

**ESTIMATED BUDGET EFFECTS OF THE "RESTORING EARNINGS TO LIFT INDIVIDUALS AND EMPOWER FAMILIES ('RELIEF') ACT OF 2001," [1]
AS ORDERED REPORTED BY THE COMMITTEE ON FINANCE ON MAY 15, 2001**

Fiscal Years 2001 - 2011

[Millions of Dollars]

Provision	Effective	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2001-06	2001-11
Marginal Rate Reduction Provisions														
1. Create new 10% bracket for the first \$6,000 of taxable income for singles, first \$10,000 for heads of households, and first \$12,000 for married couples; and index beginning in 2007	tyba 12/31/00	-9,359	-59,158	-40,223	-40,336	-40,201	-40,203	-40,650	-41,256	-41,844	-42,430	-43,023	-229,480	-438,683
2. Reduce the various income tax rates (39.6% rate reduced to 38.6% in 2002 through 2004, 37.6% in 2005 through 2006, and 36% in 2007 and thereafter; 36% rate reduced to 35% in 2002 through 2004, and 34% in 2005 through 2006, and 33% in 2007 and thereafter; 31% rate reduced to 30% in 2002 through 2004, and 29% in 2005 through 2006, and 28% in 2007 and thereafter; 28% rate reduced to 27% in 2002 through 2004, and 26% in 2005 through 2006, and 25% in 2007 and thereafter)	tyba 12/31/01	---	-11,718	-17,237	-17,754	-29,956	-35,888	-49,568	-56,060	-57,147	-58,310	-59,523	-112,553	-393,161
3. Increase starting point of "Pease" cutback on itemized deductions to the personal exemption phaseout level	tyba 12/31/08	---	---	---	---	---	---	---	---	-431	-891	-952	---	-2,274
4. Repeal the phaseout of personal exemptions	tyba 12/31/08	---	---	---	---	---	---	---	---	-1,563	-3,310	-3,685	---	-8,558
Total of Marginal Rate Reductions Provisions		-9,359	-70,876	-57,460	-58,090	-70,157	-76,091	-90,218	-97,316	-100,985	-104,941	-107,183	-342,033	-842,676
Increase the Child Tax Credit From \$500 to \$600 in 2001 through 2003, \$700 in 2004 through 2006, \$800 in 2007 through 2009, \$900 in 2010, and \$1,000 in 2011 and Thereafter; Make Refundable up to Greater of 15% of Earned Income in Excess of \$10,000 or Present Law; Allow Credit Permanently Against the AMT; Repeal AMT Offset of Refundable Credits														
	tyba 12/31/00	-583	-10,438	-11,071	-12,711	-17,187	-18,278	-19,770	-24,125	-24,561	-25,357	-30,625	-70,268	-194,706
Marriage Penalty Relief Provisions														
1. Standard deduction set at 2 times single for married filing jointly, phased in over 5 years beginning in 2006	tyba 12/31/05	---	---	---	---	---	-754	-1,435	-2,347	-2,865	-2,997	-2,397	-754	-12,795
2. 15% rate bracket set at 2 times single for married filing jointly, phased in over 5 years beginning in 2006	tyba 12/31/05	---	---	---	---	---	-2,346	-4,331	-4,853	-4,606	-4,412	-4,008	-2,346	-24,556

Provision	Effective	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2001-06	2001-11
3. EIC Modification and Simplification - \$3,000 increase in joint returns beginning and ending income level for phaseout beginning in 2002 and indexed thereafter; simplify definition of earned income; use AGI instead of modified AGI; conform definition of qualifying child and tie-breaker rules to those in JCT simplification study; and allow math error procedure with Federal Case registry data beginning in 2004 [2]	tyba 12/31/01	--	-21	-2,088	-2,571	-2,567	-2,565	-2,593	-2,553	-2,521	-2,499	-2,477	-9,812	-22,456
Total of Marriage Penalty Relief Provisions		--	-21	-2,088	-2,571	-2,567	-5,665	-8,359	-9,753	-9,992	-9,908	-8,882	-12,912	-59,807
Education Provisions														
1. Education IRAs - increase the annual contribution limit to \$2,000; allow education IRA contributions for special needs beneficiaries above the age of 18; allow corporations and other entities to contribute to education IRAs; allow contributions until April 15 of the following year; allow a taxpayer to exclude Ed IRA distributions from gross income and claim the HOPE or Lifetime Learning credits as long as they are not used for the same expenses; repeal excise tax on contributions made to education IRA when contribution made by anyone on behalf of same beneficiary to QTP; modify phaseout range for married taxpayers; allow tax-free expenditures for elementary and secondary school expenses	tyba 12/31/01	---	-203	-365	-460	-560	-666	-777	-891	-1,011	-1,134	-1,285	-2,253	-7,351
2. Qualified Tuition Plans - tax-free distributions from State plans; allow private institutions to offer prepaid tuition plans, tax-deferred in 2002, with tax-free distributions beginning in 2004; allow a taxpayer to exclude QTP distributions from gross income and claim the HOPE or Lifetime Learning credits as long as they are not used for the same expenses; expand definition of family member to include cousins; allow tax-free distributions for actual living expenses	tyba 12/31/01	---	-24	-53	-81	-111	-141	-170	-200	-234	-256	-283	-410	-1,553
3. Employer Provided Assistance - permanently extend the exclusion for undergraduate courses and graduate level courses	cba 12/31/01	---	-519	-720	-760	-804	-852	-904	-958	-1,012	-1,068	-1,127	-3,656	-8,725
4. Student loan interest - eliminate the 60-month rule; increase phaseout ranges to \$50,000-\$65,000 single/\$100,000-\$130,000 joint; indexed for inflation after 2002	ipa 12/31/01	---	-170	-245	-262	-277	-289	-305	-321	-338	-356	-375	-1,243	-2,937
5. Eliminate the tax on awards under the National Health Corps Scholarship program and F. Edward Hebert Armed Forces Health Professions Scholarship program	tyba 12/31/01	---	-1	-1	-1	-1	-1	-1	-1	-1	-1	-1	-5	-9
6. Increase arbitrage rebate exception for governmental bonds used to finance qualified school construction from \$10 million to \$15 million	bia 12/31/01	---	[3]	-3	-5	-6	-11	-15	-16	-17	-18	-19	-25	-109

Provision	Effective	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2001-06	2001-11
f. Substantial compliance	---	----- Included in Item 3.b. -----												
4. Expand Availability of Installment Payment Relief Under Section 6166 to:														
a. Qualified lending and finance business interests.....	dda 12/31/01	---	---	-103	-84	-64	-43	-21	-22	-24	-25	-27	-295	-413
b. Certain holding company stock.....	dda 12/31/01	---	---	-171	-140	-107	-72	-34	-47	-49	-42	-45	-491	-688
Total of Estate and Gift Provisions		---	-5	-4,428	-4,627	-13,015	-14,990	-16,196	-18,495	-19,987	-24,237	-29,760	-37,067	-145,721
Pension and IRA Provisions														
Individual Retirement Arrangement Provisions														
1. Modification of IRA Contribution Limits - increase the maximum contribution limit for traditional and Roth IRAs to: \$2,500 in 2002 through 2005, \$3,000 in 2006 and 2007, \$3,500 in 2008 and 2009, \$4,000 in 2010, \$5,000 in 2011	tyba 12/31/01	---	-191	-441	-549	-662	-992	-1,347	-1,728	-2,150	-2,575	-3,291	-2,835	-13,928
2. IRA Catch-Up Contributions - increase maximum contribution limits for traditional and Roth IRAs for individuals age 50 and above by \$500 in 2002, \$1,000 in 2006, \$1,500 in 2010, and \$2,000 in 2011	tyba 12/31/01	---	-73	-161	-186	-212	-301	-377	-378	-384	-434	-401	-934	-2,908
3. Deemed IRAs under employee plans	pyba 12/31/02	----- Negligible Revenue Effect -----												
4. Allow tax-free withdrawals from IRAs for charitable purposes	tyba 12/31/09	---	---	---	---	---	---	---	---	---	-318	-508	---	-826
Total of Individual Retirement Arrangement Provisions		---	-264	-602	-735	-874	-1,293	-1,724	-2,106	-2,534	-3,327	-4,200	-3,769	-17,662
Provisions for Expanding Coverage														
1. Increase contribution and benefit limits:														
a. Increase limitation on exclusion for elective deferrals to: \$11,000 in 2002 and increase by \$500 each year thereafter until \$15,000 in 2010; index thereafter [4] [5]	yba 12/31/01	---	---	---	-116	-175	-194	-331	-406	-431	-566	-535	-485	-2,754
b. Increase limitation on SIMPLE elective contributions to: \$7,000 in 2002 and 2003, \$8,000 in 2004 and 2005, \$9,000 in 2006 and 2007, and \$10,000 in 2008; index thereafter [4] [5]	yba 12/31/01	---	-10	-15	-25	-30	-39	-45	-55	-59	-63	-65	-119	-406
c. Increase defined benefit dollar limit to: \$150,000 in 2002 through 2004, \$160,000 in 2005, and index thereafter	yba 12/31/01	---	-14	-25	-8	-20	-8	1	-21	-30	-30	-31	-75	-185
d. Lower early retirement age to 62; lower normal retirement age to 65	yba 12/31/01	---	-3	-4	-4	-5	-5	-5	-5	-5	-5	-6	-21	-47
e. Increase indexing on annual addition limitation for defined contribution plans in \$1,000 increments [4]	yba 12/31/01	---	-4	-9	-12	-13	-6	-8	-12	-14	-15	-13	-43	-105
f. Increase qualified plan compensation limit to \$180,000 in 2002, \$190,000 in 2003, \$200,000 in 2004 and 2005; index in \$5,000 increments thereafter [4]	yba 12/31/01	---	---	-38	-57	-62	-46	-61	-53	-46	-49	-27	-203	-439

Provision	Effective	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2001-06	2001-11
g. Increase limits on deferrals under deferred compensation plans of State and local governments and tax-exempt organizations to: \$9,000 in 2002 and increase by \$500 each year thereafter until \$11,000 in 2006, then \$12,000 in 2007, \$13,000 in 2008, \$14,000 in 2009, and \$15,000 in 2010; index thereafter [4] [5]	yba 12/31/01	---	-9	-16	-23	-27	-38	-53	-79	-102	-132	-140	-112	-617
2. Plan loans for S corporation owners, partners, and sole proprietors	yba 12/31/01	---	-21	-32	-34	-36	-39	-41	-44	-47	-49	-52	-162	-395
3. Modification of top-heavy rules	yba 12/31/01	---	-3	-6	-7	-8	-9	-10	-11	-12	-14	-15	-32	-95
4. Elective deferrals not taken into account for purposes of deduction limits (25% in 2002 through 2010, and 100% in 2011 and thereafter)	yba 12/31/01	---	-20	-37	-43	-46	-50	-53	-57	-60	-63	-133	-195	-561
5. Repeal of coordination requirements for deferred compensation plans of State and local governments and tax-exempt organizations [4]	yba 12/31/01	---	-16	-28	-28	-27	-26	-26	-27	-26	-26	-27	-126	-258
6. Elimination of user fee for certain requests regarding small employer pension plans with at least one non-highly compensated employee [6]	rma 12/31/01	---	-5	-8	---	---	---	---	---	---	---	---	-13	-13
7. Definition of compensation for purposes of deduction limits [4]	yba 12/31/01	---	-1	-3	-3	-3	-3	-4	-4	-4	-4	-4	-14	-33
8. Increase stock bonus and profit sharing plan deduction limit from 15% to 25% [4]	tyba 12/31/01	---	-25	-47	-55	-60	-64	-69	-74	-79	-84	-45	-252	-602
9. Option to treat elective deferrals as after-tax Roth contributions	yba 12/31/03	---	---	---	148	190	152	101	23	-72	-180	-300	490	62
10. Nonrefundable credit to certain individuals for elective deferrals and IRA contributions (sunset 12/31/06)	tyba 12/31/01	---	-1,036	-2,096	-1,963	-1,856	-1,746	-920	-102	-91	-89	-86	-8,698	-9,987
11. Small business (20 or fewer employees) tax credit for new qualified retirement plan contributions - first 3 years of the plan	cpoi tyba 12/31/02	---	---	-70	-185	-297	-351	-362	-368	-378	-395	-415	-904	-2,822
12. Small business (100 or fewer employees) tax credit for new retirement plan expenses - first 3 years of the plan	[7]	---	-3	-12	-21	-29	-29	-29	-27	-26	-25	-25	-94	-225
13. Treatment of nonresident aliens engaged in international transportation services	tyba 12/31/01	---	-2	-7	-7	-7	-8	-8	-8	-8	-8	-8	-31	-71
Total of Provisions for Expanding Coverage		---	-1,172	-2,453	-2,443	-2,511	-2,509	-1,923	-1,330	-1,490	-1,797	-1,927	-11,089	-19,553
Provisions for Enhancing Fairness for Women														
1. Additional catch-up contributions for individuals age 50 and above - increase the otherwise applicable contribution limit by \$500 in 2002 through 2004, \$1,000 in 2005 and 2006, \$2,000 in 2007, \$3,000 in 2008, \$4,000 in 2009, and \$7,500 in 2010 and thereafter (nondiscrimination rules would not apply) [4]	tyba 12/31/01	---	-62	-88	-87	-124	-120	-139	-139	-119	-100	-96	-481	-1,075
2. Equitable treatment for contributions of employees to defined contribution plans (raise the 25% of compensation limit to 50% in 2002 through 2010, and 100% in 2011 and thereafter) [4]	yba 12/31/01	---	-22	-41	-47	-51	-54	-58	-57	-58	-61	-89	-214	-537

Provision	Effective	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2001-06	2001-11
3. Faster vesting of certain employer matching contributions	cf pyba 12/31/01													
4. Simplify and update the minimum distribution rules by modifying post-death distribution rules	yba 12/31/01	---	[3]	-1	-1	-2	-2	-2	-2	-2	-3	-3	-6	-18
5. Clarification of tax treatment of division of section 457 plan benefits upon divorce	tdapma 12/31/01													
6. Modification of safe harbor relief for hardship withdrawals from 401(k) plans	yba 12/31/01													
7. Waiver of tax on nondeductible contributions for domestic or similar workers	tyba 12/31/01	---	[3]	[3]	-1	-2	-4	-6	-8	-10	-12	-14	-8	-57
Total of Provisions for Enhancing Fairness for Women		---	-84	-130	-136	-179	-180	-205	-206	-189	-176	-202	-709	-1,687
Provisions for Increasing Portability for Participants														
1. Rollovers allowed among governmental section 457 plans, section 403(b) plans, and qualified plans	da 12/31/01	---	27	-4	-4	-5	-5	-5	-6	-6	-7	-7	10	-21
2. Rollovers of IRAs to workplace retirement plans	da 12/31/01													
3. Rollovers of after-tax retirement plan contributions	dma 12/31/01													
4. Waiver of 60-day rule	da 12/31/01													
5. Treatment of forms of qualified plan distributions	yba 12/31/01													
6. Rationalization of restrictions on distributions	da 12/31/01													
7. Purchase of service credit in governmental defined benefit plans	ta 12/31/01													
8. Employers may disregard rollovers for cash-out amounts	da 12/31/01													
9. Minimum distribution and inclusion requirements for section 457 plans; modification of transition rules for existing 457 plans	da 12/31/01 and tyea DOE													
Total of Provisions for Increasing Portability for Participants		---	27	-4	-4	-5	-5	-5	-6	-6	-7	-7	10	-21
Provisions for Strengthening Pension Security and Enforcement														
1. Phase-in repeal of 160% of current liability funding limit; extend maximum deduction rule	pyba 12/31/01	---	-3	-3	-22	-36	-38	-38	-39	-41	-42	-44	-102	-306
2. Excise tax relief for sound pension funding	yba 12/31/01	---	-2	-3	-3	-3	-3	-3	-3	-3	-3	-3	-14	-29
3. Notice of significant reduction in plan benefit accruals	pateo/a DOE													
4. Repeal 100% of compensation limit for multiemployer plans	yba 12/31/01	---	-2	-4	-4	-4	-4	-5	-5	-5	-5	-5	-18	-43
5. Modification of section 415 aggregation rules for multiemployer plans	tyba 12/31/01	---	-1	-1	-1	-1	-1	-1	-1	-1	-1	-1	-4	-8
6. Investment of employee contributions in 401(k) plans	aiii TRA'97													
7. Prohibited allocations of stock in an ESOP S corporation	[8]	---	4	6	7	8	8	9	10	10	10	11	34	84
8. Automatic rollovers of certain mandatory distributions	dma 12/31/01	---	-2	-12	-22	-29	-30	-32	-33	-33	-34	-34	-96	-262
9. Clarification of treatment of contributions to multiemployer plans.....	yea DOE	---	---	-11	-19	-32	-38	-35	-30	-26	-19	-14	-100	-224
Total of Provisions for Strengthening Pension Security and Enforcement		---	-6	-28	-64	-97	-106	-105	-101	-99	-94	-90	-300	-788

Provision	Effective	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2001-06	2001-11
Expansion of Authority to Postpone Certain Tax Deadlines Due to Disaster	doa DOE	---	[3]	[13]	[13]	[13]	[13]	[13]	[13]	[13]	[13]	[13]	[13]	[14]
NET TOTAL [15] [16]		-33,144	-64,435	-84,926	-96,802	-111,281	-130,812	-146,976	-156,045	-162,926	-173,255	-186,596	-521,403	-1,347,177

Joint Committee on Taxation

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

Legend for "Effective" column:

- a iii TRA'97 = as if included in the Taxpayer Relief Act of 1997
- bia = bonds issued after
- cba = courses beginning after
- cf = contributions for
- cpoii = contributions paid or incurred in
- bia = bonds issued after
- da = distributions after
- dda = decedents dying after
- doa = disasters occurring after

- dma = distributions made after
- DOE = date of enactment
- gma = gifts made after
- iafpbnet = interest accruing for periods beginning not earlier than
- ipa = interest paid after
- noitta = notice of intent to terminate after
- pateo/a = plan amendments taking effect on or after
- pea = plans established after

- pyba = plan years beginning after
- rma = requests made after
- ta = transfers after
- tdapma = transfers, distributions, and payments made after
- tyba = taxable years beginning after
- tyea = taxable years ending after
- yba = years beginning after
- yea = years ending after

- [1] The estimates presented in this table include the effects of certain behavioral responses to the tax proposals, including shifts between nontaxable and taxable sources of income, changes in amounts of charitable giving, and changes in the timing of realization of some sources of income. While the estimates do not include the effects of these proposals on economic growth, the proposals are likely to result in modest increases in growth of the economy during the 10-year budget estimating period. The largest component of the proposals, the marginal rate cuts, will provide incentives for more work, investment, and savings.
- [2] Estimate assumes that any constitutional challenge based on the use of Federal Case registry data would not be successful.
- [3] Loss of less than \$500,000.
- [4] Provision includes interaction with other provisions in Provisions for Expanding Coverage.
- [5] Provision includes interaction with the Individual Retirement Arrangement Provisions.
- [6] Estimate provided by the Congressional Budget Office.
- [7] Effective for costs paid or incurred in taxable years beginning after December 31, 2001, with respect to qualified employer plans established after such date.
- [8] Generally effective with respect to years beginning after December 31, 2002. In the case of an ESOP established after July 11, 2000, or an ESOP established on or before such date if the employer maintaining the plan was not an S corporation on such date, the proposal would be effective with respect to plan years ending after July 11, 2000.
- [9] Directs the Secretary of the Treasury to modify rules through regulations.
- [10] Effective for distributions from terminating plans that occur after the PBGC has adopted final regulations implementing provision.
- [11] Special Federal income tax rules would apply if the Trust makes an election for its first taxable year ending after the date of enactment.
- [12] Effective for taxable years of electing Settlement Trusts ending after the date of enactment, and to contributions made to such trust made after the date of enactment.
- [13] Loss of less than \$1 million.
- [14] Loss of less than \$5 million.
- [15] Includes the following effect on fiscal year

	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2001-06</u>	<u>2001-11</u>
outlays (millions)	---	7,272	8,777	9,432	10,823	10,912	10,979	11,563	12,171	12,765	13,396	47,216	108,090
- [16] Taxpayers affected by the AMT: Present Law (millions of taxpayers) 1.5 3.5 4.3 5.6 7.1 8.7 10.5 12.8 14.9 17.5 20.7
Taxpayers affected by the AMT: Proposal (millions of taxpayers) 1.3 2.7 3.3 4.2 5.5 9.2 15.5 27.2 30.8 34.9 39.6