

ESTIMATED BUDGET EFFECTS OF THE PROVISIONS RELATING TO H.R.1215,
 THE "CONTRACT WITH AMERICA TAX RELIEF ACT OF 1995"

Fiscal Years 1995-2000

[Billions of Dollars]

Provision	Effective	1995	1996	1997	1998	1999	2000	1995-00
Title I. American Dream Restoration								
A. Family Tax Credit (\$500 in 1996, and thereafter; children under age 18; phase-out \$200,000 to \$250,000).....	1/1/96	---	-4.6	-23.3	-24.1	-26.2	-26.7	-104.9
B. Credit to Reduce the Marriage Penalty.....	tyba DoE	---	-0.2	-2.0	-2.0	-2.0	-2.0	-8.2
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
2. \$2,000 Spousal IRA.....	1/1/96	---	[1]	-0.1	-0.1	-0.1	-0.1	-0.5
TOTAL, Title I.		---	-3.7	-23.8	-25.2	-28.1	-30.9	-111.6
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
B. Treatment of Long-Term Care Insurance.....	1/1/96	---	-0.9	-1.0	-1.2	-1.4	-1.6	-6.1
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
TOTAL, Title II.		---	-1.4	-3.0	-4.5	-5.9	-7.4	-22.3

Provision	Effective	1995	1996	1997	1998	1999	2000	1995-00
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
B. Leasehold Improvements Provision.....	lida 3/13/95	[1]	[1]	[1]	[1]	[1]	[1]	[2]
C. Neutral Cost Recovery.....	ppisa 12/31/94	1.2	9.2	10.0	6.3	-1.2	-8.8	16.7
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
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
F. Debt Reduction Checkoff and Trust Fund.....	tyba DoE	----- No Revenue Effect -----						
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
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
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
TOTAL, Title III.		1.1	17.8	-1.1	-10.8	-21.9	-30.5	-45.3
Title IV. Family Reinforcement								
A. Credit for Adoption Expenses.....	tyba 12/31/95	---	[1]	-0.2	-0.2	-0.2	-0.2	-1.0
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
TOTAL, Title IV.		---	-0.1	-0.4	-0.4	-0.4	-0.4	-2.0

Provision	Effective	1995	1996	1997	1998	1999	2000	1995-00
Title V. Social Security Provisions								
A. Modify Social Security Earnings Limitations [7].....	1/1/96	---	-0.5	-1.1	-1.6	-2.1	-2.4	-7.6
TOTAL, Title V.		---	-0.5	-1.1	-1.6	-2.1	-2.4	-7.6
Title VI. Technical Corrections								
A. Technical Corrections Provisions.....	---	[5]	---	---	---	---	---	[5]
TOTAL, Title, VI.		[5]	---	---	---	---	---	[5]
TOTAL, REVENUE PROVISIONS (Titles I, II, III, IV, VI) [8].....								
		1.1	12.6	-28.3	-40.9	-56.4	-69.2	-181.2
GRAND TOTAL (All Titles) [8]								
		1.1	12.1	-29.4	-42.5	-58.5	-71.6	-188.8

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 less than \$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] Change in outlays supplied by the Congressional Budget Office.

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