









# Deficit Reduction & Tax Reform Proposals

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|  | <br><b>INCOME TAX RATES</b> | <br><b>CAP GAINS/ DIVIDENDS</b> | <br><b>RETIREMENT SAVINGS INCENTIVES</b> | <br><b>OTHER</b>   |
|--|--|--|---|---|
| Current law pre-2013   | 10/15/25/28/33/35%   | Capped at 15%  |   |   |
| Current law post 2012  | 15/28/31/36/39.6%  | Capped at 20%  |   |   |
| <b>PROPOSALS</b>   |  |  |   |   |
| <b>Deficit Reduction Commission (DRC)</b><br><b>• Zero option</b><br><i>see page 29</i>  | 8/14/23%   | Ordinary income  | Eliminated  | Eliminated  |
| <b>Deficit Reduction Commission (DRC)</b><br><b>• Illustrative option</b><br><i>see page 31</i>  | 12/22/28%  | Ordinary income  | Consolidate retirement accounts and cap DC at 20%/\$20,000 (no change for pension); expand Saver's Credit                   | Eliminate all other expenditures except: <ul style="list-style-type: none"> <li>• EITC and child credit</li> <li>• Mortgage interest 12% credit, primary up to \$500,000</li> <li>• ER health capped at 75th percentile and phased out by 2038</li> <li>• Charitable contributions 12% credit above 2% AGI</li> <li>• Interest taxable on new issues of state and muni bonds</li> </ul> |
| <b>Bipartisan Policy Center (Rivlin/Domenici)</b><br><i>see page 127</i>   | 15/27%   | Ordinary income  | Consolidate retirement accounts and cap DC at 20%/\$20,000 (no change for pension); refundable Saver's Credit               | <ul style="list-style-type: none"> <li>• Adds a 6.5% 'Debt reduction sales tax'</li> <li>• Increased child and EITC credits</li> <li>• Replace deduction with 15% refundable credit for mortgage interest and charitable deductions.</li> <li>• Eliminates all other deductions (including standard) except medical over 10%</li> </ul>   |
| <b>Ryan "Roadmap for America's Future"</b><br><b>(Note -individual chooses current structure or this proposal)</b><br><i>see pages 57-58</i> | 10%/25%  | 0%   | Eliminated  | Eliminated except for health care tax credit  |

# Deficit Reduction & Tax Reform Proposals *(cont.)*

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|---|---|--|---|---|
| <b>Ryan</b><br>"Path to Prosperity"<br>(H Con Res 34)<br><i>see page 50</i> | Top rate 25%  | No specific proposal.  | No specific mention.  | Discusses reducing expenditures to lower rates but nothing specific.  |
| <b>Coburn</b><br>"Back in Black"<br><i>see pages 576-593</i>                | Anticipates rate reduction, but not specific  | No specified change  | CPI change would reduce increases in limits, but no other retirement incentive changes  | Caps mortgage interest, employer provided health, restrictions on EITC. Many other deductions eliminated.   |
| <b>Gang of Six</b><br><i>see page 3</i>                                     | 8–12%, 14–22%, and 23–29%   | No specified change  | <ul style="list-style-type: none"> <li>• Raise \$1 trillion</li> <li>• "Reform, not eliminate tax expenditures", including retirement incentives</li> </ul> | <i>Reform, not eliminate</i> , tax expenditures for health, charitable giving, homeownership, and retirement, and retain support for low-income workers and families. |

## Revenue Proposals

| SOURCE   | DESCRIPTION   | REVENUE IMPACT                         |
|--|---|--|
| <b>Congressional Budget Office (CBO)</b><br><b>Reducing The Deficit: Spending and Revenue Options (March 2011)</b> | <ul style="list-style-type: none"> <li>• Reduce deferral limits to \$14,850 for 401(k) and \$4,500 for IRAs with no COLA for 5 years;</li> <li>• Subject 401(k)/403(b)/457(b) to a single deferral limit</li> <li>• Eliminate all catch up contributions</li> </ul> <p>(Revenues-Option 12, page 161)</p> | \$15.8 b over 5 years; \$45.9b over 10 |

SOURCE: 2011 ASPPA, Research by Judy Miller, MSPA  
www.asppanews.org