

ESTIMATED BUDGET EFFECTS OF THE  
 FINANCE COMMITTEE CHAIRMAN'S PROPOSED MARK  
 OF THE REVENUE RECONCILIATION PROVISIONS

Fiscal Years 1994-1998

[Millions of Dollars]

Provision	Effective	1994	1995	1996	1997	1998	1994-98
<b>I. REVENUE-RAISING PROVISIONS</b>							
<b>A. Individual Income and Estate and Gift Tax Provisions</b>							
1. Increase tax rates paid by high-income individuals (1).....	7/1/93	21,309	13,217	20,837	24,856	26,545	106,764
[a.] Add fourth bracket at 36% rate for taxable income over \$140,000 (joint), \$127,500 (head of household), \$115,000 (single).							
[b.] Impose a 10% surtax on taxable income over \$250,000 (also applicable to capital gains). [c.] Increase minimum tax rate to 26% for AMTI of less than \$175,000 and 28% for AMTI over \$175,000; increase AMTI exemption to \$45,000 (joint) and \$37,500 (single). [d.] Extend itemized deduction limitation and personal exemption phaseout scheduled to expire for 1996 and 1997, respectively.							
2. Repeal Health Insurance (HI) wage base cap (2).....	1/1/94	2,750	6,030	6,374	6,808	7,200	29,161
3. Reinstate top estate and gift tax rates at 53% and 55%.....	1/1/93	475	512	553	598	647	2,785
4. Reduce deductible portion of business meals and entertainment from 80% to 50%.....	1/1/94	1,845	3,161	3,325	3,487	3,645	15,463
5. Deny deduction for club dues (includes hotel and airport clubs).....	1/1/94	132	227	236	247	259	1,101
6. Deny deduction for executive pay over \$1 million.....	1/1/94	42	55	57	76	105	335
7. Reduce compensation that can be taken into account for purposes of benefits and contributions under qualified retirement plans to \$150,000 in 1994 (1993 cap is \$235,840), with modifications.....	1/1/94	179	574	565	581	561	2,460

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8. Disallow moving expense deduction for meals and real estate expenses; impose \$10,000 cap.....	1/1/94	50	499	525	554	597	2,224
9. Modify individual estimated tax requirements.....	1/1/94	-1,900	--	--	2,600	--	700
10. Impose 2-tier system to determine taxable portion of Social Security and Railroad Retirement Tier 1 benefits.....	1/1/94	2,072	4,932	5,680	6,435	7,154	26,273
<b>B. Provisions Affecting Businesses</b>							
1. Increase corporate tax rate to 35% for taxable income above \$10 million (phaseout benefit of 34% rate beginning at \$15 million) (3).....	1/1/93	4,404	2,808	2,943	3,080	3,186	16,421
2. Deny deduction for lobbying expenses.....	e/a 12/31/93	148	254	267	279	288	1,236
3. Require mark-to-market accounting method for dealers in securities; transition rule for LIFO inventory.....	tyeo/a 12/31/93	822	795	804	816	558	3,796
4. Prohibit double-dip related to FSLIC assistance.....	3/4/91	278	78	31	266	363	1,016
5. Extend and modify corporate estimated tax rules.....	tyba 12/31/93	2,116	428	59	4,279	929	7,810
6. a. Repeal stock-for-debt exception to section 108.....	DoCA	35	83	125	167	212	622
b. Add passive activity losses and credits to list of tax attributes reduced by cancellation of indebtedness.....	1/1/94	8	34	73	112	152	378
c. Add AMT credits to list of tax attributes reduced by cancellation of indebtedness.....	1/1/94	29	65	92	116	139	440
7. Limit section 936 credit.....	tyba 12/31/93	436	909	879	793	735	3,751
8. Modify earnings stripping, portfolio interest, and conduit rules.....	tyba 12/31/93	63	78	83	88	93	405
<b>C. Foreign Tax Provisions</b>							
1. Repeal deferral for excessive accumulated foreign earnings.....	tyba 9/30/93	20	44	56	61	69	251
2. 50% place of performance R&E allocation for 12 months.....	(4)	-225	-225	--	--	--	-450
3. Revise foreign tax credit for oil and gas and shipping income.....	tyba 12/31/92	622	440	461	486	510	2,520
4. Transfer pricing compliance initiative (enhanced penalty provision).....	tyba 12/31/93	73	73	73	73	73	366
5. Deny tax subsidies for exports of certain unprocessed timber.....	tyba DoE	56	77	81	87	92	393
<b>D. Transportation Fuels Provisions</b>							
1. Transportation motor fuels tax and diesel fuel compliance							
a. Motor fuels tax increase of 4.3 cents/gallon.....	10/1/93	4,791	4,887	4,839	4,838	4,884	24,238
b. Diesel fuel compliance.....	1/1/94	249	188	193	198	204	1,031
2. Extend 2.5 cents/gallon motor fuels tax (10/1/95 - 9/30/99); transfer revenues generally to Highway Trust Fund (5).....	10/1/95	--	--	2,595	2,670	2,651	7,916
<b>E. Compliance Provisions</b>							
1. Service industry non-compliance initiative.....	1/1/94	26	89	94	99	103	411

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2. Modified substantial understatement penalty.....	1/1/94	84	104	101	94	85	469
3. Raise standard for tax shelter and preparer penalties.....	1/1/94	--	--	--	--	--	---
4. Information reporting for discharge of indebtedness for FDIC, RTC, and financial institutions.....	DoE	115	115	102	82	75	490
<b>F. Intangibles</b>							
1. Amortization of acquired intangible assets (14 years; 75% amortizable).....	DoE (7)	245	642	1,007	1,390	1,791	5,075
<b>G. Miscellaneous Revenue-Raising Provisions</b>							
1. Deny business travel deductions for spouse and dependents on non-business travel.....	1/1/94	2	20	21	23	24	90
2. Increase withholding rate on bonuses to 28%.....	1/1/94	188	9	10	10	11	228
3. Permanent extension of vaccine excise tax.....	DoE	147	154	154	139	133	727
<b>SUBTOTAL: REVENUE-RAISING PROVISIONS.....</b>		<b>41,686</b>	<b>41,356</b>	<b>53,295</b>	<b>66,488</b>	<b>64,073</b>	<b>266,896</b>

**II. INVESTMENT AND TRAINING PROVISIONS****A. Education and Training Provisions**

1. Extend employer-provided educational assistance through 6/30/94 (24 months).....	7/1/92	-601	-156	--	--	--	-757
2. Extend targeted jobs tax credit through 6/30/94 (24 months).....	7/1/92	-253	-175	-91	-35	-12	-566

**B. Investment Incentives**

1. Extend research and experimentation credit through 6/30/94 (12 months).....	7/1/93	-811	-408	-201	-142	-77	-1,639
2. Elimination of ACE depreciation adjustment.....	pplsa 12/31/93	-344	-986	-1,112	-1,026	-880	-4,348
3. Increase section 179 expensing to \$15,000.....	tyba 12/31/92	-1,509	-624	-433	-254	-109	-2,928
4. Extend small-issue manufacturing and agricultural bonds through 6/30/94 (24 months).....	7/1/92	-14	-29	-38	-37	-34	-152

**C. Expansion and Simplification of Earned Income Tax Credit  
(EITC) (8).....**

	1/1/94	-28	-287	-349	-413	-433	-1,510
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**D. Real Estate Investment Provisions**

1. Extend mortgage revenue bonds through 6/30/94 (24 months).....	7/1/92	-50	-97	-135	-140	-132	-554
2. Extend low-income housing tax credit permanently, with modifications.....	7/1/92	-373	-597	-938	-1,296	-1,660	-4,864

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3. Provide passive loss relief for real estate professionals.....	1/1/94	-261	-471	-436	-491	-578	-2,237
4. Facilitate pension investments in real estate.....	1/1/94	-46	-60	-63	-68	-73	-310
5. Increase recovery period for non-residential real property to 38 years.....	ppiso/a 2/25/93	112	316	587	926	1,248	3,189
<b>E. Luxury Excise Tax; Diesel Fuel Tax for Motorboats</b>							
1. a. Repeal luxury excise tax on boats, aircraft, jewelry, and furs.....	1/1/93	-69	-46	-49	-52	-55	-270
b. Index luxury excise tax on automobiles for inflation (9).....	1/1/93	-98	-124	-179	-237	-300	-938
2. Impose excise tax on diesel fuel used in noncommercial motorboats.....	1/1/94	25	37	37	38	41	178
<b>F. Other Provisions</b>							
1. Extend AMT treatment of gifts of all appreciated property to charities permanently.....	(11)	-100	-77	-78	-80	-82	-417
2. Substantiation and disclosure of charitable contributions (10).....	1/1/94	15	103	109	118	124	469
3. Extend General Fund transfer to Railroad Retirement Tier 2 Fund permanently.....	(2)	----- No Revenue Effect -----					
4. Extend 25% deduction for self-employed health insurance for individuals through 12/31/93 (18 months).....	7/1/92	-566	--	--	--	--	-566
<b>SUBTOTAL: INVESTMENT AND TRAINING PROVISIONS.....</b>		<b>-4,971</b>	<b>-3,681</b>	<b>-3,369</b>	<b>-3,189</b>	<b>-3,012</b>	<b>-18,220</b>
<b>III. INCREASE IN PUBLIC DEBT LIMIT.....</b>							
	DoE	--	--	--	--	--	---
<b>IV. OUTLAY-RELATED PROVISIONS: (12)</b>							
1. Expand 45-day interest rule for certain refunds (2).....	1/1/94	4	46	64	64	64	242
2. Prohibit double-dip related to FSLIC assistance.....	3/4/91	-136	14	-29	-95	-109	-355
3. BATF user fees for alcohol labeling and formula applications (2).....	90 days after DoE	5	5	5	5	5	25
4. Use of Harbor Maintenance Trust Fund for administrative expenses (6).....	fya DoE	--	3	9	11	12	35
5. Increase Presidential Campaign Fund (2).....	--	--	--	-81	--	--	-81
6. Extend tax information access for Department of Veterans Affairs (through 9/30/98).....	10/1/97	--	--	--	--	136	136
7. Access to tax information by the Department of Education (through 9/30/98).....	DoE	--	--	--	--	--	---

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8. Access to tax information by the Department of Housing and Urban Development (through 9/30/98).....	DoE	--	--	--	--	--	---
<b>NET TOTAL (Does not include Outlay Provisions).....</b>		<b>36,715</b>	<b>37,675</b>	<b>49,926</b>	<b>63,299</b>	<b>61,061</b>	<b>248,676</b>

Joint Committee on Taxation

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

The effects of certain interactions are not accounted for in this table.

Legend for "Effective" column: DoCA = date of Committee Action

DoE = date of enactment

e/a = expenses after

fya = fiscal years after

ppisa = property placed in service after

ppiso/a = property placed in service on or after

tyba = taxable years beginning after

tyeo/a = taxable years ending on or after

- (1) Effective 7/1/93, but no penalties for underwithholding or estimated tax in 1993; indexing of 36% rate and surtax brackets effective 1/1/95. Estimate includes certain provisions to prevent conversion of ordinary income to capital gains.
- (2) Estimate for this provision provided by the Congressional Budget Office (CBO).
- (3) Effective 1/1/93, but no penalties for underwithholding or estimated tax in 1993.
- (4) Effective upon expiration of Rev. Proc. 92-56, which is generally the third taxable year beginning after 8/1/91.
- (5) Revenues from the 2.5-cent-per-gallon tax on diesel used in trains would be retained in the General Fund, as would 2.5 cents per gallon of the tax on motorboat, small-engine, and nonhighway recreational fuels.
- (6) Subject to passage of legislation to appropriate funds from the Harbor Maintenance Trust Fund (estimate does not include effect on outlays).
- (7) Taxpayer may elect to apply to all property acquired after 7/25/91. Estimate also includes a provision affecting payments to partners retiring or dying on or after 1/5/93.
- (8) EITC outlays would be \$145 million in 1994, \$1,653 million in 1995, \$3,717 million in 1996, \$5,490 million in 1997, and \$5,757 million in 1998.
- (9) Estimate includes the effects of (i) exempting demonstrator cars from the luxury tax, effective 1/1/93, and (ii) exempting equipment installed on vehicles for use by disabled individuals, effective 1/1/91.
- (10) Substantiation requirement for charitable contributions of \$250 or more; disclosure related to quid pro quo contributions (\$75 exemption).
- (11) Effective for contributions of tangible personal property made after 6/30/92, and for contributions of all property made after 1992.
- (12) Estimates are not included in Net Total.