

**ESTIMATED BUDGET EFFECTS OF THE PROVISIONS RELATING TO THE
 "CONTRACT WITH AMERICA TAX RELIEF ACT OF 1995"
 AS PASSED BY THE HOUSE OF REPRESENTATIVES
 (Titles I, II, III, IV, and VI)**

Fiscal Years 1995 - 2005

[Billions of Dollars]

Provision	Effective	1995	1996	1997	1998	1999	2000	1995-00	2001-05	1995-05
Title I. American Dream Restoration										
A. Family Tax Credit (\$500 in 1996, and thereafter; children under age 18; phase-out from \$200,000 to \$250,000).....	1/1/96	---	-4.6	-23.3	-24.1	-26.2	-26.7	-104.9	-157.9	-262.9
B. Credit to Reduce the Marriage Penalty.....	tyba DoE	---	-0.2	-2.0	-2.0	-2.0	-2.0	-8.2	-10.3	-18.4
C. Establishment of American Dream Savings Accounts and Spousal IRAs:										
1. American Dream Savings Accounts.....	1/1/96	---	1.2	1.6	1.0	0.2	-2.0	2.0	-26.5	-24.5
2. \$2,000 Spousal IRA.....	1/1/96	---	[1]	-0.1	-0.1	-0.1	-0.1	-0.5	-0.5	-1.0
TOTAL, Title I.		---	-3.7	-23.8	-25.2	-28.1	-30.9	-111.6	-195.2	-306.8
Title II. Senior Citizens' Equity										
A. Repeal of Increase in Tax on Social Security Benefits (phase-in 75%, 65%, 60%, 55%, 50%).....	1/1/96	---	-0.5	-1.9	-3.2	-4.3	-5.6	-15.6	-40.8	-56.3
B. Treatment of Long-Term Care Insurance.....	1/1/96	---	-0.9	-1.0	-1.2	-1.4	-1.6	-6.1	-11.7	-17.8
C. Tax Treatment of Accelerated Death Benefits under Life Insurance Contracts.....	1/1/96	---	[1]	-0.1	-0.1	-0.2	-0.2	-0.6	-1.9	-2.5
TOTAL, Title II.		---	-1.4	-3.0	-4.5	-5.9	-7.4	-22.3	-54.4	-76.6

Provision	Effective	1995	1996	1997	1998	1999	2000	1995-00	2001-05	1995-05
Title III. Job Creation and Wage Enhancement										
A. Capital Gains Reforms: Provisions in "Contract" but (a) indexing is not allowed to create losses; (b) no indexing and max rate of 25% for corporations; (c) collectibles - choice of indexing or 28% max rate; (d) holding period for indexing of 3 years; (e) indexing applies only to assets acquired after 1994, but with an election to mark-to-market for 1995; (f) net lease exclusion removed; and (g) other miscellaneous changes.....	1/1/95	0.3	11.3	-5.2	-10.4	-13.0	-14.9	-31.9	-87.2	-119.0
B. Leasehold Improvements Provision.....	lida 3/13/95	[1]	[1]	[1]	[1]	[1]	[1]	[2]	[1]	[2]
C. Neutral Cost Recovery.....	ppisa 12/31/94	1.2	9.2	10.0	6.3	-1.2	-8.8	16.7	-105.4	-88.8
D. Corporate Alternative Minimum Tax (AMT) Reform: Prospective repeal of corporate AMT and business preferences under the individual AMT; Full repeal of the corporate AMT beginning in 2001.....	generally 1/1/96 [3]	-0.8	-2.7	-3.6	-3.3	-3.7	-2.7	-16.9	-17.7	-34.6
E. Interaction Between Neutral Cost Recovery (C.) and Corporate AMT (D.) Provisions [4]...	---	0.4	0.7	0.7	0.4	0.1	[5]	2.3	2.2	4.5
F. Deficit Reduction Checkoff and Trust Fund...	tyba DoE	----- <i>No Revenue Effect</i> -----								
G. Small Business Incentives:										
1. Increase in unified estate and gift tax credits [6].....	1/1/96	---	---	-1.4	-1.6	-1.8	-2.1	-6.8	-16.2	-23.0
2. Increase in expense treatment for small businesses (\$22,500 for 1996, \$27,500 for 1997, \$32,500 for 1998, and \$35,000 for 1999 and thereafter).....	tyba 12/31/95	---	-0.6	-1.4	-2.0	-2.1	-1.8	-7.8	-4.5	-12.3
3. Clarification of definition of principal place of business; Treatment of storage of product samples.....	1/1/96	---	-0.1	-0.2	-0.2	-0.2	-0.2	-0.9	-1.0	-1.9
TOTAL, Title III.		1.1	17.8	-1.1	-10.8	-21.9	-30.5	-45.3	-229.8	-275.1

Provision	Effective	1995	1996	1997	1998	1999	2000	1995-00	2001-05	1995-05
Title IV. Family Reinforcement										
A. Credit for Adoption Expenses.....	tyba 12/31/95	---	[1]	-0.2	-0.2	-0.2	-0.2	-1.0	-1.3	-2.3
B. Credit for Custodial Care of Certain Elderly Dependents in Taxpayer's Home.....	tyba 12/31/95	---	-0.1	-0.2	-0.2	-0.2	-0.2	-1.0	-1.4	-2.3
TOTAL, Title IV.		---	-0.1	-0.4	-0.4	-0.4	-0.4	-2.0	-2.7	-4.6
Title VI. Technical Corrections										
A. Technical Corrections Provisions.....	---	[5]	---	---	---	---	---	[5]	[5]	[5]
TOTAL, Title VI.		[5]	---	---	---	---	---	[5]	[5]	[5]
TOTAL, REVENUE PROVISIONS (Titles I, II, III, IV, VI) [7]		1.1	12.6	-28.3	-40.9	-56.4	-69.2	-181.2	-482.1	-663.3

Joint Committee on Taxation

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

Legend for "Effective" column: tyba DoE = taxable years beginning after date of enactment
 ppisa = property placed in service after
 tyba = taxable years beginning after
 lida = leasehold improvements disposed of after

[1] Loss of less than \$50 million.

[2] Loss of approximately \$100 million.

[3] The Alternative Minimum Tax depreciation adjustment would be repealed for: (1) all property covered under the Neutral Cost Recovery System; and (2) all other depreciable property placed in service after March 13, 1995.

[4] The positive interaction between these two provisions will go to zero if either of these provisions is removed from the package.

[5] Gain of less than \$50 million.

[6] Beginning after 1998, estimate includes indexing of the following: (1) the \$10,000 annual exclusions for gifts; (2) the \$750,000 ceiling amount on special use valuation under section 2032A of the Internal Revenue Code; (3) the \$1,000,000 generation-skipping transfer tax exemption; and (4) the value of closely held business eligible for the special four-percent interest rate under section 6601(j) of the Internal Revenue Code.

[7] Total does not include all possible interaction among provisions.