

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.

| Members of the Joint Committee on Taxation 109 th Congress | |
|---|--|
| House | Senate |
| William M. Thomas, California | Charles E. Grassley, Iowa |
| E. Clay Shaw, Jr., Florida | Orrin G. Hatch, Utah |
| Nancy L. Johnson, Connecticut | Trent Lott, Mississippi |
| Charles B. Rangel, New York | Max Baucus, Montana |
| Fortney Pete Stark, California | John D. Rockefeller IV, 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 and assists in the preparation of 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 and the analysis of their economic and legal effects, (4) assists Members of Congress in addressing constituent issues and problems, (5) analyzes and 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 usually publishes annually a list of expiring tax provisions. The JCT staff also publishes an analysis, including revenue estimates, of the budget proposal submitted for each fiscal year by the Administration. The JCT staff prepares descriptions and analyses of proposed tax treaties between the U.S. and other countries. After the close of each Congress, the JCT staff generally publishes a “Blue Book” which compiles the legislative history for each piece of legislation enacted during that Congress.

In recent years, the JCT staff has prepared hearing pamphlets on a variety of topics, including exempt organizations and charitable contributions, pension plans and the PBGC, tax shelters, and education tax incentives. The JCT staff has published multiple hearing pamphlets relating to

fundamental tax reform and social security individual accounts.

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, (4) review proposed income tax refunds in excess of \$2 million, (5) prepare a complexity analysis for tax legislation, and (6) conduct a joint review of IRS operations for years 1999-2004, and prepare a related report.

The JCT staff also prepares special reports that are required by law or requested by a Member. For example, in the early 1970’s, the JCT staff was asked to review President Nixon’s tax returns. More recently, the JCT staff has published a report of its investigation of Federal tax and compensation issues relating to Enron Corporation, a study of the overall state of the Federal tax system (including recommendations for simplification), and options to improve tax compliance and reform tax expenditures.

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 January, 2005.

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”). The confidential data include statistically valid samples of individual, corporate, other business, and estate tax returns. For example, the JCT individual income tax model is based on a sample of approximately 192,000 individual tax returns 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, including government agencies and non-government organizations.

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. 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 providing supplemental macroeconomic analyses for major tax proposals. The staff is currently enhancing its capability to provide such analyses for a broader range of 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.

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 PUBLICATION

The JCT website (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. Publications issued by the JCT 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



**February, 2005
JCX-2-05**