[JOINT COMMITTEE PRINT]

SUMMARY OF ADMINISTRATION'S REVENUE PROPOSALS IN THE FISCAL YEAR 1986 BUDGET PROPOSAL

PREPARED BY THE STAFF
OF THE
JOINT COMMITTEE ON TAXATION

FEBRUARY 19, 1985

U.S. GOVERNMENT PRINTING OFFICE
43-558 O WASHINGTON : 1985 JCS-2-85

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INTRODUCTION

This pamphlet,[1] prepared by the staff of the Joint Committee on Taxation, provides a summary of the Administration's revenue proposals contained in the Fiscal Year 1986 Budget, submitted to the Congress on February 4, 1985.

The first part of the pamphlet is an overview of the Administration's budget proposal for fiscal year 1986 and as projected for fiscal years 1987-1990. The second part is a summary of the revenue proposals contained in the Fiscal Year 1986 Budget, including present law and a reference to prior action (if any) on the topic. The budget does not include tax simplification and reform proposals made by the Treasury Department or forthcoming by the Administration.[2] The third part of the pamphlet presents the Treasury Department's estimates of the revenue effects of the Administration's revenue proposals as they affect budget receipts. An Appendix provides detailed revenue estimates of the provisions of certain recent tax legislation.

The pamphlet does not describe budget proposals relating to user fees or charges or similar revenue proposals that are not treated as "budget receipts" in the budget document but rather as "offsetting budget receipts" (e.g., Coast Guard boating fees, waterway and port development fees, recreational facilities fees, etc.),[3] nor does it include the proposal relating to an increase in the D.C. government contribution to Civil Service Retirement.

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[1] This pamphlet may be cited as follows: Joint Committee on Taxation, *Summary of Administration's Revenue Proposals in the Fiscal Year 1986 Budget Proposal* (JCS-2-85), February 19, 1985.

[2] See statement in FY 1986 Budget, Part 4, p. 4-13.

[3] These offsetting budget receipt proposals are discussed principally in Part 5 of the Fiscal Year 1986 Budget.

I. OVERVIEW OF ADMINISTRATION'S BUDGET PROPOSAL

A. Fiscal Year 1986 Totals

For fiscal year 1986, the Administration's budget proposes total outlays of $973.7 billion, total receipts of $793.7 billion, and a deficit of $180.0 billion.

B. Budget Outlays, Receipts, and Deficits

Table 1 shows past budget totals for recent fiscal years and the Administration's estimates of current and future budget totals under its proposal. These amounts are also shown as percentages of the gross national product (GNP), which is the market value of all goods and services produced by the nation's economy during the fiscal year.

Table 1.—Budget Outlays, Receipts, and Deficits

[Dollar amounts in billions]

Fiscal year	Outlays [1]		Receipts		Deficit	
	Amount	Percent of GNP	Amount	Percent of GNP	Amount	Percent of GNP
1970–79 [2]		21.3		18.9		2.3
1980	$590.9	22.9	$517.1	20.1	$73.8	2.9
1981	678.2	23.5	599.3	20.8	78.9	2.7
1982	745.7	24.5	617.8	20.3	127.9	4.2
1983	808.3	25.1	600.6	18.6	207.8	6.4
1984	851.8	23.8	666.5	18.6	185.3	5.2
1985 [3]	959.1	24.8	736.9	19.0	222.2	5.7
1986 [3]	973.7	23.2	793.7	18.9	180.0	4.3
1987 [3]	1,026.6	22.6	861.7	18.9	164.9	3.6
1988 [3]	1,094.8	22.2	950.4	19.3	144.4	2.9
1989 [3]	1,137.4	21.4	1,029.9	19.4	107.5	2.0
1990 [3]	1,190.0	20.9	1,107.7	19.5	82.4	1.4

[1] Includes outlays (and deficits) that are off-budget under current law and proposed to be included on-budget. These transactions began in 1973.
[2] Average during the 10-year period.
[3] Estimate.

Budget outlays

The budget proposes to increase outlays (including off-budget items) in fiscal year 1986 by 1.5 percent over 1985, which is a real cut in outlays of 2.7 percent after anticipated inflation. This would be the largest real decline in the budget since fiscal year 1947, when real outlays dropped as a result of a 75-percent reduction in defense spending. From 1986 to 1988, the budget proposes to increase spending by 6.0 percent per year, followed by a decline in the rate of growth to 4.3 percent per year from 1988 to 1990.

Under the budget proposal, the share of national income absorbed by Federal spending is estimated to decline significantly, from 24.8 percent of GNP in 1985, to 23.2 percent in 1986, and then down to less than 21 percent of GNP in 1990. However, in the near term, the share of GNP estimated to be spent by the Federal government would continue to remain high by historical standards. Outlays averaged 21.3 percent of GNP during the 1970s, as compared with 23.2 percent projected for 1986 (one percent of GNP in 1986 is about $42 billion).

Budget receipts

The Administration projects that budget receipts in fiscal year 1986 will rise by 7.7 percent over 1985. From 1986 to 1988, receipts are forecast to grow by 9.4 percent per year, slowing to 8.0 percent per year from 1988 to 1990.

As a percentage of GNP, receipts are estimated to drop slightly from 19.0 percent in 1985 to 18.9 percent in 1986, and subsequently to rise gradually to 19.5 percent of GNP in 1990. Based on this forecast, Federal receipts would equal the 1970's average of 18.9 percent of GNP in 1986, but would increase slightly thereafter.

The 1986 budget includes legislative proposals which are estimated to reduce total receipts by $1.6 billion over the 1986-1988 period. The tuition tax credit and enterprise zone proposals would reduce Federal receipts by $1.9 and $1.4 billion, respectively, over the period; the extension of the credit for research and experimental expenditures would reduce revenues by $3.5 billion. Revenue increasing proposals include additional taxes to finance the Hazardous Substance Response Trust Fund and additional Internal Revenue Service employees to improve the collection of tax revenues. Part III of this pamphlet contains Treasury revenue estimates for each of the Administration's legislative proposals.

Estimates of receipts reflect not only the proposed revenue measures in the budget but also the effects of recent legislation, including the tax cuts enacted in the Economic Recovery Tax Act of 1981, the revenue gains provided by the Tax Equity and Fiscal Responsibility Act of 1982, the increase in Highway Trust Fund revenues arising from the Highway Revenue Act of 1982, the increased tax collections provided by the Social Security Amendments of 1983, the reduced revenues from repealing withholding on interest and dividends in the Interest and Dividend Tax Compliance Act of 1983, the tax increases enacted in the Railroad Retirement Revenue Act of 1983, and the revenues raised in the Deficit Reduction Act of 1984.

As shown in Table 2, the Administration estimates that the net effect of major tax laws enacted in 1981-1984 is to reduce tax receipts by $131 billion in 1986, rising to $167 billion in 1988. Thus, a cumulative revenue loss of approximately two-thirds of a trillion dollars over the 1984-1988 period is attributable to the combined effect of tax changes enacted in 1981 through 1984.

Table 2.—Net Effect on Receipts of Major Tax Legislation Enacted in 1981–1984, Fiscal Years 1984–1988 [1]

[Fiscal years; billions of dollars]

	1984	1985	1986	1987	1988	1984–88
Economic Recovery Tax Act of 1981	−137	−169	−211	−251	−283	−1,050
Tax Equity and Fiscal Responsibility Act of 1982	36	41	51	62	64	254
Highway Revenue Act of 1982	4	4	5	5	5	23
Social Security Amendments of 1983	6	9	9	11	23	58
Interest and Dividends Tax Compliance Act of 1983	−3	−2	−2	−2	−2	−11
Railroad Retirement Act of 1983	0.2	1	1	1	1	4
Deficit Reduction Act of 1984	1	9	16	22	25	72
Total	−92	−106	−131	−152	−167	−650

[1] These estimates are based on the direct effect only of legislative changes at a given level of economic activity. Induced effects on the economy are taken into account in forecasting incomes, however, and in this way affect the receipts estimates by major source and in total.

The Appendix contains additional detail on the revenue effects of certain recently-enacted tax legislation.

Budget deficits

The Administration estimates that under its proposed budget, the Federal deficit in fiscal year 1986 will be $180.0 billion. This would be $42.2 billion less than the 1985 deficit, and a decline of 19 percent. As shown in Table 1, the budget proposes to decrease the deficit to $82.4 billion in 1990. Projected deficits decline by 10.4 percent per year from 1986 to 1988, and by 24.4 percent per year from 1988 to 1990.

The Administration projects that deficits will decline from 5.7 percent of GNP in 1985 to 1.4 percent in 1990. Based on this forecast, Federal budget deficits would fall below the 1970s average of 2.3 percent of GNP by 1989.

C. Federal Debt

The Administration's budget projects that financing the deficit will necessitate an increase in Federal debt of $0.7 trillion during fiscal years 1986 through 1988, inclusive: from $1.8 trillion at the end of fiscal 1985 to $2.5 trillion at the end of 1988 (see Table 3). According to these estimates, Federal debt will increase from 39.1 to 40.5 percent of gross national product over the period. Most Federal borrowing is subject to a statutory limitation. Under present law the statutory limit is $1.823 trillion, and this limit is expected to become binding by the end of fiscal year 1985.

Table 3.—Federal Debt

[Billions of dollars]

	Actual	Projected			
	1984	1985	1986	1987	1988
Debt subject to limit	1,573.0	1,837.4	2,070.7	2,305.0	2,543.9
Debt not subject to limit	3.7	3.7	3.5	3.3	2.4
Gross Federal debt	1,576.7	1,841.1	2,074.2	2,308.3	2,546.4
Debt as a percent of GNP (%)	36.7	39.1	40.2	40.7	40.5

D. Composition of Outlays and Receipts

Trends in budget outlays

Under the budget proposal, outlays will grow at an average annual rate of 4.4 percent over the 1985-1990 period. As shown in Table 4, national defense spending will grow substantially faster than other categories of outlays. Interest payments and payments to individuals, generally defined as payments for which an individual currently provides no goods or services, will grow slightly faster than total outlays. Grants to State and local governments (excluding grants for payments to individuals) will decline, under the proposed budget, by 3.5 percent per year over the 1985-90 period. Spending in the rest of the budget (net of offsetting receipts) is scheduled to contract at an average annual rate of 29.3 percent over the period.

The rapid growth in outlays for national defense significantly shifts the composition of Federal spending. Table 4 shows that the budget increases the fraction of Federal outlays spent on national defense from 26.5 percent in 1985 to 36 percent in 1988. This is a larger fraction than the average 27.6 percent of the budget allocated to defense during the 1970s. Net interest payments will also claim a sharply increased share of total spending, rising to 14.5 percent in 1988, relative to the 7.5-percent share during the 1970s.

Table 4.—Composition of Federal Budget Outlays [1]

[Percent of total budget outlays]

Fiscal year	National defense	Payments to individuals	All other grants [2]	Net interest	Other [3]
1970–79	27.6	44.5	10.5	7.5	9.9
1980	22.7	46.9	10.1	8.9	11.4
1981	23.2	47.7	8.5	10.1	10.5
1982	24.8	47.8	6.7	11.4	9.2
1983	26.0	48.9	6.3	11.1	7.7
1984	26.7	46.9	6.2	13.0	7.1
1985 [4]	26.5	44.6	6.2	13.6	9.2
1986 [4]	29.3	45.5	5.5	14.6	5.0
1987 [4]	31.3	45.5	4.9	14.9	3.4
1988 [4]	32.7	45.4	4.5	14.5	2.8
1989 [4]	34.5	46.4	4.3	13.0	1.8
1990 [4]	36.0	47.0	4.1	11.6	1.3
Annual growth rate, 1985–88 [4]	11.0	5.5	−3.5	1.1	−29.3

[1] Includes outlays that are off-budget under current law and proposed to be included on-budget.
[2] Grants to state and local governments excluding those for payments to individuals.
[3] Net of undistributed offsetting receipts.
[4] Estimate.

Trends in budget receipts

Under the budget proposal, receipts are estimated to grow at an average annual rate of 8.5 percent over the 5-year period 1985-1990. Federal receipts consist primarily of corporate income, individual income, social insurance, excise, estate and gift taxes, and customs duties. As shown in Table 5, the corporate income tax is projected to be the most rapidly growing revenue source (11.1 percent annually) in the 1985-90 period, followed by the individual income tax (9.2 percent), and social insurance taxes (8.8 percent). Customs duties are expected to increase moderately at an annual rate of 4.5 percent, while excise and estate and gift taxes will decline by approximately 2 percent per year over the 1985-90 period.

Although corporate income tax receipts are projected to increase at a rapid pace, the proportion of revenue raised from the corporate income tax in 1990 is estimated to be 10.2 percent, considerably less than the 15-percent corporate share in the last decade. In contrast, social insurance taxes are expected to increase to almost 37 percent of Federal revenues in 1990, significantly more than the 28.1-percent share in the prior decade.

Table 5.—Composition of Federal Budget Receipts

[Percent of total budget receipts]

Fiscal year	Individual income taxes	Corporate income taxes	Social insurance taxes	Excise taxes	Estate and gift taxes	Customs duties	Miscellaneous receipts [3]
1970–79 [1]	45.3	15.0	28.1	6.3	1.8	1.4	2.0
1980	47.2	12.5	30.5	4.7	1.2	1.4	2.5
1981	47.7	10.2	30.5	6.8	1.1	1.4	2.3
1982	48.2	8.0	32.6	5.9	1.3	1.4	2.6
1983	48.1	6.2	34.8	5.9	1.0	1.4	2.6
1984	44.4	8.5	36.3	5.6	.9	1.7	2.6
1985 [2]	44.7	9.0	36.4	5.0	.8	1.6	2.4
1986 [2]	45.2	9.3	36.5	4.4	.7	1.6	2.3
1987 [2]	45.6	10.2	35.9	4.1	.6	1.5	2.3
1988 [2]	45.6	10.4	36.5	3.5	.5	1.4	2.1
1989 [2]	46.2	10.4	36.6	3.2	.5	1.4	1.9
1990 [2]	46.3	10.2	36.9	3.0	.5	1.3	1.8
Annual growth rate, 1985–90	9.2	11.1	8.8	−2.0	−1.9	4.5	2.2

[1] Average during the 10-year period.
[2] Estimate; reflects the budget's proposed tax changes, and scheduled tax expirations or tax rate reductions under present law (e.g., scheduled cigarette excise tax rate reduction, aviation excise tax expirations, highway excise tax expirations).
[3] Principally, deposits of Federal Reserve Bank earnings.

E. Economic Assumptions for the Budget

The economic assumptions which underlie forecasts in the Administration's 1986 budget are shown in Table 6.

Table 6.—Administration's Economic Assumptions

[Calendar years]

Item	Actual		Forecast					
	1970–79 [1]	1984 [2]	1985	1986	1987	1988	1989	1990
Real GNP (% change)	3.1	5.6	4.0	4.0	4.0	4.0	3.8	3.6
CPI [3] (% change)	7.1	3.6	4.2	4.3	4.1	3.8	3.5	3.2
Unemployment rate [4] (%)	6.1	7.1	6.9	6.8	6.5	6.2	6.0	5.7
91-day T-bill rate [5] (%)	6.3	9.6	8.1	7.9	7.2	5.9	5.1	5.0

[1] Average during 10-year period (geometric average in the case of GNP and CPI, and arithmetic average in other cases).
[2] Preliminary actual data.
[3] Consumer price index for urban wage earners and clerical workers (for all urban consumers in 1978–79). Data beginning 1983 incorporate a rental equivalence measure for homeowner's costs and therefore are not strictly comparable with earlier figures (fourth quarter over fourth quarter).
[4] Percent of total labor force, including armed forces, residing in the U.S. (fourth quarter over fourth quarter).
[5] Average rate on new issues within period, on a bank discount basis.

The Administration assumes that real GNP (which is the gross national product measured in dollars of constant value) will grow at 4.0 percent per year through 1988. This is lower than the 5.6 percent growth recorded in 1984, but is more rapid than the 3.1 percent average growth during the preceding decade.

The budget assumes that inflation (as measured by the consumer price index, CPI) will rise from 3.6 percent in 1984 to 4.3 percent in 1986, then decline to 3.2 percent in 1990. This is half the rate of increase in consumer prices which occurred during the 1970s.

Employment is assumed to improve steadily as the economy expands. The unemployment rate is projected to decline from its 1984 level of 7.1 percent to 5.7 percent in 1990. The last year in which unemployment fell below 5.7 percent was 1974.

The Adminstration assumes that interest rates, as measured by the rate on 3-month Treasury bills, will decline sharply from 9.6 percent in 1984 to 5.0 percent in 1990. The real interest rate (measured by subtracting the rate of consumer price inflation from the nominal interest rate) would decline from 4.0 in 1984 to 1.4 percent in 1990 under these assumptions.

Small differences in the estimated growth of real GNP have an impact on projected deficits that increases over the forecast period. As shown in Table 7, the Administration estimates that if GNP growth is 1 percentage point higher than forecast, due to a 1 percentage point increase in inflation (and interest rates), then the deficit, on a current law basis, would be $7.4 billion less in 1988 and $24.5 billion less in 1990. On the other hand, if GNP growth is 1 percentage point lower than forecast, due to a 1 percentage point decline in real economic growth, then the deficit would be $33.4 billion more in 1988, and $73 billion more in 1990.

Table 7.—Sensitivity of the Deficit to Economic Assumptions

[Change in deficit in billions of dollars, current law basis]

GNP growth rate	Fiscal Years				
	1986	1987	1988	1989	1990
1% above forecast due to increase in inflation [1]	−0.7	−3.1	−7.4	−14.7	−24.5
1% below forecast due to lower real growth rate [1]	4.1	16.9	33.4	52.0	73.0

[1] Beginning January 1986.

F. Current Services Budget

The fiscal impact of the 1986 budget proposal can be analyzed by comparing projected budget outlays and receipts with the current services budget (CSB). The CSB measures the budget receipts and outlays which would occur if current spending and tax programs were continued without change.

Under the Administration's budget proposal, the 1986 deficit would be $50 billion less than the $230 billion CSB deficit. As shown in Table 8, the entire proposed deficit reduction is attributable to lower outlays: programmatic reductions of $48 billion and net interest savings of $3 billion. In the absence of these budget proposals, the Administration estimates that the deficit would increase to $224 billion by 1990, $142 billion more than the proposed deficit of $82 billion. This deficit reduction in fiscal year 1990 is entirely attributable to spending cuts in programs ($116 billion) and reduced debt service ($27 billion).

Table 8.—Reconciliation of CSB and Administration's Proposed Budget Deficits

[Billions of dollars]

	1985	1986	1987	1988	1989	1990
Current services deficit	224	230	246	248	233	224
Proposed budget deficit	222	180	165	144	108	82
Proposed deficit reduction	1	50	81	103	125	142
Programmatic reduction	1	48	73	90	105	116
Net interest reduction	0	3	9	16	20	27
Change in receipts	0	−1	−2	−2	0	0

II. SUMMARY OF ADMINISTRATION'S REVENUE PROPOSALS

A. Revenue Increase Items

1. Hazardous Substance Response Trust Fund ("Superfund")

Present Law

Under present law, excise taxes are imposed on crude oil and certain chemicals, and revenues equivalent to these taxes are deposited into the Hazardous Substance Response Trust Fund ("Superfund"). These amounts are available for expenditures incurred in connection with releases or threatened releases of hazardous substances into the environment. These provisions were enacted in the Comprehensive Environmental Response, Compensation, and Liability Act of 1980 (CERCLA), which established a comprehensive system of notification, emergency response enforcement, and liability for hazardous spills and uncontrolled hazardous waste sites.

A crude oil tax of 0.79 cent per barrel is imposed on the receipt of crude oil at a U.S. refinery, the import of crude oil and petroleum products, and the use or export of domestically produced crude oil (if the tax has not already been paid).

An excise tax on chemicals is imposed on the sale or use of 42 specified organic and inorganic substances if the substance is produced in or imported into the United States. The taxable chemicals generally are chemicals that are hazardous or chemicals which may create hazardous products or wastes when used. The rates vary from 22 cents per ton to $4.87 per ton.

In addition to the taxes described above, present law authorizes appropriations to the Superfund from general revenues of $44 million per year for fiscal years 1981 through 1985 (i.e., a total of $220 million). Certain amounts received from persons responsible for pollution, as well as penalties and punitive damages, are also appropriated to the Superfund.

The crude oil and chemical excise taxes are scheduled to terminate after September 30, 1985.

Administration Proposal

Under the Administration proposal, the Superfund taxes would be extended and the annual revenue increased to provide trust fund receipts of $900 million per year for the period 1986-1990.[1] The budget estimates that these receipts would allow a $1.1 billion average annual program level over this period (i.e., an aggregate

[1] While the budget receipts proposal estimate covers only the years 1986-1988, it is understood that a 5-year reauthorization is contemplated.

$5.5 billion program).[2] The Administration does not propose any further appropriations to the Superfund from general revenues.

The Administration budget does not specify what taxes will be proposed to provide these expanded revenues.

Prior Action

The Administration did not propose extending the Superfund taxes in the 1985 budget.

On August 10, 1984, the House of Representatives passed legislation (H.R. 5640)[3] to provide estimated funds of $10.1 billion to the Superfund over the fiscal year 1986-1990 period, including $2.3 billion in general revenue appropriations. To provide expanded tax revenues, H.R. 5640 would have increased the present law crude oil and chemical excise tax rates effective January 1, 1985, with further increases to take effect on January 1, 1987, if a tax on disposal of hazardous waste ("waste-end tax") were not enacted by July 1, 1986. A bill (S. 2892) extending the Superfund program for 5 years, at a total cost of $7.5 billion, was also reported by the Senate Committee on Environment and Public Works;[4] the reported bill did not contain a specific tax proposal. The Senate Committee on Finance held hearings on the Superfund financing proposals, but did not mark up or report a bill.

2. Black Lung Disability Trust Fund

Present Law

A manufacturers excise tax is imposed on domestically mined coal (other than lignite) that is sold or used by the producer of the coal. The rate of tax is $1 per ton for coal from underground mines and 50 cents per ton for coal from surface mines, but the tax cannot exceed four percent of the price for which the coal is sold.[5]

Amounts equal to the revenues collected from the coal excise tax are automatically appropriated to the Black Lung Disability Trust Fund.[6] The Trust Fund pays certain black lung disability benefits to coal miners (or their survivors) who have been totally disabled by black lung disease in cases where no coal mine operator is found responsible for the individual miner's disease.

Proposal

The Administration proposal would increase the rate of tax sufficiently to freeze the cumulative deficit in the Black Lung Disability Trust Fund over the next five years.

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[2] See, FY 1986 Budget, Part 5, pp. 5-42.

[3] See, H. Rep. No. 98-890, Part 1, July 16, 1984 (as reported by the House Committee on Energy and Commerce); H. Rep. No. 98-890, Part 2, August 8, 1984 (as reported by the House Committee on Ways and Means).

[4] See, S. Rep. No. 98-631, September 21, 1984.

[5] On the earlier of January 1, 1996, or any January 1 after 1981 on which there is no balance of repayable advances to the Trust Fund and no unpaid interest on such advances, the tax rates are scheduled to return to the pre-1982 rates, which were one-half the current rates (i.e., 50 cents/ton for underground mines, and 25 cents/ton for surface mines, limited to two percent of the price for which the coal was sold).

[6] Revenues from so-called "penalty" excise taxes on certain activities (e.g., self-dealing, excess contributions) of black lung benefit trusts also are automatically appropriated to the Trust Fund.

Prior Action

The Black Lung Benefits Revenue Act of 1981 (P.L. 97-119) doubled the original rate of the tax, effective January 1, 1982, and made certain amendments relating to the Trust Fund.

3. Deposits of Social Security Taxes by State and Local Governments

Present Law

Each State may enter into a voluntary agreement with the Federal Government to provide social security coverage for employees of the State government and any of its political subdivisions. A State which enters into an agreement for social security coverage is responsible for collecting from its local subdivisions their employer taxes and the social security taxes withheld from employees.

Payments of social security taxes are first made by the local subdivisions to the State, which also is responsible for verifying the payments. Then, the State deposits with the Federal Government these payments and the appropriate amounts with respect to its own employees.

Currently, States are required to make semimonthly deposits of the social security taxes on behalf of their own employees and those of their subdivisions. Regulations provide that private employers and the federal government are required to deposit social security and withheld individual income taxes as frequently as eight times a month, when the amount of these taxes exceeds $3,000; these rules also apply to State and local governments with respect to withheld income taxes. States have been allowed longer time periods for social security contributions because of delays experienced in receiving deposits from local governments.

Late deposits by State governments are subject to a penalty charge of 6 percent. Private sector employers pay a penalty rate which is based on the prime interest rate charged by major commercial banks.

Administration Proposal

Two basic changes would be made under the Administration proposal. First, State governments no longer would be liable for the deposits of taxes of their political subdivisions; the subdivisions would be responsible for making their own timely deposits. Second, State and local governments would be required to conform to the same deposit schedule as is required of private sector employers and for State and local government deposits of individual income taxes. Also, late deposits would be subject to the prime interest rate as the penalty rate.

The changes would be phased in over a three-year period beginning on October 1, 1985.

Prior Action

In the Social Security Amendments of 1983, States were required to make semi-monthly deposits of social security taxes, effective after December 31, 1983. Prior to this Act, monthly deposits were required.

4. Tax Treatment of Railroad Retirement Benefits

Present Law

Under present law, a portion of Railroad Retirement system benefits computed by using the social security benefit formula (tier 1) are subject to Federal income tax for taxpayers whose incomes exceed certain levels (generally, $25,000 for unmarried individuals and $32,000 for married individuals filing a joint return). (These benefits may be available at an earlier age under the Railroad Retirement system then under the Social Security system). Other benefits under the Railroad Retirement system are subject to Federal income tax for all recipients to the extent the payments exceed the amount of the individual's previously taxed contributions to the plan.

Administration Proposal

Under the Administration proposal, certain tier 1 Railroad Retirement benefits would be taxed under the rules that apply to all other payments under the Railroad Retirement system.

The proposal would be effective on January 1, 1986.

5. Railroad Unemployment Insurance Coverage

Present Law

Under present law, railroad employment is not covered by the Federal-State unemployment insurance system. Instead, railroad employees are covered by a separate Railroad Sickness and Unemployment Insurance Fund, which is financed by payroll taxes levied on rail employers.

Administration Proposal

The proposal would extend coverage under the Federal-State unemployment insurance system to railroad employment. In addition, a transitional program would be developed to guarantee certain levels of benefits for rail workers who become unemployed after September 30, 1985. The Railroad Sickness and Unemployment Insurance Fund would continue to finance sickness payments and to repay the Fund's debt to the rail industry pension fund.

6. Internal Revenue Service User Fees

Present Law

The Internal Revenue Service (IRS) does not currently charge taxpayers for issuing determination letters or rulings. In 1983, the IRS issued 135,234 advance determination letters on the qualification of corporate and self-employed pension plans. The IRS acted on 53,947 determination letters and ruling requests from tax-exempt organizations during that year. The IRS also issued 34,399 private letter rulings in response to taxpayers' requests during that year.

Administration Proposal

The Administration proposes to impose a user fee of $100 for each determination letter and private letter ruling issued by the Internal Revenue Service. These fees are proposed to become effective on October 1, 1985.

7. Internal Revenue Service Tax Compliance Initiative

Present Law

In fiscal year 1985, there are approximately 29,000 examination employees at the Internal Revenue Service. These employees are responsible for auditing tax returns.

Administration Proposal

The Administration proposal would increase the number of examination employees by 2,500 a year for fiscal years 1987, 1988 and 1989, resulting in an aggregate increase in examination employees of 7,500 by the end of fiscal year 1989. Advance hiring would begin in fiscal year 1986.

Prior Action

The Administration's budget proposal for fiscal year 1983 included a requested increase of 1,000 examination employees. Section 352 of the Tax Equity and Fiscal Responsibility Act of 1982 (P.L. 97-248) contained a sense of the Congress resolution that additional funds be appropriated to provide for staffing levels beyond those proposed by the Administration so that additional tax revenues of $1 billion in fiscal year 1984 and $2 billion in fiscal year 1985 would be collected.

In fiscal year 1983, IRS staffing actually increased by approximately 5,225 employees. Of this total, 1,000 were examination employees. Most of the remaining new employees were responsible for either collecting taxes already owing or for locating taxpayers who had not filed tax returns but who were required to do so. The Administration determined that all these new employees generated approximately $3 billion in increased revenue in 1983.

B. Revenue Reduction Items

1. Enterprise Zones

Present Law

Under present law, certain restrictions relating to industrial development bonds and mortgage subsidy bonds are relaxed in economically distressed areas. In addition, certain domestic corporations deriving income from Puerto Rico and possessions of the United States are eligible for a tax credit that eliminates U.S. tax on that income.

Administration Proposal

The Administration proposes that beginning in 1985 up to 25 small areas per year (not to exceed 75 in total) be designated as "enterprise zones." Effective January 1, 1986, the following tax incentives would be available for economic activity in the zones:

(1) an exemption from tax of capital gains on certain qualified property;

(2) a tax credit for employees equal to 5 percent of the first $10,500 of wages earned;

(3) a tax credit for employers equal to 10 percent of any increases in their payrolls (up to $1,750 per employee);

(4) a separate tax credit for employers of certain disadvantaged individuals equal to 50 percent of the wages of such persons for the first three years of employment (the percentage declines by 10 points in the fourth year and each year thereafter);

(5) an increase of 50 percent in the regular investment tax credit for investment in equipment;

(6) a 10-percent investment tax credit for new construction and reconstruction of buildings; and

(7) continued availability of tax-exempt bond financing beyond the 1986 sunset date for small issue bonds.

These incentives generally would remain fully in effect for 20 years and would be phased out over the succeeding four years. (An enterprise zone could be designated for a period of less than 20 years.)

Prior Action

The Administration proposed similar provisions in its fiscal year 1984 and 1985 budgets. Enterprise zone tax incentives similar to the Administration's proposal were passed by the Senate in June 1983 and April 1984, but were deleted in conference.

Also, the House Committee on Ways and Means held a hearing on November 17, 1983, on the Administration's proposal (contained in H.R. 1955).[7]

2. Tuition Tax Credit

Present Law

Present law does not provide any tax credit or deduction for personal educational expenses.

Administration Proposal

The Administration proposal would provide a nonrefundable income tax credit equal to 50 percent of certain tuition expenses paid to private elementary and secondary schools for qualified dependents of the taxpayer, subject to a dollar limitation. No credit would be allowed for payments to any school that follows a racially discriminatory policy.

The credit would apply to tuition payments made after July 31, 1985. The maximum credit would be $100 in 1985, $200 in 1986, and $300 in 1987 and subsequent years. Additionally, the maximum credit would be phased down for taxpayers with adjusted gross incomes greater than $40,000, with no credit being allowed to taxpayers with adjusted gross incomes in excess of $60,000.

Prior Action

The Administration proposed a similar credit for tuition expenses as part of its fiscal year 1984 and 1985 budgets.

During the 98th Congress, the Senate Committee on Finance reported a bill, S. 528 (S. Rep. 98-154, June 20, 1983), containing provisions similar to the Administration proposal. In 1983, the Senate considered, but did not adopt, the provisions of S. 528 as an amendment in the nature of a substitute to H.J. Res. 290.

3. Education Savings Accounts

Present Law

Under present law, there is no specific provision that permits deductions for, or excludes from tax the income on, amounts contributed by an individual to a trust or account to pay education expenses of the individual or a child of the individual. However, certain types of "job-related" education expenses may be deducted by an individual as ordinary and necessary business expenses. Also, custodial accounts may be established for a child; the income of such an account may be taxed at the child's applicable tax rate.

Administration Proposal

Effective for taxable years beginning after December 31, 1985, the Administration proposal would create a permanent tax exclusion for all interest and dividends earned on amounts deposited by

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[7] For a description of H.R. 1955, see Joint Committee on Taxation staff pamphlet, *Description of Bills (H.R. 1955, H.R. 1735, and H.R. 2375) Relating to Distressed Area Tax Incentives* (JCS-58-83), November 15, 1983.

parents in qualified education savings accounts, provided the deposits were used for eligible education expenses of their children. No deductions would be permitted for contributions to the account. If amounts are withdrawn from the account and not applied to eligible education expenses, the tax otherwise due on the earnings would be recaptured and a penalty tax generally would be imposed.

In general, eligible education expenses would include tuition and room and board incurred on behalf of a full-time student for post-secondary education. However, amounts paid to schools that follow a racially discriminatory policy would not be treated as eligible expenses. Certain reporting obligations would be imposed on the financial institutions maintaining the accounts and the colleges or universities receiving withdrawals from such accounts.

Deposits to these accounts would be subject to a number of limitations. First, under the proposal, the maximum annual contribution to a qualified education savings account would be $1,000 per child. However, the $1,000 limit would be reduced by five percent of the amount by which the taxpayer's adjusted gross income exceeds $40,000. Thus, no contribution could be made by a taxpayer whose adjusted gross income exceeds $60,000. Second, no contribution could be made on behalf of a child over the age of 18, and in no case could an account be maintained after the beginning of the taxable year in which a child attains age 26.

Prior Action

A substantially similar proposal was included in the Administration's fiscal years 1984 and 1985 budgets.

4. Restructuring of the Dependent Care Tax Credit

Present Law

Present law provides a nonrefundable tax credit for a portion of employment-related dependent care expenses paid by an individual who maintains a household that includes one or more qualifying individuals. The maximum credit equals 30 percent of employment-related expenses (up to a maximum of $2,400, if there is one qualifying individual, and $4,800, if there are two or more qualifying individuals) of individuals with $10,000 or less of adjusted gross income. Accordingly, the maximum credit is $720 if there is one qualifying individual or $1,440 if there are two or more qualifying individuals. The maximum 30-percent credit is reduced (but not below 20 percent) by one percentage point for each $2,000 (or fraction thereof) of adjusted gross income above $10,000.

Administration Proposal

The proposal would increase the percentage of employment-related dependent care expenses eligible for the credit to 40 percent for an individual with adjusted gross income of $10,000 or less. This percentage would decrease as income increases, so that the percentage would be zero for individuals with adjusted gross income of $60,000 or more. The proposal would be effective for taxable years beginning after December 31, 1985.

Prior Action

A substantially similar proposal was included in the Administration's 1985 budget.

5. Extension of the Credit for Research and Experimental Expenditures

Present Law

The Economic Recovery Tax Act of 1981 enacted a 25-percent income tax credit for certain qualified research expenditures incurred by a taxpayer during the year in carrying on a trade or business. The credit applies only to the extent that the taxpayer's qualified research expenditures for the taxable year exceed the average amount of yearly qualified research expenditures in the specified base period (generally, the preceding three taxable years). The credit is scheduled to terminate after 1985.

The definition of research for purposes of the credit is the same as that used for purposes of Code section 174, under which a current deduction is allowed for research and development costs in the experimental or laboratory sense. The amount of the section 174 deduction is not reduced by any amount of the credit.

Expenditures eligible for the credit consist of (1) "in-house" expenditures for research wages and supplies used in research, plus certain amounts paid for research use of computers, laboratory equipment, or other personal property; (2) 65 percent of amounts paid by the taxpayer for contract research conducted on its behalf; and (3) if the taxpayer is a corporation, 65 percent of its expenditures (including grants or contributions) for basic research to be performed by universities or certain scientific research organizations.

Administration Proposal

The Administration proposal would extend for three years (i.e., for expenditures through December 31, 1988) the credit for increased research expenditures. A similar proposal was included in the Administration's fiscal year 1985 budget proposal.

Prior Action

As passed by the Senate, the 1984 deficit reduction bill (H.R. 4170) would have made permanent the credit for increased research expenditures, and would have modified the definition of credit-eligible expenditures in certain respects. This provision was deleted in conference.

C. Other

Financing and Administering State Unemployment Compensation Programs

Present Law

Under present law, employers are subject to Federal unemployment insurance tax (FUTA) on the wages and salaries of employees. These taxes, together with State payroll taxes, finance the Federal-State unemployment compensation system. The proceeds of both Federal and State payroll taxes are included in the receipts portion of the Federal budget.

A portion of the FUTA taxes is used to finance the administrative costs of the State Unemployment Insurance and Employment Service programs. The State payroll taxes finance State unemployment insurance benefits.

The Federal government has decision-making authority with respect to the allocation of FUTA taxes among various administrative needs (e.g., claims processing, appeals).

Administration Proposal

Under the Administration's proposal, the responsibility for financing and administering the State Unemployment Insurance and Employment Service programs would be transferred to State governments. Effective January 1, 1988, the net FUTA tax rate would be reduced to reflect this transfer of authority. The Administration anticipates that the State payroll taxes would be increased to reflect the additional administrative costs assumed by the States.

III. TREASURY'S ESTIMATED BUDGET EFFECTS OF ADMINISTRATION'S REVENUE PROPOSALS

Fiscal Years 1986–1988

[Billions of Dollars]

Item	1986	1987	1988	1986–88
A. Proposals involving increases in revenue:				
1. Hazardous Substance Response Trust Fund ("Superfund") [1]	0.6	0.7	0.7	2.0
2. Black Lung Disability Trust Fund [1]	.2	.2	.3	.7
3. Deposits of social security taxes by State and local governments	.4	([2])	.3	.7
4. Tax treatment of railroad retirement benefits	([2])	.1	.1	.2
5. Railroad unemployment insurance coverage	.1	.2	.2	.5
6. IRS user fees	([2])	([2])	([2])	([2])
7. IRS compliance initiative [3]		.5	1.5	2.0
Total, revenue increases	**1.4**	**1.7**	**3.0**	**6.1**
B. Proposals involving reductions in revenue:				
1. Enterprise zone tax incentives	−.1	−.5	−.9	−1.4
2. Tuition tax credit	−.4	−.6	−.9	−1.9
3. Education savings accounts	([2])	−.1	−.3	−.5
4. Dependent care tax credit	([2])	−.2	−.2	−.5
5. Extension of R&E tax credit	−.7	−1.3	−1.5	−3.5
Total, revenue reductions	**−1.2**	**−2.8**	**−3.8**	**−7.7**
C. Other:				
Financing and administering State unemployment compensation programs				
Grand Total, Revenue Proposals [4]	**.2**	**−1.1**	**−.7**	**−1.6**

[1] Net of income tax offsets.

[2] Less than $50 million.

[3] These figures do not take account of the increased outlays associated with additional examination employees.

[4] Does not include budget proposal relating to increase in D.C. Civil Service Retirement contributution (estimated at less than $50 million per year), but does include certain minor receipt items not shown separately.

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

Source: Estimates provided by the Office of the Secretary of the Treasury.

APPENDIX: ADDITIONAL REVENUE TABLES

Table A-1.—Budget Receipts by Source, Fiscal Years 1984–90 [1]

[Billions of dollars]

Source	1984 actual	Estimate					
		1985	1986	1987	1988	1989	1990
Individual income taxes	296.2	329.7	358.9	392.5	433.6	475.5	512.6
Corporation income taxes	56.9	66.4	74.1	87.5	99.0	106.7	112.5
Social insurance taxes and contributions	241.7	268.4	289.4	309.5	346.5	376.5	409.1
Excise taxes	37.4	37.0	35.0	35.0	33.6	33.1	33.5
Estate and gift taxes	6.0	5.6	5.3	5.0	4.7	4.7	5.1
Customs duties	11.4	11.8	12.3	12.8	13.4	14.0	14.7
Miscellaneous receipts	17.0	18.0	18.6	19.5	19.6	19.5	20.1
Total, budget receipts	666.5	736.9	793.7	861.7	950.4	1,029.9	1,107.7

[1] Estimates assume adoption of Administration's revenue proposals contained in the Fiscal Year 1986 Budget, as well as currently scheduled tax rate reductions or expirations.

Source: Budget of the United States, Fiscal Year 1986.

Table A-2.—The Effect on Fiscal Year Receipts of the Economic Recovery Tax Act of 1981, 1982–90 [1]

[Millions of dollars]

Item	1982	1983	1984	1985	1986	1987	1988	1989	1990
Individual income tax reductions:									
General rate reductions	−25,315	−57,575	−88,602	−100,233	−113,176	−127,024	−142,241	−157,533	−172,795
Top marginal rate	−1,101	−2,179	−1,052	−643	−745	−860	−993	−1,143	−1,303
Deduction for two-earner married couples	−320	−3,113	−6,172	−6,745	−7,283	−8,107	−9,025	−10,025	−11,088
Indexing				−5,132	−13,672	−24,044	−36,766	−50,645	−65,206
Child and dependent care credit and dependent care assistance exclusion	−22	−201	−227	−266	−304	−342	−381	−418	−453
Charitable contributions deduction for nonitemizers	−16	−122	−162	−498	−1,850	−2,939			
Rollover and exclusion of gain from sale of residence	−48	−105	−116	−127	−140	−154	−169	−186	−204
Foreign earned income	−299	−544	−563	−618	−696	−784	−872	−998	−1,142
Total, individual	−27,121	−63,839	−96,894	−114,262	−137,866	−164,254	−190,447	−220,948	−252,191
Capital cost recovery provisions:									
Accelerated cost recovery system	−9,721	−18,056	−26,002	−35,589	−49,772	−60,634	−64,809	−66,231	−69,621
Used property limitation for ITC	−115	−74	−85	−137	−195	−209	−243	−262	−296
Other provisions	−309	−43	−36	12	31	17	−45	−48	−34
Total, capital cost recovery	−10,145	−18,173	−26,123	−35,714	−49,936	−60,826	−65,097	−66,541	−69,951
Rehabilitation expenditure provisions	−132	−208	−239	−302	−409	−579	−793	−1,039	−1,267
Incentives for research and development:									
Tax credit for research and experimentation	−1,251	−1,225	−1,420	−1,515	−1,016	−485	−261	−129	−37
Other provisions	−57	−120	−62						
Total, research and development	−1,308	−1,345	−1,482	−1,515	−1,016	−485	−261	−129	−37
Small business provisions:									
Accumulated earnings credit and subchapter S rules	−18	−53	−63	−73	−85	−99	−101	−103	−105

LIFO inventory and small business accounting	−68	−184	−192	−145	−64	−72	−74	−80	−86
Total, small business	−86	−237	−255	−218	−149	−171	−175	−183	−191
Windfall profit tax and other energy provisions	−728	−556	−471	−318	−235	−182	−167	−159	−93
Corporate rate reductions and other business provisions:									
Corporate tax rate reductions	−79	−258	−329	−413	−441	−461	−482	−497	−512
Other provisions	−165	−84	−14	74	163	206	233	254	272
Total, corporate rates and other business	−244	−342	−343	−339	−278	−255	−249	−243	−240
Savings incentives provisions:									
Keogh plans	−56	−157	−173	−183	−201	−221	−243	−270	−300
Extend IRA eligibility to qualified plan participants	−2,414	−6,781	−7,640	−8,456	−9,453	−10,333	−11,191	−12,170	−13,354
Increased IRA deduction for individuals not participating in qualified plans	−244	−652	−683	−753	−842	−922	−994	−1,091	−1,198
Partial dividend and interest exclusion	407	1,616		−941	−2,919	−3,271	−3,664	−4,102	−4,592
Tax-exempt savings certificates	−296	−1,224	−320						
ESOPs		−61	−618	−1,768	−2,796	−3,450	−2,494	−1,023	−590
Dividend reinvestment plans	−130	−365	−416	−449	−278	[2]	[2]	[2]	[2]
Total, savings incentives	−2,733	−7,624	−9,850	−12,550	−16,489	−18,197	−18,586	−18,656	−20,034
Estate and gift provisions	−114	−2,375	−3,510	−4,907	−6,515	−8,058	−9,551	−10,425	−11,339
Tax straddles	627	942	1,015	1,134	1,303	1,279	1,538	1,909	2,369
Administrative provisions	809	1,198	1,278	639	1,085	1,160	1,121	823	839
Miscellaneous provisions	−118	−9	103	−139	−300	−308	−320	−343	−358
Grand total, all revenue provisions	**−41,293**	**−92,592**	**−136,798**	**−168,500**	**−210,805**	**−250,876**	**−282,987**	**−315,934**	**−352,493**

[1] Does not show detail of fiscal year 1981 revenue effects, which totalled −$336 million.
[2] Less than $5 million.

Source: U.S. Department of the Treasury.

Table A-3.—The Effect on Fiscal Year Receipts of the Tax Equity and Fiscal Responsibility Act of 1982, 1983–90 [1]

[Millions of dollars]

Item	1983	1984	1985	1986	1987	1988	1989	1990
Individual provisions:								
Individual minimum tax	[2]	686	788	892	979	1,074	1,251	1,457
Deductions for medical expenses	268	1,773	1,729	1,901	2,089	2,296	2,523	2,772
Deductions for casualty losses	[2]	667	737	818	908	1,008	1,119	1,242
Total, individual	268	3,126	3,254	3,611	3,976	4,378	4,893	5,472
Business provisions:								
Business tax preferences	381	534	584	588	626	684	743	805
Basis adjustment for investment tax credit	362	1,377	2,721	4,177	5,642	6,869	7,721	8,493
Limitation on investment tax credit	152	259	213	178	164	151	177	194
ACRS			1,499	9,965	17,855	18,142	14,739	12,238
Construction period interest and taxes	555	1,179	1,206	1,084	820	538	409	346
Leasing	1,036	2,425	4,101	5,350	6,860	8,528	9,831	11,333
Foreign oil and gas	200	438	508	569	621	672	727	787
Possessions and Virgin Island Corporations	233	492	526	586	654	728	810	902
Tax-exempt bonds	36	284	579	809	1,155	1,799	2,459	3,185
Mergers and acquisitions	427	749	959	1,014	1,065	1,083	1,101	1,120
Accounting for long-term contracts	882	2,235	2,535	2,390	2,559	2,741	2,936	3,145
Accelerated corporate payments	1,039	4,065	603	1,300	993	449	77	50
Original issue discount and strips	163	310	465	629	808	1,017	1,281	1,614
Total, business	5,466	14,347	16,499	28,639	39,822	43,401	43,012	44,212
Compliance provisions:								
Withholding on dividends and interest	134	2,888	3,143	3,483	3,848	4,157	4,506	4,884
Other compliance	1,382	2,282	3,338	4,404	4,860	5,208	5,577	5,984
Additional IRS personnel	3,000	3,500	3,500	1,900	800			
Total, compliance	4,516	8,670	9,981	9,787	9,508	9,365	10,083	10,869
Pension provisions	194	780	870	972	1,059	1,157	1,268	1,393

Insurance provisions	2,003	2,148	2,773	3,064	3,397	3,766	4,175	4,629
Employment tax provisions:								
Independent contractors	−117	−107	−79	−85	−92	−97	−108	−106
Federal unemployment tax	1,470	2,308	2,280	1,847	1,466	1,253	1,071	915
Extend Medicare tax to Federal employees	657	893	958	1,086	1,181	1,265	1,355	1,451
Lower unemployment insurance taxable threshold	691	741	580	524	498	465	430	398
Total, employment tax	2,701	3,835	3,739	3,372	3,053	2,886	2,748	2,658
Excise tax provisions: [3]								
Airport and airway taxes	668	819	972	1,022	1,168	−552	−1,774	−1,931
Cigarette tax increase	1,202	1,625	1,615	133				
Telephone tax increase	558	981	1,430	646				
Repeal TAPS adjustment	31	8						
Total, excise tax	2,459	3,433	4,017	1,801	1,168	−552	−1,774	−1,931
Extension of targeted jobs credit	−122	−304	−401	−324	−184	−103	−50	−13
Other provisions	−38	−37	−34	−32	−30	−30	−30	
Total revenue effect	**17,447**	**35,998**	**40,698**	**50,890**	**61,769**	**64,268**	**64,325**	**67,289**
Outlays: Computation of interest on refunds	649	676	473	551	520	402	354	298
Total budget effect of revenue provisions	**18,096**	**36,674**	**41,171**	**51,441**	**62,289**	**64,670**	**64,679**	**67,587**

[1] Does not show detail of fiscal year 1982 revenue effects, which totalled $4 million.
[2] Less than $500,000.
[3] Net effect on budget receipts, after income tax offset.

Source: U.S. Department of the Treasury.

Table A-4.—The Effect on Fiscal Year Receipts of the Social Security Amendments of 1983, 1984–90

[Millions of dollars]

Item	1984	1985	1986	1987	1988	1989	1990
Prohibit State and local government withdrawal	64	181	350	563	767	968	1,073
Include all nonprofit institutions	1,438	2,375	2,843	3,284	3,827	4,393	4,964
Include new Federal employees	74	266	425	620	857	1,092	1,406
Accelerate 1985 FICA/RRTA tax rate increase to 1984:							
Increase in rate	6,585	2,474					
Employee tax credit	−3,293	−1,237					
Total	3,292	1,237					
Increase FICA/RRTA tax rate to 6.06 percent on Jan. 1, 1988					10,706	15,541	4,204
Reduction in income tax receipts associated with increases in employer contributions	−1,032	−419	−345	−397	−1,804	−2,190	−1,160
Increase SECA tax rate:							
Rate increase	1,459	4,311	4,219	4,584	5,244	6,287	6,165
Tax credit	−791	−2,512	−2,192	−2,134	−2,308	−2,508	−1,773
Total	668	1,799	2,027	2,450	2,936	3,779	[1]3,266
Tax 50 percent of social security and tier 1 railroad benefits	883	3,105	3,673	4,350	5,157	6,097	7,196
Employment taxation of retirement arrangements	133	224	273	329	396	476	573
Tax credit for the elderly and disabled	1	4	6	7	9	11	13
State and local government deposit schedule	148	630	86	74	143	−684	44

Unemployment compensation funds:							
Unemployment trust fund taxes	−74	−259	−461	−457	−358	−250	−150
Interest [2]	−272	−230	167	186	151	84	
Total	−346	−489	−294	−271	−207	−166	−150
Other provisions	381	428	51	55	120	217	331
Grand total	**5,704**	**9,341**	**9,095**	**11,064**	**22,907**	**29,534**	**21,760**

[1] Beginning in 1990, one-half of self-employment taxes will be allowed as a deduction from income. It is estimated that income tax receipts thus will be reduced by $1,126 million. This deduction is reflected in the estimated total for SECA modifications in 1990.

[2] The proposal is effective for 1983. The reduction in interest received in 1983 is $2 million.

Note: For detailed estimates of budget effects of the revenue provisions of the Deficit Reduction Act of 1984 for fiscal years 1984–1989, see Joint Committee on Taxation, *General Explanation of the Revenue Provisions of the Deficit Reduction Act of 1984* (JCS–41–84), December 31, 1984, Appendix, pp. 1233–1257.