

COMPARISON OF CURRENT TAX REFORM PROPOSALS

PROVISION	BOWLES-SIMPSON	RIVLIN-DOMENICI (BPC)	PAUL RYAN	WYDEN GREGG	SCHAKOWSKY PLAN	DEMOS-EPI PLAN	INSTITUTE FOR AMERICA'S FUTURE
Individual Rate Reduction	<ul style="list-style-type: none"> Enact fundamental reform by 2012 to lower rates, reduce deficits, simplify Code Cut rates across board, reduce top rate to between 23% and 29% 	<ul style="list-style-type: none"> Creates 2 individual tax brackets at 15% & 27% 	<ul style="list-style-type: none"> Provide individual TPs choice of how to pay taxes - existing law or simplified code, 2 rates, virtually no tax deductions/credits/exclusions (except for health care tax credit) Simplifies tax rates to 10% on income up to \$100K (joint filers)/\$50K (single filers); 25% on taxable income above these amts 	<ul style="list-style-type: none"> Reduces # of tax brackets for individuals to 3: 15%, 25% and 35% 	<ul style="list-style-type: none"> None Implements excessive executive compensation tax 	<ul style="list-style-type: none"> Ends 2001, 2003 tax relief for top 2% of taxpayers Creates new surtax of 5.4% for joint filers with AGI over \$1 million. 	<ul style="list-style-type: none"> Eliminate Bush tax cuts for wealthiest 2% of Americans Establish surcharge on top earners
Corporate Rate Reduction	<ul style="list-style-type: none"> Enact corporate reform to lower rates and "close loopholes" Establish single corporate rate between 23% and 29% 	<ul style="list-style-type: none"> Reduces max corporate tax rate to 27%; rate structure not defined 	<ul style="list-style-type: none"> Replaces corporate income tax with border adjustable VAT, subtraction method, of 8.5% 	<ul style="list-style-type: none"> Replaces existing corporate rates & brackets w/ single flat rate of 24% 	<ul style="list-style-type: none"> Implement 1.5% surtax on corporate income 	<ul style="list-style-type: none"> N/A 	<ul style="list-style-type: none"> N/A
Treatment of Cap Gains & Dividends	<ul style="list-style-type: none"> Treat cap gains & dividends as ordinary income 	<ul style="list-style-type: none"> Taxes cap gains & dividends as ordinary income, at max rate of 27% (Excludes 1st \$1K of realized net capital gains (or losses)) 	<ul style="list-style-type: none"> Eliminates taxes on interest, cap gains, dividends 	<ul style="list-style-type: none"> Creates new 35% exclusion for dividend & LT cap gains income (Progressive rate structure for income > exclusion amount; Cuts holding period to 6 mos. for 1st \$500K of taxpayer's cap gain income 	<ul style="list-style-type: none"> Tax cap gains & dividends as ordinary income 	<ul style="list-style-type: none"> Taxes capital gains & dividends as ordinary income 	<ul style="list-style-type: none"> Tax capital gains & dividends as ordinary income
VAT?	<ul style="list-style-type: none"> No VAT 	<ul style="list-style-type: none"> Introduces 6.5% Debt Reduction Sales Tax (DRST) phased in over 2 yrs; starts at 3% in 2012, increases to 6.5% by 2013 	<ul style="list-style-type: none"> Yes. See above on corporate taxes 	<ul style="list-style-type: none"> N/A 	<ul style="list-style-type: none"> N/A 	<ul style="list-style-type: none"> Refers to VAT as alternative revenue source but does not explicitly adopt. Recommends that, if VAT is enacted, it be coupled with other progressive reforms to the IRC 	<ul style="list-style-type: none"> N/A
Treatment of Alternative Minimum Tax (AMT)	<ul style="list-style-type: none"> N/A 	<ul style="list-style-type: none"> Eliminate AMT 	<ul style="list-style-type: none"> Eliminate AMT 	<ul style="list-style-type: none"> Eliminates AMT 	<ul style="list-style-type: none"> N/A 	<ul style="list-style-type: none"> N/A 	<ul style="list-style-type: none"> N/A
Treatment of	<ul style="list-style-type: none"> N/A 	<ul style="list-style-type: none"> N/A 	<ul style="list-style-type: none"> N/A 	<ul style="list-style-type: none"> Eliminate PEP & Pease 	<ul style="list-style-type: none"> N/A 	<ul style="list-style-type: none"> Reinstates PEP & Pease 	<ul style="list-style-type: none"> N/A

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PEP & Pease							
Treatment of Standard Deduction & Personal Exemptions	<ul style="list-style-type: none"> • N/A 	<ul style="list-style-type: none"> • Eliminates standard deduction & personal exemption • Allows deduction for misc. itemized deductions >5% of AGI 	<ul style="list-style-type: none"> • Standard deduction (\$25K joint; \$12,500 individual) • Personal exemption (\$3,500) 	<ul style="list-style-type: none"> • Increases standard deduction for taxpayers w/ incomes up to \$200K 	<ul style="list-style-type: none"> • N/A 	<ul style="list-style-type: none"> • N/A 	<ul style="list-style-type: none"> • N/A
Treatment of Tax Expenditures	<ul style="list-style-type: none"> • Eliminate all \$1.1T tax expenditures, but use portion of add'l revenue to lower rates and add back necessary expenditures, including: <ul style="list-style-type: none"> • Child credit and EITC • Mortgage interest deduction for principal residences only • Employer-provided health insurance • Charitable giving • Retirement savings and pensions • Additional tax expenditures could be added, but must be paid for w/ higher rates • Eliminate all tax expenditures for business 	<ul style="list-style-type: none"> • Eliminate deduction for state & local taxes • Establishes \$1600 flat refundable child tax credit • Establishes refundable earnings credit (like Making Work Pay, equal to 21.3% of 1st \$20,300 of earnings) • Eliminates most tax expenditures EXCEPT RETAINS: <ul style="list-style-type: none"> • 401(k) plans, IRAs, & Keogh plans, but total amt employees & employers may contribute to tax-deferred retirement saving plans ltd to smaller of 20% of earnings or \$20K; refundable credit for TPs in 15% bracket • Accelerated depreciation of buildings other than rental housing • Accelerated depreciation of machinery & equipment • Cap gain exclusion on home sales • Carryover basis of cap gains on gifts • Deductibility of casualty losses • Deductibility of charitable 	<ul style="list-style-type: none"> • N/A 	<ul style="list-style-type: none"> • Permanently extends child tax credit, EITC, dependent care credit • Consolidates 3 existing types of IRAs into new Retirement Savings Account & new Lifetime Savings Account – couples may contribute up to \$14K/yr • Creates new 25% exclusion for interest rec'd on state and local bonds • Eliminates exclusion of employee achievement awards • Eliminates exclusion of group-term life insurance purchased by employers 4 employees • Eliminates exclusion of meals & lodging furnished for convenience of employer • Eliminates exclusion of cafeteria plan benefits • Eliminates exclusion of fringe benefits, other than qualified transportation costs • Eliminates deduction for moving expenses • Eliminates deferral of tax on obligations issued at disc • Eliminates exemption re: voluntary employees' beneficiary ass'ns • Eliminates exclusion of earned 	<ul style="list-style-type: none"> • Eliminate unlimited deferred pay • Eliminate deduction for offshore deferred compensation • Limit deductibility of executive compensation • Eliminate stock option accounting "double standard" • Repeal Active Financing for financial firms • Repeal tax break for mergers & acquisitions • Limit deductibility of financial corporate debt interest payments • Close dividend loophole for foreign source income • Eliminate deduction for biz meals & entertainment • Eliminate blue cross/blue shield deduction • Eliminate cap gains treatment of certain timber income 	<ul style="list-style-type: none"> • Caps benefits on itemized deductions at 15% (as opposed to 35%) • Replaces mortgage interest deduction w/ refundable credit of 15% on mortgage up to \$500K • Expand and extend EITC permanently • Makes Child Tax Credit fully refundable • Changes charitable deduction into refundable credit at a 25% flat rate. • Eliminates all fossil fuel production tax credits. (No details provided--- but similar to Administration's FY11 Budget proposal) • Permanently extends Making Work Pay credit • Limits deductibility of financial corporate debt interest payments • Eliminates deferral of income from CFC's • Eliminates active financing exception for foreign source income of multinational financial 	<ul style="list-style-type: none"> • Cap use of itemized deductions at 15% • Expand charitable giving credit • Expand EITC • Make child tax credit fully refundable • Permanently extend making work pay tax credit • Repeal tax subsidy for mergers & acquisitions • Eliminate fossil fuel production credits • Limit deductibility of corporate debt interest payments for financial firms • Close "active financing" tax deferral for financial firms • Reduce farm subsidies

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		<p>contributions replaced by 15% refundable credit for contributions that all taxpayers may claim</p> <ul style="list-style-type: none"> • Deductibility of medical expenses >10% AGI • Deductibility of mortgage interest on owner-occupied homes replaced w. refundable credit of 15% for 1st \$25K of mortgage interest pd that all home-owners may claim (ltd to principal residences) • Deferral of income from CFCs • Deferral of interest on U.S. savings bonds • Deferred taxes for financial firms on certain income earned overseas • Employer defined-benefit retirement plans • Exclusion of benefits & allowances to armed forces personnel • Exclusion of interest on public purpose state & local bonds • Exclusion of interest spread of financial institutions • Exclusion of net imputed rental income • Expensing of certain small investments • Expensing of R&E expenditures • Income averaging for 		<p>income of US citizens/residents living abroad</p> <ul style="list-style-type: none"> • Eliminates exemption for certain amts rec'd by civilian officers/ employees of govt & Peace Corps volunteer working abroad • Allows unlimited expensing of inventory & equipment costs by small biz (gross receipts up to \$1M) • Eliminates §199 deduction • Eliminates enhanced oil recovery credit • Eliminates percentage depletion for oil & gas wells • Eliminates deduction for intangible drilling & development costs of oil & gas wells & geothermal wells • Eliminates deduction under §616 for certain development expenditures for development of coal mines/other natural deposits other than oil & gas • Eliminates exception from NOL limits for corps. in bankruptcy • Eliminates special rules re: recognition of gain on sales to implement FERC or State electric restructuring policy • Eliminates special rules under §453A for non-dealers • Eliminates special rules under §460(e)(1) for certain construction contract • Eliminates inventory property sales source rule exception under §861(a)(6), 862(a)(6), 	<ul style="list-style-type: none"> • Eliminate expensing of multiperiod timber growing costs • Eliminate tax-exempt status for insurance cos. Operated by tax-exempt orgs • Eliminate exception from passive loss rules for \$25K of rental loss • Eliminate special capital gains rates for certain ag items; tax such sales as income • Eliminate exemption of certain livestock & crops from UNICAP rules • Eliminate ability to expense cap improvements including feed & fertilizer, as property • Eliminate mortgage interest deduction for 2nd homes 	<p>firms</p>	

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		farmers <ul style="list-style-type: none"> • Low & moderate income savers credit expanded (in place of deduction, taxpayers claim 15% refundable credit) • Ordinary income treatment of loss from small biz corp stock sale • Tax credit for elderly & disabled; add'l deduction for elderly & blind replaced w/new tax credit for those 65 & over or blind 		863(b)(2), 863(b)(3) & 865(b) <ul style="list-style-type: none"> • Increases tax on Nuclear Decommissioning Reserve Funds from 20% to 25% • Includes tangible prop. in alternative depreciation system (§168(g)(1)) • Repeals LIFO for large integrated oil cos • Repeals lower of cost or market value rule for inventory accting • Indexes corporate interest deduction for inflation • No exemption for interest on any bond issued as pt of issue to advance refund bond • Includes in Subpart F income, income of CFCs derived from any foreign country • Modifies dual capacity rules for large integrated oil cos • Modifies rules related to corporate inversions • Denies deduction for punitive damages 			
Increase Gas Tax	<ul style="list-style-type: none"> • Gradually increasing the per gallon gas tax by 15 cents between 2013 and 2015 to pay for transportation funding 	<ul style="list-style-type: none"> • None 	<ul style="list-style-type: none"> • None 	<ul style="list-style-type: none"> • None 	<ul style="list-style-type: none"> • N/A 	<ul style="list-style-type: none"> • Raises fuel excise tax by 25 cents/50 cents per gallon 	<ul style="list-style-type: none"> • Increase motor fuels tax
Transition Rules	<ul style="list-style-type: none"> • None 	<ul style="list-style-type: none"> • None 	<ul style="list-style-type: none"> • Provides transition relief for movement from current system to corp. VAT 	<ul style="list-style-type: none"> • None 	<ul style="list-style-type: none"> • None 	<ul style="list-style-type: none"> • None 	<ul style="list-style-type: none"> • None
Change in International Tax System	<ul style="list-style-type: none"> • Move to territorial system 	<ul style="list-style-type: none"> • None 	<ul style="list-style-type: none"> • Corporate income tax system replaced with VAT 	<ul style="list-style-type: none"> • None 	<ul style="list-style-type: none"> • None 	<ul style="list-style-type: none"> • Eliminates deferral of income from CFC's • Eliminates active financing exception for foreign source income of multinational financial firms 	<ul style="list-style-type: none"> • Eliminates active financing exception for foreign source income of multinational financial firms

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						<ul style="list-style-type: none"> • Refers to 11 international tax reforms from President's budget as effective ways to generate net budgetary savings, but does not provide detail • Recommends modernizing the international tax code 	
Estate Tax Provisions	<ul style="list-style-type: none"> • None 	<ul style="list-style-type: none"> • Extends estate tax at 2009 levels (\$3.5M exemption; 45% rate) 	<ul style="list-style-type: none"> • Eliminates estate tax 	<ul style="list-style-type: none"> • None 	<ul style="list-style-type: none"> • Reform estate tax w/ progressive schedule of marginal rates 	<ul style="list-style-type: none"> • Raises estate tax by lowering exemption level to \$2 M per spouse/\$4M per couple. • Estates up to \$10M taxed at 45%; over 10M at 50%; over \$50M at 55% 	<ul style="list-style-type: none"> • Estate tax w/ progressive schedule of marginal tax rates (top rate of 65%) & \$7M exemption for married couples
Other Excise Taxes	<ul style="list-style-type: none"> • None 	<ul style="list-style-type: none"> • Raises excise tax on alcoholic beverages to 25 cents/oz • Establishes excise tax of 1 cent/oz, indexed to inflation after 2018, on manufacture & importation of beverages sweetened w/ sugar or hi-fructose corn syrup (excludes artificially - sweetened soft drinks) 	<ul style="list-style-type: none"> • None 	<ul style="list-style-type: none"> • Imposes taxes and regulations on internet gambling 	<ul style="list-style-type: none"> • Implements cap & trade regime 	<ul style="list-style-type: none"> • Imposes carbon tax or cap-n-trade program(No details provided but similar to Waxman-Markey) • Enacts financial crisis responsibility fee for institutions with > \$50B in assets & would be equal to .15% of financial institution's covered liabilities • Imposes financial speculation/transactions tax of .5% on stock transactions 	<ul style="list-style-type: none"> • Establish cap & trade or carbon tax • Financial speculation tax of .25-.50% on all financial transactions • Enact financial crisis responsibility fee, applicable to financial institutions w/ over \$50B in assets • Enact Admin's international tax reforms included in F/Y 2011 budget proposal

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Payroll Taxes	<ul style="list-style-type: none"> Gradually increase the taxable maximum to cover 90% of wages by 2050. Consider a payroll tax holiday in FY2011 	<ul style="list-style-type: none"> Suspends SS payroll taxes for employers and employees for 1 yr 	<ul style="list-style-type: none"> None 	<ul style="list-style-type: none"> Medicare payroll tax applies to all state & local govt employees 	<ul style="list-style-type: none"> Eliminates SS payroll tax cap on employer side; raises cap on earnings on employee side to 90% Imposes 3-4% legacy tax on all earnings over cap 	<ul style="list-style-type: none"> The plan lists several options: <ul style="list-style-type: none"> Eliminate or increase payroll tax cap Increase payroll tax by 1% in 2012, .5 percentage points on both employer & employee side Increase payroll tax by 2 percentage points each yr from 2012-2031 Link payroll tax to longevity by, e.g., increasing payroll tax .01 percentage points annually, starting in 2025. Broaden tax base by taxing payments going to salary reduction plans or FSAs 	<ul style="list-style-type: none"> N/A
Other	<ul style="list-style-type: none"> Recommends enacting “failsafe” that will automatically trigger should Congress & Admin not succeed in enacting legislation by 2013 that meets specified revenue targets. Failsafe would impose either: <ul style="list-style-type: none"> Across-the-board reduction of itemized deductions, above-the-line deductions, non-refundable credits for individuals, income tax 					<ul style="list-style-type: none"> Mentions administration’s proposal for extension & expansion of R&D tax credit but does not explicitly recommend. Also mentions direct increases in spending on R&D projects and grants as another means of promoting R&D. 	<ul style="list-style-type: none"> Any plan to reduce deficit should be deferred until unemployment has dropped to 5.5%

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	<p>exclusion for employer-provided health care, general business credits, domestic production activities deduction beginning in 2013 and increasing over time to raise \$80 billion in FY 2015 and \$180 billion in FY 2020; or</p> <ul style="list-style-type: none"> • Trigger to further reduce tax expenditures & rates down toward levels specified, assuming such a trigger met the same revenue and progressivity targets. 						