracks (like Noriega) and a pattern of peace and freedom will be set. This crisis will establish a

Rep. have given you the greatest growth package in the history of the country.

precedent for a generation of peace, or years of aggression and terrorism by dictators. That's what's at stake. That's why we must see it through. Clear statement of our goals. Support our troops. If they can take the time to vote, so can you.

(3) <u>Rosy Economic future/Fairness rebuttal</u>.
We forced long-term deficit reduction. Never been done before. Explain the scope and impact of the agreement. How it leads to balanced budget. Here is what that means for your family and your pocket book in the next several years. Lower deficits and spending means low inflation. Deficit reduction means lower interest rates. That means economic growth. More jobs(not just for you, but for your kids, cousins, poor people, etc.). New jobs go to women and minorities. The middle class and the elderly suffer the most from recession and inflation. Examples from Carter years. They win the most from this plan. The plan does not touch Social Security and makes only minor changes in Medicare. Fairness for the elderly. We are on the side of tax fairness. Under the Reagan-Bush tax plans of 1981 and 1986, everyone got a tax cut. Millions of working poor were dropped off the tax rolls. The wealthiest Americans have paid more in taxes, not less, under this plan. Now, I wanted to balance the budget with no new taxes for anyone. But, the Democrat big spenders insisted on taxes. They even proposed(in the House) deferring indexing which is a big tax increase

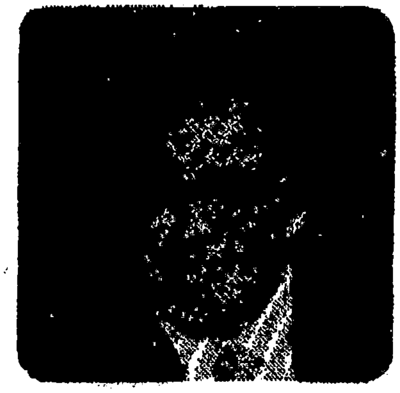
for every American taxpayer. We refused to go along, thus saving tax dollars for middle class families. The rich will continue to pay more than they used to under this plan. We created 21 million jobs in last ten years. Goal is twenty million more in the 1990s. The most fair program of all--a job for every American who wants one.

(4) Divided Government.

Divided government is bad when one side won't compromise (the big spenders). They are the reason you got a tax increase. We would have had an orderly deficit reduction budget on schedule, if they were willing to compromise. The only way to change the system and guarantee that we stick to the deficit reduction, long-term growth budget is to have fewer big spenders in Congress. I'm not asking for all the seats, but for more balance, a more truly competitive two-party system. If you liked the way this worked this year, vote for all the incumbents who did it. If not, vote for change. Vote for new blood. Vote for a true two-party system capable of compromise. With a few more supporters in the Congress, I can enforce the budget agreement. Keep spending down. Get the economy moving. Run the government on schedule, without scaring the elderly, the disadvantaged, and dedicated federal employees out of their wits.

News from Senator

BOB DOLE



(R - Kansas) SH 141 Hart Building, Washington, D.C. 20510-1601

FOR IMMEDIATE RELEASE
OCTOBER 21, 1990

CONTACT: WALT RIKER
(202) 224-5358

DOLE ON CONFERENCE NEGOTIATIONS

SENATOR BOB DOLE RELEASED THE FOLLOWING STATEMENT REGARDING THE CONFERENCE NEGOTIATIONS:

"I AM DISAPPOINTED THAT THESE IMPORTANT NEGOTIATIONS HAVE REACHED AN IMPASSE. WE PRESENTED A FAIR OFFER, AS SHOWN IN THE ATTACHED CHART. WE TOOK THE DEMOCRATS' FIRST OFFER, MODIFIED IT IN THEIR DIRECTION AND INCREASED TAXES ON MILLIONAIRES. IN FACT, OUR PROPOSAL RAISED MORE FROM THE RICH THAN THEIR PACKAGE. WE BELIEVE THE "DEDUCTION REDUCTION" IS BETTER POLICY THAN A SURTAX AND WE BELIEVE MOST TAX ANALYSTS WOULD AGREE," DOLE SAID.

"THE PRESIDENT HAS GONE MORE THAN HALF WAY. I REGRET THE HOUSE DEMOCRATS INDICATE THEY ARE UNABLE TO DO THE SAME."

###

SUMMARY OF DISTRIBUTIONAL EFFECTS, BY INCOME CATEGORY (1)

- REPUBLICAN OFFER -

Budget Reconciliation - Revenue Proposals

(1990 Income Levels)

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20,000 to 30,000	2.3	2.3%	102.5	11.9%	104.8	11.9%	18.4%	18.9%
30,000 to 40,000	2.7	2.4%	115.8	13.4%	118.6	13.4%	20.0%	20.5%
40,000 to 50,000	2.1	2.4%	87.9	10.2%	90.0	10.2%	21.4%	21.9%
50,000 to 75,000	2.8	1.6%	172.8	20.0%	175.6	19.9%	24.7%	25.1%
75,000 to 100,000	1.5	2.3%	66.5	7.7%	68.0	7.7%	25.8%	26.4%
100,000 to 200,000	1.4	1.3%	104.4	12.1%	105.8	12.0%	26.2%	26.5%
200,000 and over	7.2	5.4%	133.3	15.4%	140.5	15.9%	25.2%	26.5%
Total, All Taxpayers	$18.3	2.1%	$863.2	100.0%	$861.5	100.0%	21.8%	22.3%

Joint Committee on Taxation

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To: Gov. Sununu
Total: 3 pages

UNITED STATES SENATE
WASHINGTON, D. C. 20510

MALCOLM WALLOP
WYOMING

THE CHIEF of STAFF
has seen

John —

As you requested —
This is the astonishing information on the progressivity of the Tax Code after the '86 act. Not only did it work to spur investment, and thus revenues, it made America the most PROGRESSIVE TAX Collecting Country in the World!

Malcolm —

income tax return data recently released by the IRS. Not only does it show the massive concentration of the income tax burden on the top taxpayers, but it demonstrates conclusively that virtually all the GROWTH in income tax revenues is now coming from the top 13 percent of the taxpayers, and nearly 77 percent of it is coming from those over $100,000. (Table)[ep

In 1988, total income tax collections rose by $47 billion over 1987, from $369 billion to $416 billion. a 12.7 percent rise---reflecting the strong, pre-Bush economy. Yet in that 1988 year, the taxes paid by the income groups under $50,000, (representing 87.3 percent of the taxpayers) rose by only $1.9 billion, or only 4 percent of the total increase. [ep

Furthermore that 87.3 percent of all taxpayers paid only 37.1 percent of the total income taxes collected, and in real terms their tax payments have actually been going DOWN every year. 1988 was no exception: the real tax payments (after inflation) for the bottom 87 percent of all taxpayers FELL by another 2 percent, on top of a 10 percent real drop 1981-87. [ep

This means that 96 percent of the entire 1987-1988 increase was paid by the top 13 percent of the taxpayers, who accounted for nearly 63 percent of all income taxes paid. Their tax payments rose 21 percent in 1988, or a real rise of 17 percent. It is hard to imagine a more steeply progressive tax burden than that, or a more steeply progressive TREND.[ep

The belly-aching coming from average taxpayers over the alleged "tax breaks" for the rich represents an appalling level of ignorance from a class of taxpayers who have seen their income taxes GO DOWN massively (nearly 15 percent) in real terms over the last 9 years, even as the taxes paid by the wealthy have in fact soared at their fastest growth rate in at least 3 decades. From 1981-88, the taxes paid by the top 5 percent rose in real terms by over 70 percent while GNP grew less than 24 percent. [ep

Indeed, in 1988 the 2.3 percent of all taxpayers over the

Gov. Sununu - Page 3

income level of $100,000, paid 77 percent of all of the additional taxes collected in 1988 (over 1987) even though this 2.3 percent's total share of the tax burden is already a massive 36.4 percent. Their actual tax payments rose 27 percent REAL. [ep

In plain English the 1986 Tax Reform Act made an already intensely "progressive" income tax burden still more progressive, with new taxes collected from the rich at double even their already high share of the current income tax burden.[ep

Indeed, the biggest target of the Democrats' revenge, the 65,303 taxpayers with over $1 million in income, who represent only 6/100 of 1 percent (0.06%) of all the taxpayers, not only paid 10.5 percent of all the taxes paid ($44 billion), but they paid 41.3 percent of the total revenue increase in 1988![ep

This means that the Democrats and their allies like Kevin Phillips are engaged in the most astonishing and destructive not to mention irresponsible level of distortion on this issue, and the result could be catastrophic for economic policy.[ep

That is because simply slapping huge new 5 to 15 percent tax surcharges on everyone over $100,000 (as House Democrats now propose to do) will not only be massively unfair in terms of who has ACTUALLY been paying the rising tax burden in this country, but economically suicidal. [ep

The vast preponderance of US new job formation is the result of investment by those with incomes over $100,000, and whacking those incomes is attacking job creation and economic growth.[ep

It is time to stop this disgusting and ugly politics of envy, and remember where Lenin led his people---right down the economic toilet. [ep

1987-1988 INCOME TAX TRENDS
(MILLIONS OF $)

INCOME CLASS	REV.GROWTH 1987-88	% OF TOT. GRWTH	% OF TXPYRS	% OF TOTAL BURDEN
Under $15,000	- 765	- 1.6%	43.0%	3.3%
15,000-50,000	2,611	5.6%	44.4%	33.8%
50,000-100,000	9,018	19.2%	10.4%	26.5%
100,000- 1 M	16,661	35.5%	2.2%	25.9%
1 M & Over	19,381	41.3%	0.06%	10.5%
Total	46,906	100.0%	100.0%	100.0%
RECAP				
Under $50,000	1,846	4.0%	87.4%	37.1%
Over $50,000	45,060	96.0%	12.6%	62.9%
Over $100,000	36,042	76.8%	2.3%	36.4%

SOURCE: IRS Statistics of Income Spring 1990 TE
TE ^C ^E^C {ET

SIDE-BY-SIDE

	Five Year Totals Budget Summit Agreement ($ Billions)	The Rosty Challenge (3/12/90) ($ Billions)	Rosty II (10/12/90) ($ Billions)
5 Yr. Deficit Reduction	$500.0	$511.6	$500.0
% Spending Restraint	60%	55% *	Unknown
% Revenue Raising	27%	33%	30%
% Interest Reduction	13%	12%	Unknown
		* Suspect	
I. Revenue Increases:			
Revenue Raising	$162.7	$195.2	$175.4
Net Deficit Reduct.	$137.9	$173.2	$148.6
Eliminate Bubble	NO	$44.3	$50.0 (Incl. 25% AMT)
Suspend Tax Indexing For One Year	NO	$49.8 (Except EITC)	$36.0 (Brackets and Pers. Exempt)
Impose 10% Luxury Tax	$1.9	NO	$2.8
10% Surtax On Inc. +$1MM	NO	NO	$7.6 (Equals 33.6% Rate)
Gas Tax:	$56.8	$57.9	$-0-
* Motor Fuels	5-10 Cents	15 Cents	No
* Petroleum	2 Cents	No	No
Tobacco And Spirits:	$5.9	$13.8	$5.8
* Cigarettes	+4 Cents in 1991 +4 Cents in 1993	+16 cents	+4 Cents in 1991 +4 Cents in 1993
* Wine/Beer/Spirits	$10.0	$7.4 (Beer, Wine only)	$9.3 (Includes distilled)
Environmental Taxes	$1.1	$22.0 (Air Pollution)	$1.6 (Likely to drop "Guzzler")
II. Other Revenues:			
* IRS Enforcement	$9.4	NONE	NONE
* Corp. Int. Disallow.	$3.9	NONE	NONE
* Limit Item. Deduction	$18.0	NONE	NONE
* Foreign Grantor Trust	NONE	NONE	$5.4
* Ext. SS Tax to St/Loc Employ	$11.7	NONE	$10.0
* Ext. HI to State/Loc	$5.2	NONE	NONE
* Increase Medicare Cap	$13.0 (To $73,000)	NONE	$22.0 (To $100,000)
* DAC	$8.0	NONE	$8.0
* FUTA	NONE	NONE	$5.4

SIDE-BY-SIDE

	Five Year Totals		
	Budget Summit Agreement ($ Billions)	The Rosty Challenge (3/12/90) ($ Billions)	Rosty II (10/12/90) ($ Billions)
III. Revenue Losses:	Total $25.0	Total $22.0	Total $26.8
Growth Incentives:			
* Small Business	$12.1	NONE	NONE
* "Capital Gains"	---	NONE	$15.8
* Energy	$4.0	NONE	NONE
* Extenders	$2.9	NONE	NONE
Specified EITC Increase	$5.0 (+ unspecified)	$22.0 Exempted From One Yr. Freeze	$11.0 (+ unspecified)
IV. Spending Constraint:			
Defense	$182.4	$150.0 (Freeze +3% Decline)	
Non-Defense Discretionary		$26.4 (One Year Freeze)	
Medicare Freeze	$119.0	$19.4	
Non-Means-Tested COLA Freeze		$58.7 (One Year Freeze)	
V. Enforcement:	Shifts GRH Targets	Repeals GRH Sequester Discipline	???
	Category Caps & Sequestration	Freeze Provisions	
	Pay As You Go" For Entitlements And Revenues	Requires New Spending Must Be "Paid For"	

SIDE-BY-SIDE

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* Petroleum	2 Cents	No	No
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Tobacco And Spirits:	$5.9	$13.8	$5.8
* Cigarettes	+4 Cents in 1991 +4 Cents in 1993	+16 cents	+4 Cents in 1991 +4 Cents in 1993
* Wine/Beer/Spirits	$10.0	$7.4 (Beer, Wine only)	$9.3 (Includes distilled)
Environmental Taxes	$1.1	$22.0 (Air Pollution)	$1.6 (Likely to drop "Guzzler")
II. Other Revenues:			
* IRS Enforcement	$9.4	NONE	NONE
* Corp. Int. Disallow.	$3.9	NONE	NONE
* Limit Item. Deduction	$18.0	NONE	NONE
* Foreign Grantor Trust	NONE	NONE	$5.4
* Ext. SS Tax to St/Loc Employ	$11.7	NONE	$10.0
* Ext. HI to State/Loc	$5.2	NONE	NONE
* Increase Medicare Cap	$13.0 (To $73,000)	NONE	$22.0 (To $100,000)
* DAC	$8.0	NONE	$8.0
* FUTA	NONE	NONE	$5.4

SIDE-BY-SIDE

	Five Year Totals		
	Budget Summit Agreement ($ Billions)	The Rosty Challenge (3/12/90) ($ Billions)	Rosty II (10/12/90) ($ Billions)
III. Revenue Losses:	Total $25.0	Total $22.0	Total $26.8
Growth Incentives:			
* Small Business	$12.1	NONE	NONE
* "Capital Gains"	---	NONE	$15.8
* Energy	$4.0	NONE	NONE
* Extenders	$2.9	NONE	NONE
Specified EITC Increase	$5.0 (+ unspecified)	$22.0 Exempted From One Yr. Freeze	$11.0 (+ unspecified)
IV. Spending Constraint:			
Defense	$182.4	$150.0 (Freeze +3% Decline)	
Non-Defense Discretionary		$26.4 (One Year Freeze)	
Medicare Freeze	$119.0	$19.4	
Non-Means-Tested COLA Freeze		$58.7 (One Year Freeze)	
V. Enforcement:	Shifts GRH Targets	Repeals GRH Sequester Discipline	???
	Category Caps & Sequestration	Freeze Provisions	
	"Pay As You Go" For Entitlements And Revenues	Requires New Spending Must Be "Paid For"	

THE WHITE HOUSE

WASHINGTON

October 15, 1990

MEMORANDUM FOR GOVERNOR SUNUNU

FROM: LAWRENCE B. LINDSEY

SUBJECT: Indexing Update

This afternoon I received the "official" indexing rates for the 1991 tax schedules from the Department of Treasury. They will not be made publicly available until December. These indexing rates imply slight changes in the table distributed this morning. Please find the new version attached.

Also find attached a copy of the Treasury distribution tables for indexing. I have been asked to urge you to check with Treasury before releasing this document. The Family Economic Income classes are a unique measure of income and do not necessarily correspond to the distribution by Adjusted Gross Income (AGI) on the table we provided earlier. You should also note that Treasury estimates the revenue cost of this program at $9.7 billion while the JCT estimates it at about $7.6 billion.

If I can answer any questions, please do not hesitate to ask.

cc: Roger B. Porter

AGI	StDed	PerExmpt	Taxinc	Tax*	DemTaxinc	DemTax*	TaxIncrea
10000	5700	8600	0	0	0	0	0
15000	5700	8600	700	105	1100	165	60
20000	5700	8600	5700	855	6100	915	60
25000	5700	8600	10700	1605	11100	1665	60
30000	5700	8600	15700	2355	16100	2415	60
35000	5700	8600	20700	3105	21100	3165	60
40000	5700	8600	25700	3855	26100	3915	60
45000	5700	8600	30700	4605	31100	4665	60
50000	5700	8600	35700	5576	36100	5889.5	313.5
55000	5700	8600	40700	6976	41100	7289.5	313.5
60000	5700	8600	45700	8376	46100	8689.5	313.5
65000	5700	8600	50700	9776	51100	10089.5	313.5
70000	5700	8600	55700	11176	56100	11489.5	313.5
75000	5700	8600	60700	12576	61100	12889.5	313.5
80000	5700	8600	65700	13976	66100	14289.5	313.5
85000	5700	8600	70700	15376	71100	15689.5	313.5
90000	5700	8600	75700	16776	76100	17089.5	313.5
95000	5700	8600	80700	18176	81100	18624.5	448.5
100000	5700	8600	85700	19751	86100	20274.5	523.5

EYES ONLY

TABLE 1

Democratic Proposal to Freeze Indexing of Rate Brackets and Personal Exemptions

(1991 Income Levels)

Family Economic Income Class (2) ($000)	Families with Tax Change: Number (millions)	Families with Tax Change: Percent of All Families (%)	Average Tax Change ($)	Total Tax Change: Amount ($M)	Total Tax Change: Percent Distribution (%)
Loss	0.1	11.7	119	11	0.1
0 - 10	1.5	10.6	17	26	0.3
10 - 20	9.1	50.5	21	195	2.0
20 - 30	11.4	78.7	38	429	4.4
30 - 50	19.8	95.3	72	1,430	14.7
50 - 75	16.3	99.1	145	2,371	24.4
75 - 100	9.3	99.4	254	2,351	24.2
100 - 200	7.2	97.4	354	2,567	26.4
200 & over	0.8	51.7	416	329	3.4
Total	75.5	73.3	129	9,709	100.0

Department of the Treasury
Office of Tax Analysis

15-Oct-90

(1) This table reflects the total estimated change in tax liability due to the Democratic proposal to freeze indexing of rate brackets and personal exemptions for one year.

(2) Family Economic Income (FEI) is a broad-based income concept. FEI is constructed by adding to AGI unreported and underreported income; IRA and Keogh deductions; nontaxable transfer payments, such as Social Security and AFDC; employer-provided fringe benefits; inside build-up on pensions, IRAs, Keoghs, and life insurance; tax-exempt interest; and imputed rent on owner-occupied housing. Capital gains are computed on an accrual basis, adjusted for inflation to the extent reliable data allow. Inflationary losses of lenders are subtracted and gains of borrowers are added. There is also an adjustment for accelerated depreciation of noncorporate businessess. FEI is shown on a family, rather than a tax-return, basis. The economic incomes of all members of a family unit are added to arrive at the family's economic income used in the distributions.

REVENUES AND SPENDING AS A PERCENT OF GNP, YEARS OF THE AGREEMENT COMPARED TO THE '80's

Receipts					
Estimates Under Agreement		1980's			
		Actual		Actual	
Year	%	Year	%	Year	%
1991	19.2	1985	18.6	1980	19.4
1992	19.1	1986	18.4	1981	20.1
1993	19.0	1987	19.3	1982	19.7
1994	19.2	1988	19.0	1983	18.1
1995	19.2	1989	19.2	1984	18.1

Spending					
Estimates Under Agreement		1980's			
		Actual		Actual	
Year	%	Year	%	Year	%
1991	23.6	1985	23.9	1980	22.1
1992	22.8	1986	23.7	1981	22.7
1993	21.0	1987	22.7	1982	23.8
1994	19.0	1988	22.2	1983	24.3
1995	18.4	1989	22.2	1984	23.1

The last year that spending as a percent of GNP was below 18.4% was 1966.

THE WHITE HOUSE

WASHINGTON

October 5, 1990

MEMORANDUM FOR ROGER B. PORTER

FROM: LARRY LINDSEY
ANDY MITRUSI

SUBJECT: Distribution of Tax Increases

The table below represents our best estimate of the distributional effects of the tax changes in the Budget Agreement. We present the assumptions we used in these calculations below.

1993 Income Class	Average Additional Tax	Percent of Income in Class
Under 10k	37	0.7%
10k - 20k	73	0.5%
20k - 30k	148	0.6%
30k - 40k	194	0.6%
40k - 50k	233	0.5%
50k - 75k	326	0.5%
75k - 100k	546	0.6%
100k - 200k	1102	0.9%
over 200k	4900	1.0%

Assumptions: Income Tax and HI tax changes, including the Earned Income Tax Credit were apportioned using the Individual Tax Model File provided by the Internal Revenue Service. Excise tax changes were apportioned according to the data in the 1987 Consumer Expenditure Survey, Bureau of Labor Statistics. Luxury excise taxes were apportioned among taxpayers according to the amount their incomes exceeded $50,000. Taxes likely to be paid by corporations were apportioned according to dividends received. Similarly, small business tax incentives were apportioned according to dividends. Social Security coverage extensions were apportioned according to wages.

THE WHITE HOUSE

WASHINGTON

October 1, 1990

MEMORANDUM FOR GOVERNOR SUNUNU

FROM: LAWRENCE B. LINDSEY
ANDREW W. MITRUSI

SUBJECT: Data on Taxes and Spending as a Share of GNP

Attached is the data you requested. Please excuse any delays. The final table on each page represents the deficit with and without adjustments for social security surpluses and deposit insurance.

TAXES AND SPENDING AS A PERCENTAGE OF GNP

Pre-Summit Taxes and Spending

	Discret.	Mandatory	Interest	Total Outlays	Total Receipts
1991	8.92	11.35	3.36	23.63	19.14
1992	8.69	11.02	3.23	22.95	19.01
1993	8.43	10.08	3.05	21.56	19.00
1994	8.18	9.06	2.84	20.08	18.97
1995	7.89	9.21	2.62	19.72	18.87

Summit Savings

1991	.17	.21	.03	.41	.28
1992	.36	.33	.10	.80	.42
1993	.52	.36	.18	1.05	.40
1994	.74	.40	.26	1.40	.45
1995	.81	.44	.34	1.58	.42

Post-Summit Taxes and Spending

1991	8.76	11.14	3.33	23.23	19.42
1992	8.33	10.69	3.13	22.15	19.43
1993	7.91	9.73	2.87	20.51	19.40
1994	7.44	8.66	2.58	18.68	19.41
1995	7.08	8.78	2.28	18.14	19.28

Post-Summit Deficit

	Agreed Level Consolidated Deficit*	Social Security Less Deposit Ins. Adjustment	GRH Deficit
1991	4.33	-.83	3.50
1992	3.65	-.51	3.14
1993	1.92	.58	2.51
1994	- .23	1.78	1.55
1995	- .89	1.72	.83

* Includes revised economics
GNP estimates are from the Midsession Review

TAXES AND SPENDING IN BILLIONS OF DOLLARS

Pre-Summit Taxes and Spending

	Discret.	Mandatory	Interest	Total Outlays	Total Receipts
1991	522.9	664.8	197.0	1384.7	1121.4
1992	546.1	692.7	203.0	1441.8	1194.2
1993	567.4	678.5	205.6	1451.5	1278.6
1994	588.0	651.1	204.0	1443.1	1363.0
1995	602.8	703.8	199.8	1506.4	1441.1

Summit Savings

1991	9.8	12.1	2.0	23.9	16.2
1992	22.6	20.9	6.5	50.0	26.7
1993	34.8	23.9	12.2	70.9	27.0
1994	53.2	28.8	18.4	100.4	32.1
1995	62.0	33.3	25.7	121.0	31.8

Post-Summit Taxes and Spending

1991	513.1	652.7	195.0	1360.8	1137.6
1992	523.5	671.8	196.5	1391.8	1220.9
1993	532.6	654.6	193.4	1380.6	1305.6
1994	524.8	622.3	185.6	1342.7	1395.1
1995	540.8	670.5	174.1	1385.4	1472.9

Post-Summit Deficit

	Agreed Level Consolidated Deficit*	Social Security Less Deposit Ins. Adjustment	GRH Deficit
1991	253.6	-48.6	205.0
1992	229.4	-32.3	197.2
1993	129.4	39.2	168.7
1994	-16.7	128.2	111.7
1995	-68.3	131.6	63.5

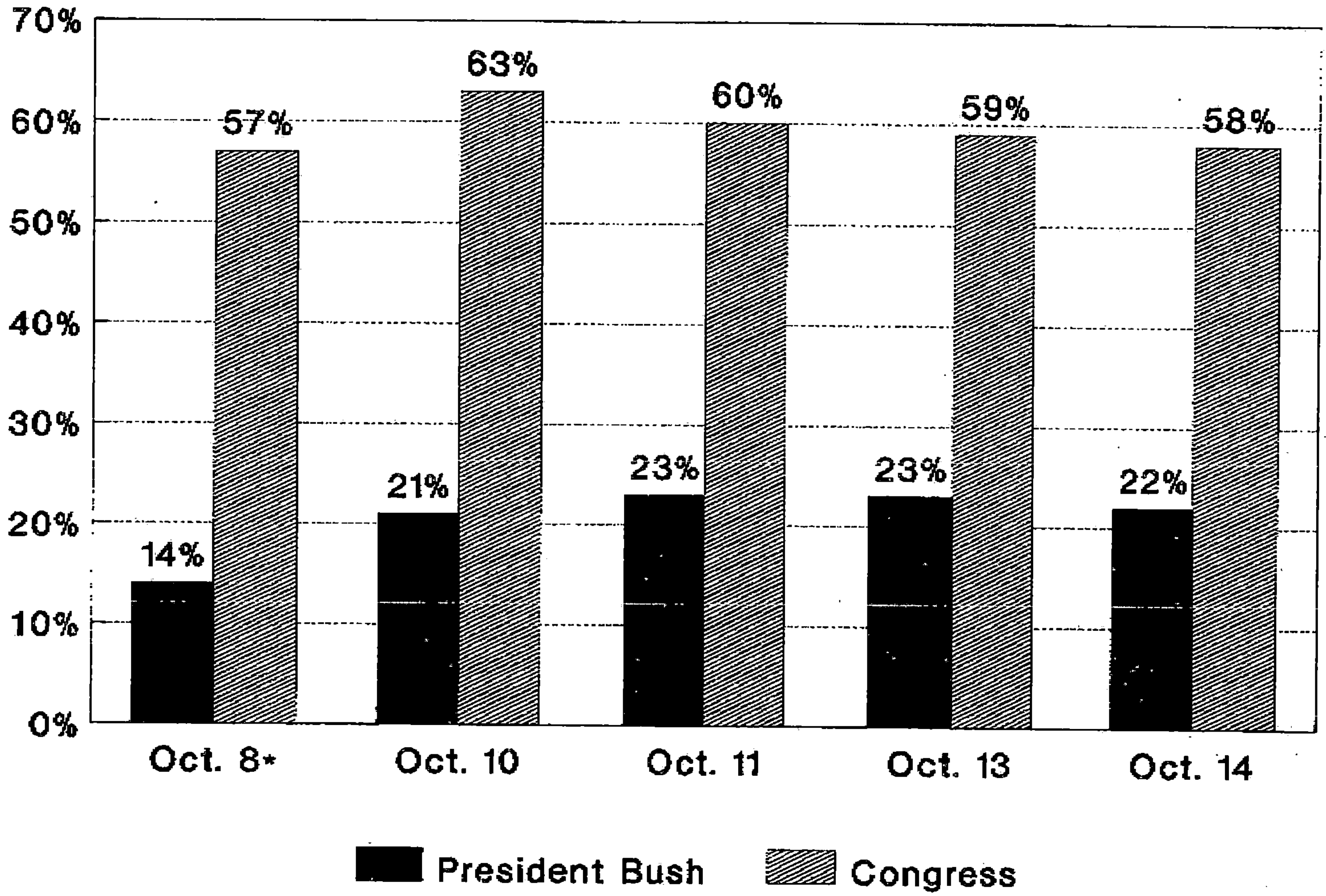
	GNP
1991	5859
1992	6283
1993	6731
1994	7186
1995	7638

* Includes revised economics
GNP figures are from the Midsession Review

TEL No.703-556-9765

THE WIRTHLIN GROUP

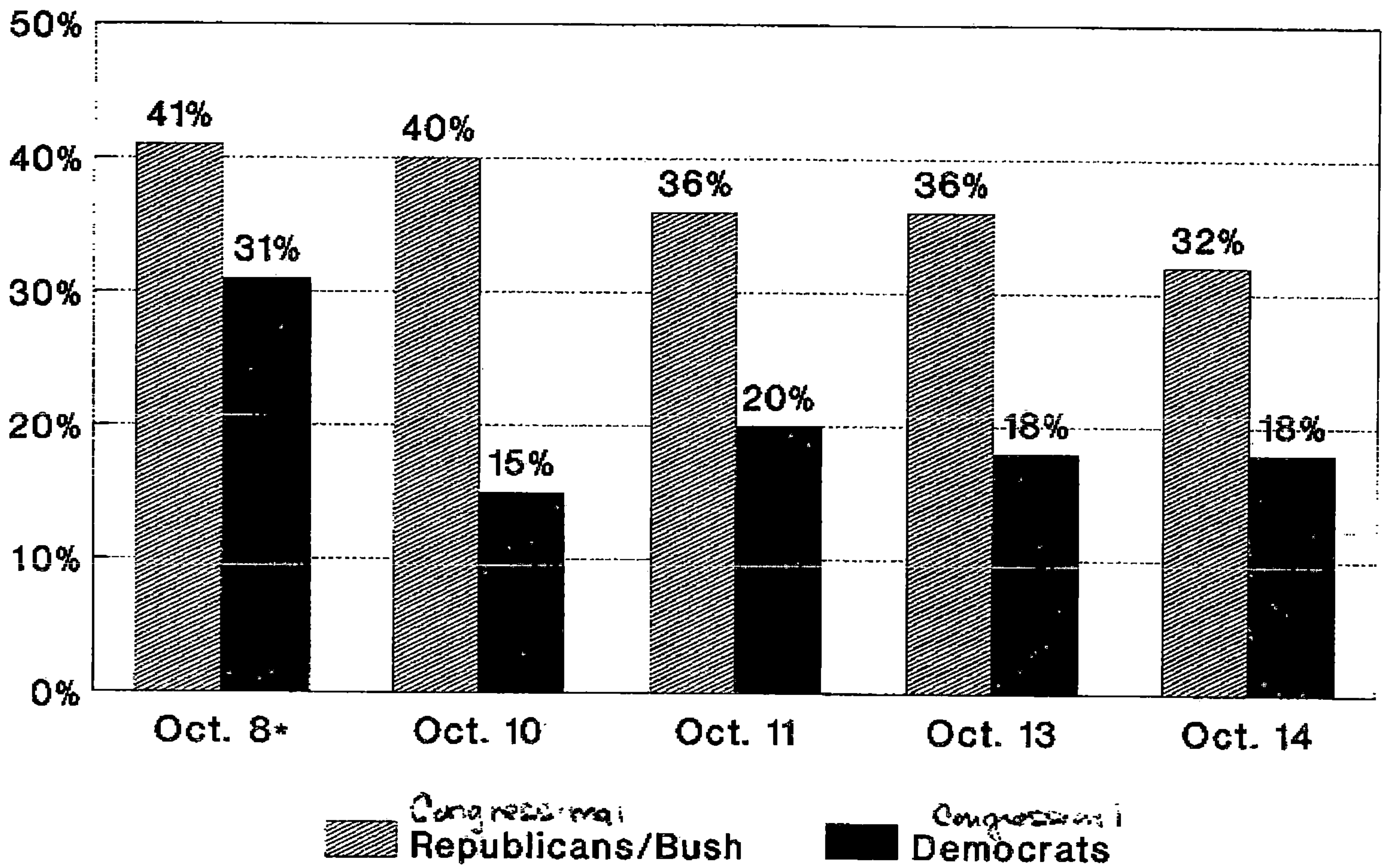
Who to Blame for Budget Situation



*Oct. 8: Washington Post Poll

"Who do you think is more to blame for the current budget situation?

Who to Blame for Budget Situation
(Republicans/Bush vs. Democrats)



"Who do you think is more to blame for the current budget situation? Which party in Congress do you think is more to blame for the current budget situation?"

*Oct. 8: Washington Post Poll

PURSELL-KASICH BUDGET PROPOSAL

- This budget package produces nearly $35 billion in first-year spending cuts <u>without raising any new taxes.</u> Five year reductions exceed $400 billion.

FAIR TREATMENT IN SPENDING CUTS

<u>NON-DEFENSE DISCRETIONARY</u>

- This package proposes a BA freeze for non-defense discretionary spending in the first, fourth and fifth years while allowing a 4% cap in years two and three.

<u>FOREIGN AID</u>

- Unlike other proposals, the GOP alternative treats it in the same manner as non-defense discretionary--it's frozen too.

<u>DEFENSE SPENDING</u>

- Incorporates the Nunn spending proposal saving $170 billion over 5 years.

<u>ENTITLEMENTS</u>

- Entitlement spending reductions are about half of those proposed in the discretionary area. The Medicare cuts are about $18 billion less than contained in the original summit agreement. There is no increase in the Part B premium.

NO NEW TAXES

<u>REVENUES</u>

- This package proposes modest revenues through the extension of current policy. The largest increase is the extension of telephone excise tax. The plan would raise $4 billion in the first year, $23 billion over 5.

IRON-CLAD ENFORCEMENT

- Five-year caps on three categories of discretionary spending.
- Eliminates "current services" budgeting which depicts spending increases as spending cuts.
- Contains an enhanced rescission.
- Eliminates "pay as you go" for tax cuts but requires spending increases be offset.

PURSELL-KASICH BUDGET PROPOSAL

Major Elements
(In Billions of Dollars)

	Deficit Reduction 1991	1991-95
1) Non Defense Discretionary	- 8.7	- 66.0
2) Defense	-10.1	-170.0
3) Entitlements	-10.8	-101.3
4) Revenues	- 4.1	- 23.0
5) Interest (Estimate)	- 1.5	- 50.0
TOTAL	- 35.0	- 410.0

15-Oct-90 6:03pm

#90-3314
PRELIMINARY
15-Oct-90

BUDGET RECONCILIATION - REVENUE PROPOSALS

Fiscal Years 1991-1995
[Billions of Dollars]

Item	Effective	1991	1992	1993	1994	1995	1991-95
Revenue-Raising Provisions							
1. Extend Airport Trust Fund aviation excise taxes (5 years) (2)	12/1/90	0.9	1.6	1.7	1.8	2.0	8.0
2. Leaking underground storage tank (LUST) trust fund (5 years)	D/o/E +30	0.1	0.1	0.1	0.1	0.1	0.6
3. Extend telephone excise tax and modify collection period	--	1.6	2.6	2.8	2.9	3.1	13.1
4. Adopt foreign compliance provisions including certain provisions from H.R. 4308	3/20/90	(1)	(1)	0.1	0.1	0.1	0.3
5. Retiree health with reversion excise increase and asset cushion requirement	1/1/91	0.5	0.2	0.2	0.1	0.1	1.0
6. Payroll tax deposit stabilization	--	1.0	2.2	-3.2	--	--	--
Net Deficit Reduction		4.1	6.7	1.7	5.8	5.4	23.0

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.
In "Effective" column: D/o/E +30 = 30 days after date of enactment.

(1) Gain of less than $50 million.

19 July -

HOUSE OF REPRESENTATIVES
WASHINGTON, D.C. 20515

MICKEY EDWARDS
MEMBER OF CONGRESS
5TH DISTRICT, OKLAHOMA

John -

Thought you might want to see this. Just setting the record straight -

Mickey

News Release
House Republican Policy Committee

FOR IMMEDIATE RELEASE
July 19, 1990

CONTACT: Craig Veith
202/225-2132

The chairman of the House Republican Policy Committee, Rep. Mickey Edwards (R-OK), issued the following statement today:

"Democratic leaders in the Congress have attempted to portray a House Republican resolution opposing new or increased federal taxes as an internal dispute among Republicans. Senator George Mitchell, the Senate's Majority Leader, told the press that he did not want 'to get involved' in what he called 'a dispute between House Republicans and the President.'"

"Let me make it perfectly clear. Senator Mitchell IS involved. This statement by House Republicans was aimed at George Mitchell, not George Bush. There is a prospect of new and higher taxes on the American people not because that's what the President wants but because the Democrats who control both houses of Congress refuse to even talk about reducing the federal deficit unless they can have their chance to raise taxes. It is George Mitchell and Tom Foley and Dick Gephardt and Jim Sasser

- more -

and the rest of the Democratic negotiators who go to bed at night worried that there might be something they haven't taxed yet, or some dollars the people might be keeping that ought to be taken away by the federal government. Taxes are on the table in the budget talks because the Democrats would rather see the deficit get larger and people lose their jobs than have an agreement that would cut spending or reform the budget process that they control."

"It is not up to Republicans to take one more step toward an agreement. President Bush was forced by Democrats to say he would consider an increase in revenues in order to keep the Democrats at the bargaining table so something can be done about the federal deficit. Now it's up to the Democrats. The ball is in their court. They have done nothing at all to help reduce the size of the federal deficit. They have put no spending cuts on the table, they have put no entitlement reforms on the table, they have put no budget reforms on the table; they have merely pouted and whined and stamped their feet and demanded the right to increase taxes on the American people."

# # #

07. 19. 90 02:15PM *EDWARDS WASH. DC. P01

MICKEY EDWARDS
FIFTH DISTRICT, OKLAHOMA

APPROPRIATIONS COMMITTEE

SUBCOMMITTEES:
FOREIGN OPERATIONS (VICE CHAIRMAN)
MILITARY CONSTRUCTION

CHAIRMAN
REPUBLICAN POLICY COMMITTEE

VICKI LOVE MARTYAK
CHIEF OF STAFF

Congress of the United States
House of Representatives
Washington, DC 20515

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FAXIMILE TRANSMITTAL FORM

DATE OF TRANSMISSION: 7-19-90

TOTAL NUMBER OF PAGES, INCLUDING COVER: 4

TO: Gov. Sununu

ORGANIZATION: Chief of Staff

FAXIMILE NUMBER: 456-2397

FROM: Cong. Mickey Edwards

Please get this to Gov. Sununu in California ASAP. Thank you.

DISTRIBUTIONAL EFFECT OF IMPOSING A 31% BRACKET IN LIEU OF THE PHASEOUTS OF THE 15% BRACKET AND THE PERSONAL EXEMPTION (1)

[1990 Income Levels]

INCOME (2)	Number of Returns With Tax Increase (Thousands)	Percent of Total Returns (3) (Percent)	Average Tax Increase (Dollars)	Aggregate Tax Increase (Millions)	Number of Returns With Tax Decrease (Thousands)	Percent of Total Returns (3) (Percent)	Average Tax Decrease (Dollars)	Aggregate Tax Decrease (Millions)	Aggregate Tax Change (Millions)
Less than $10,000	—	—	—	—	—	—	—	—	—
10,000 - 20,000	—	—	—	—	—	—	—	—	—
20,000 - 30,000	—	—	—	—	—	—	—	—	—
30,000 - 40,000	—	—	—	—	—	—	—	—	—
40,000 - 50,000	5	0.1%	$48	(4)	—	—	—	—	(4)
50,000 - 75,000	24	0.2%	160	$4	364	3.2%	$-146	$-53	$-49
75,000 - 100,000	8	0.3%	562	4	282	9.2%	-405	-114	-110
100,000 - 200,000	21	0.7%	445	9	2,466	85.4%	-762	-1,880	-1,871
200,000 and Over	374	37.6%	10,535	3,935	564	57.0%	-2,352	-1,328	2,607
TOTALS	432	0.4%	$9,153	$3,953	3,677	3.0%	$-918	$-3,375	$578

Joint Committee on Taxation
12-Oct-90

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

(1) Capital gains taxed at a maximum rate of 28%. The analysis does not take into account additional taxes paid as a result of increased capital gains realization.

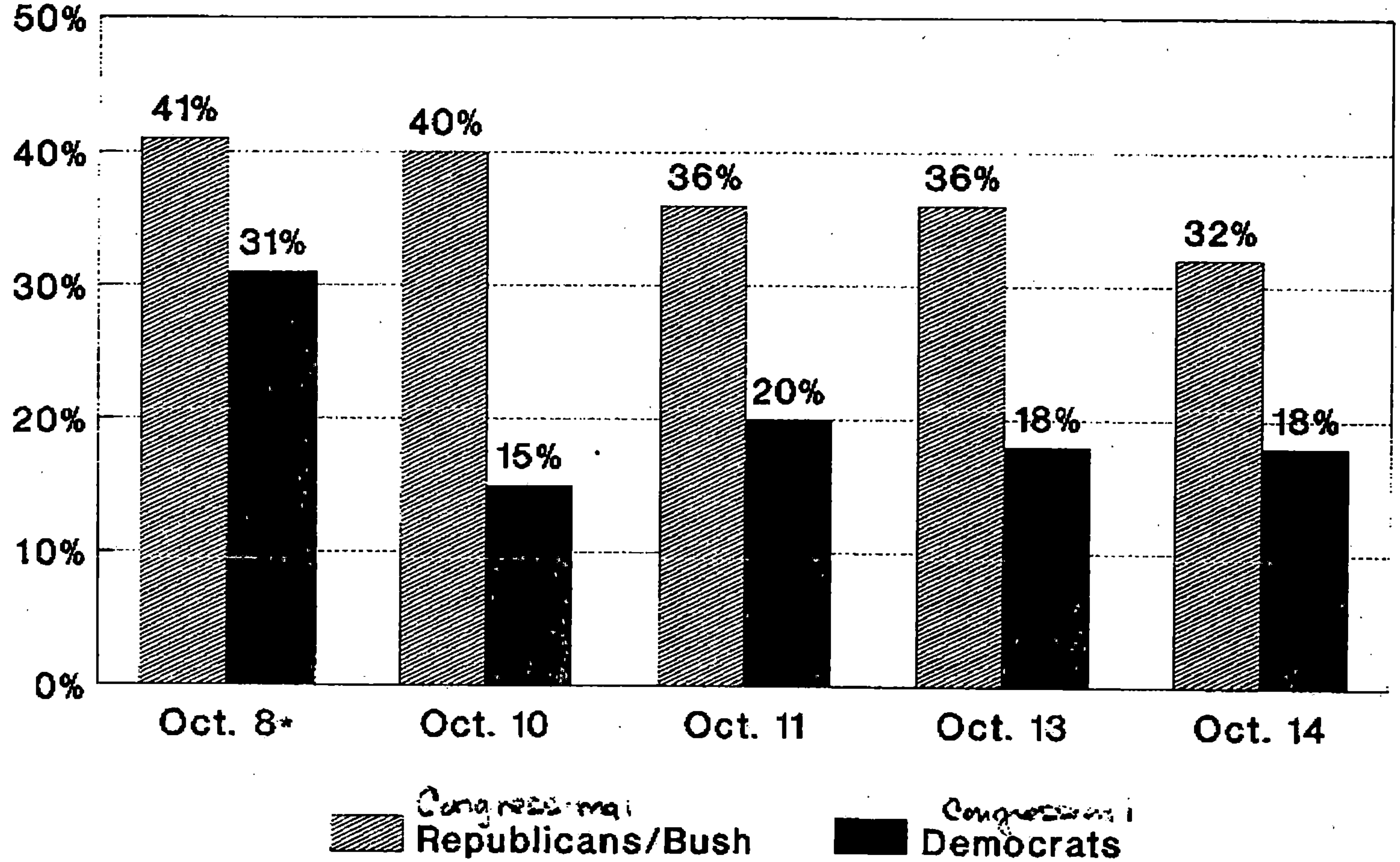
(2) The income concept used to place tax returns into classes is adjusted gross income (AGI) plus: [1] tax-exempt interest; [2] employer contributions for health plans and life insurance; [3] inside buildup on life insurance; [4] workers' compensation; [5] nontaxable social security benefits; [6] deductible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

(3) 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.

(4) Less than $500,000.

(5) Less than 0.05%.

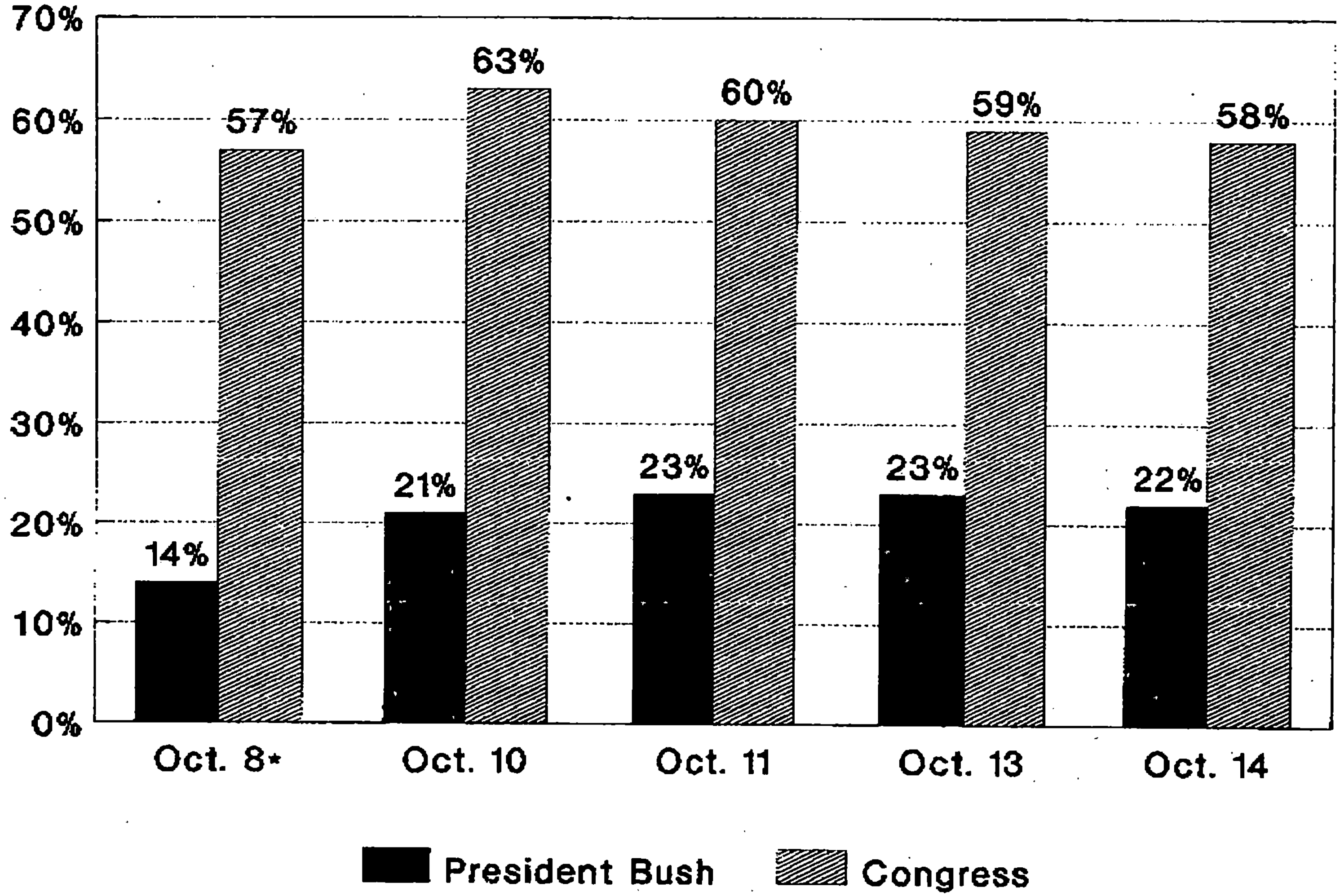
Who to Blame for Budget Situation
(Republicans/Bush vs. Democrats)



"Who do you think is more to blame for the current budget situation? Which party in Congress do you think is more to blame for the current budget situation?"

*Oct. 8: Washington Post Poll

Who to Blame for Budget Situation



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"Who do you think is more to blame for the current budget situation?