## ESTIMATED BUDGET EFFECTS OF THE REVENUE PROVISIONS OF H.R. 2264 (THE OMNIBUS BUDGET RECONCILIATION ACT OF 1993) AS AGREED TO BY THE CONFEREES

## **Fiscal Years 1994-1998**

[Millions of Dollars]

Provision	Effective	1994	1995	1996	1997	1998	1994-98
. REVENUE-RAISING PROVISIONS							
A. Individual Income and Estate and Gift Tax Provisions							
Increase tax rates paid by high-income individuals (1)	1/1/93	15.407	22,804	25,714	24,584	00.000	444770
[a.] Add fourth bracket at 36% rate for taxable income over \$140,000	171730	13,407	22,004	23,714	24,004	26,263	114,772
(joint), \$127,500 (head of household), \$115,000 (single). [b.] Impose							
a 10% surtax on regular taxable income over \$250,000 (not 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 \$33,750 (single). [d.] Permanently							•
extend itemized deduction limitation and personal exemption phase-							
out effective 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			• • •	,000	000	047	2,700
from 80% to 50%	1/1/94	1,823	3,124	3,287	3,448	3,605	15,287
5. Deny deduction for club dues (include hotel and airport clubs)	1/1/94	132	227	236	247	259	1,101
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							000
purposes of benefits and contributions under qualified retirement							
plans to \$150,000 in 1994 (1993 cap is \$235,840)	1/1/94	179	574	565	581	561	2,460
Limit deduction for moving expenses; treat reimbursed moving	•						<b>L</b> , 100
expenses as exclusion from gross income; treat unreimbursed							
moving expenses as deduction from gross income	1/1/94	171	478	505	543	600	2,298
Individual estimated tax simplification	1/1/94	-1,900			2,600		700

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Provision	Effective	1994	1995	1996	1997	1998	1994-98
10. Impose 2 tior system to determine toyable neution of Social	salah salah salah						
Impose 2-tier system to determine taxable portion of Social     Security and Railroad Retirement Tier 1 benefits	44404		4 505				
B. Provisions Affecting Businesses	1/1/94	1,930	4,597	5,305	6,029	6,731	24,592
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
Deny deduction for certain lobbying expenses.     Require mark-to-market accounting method for dealers in	e/a 12/31/93	79	134	141	147	152	653
Securities (transition rule for LEO inventors)							
securities (transition rule for LIFO inventory)	-	822	795	804	816	558	3,796
Prohibit double-dip related to FSLIC assistance (4)      Extend and modify corporate estimated tax rules	3/4/91	278	78	31	266	363	1,016
6. 2. Repeal stock for dobt execution to postion 100	tyba 12/31/93	2,116	428	59	4,279	929	7,810
Repeal stock-for-debt exception to section 108      Add passive activity losses and credits to list of tax attributes	sta 1/1/95		18	56	99	143	315
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			<b>0</b> 4	70	112	102	370
of indebtedness	1/1/94	25	56	80	101	121	383
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	(5)	63	78	83	88	93	405
C. Foreign Tax Provisions	(-)		. •			30	700
Repeal deferral for excessive accumulated foreign earnings	tyba 9/30/93	20	44	56	61	69	251
2. Allocate 50% of R&E expenses to place of performance	tyba drodrod	20	in the first	30	01	09	251
for one year	(6)	-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
Treatment of exports of unprocessed softwood timber	ta DoE	56	77	73 81	73 87	73 92	393
D. Energy/Transportation Tax Provisions	502	00	• • •	0,	O,	32	393
Transportation motor fuels tax and diesel fuel compliance:							
a. Motor fuels tax increase of 4.3 cents/gallon (7)	10/1/93	4,795	4,893	4,845	4,844	4.004	04.000
b. Exempt commercial aviation fuels through 9/30/95	10/1/93	-395	-418	4,045 -13	4,044	4,891	24,268
c. Diesel fuel compliance	1/1/94	249	188	193	100	004	-825
2. Extend current 2.5 cents per gallon motor fuels tax; railroads taxed	17 17 9 4	243	100	193	198	204	1,031
at 1.25 cents per gallon (10/1/95 to 9/30/99) (8)	10/1/95			2,565	0.000	0.000	7.004
E. Compliance Provisions	10/1/90		,	<b>ک</b> ,505	2,639	2,620	7,824
Modified substantial understatement penalty	4/4/04	0.4	404	404	• •		
Information reporting for discharge of indebtedness for FDIC,	1/1/94	84	104	101	94	85	469
RTC, and financial institutions	D+E (0)	. 440	44-	400			
	DoE (9)	110	115	102	82	75	484

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Provision	Effective	1994	1995	1996	1997	1998	1994-98
F. Intangibles							
Amortization of acquired intangible assets (15 years; 9 years for							
PMSRs)	DoE (10)	<b>E</b> 0	040	50.4	000		
G. Miscellaneous Revenue-Raising Provisions	DOE (10)	52	318	504	696	881	2,450
Substantiation and disclosure of charitable contributions (11)	4 (4 (0 4	4.5	400				
Expand 45-day interest rule for certain refunds (outlays) (2)	1/1/94 1/1/94	15	103	109	118	124	469
Deny business travel deductions for spouse and dependents on	1/1/94	,			<u>;</u>		
non-business travel	1/1/94	. 0	00	04			
4. Increase withholding rate on bonuses to 28%		2 188	20 9	21	23	24	90
	171794	100	9	10	10	11	228
SUBTOTAL: REVENUE-RAISING PROVISIONS	***************************************	34,886	49,480	56,853	64,706	62,062	267,987
. INVESTMENT AND TRAINING PROVISIONS			, , , , , , , , , , , , , , , , , , , ,				
A. Education and Training Provisions							
Extend employer-provided educational assistance through							
12/31/94 (12)	7/1/92	-601	-312				-913
2. Extend targeted jobs tax credit through 12/31/94	7/1/92	-273	-212	-115	-45	-16	- <b>6</b> 61
B. Investment Incentives		•	. = . =	110	40		-001
Extend research and experimentation credit through 6/30/95	7/1/92	-2,169	-1,209	-784	-436	-253	-4,85
2. Targeted capital gains incentives for investment in small	.,,,,=	2,100	1,200	704	-400	-200	-4,00
businesses (with \$50 million gross asset limit applied on a group							
basis)	DoE	-13	-98	-163	-218	-260	-752
Elimination of ACE depreciation adjustment	ppisa 12/31/93	-344	-986	-1,112	-1,026	-880	-4,348
4. Increase section 179 expensing to \$17,500	tyba 12/31/92	-2,281	-969	-692	-434	-211	-4,587
<ol><li>Exempt high-speed rail bonds from private activity bond caps</li></ol>							.,
(with government-ownership requirement)	1/1/94	-2	-8	-22	-43	-58	-134
Extend qualified small-issue manufacturing bonds (IDBs)							
permanently, with waiver of one-year placed-in-service rule for	•						
certain projects	7/1/92	-18	-38	-54	-71	-84	-266
7. Extend orphan drug tax credit through 12/31/94	7/1/92	-14	-4				-18
C. Expansion and Simplification of Earned Income Tax Credit					- 1		
(EITC) (13)	1/1/94	-22	-155	-378	-547	-592	-1,694
D. Real Estate Investment Provisions							
Extend mortgage revenue bonds (MRBs) and mortgage credit							
certificates (MCCs) permanently, with contracts for deeds, high-cost				*			
housing areas, and two-family housing exceptions	7/1/92	-73	-145	-210	-270	-322	-1,019
Extend low-income housing credit permanently	7/1/92	-373	-597	-938	-1,296	-1,660	-4,864

Provision	Effective	1994	1995	1996	1997	1998	1994-98
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Provide passive loss relief for real estate professionals	1/1/94	-294	-536	-503	-563	-658	-2,554
Facilitate pension investments in real estate      Treatment of certain real property business indebtedness of	1/1/94	-46	-60	-63	-68	-73	-310
individuals	1/1/93	-138	-110	-60	-30	-28	-366
Increase recovery period for non-residential real property to     39 years	ppiso/a 5/13/93	104	314	617	995	1,354	3,384
E. Luxury Excise Tax; Diesel Fuel Tax for Motorboats	,,,			7.		1,001	-,
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 (14)	DoE	-58	-108	-151	-219	-267	-804
2. Impose 20.1-cent-per-gallon excise tax on diesel fuel used in							
noncommercial motorboats (15)	1/1/94	21	30	31	32	34	148
F. Other Provisions							
1. Extend AMT treatment of gifts of appreciated property to charities							
permanently	(16)	-100	-77	-78	-80	-82	-417
2. Extend 25% deduction for self-employed health insurance for	( /			. •		<del>-</del>	• • • • • • • • • • • • • • • • • • • •
individuals through 12/31/93	7/1/92	-566					-566
G. Empowerment Zones and Enterprise Communities (17)	1/1/94	-276	-459	-539	-583	-635	-2,492
Provide tax incentives for businesses on Indian reservations	1/1/94 -						_,
The state of the s	1/1/94		- nevenue	inciaaea i	in item G.,	above	
		7.005			·		00.054
UBTOTAL: INVESTMENT AND TRAINING PROVISIONS		-7,605	-5,785	-5,263	-4,954	-4,746	-28,354
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UBTOTAL: INVESTMENT AND TRAINING PROVISIONS		-7,605			·		-28,354
UBTOTAL: INVESTMENT AND TRAINING PROVISIONS  I. OTHER REVENUE PROVISIONS  A. Disclosure Provisions  1. Extend tax information access for Department of Veterans Affairs		-7,605			·		-28,354
UBTOTAL: INVESTMENT AND TRAINING PROVISIONS  I. OTHER REVENUE PROVISIONS  A. Disclosure Provisions  1. Extend tax information access for Department of Veterans Affairs (through 9/30/98)		<b>-7,605</b>			·		-28,354
UBTOTAL: INVESTMENT AND TRAINING PROVISIONS  I. OTHER REVENUE PROVISIONS  A. Disclosure Provisions  1. Extend tax information access for Department of Veterans Affairs (through 9/30/98)	DoE	<b>-7,605</b>			·		-28,354
UBTOTAL: INVESTMENT AND TRAINING PROVISIONS  I. OTHER REVENUE PROVISIONS  A. Disclosure Provisions  1. Extend tax information access for Department of Veterans Affairs (through 9/30/98)		<b>-7,605</b>			·		-28,354
UBTOTAL: INVESTMENT AND TRAINING PROVISIONS	DoE	<b>-7,605</b>			·		-28,354
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UBTOTAL: INVESTMENT AND TRAINING PROVISIONS	DoE DoE DoE	<b>-7,605</b>			·		<b>-28,35</b> 4
UBTOTAL: INVESTMENT AND TRAINING PROVISIONS	DoE DoE DoE	-7,605    142			·		
UBTOTAL: INVESTMENT AND TRAINING PROVISIONS	DoE DoE DoE DoE		-5,785   	-5,263  	<b>-4,954</b>	<b>-4,746</b>	
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UBTOTAL: INVESTMENT AND TRAINING PROVISIONS	DoE DoE DoE DoE		-5,785    137	-5,263    137	-4,954    135	<b>-4,746</b> 134	

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		-210	-224	-235	-994
-116	-105			· ·	-221
-880	-167	-72	796	1,111	786
				880 -167 -72 796 401 43,528 51,518 60,548	

Joint Committee on Taxation

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

Legend for "Effective" column: 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

pyba = plan years beginning after

sta = stock transferred after

ta = transactions after

tyba = taxable years beginning after

tyeo/a = taxable years ending on or after

- (1) Taxpayer may elect to pay tax attributable to rate increase for 1993 in 3 equal installments, payable on the due date of returns for taxable years 1993, 1994, and 1995. No penalties for underwithholding or estimated tax in 1993; installment amounts would not be subject to underpayment penalties or interest charges. 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 with blended rates for fiscal year taxpayers.
- (4) Estimate does not include an increase in outlays of \$136 million in 1994, a decrease of \$14 million in 1995, an increase of \$29 million in 1996, an increase of \$95 million in 1997, and an increase of \$109 million in 1998. According to CBO, Budget Act requirements may prohibit counting this provision for payas-you-go purposes.
- (5) With some exceptions, provision is generally effective for tyba 12/31/93.
- (6) Effective at expiration of Rev. Proc. 92-56, which is generally the third taxable year beginning after 8/1/91. In July 1992, the Treasury Department suspended applicable regulation for 18 months.
- (7) All revenues from 4.3-cent-per-gallon tax on motor fuels will go to the General Fund.
- (8) Revenues from the 1.25-cent-per-gallon tax on railroad diesel will go to the General Fund; motorboat and off-highway recreational vehicle fuel revenues will be retained in the General Fund. All revenues from highway motor fuels tax will go to the Highway Trust Fund. (2 cents per gallon of the tax revenues will go to the Highway Account and 1/2-cent per gallon will go to the Mass Transit Account.)

[Footnotes continued on the following page.]

## Footnotes continued for JCX-11-93:

- (9) Effective date of 1/1/94 for non-governmental entities.
- (10) Taxpayer may elect to apply to intangibles acquired after 7/25/91. Estimate also includes a provision affecting payments to partners retiring or dying on or after 1/5/93.
- (11) Substantiation requirement for charitable contributions of \$250 or more; disclosure related to guid pro quo contributions (\$75 exemption).
- (12) FICA portion of estimate (off budget): \$160 million for 1994 and \$61 million for 1995; HI portion (on budget): \$36 million for 1994 and \$14 million for 1995.
- (13) EITC outlays would be \$209 million in 1994, \$2,000 million in 1995, \$4,397 million in 1996, \$6,122 million in 1997, and \$6,378 million in 1998.
- (14) 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.
- (15) Includes revenues from extension of the 2.5-cent-per-gallon diesel motor fuels tax (10/1/95 to 9/30/99). 20.1-cent-per-gallon tax on motorboat diesel would expire after 12/31/99. All revenues will be deposited into the General Fund.
- (16) Effective for contributions of tangible personal property made after 6/30/92, and for contributions of all property made after 1992.
- (17) Estimate includes specialized small business investment company (SSBIC) provisions.

## Distributional Effects of the Revenue Provisions Contained in the Omnibus Budget Reconciliation Act of 1993 as Agreed to by the Conferees

(1993 Income Levels)

Expanded Income Class (1)	Present-Law Federal Taxes (2) Billions	Present-Law Average Tax Rate (3) Percent	Proposed Change in Tax Burden (4) Millions	Burden Change as a Share of Income Percent
Less than \$10,000	\$9	10.4%	-\$1,152	-1.28%
10,000 to 20,000	39	11.9%	-993	-0.30%
20,000 to 30,000	72	17.0%	94	0.02%
30,000 to 40,000	86	19.1%	949	0.21%
40,000 to 50,000	93	20.9%	1,271	0.29%
50,000 to 75,000	201	22.3%	3,517	0.39%
75,000 to 100,000	120	24.6%	2,653	0.54%
100,000 to 200,000	142	26.6%	4,598	0.86%
200,000 and over	168	30.2%	29,863	5.39%
Total, All Taxpayers	\$930	22.1%	\$40,800	0.97%

**Joint Committee on Taxation** 

August 3, 1993

- (1) The income concept used to place tax returns into income categories is adjusted gross income (AGI) plus: [1] tax-exempt interest, [2] employer contributions for health plans and life insurance, [3] employer share of FICA tax, [4] workers' compensation, [5] nontaxable Social Security benefits, [6] insurance value of Medicare benefits, [7] corporate income tax liability attributed to stockholders, [8] alternative minimum tax preference items, and [9] excluded income of U.S. citizens living abroad.
- (2) Includes individual income tax, FICA and SECA tax, excise taxes, estate and gift taxes, and corporate income tax.
- (3) Present-law Federal taxes as a share of expanded income.
- (4) Includes all revenue provisions except: Individual and corporate estimated tax changes, information reporting for discharge of indebtedness, targeted jobs credit, capital gains incentives, provisions affecting qualified pension plans, mortgage revenue bonds, low-income housing credit, luxury tax provisions, excise tax on diesel fuel used in noncommercial motorboats, empowerment zones and enterprise communities, vaccine excise tax, GSP and FUTA extensions, transfer of Federal Reserve funds, deduction disallowance for certain health plans, orphan drug credit, and diesel fuel compliance.