

## JOINT COMMITTEE ON TAXATION

The Joint Committee on Taxation (“JCT”) was established under the Revenue Act of 1926 and is one of the oldest joint committees of the Congress. It is composed of five Members of the House Committee on Ways & Means and five Members of the Senate Committee on Finance. The Chairman and Vice Chairman of the JCT are elected by the JCT members; these positions generally alternate each year between the Chairmen of the Ways & Means and Finance Committees.

<b>Members of the Joint Committee on Taxation 107<sup>th</sup> Congress, 1<sup>st</sup> Session</b>	
<b>House</b>	<b>Senate</b>
William H. Thomas, California, Chairman	Charles E. Grassley, Iowa, Vice Chairman
Philip M. Crane, Illinois	Orrin G. Hatch, Utah
E. Clay Shaw, Jr., Florida	Frank H. Murkowski, Alaska
Charles B. Rangel, New York	Max Baucus, Montana
Fortney Pete Stark, California	John D. Rockefeller, West Virginia

### JCT STAFF

The JCT has a nonpartisan professional staff that includes lawyers, certified public accountants, economists, and computer specialists. The JCT staff lawyers and accountants have substantial tax experience, including private practice experience with law and accounting firms and experience with the Internal Revenue Service. The staff economists have advanced degrees and substantial experience with computer modeling

and quantitative methods of analysis relating to revenue estimation.

The JCT staff is available to any Member of Congress who would like assistance in formulating revenue proposals and examining the possible economic, legal, administrative, and revenue implications of such proposals.

### TAX LEGISLATION

The JCT staff is closely involved in every aspect of the tax legislative process. Among other things, the JCT staff (1) prepares hearing pamphlets, markup documents, committee reports, and conference reports (statements of managers), (2) assists the House and Senate Legislative Counsel in the drafting of statutory language, (3) assists Members of Congress with the development of tax proposals, (4) assists Members of Congress in addressing constituent issues and problems, (5) prepares revenue estimates of all tax legislation considered by the Congress, and (6) undertakes investigations and studies of various aspects of the Federal tax system.

The JCT staff prepares an annual analysis of the revenue provisions in the President’s budget. In addition, in recent years, the JCT staff has prepared hearing pamphlets on proposals relating to tax incentives for economically distressed areas, disclosure of information by tax-exempt organizations with respect to political activities, education, health care, the marriage penalty, estate and gift taxes, the individual alternative minimum tax, effective marginal income tax rates, the taxation of capital gains, tax incentives for saving, and fundamental tax reform.

### OTHER DUTIES

The JCT is statutorily required to (1) investigate the operation and effects of Federal taxes and the

administration of such taxes, (2) investigate methods to simplify such taxes, (3) report the results of such investigations and make recommendations, and (4) review proposed income tax refunds in excess of \$2 million.

From time to time, the JCT staff is asked to undertake special studies or investigations. For example, in the early 1970’s, the JCT staff was asked to review President Nixon’s tax returns. In 2000, the JCT staff completed an investigation into allegations of bias in the IRS handling of exempt organization matters.

The JCT staff also prepares special reports that are required by law or requested by a Member. The JCT staff is required to prepare a complexity analysis of provisions contained in revenue legislation that are of widespread applicability to individuals and small business. The JCT staff completed studies in 1999-2000 of (1) the interest and penalty provisions in the Internal Revenue Code, and (2) provisions relating to taxpayer confidentiality. The JCT staff will complete in 2001 a study of complexity of the present-law Federal tax system. The JCT staff is also required to prepare materials in connection with annual joint hearings relating to IRS operations for calendar years 1999-2003.

Each year the JCT staff prepares and publishes a list of tax expenditures, as required by the Congressional Budget and Impoundment Control Act of 1974 (the “Budget Act”). Tax expenditures are “revenue losses attributable to provisions of the Federal tax laws which allow a special exclusion, exemption, or deduction from gross income or which provide a special credit, a preferential rate of tax, or a deferral of tax liability.” The most recent JCT tax expenditure report was published in April 2001.

## REVENUE ESTIMATES

Under the Budget Act, the JCT staff is the official scorekeeper of Congress for the budgetary implications (“revenue effects”) of any proposed revenue legislation.

Any Member of Congress may request a revenue estimate for a tax proposal. A written request signed by the requesting Member should be sent to the Chief of Staff, Joint Committee on Taxation, 1015 Longworth House Office Building. The request should describe in detail the proposal to be estimated (including the effective date) and should include the name of a contact person in case there are questions about the proposal. Statutory language should be included if available.

Work on revenue estimates generally is done on a first-in first-out basis, with some exceptions made for previously estimated proposals. Some responses take longer than others because of difficulties in obtaining data and developing the necessary models. When revenue legislation is pending in the House or the Senate, requests relating to such pending legislation receive higher priority.

When revenue estimates are completed, the requesting Member receives a written response from the JCT Chief of Staff. The response contains a brief summary of the proposal and the revenue estimate for the proposal. The JCT staff does not provide verbal (telephone) responses to revenue requests.

## ESTIMATING METHODOLOGY

The starting point for many revenue estimates is the tax return data supplied to the JCT staff by the Internal Revenue Service (“IRS”). These confidential data include statistically valid samples of individual and corporate tax returns.

The JCT individual income tax model is based on a sample of approximately 224,000 records of individual tax payers chosen to reflect accurately all major features of the individual income tax. The data are statistically adjusted to match current baseline forecasts of all relevant economic and demographic variables for the current budget period. If a revenue estimate cannot be completed with tax return information, data are obtained from other sources such as the Department of Transportation, the Department of Commerce, the Department of Labor, the Department of Health and Human Services, the Department of Agriculture, the Department of Housing and Urban Development, the Social Security Administration, and the Federal Reserve Board.

The JCT staff strives to incorporate in its work the most recent advances in computer technology as well as advances in econometric and statistical methods of analysis. The JCT staff conducts meetings periodically of its Advisory Board of expert economists to review general issues relating to the JCT's revenue estimating methodology. All of the JCT econometric and microsimulation models are reviewed and recalibrated on an annual basis. In addition, a major ongoing project of the JCT staff involves developing the capability to incorporate macroeconomic feedback in the analysis of major Federal tax proposals.

The JCT staff will provide additional information regarding the data and methodology used to produce a revenue estimate upon request. Members who would like this information should contact the JCT Chief of Staff.

### **DISTRIBUTIONAL ANALYSES**

The JCT staff also prepares estimates of the distributional effects of some tax proposals on a year-by-year basis. These distributional analyses show the effects of tax provisions on the tax

liabilities of taxpayers in different income classes.

Distributional analyses generally are much more difficult to prepare than revenue estimates because (1) it is often possible to measure the magnitude of the changes in total taxes paid without knowing how these tax changes are allocated among income groups, (2) data on the income levels of the affected taxpayers are not always available, and (3) in some cases, no reliable method is available to allocate to individuals the taxes paid by businesses. The JCT staff will not provide distributional analyses for tax proposals in cases in which the effects of a proposal on different income groups cannot be measured with reasonable accuracy.

### **CONFIDENTIALITY OF REQUESTS**

Requests made by Members of Congress to the JCT staff for revenue estimates, distributional analyses, or for other assistance are treated as confidential. Generally, responses to such requests are released only to the Member making the request and the JCT response remains confidential unless the Member decides to make the information public. This confidential treatment of Member proposals extends to the process of developing tax legislation, which may involve substantial consultation between a Member (and his or her staff) and the JCT staff. Similarly, any information provided to the JCT staff to help in the formulation of a revenue estimate is treated as confidential and is not released outside the JCT staff.

Any Member of Congress may request a revenue estimate of tax legislation which has been introduced or that otherwise has entered the public domain. When a revenue estimate has been included in a publicly available document (e.g., a revenue table summarizing a markup proposal or the results of a markup), the estimate is made available to anyone upon request.

### **JCT PUBLICATIONS**

The JCT website ([www.house.gov/jct](http://www.house.gov/jct)) contains a listing of all JCT publications issued since 1981. Copies may be obtained from the JCT documents room (1620 Longworth HOB), by calling (202) 225-2647, or by sending an e-mail request to [jctpublications@mail.house.gov](mailto:jctpublications@mail.house.gov). Publications issued after 1997 are available on the website for viewing or downloading. Publications issued in 2001 generally will be available on the website within one or two days of publication.

### **JCT OFFICES**

The JCT maintains offices on both the House and Senate sides of the Capitol.

The main JCT offices are located at:

1015 Longworth House Office Building  
Washington, D.C. 20515  
Phone: 202-225-3621  
Fax: 202-225-0832

204 Dirksen Senate Office Building  
Washington, D.C. 20510  
Phone: 202-224-5561

## **BACKGROUND INFORMATION RELATING TO THE JOINT COMMITTEE ON TAXATION**



**April 10, 2001  
JCX-24-01**