

Ronald Reagan Presidential Library
Digital Library Collections

This is a PDF of a folder from our textual collections.

**Collection: Speechwriting, White House Office of:
Research Office, Files**
Folder Title: 07/27/1981 Tax Speech: "Major Speech" (7)
Box: 14

To see more digitized collections visit:

<https://reaganlibrary.gov/archives/digital-library>

To see all Ronald Reagan Presidential Library inventories visit:

<https://reaganlibrary.gov/document-collection>

Contact a reference archivist at: reagan.library@nara.gov

Citation Guidelines: <https://reaganlibrary.gov/citing>

National Archives Catalogue: <https://catalog.archives.gov/>

Comparison of H.R. 3849, Senate Tax Bill (H.J. Res. 266 as amended on the floor through July 22, 1981),
House Ways and Means Committee Bill, and House Bipartisan Substitute Proposal

JULY 24, 1981

<u>H.R. 3849</u>	<u>Senate (H.J. Res. 266)</u>	<u>Ways & Means</u>	<u>Substitute</u>
I. Individual Rate Reduction			
Across-the-Board	Same	Rate cuts targeted to \$15,000-\$50,000 income class	Same as Senate.
5% October 1, 1981		Cuts "average"	
10% July 1, 1982		5% October 1, 1981	
10% July 1, 1983		10% July 1, 1982	
		Third year "trigger"	
Top marginal rate lowered to 50%, effective January 1, 1982	Same, but for individuals a maximum capital gains rate of 20% will apply to transactions occurring after June 10, 1981	Top marginal rate lowered to 60% effective January 1, 1982, and to 50% effective January 1, 1983	Top marginal rate lowered to 50%, effective January 1, 1982. For individuals a maximum capital gains rate of 20% will apply to transactions occurring after June 9, 1981. Holding period on capital gains reduced to 6 months, January 1, 1982.
Top rate on individual capital gains lowered to 20% by January 1, 1982		Top rate on individual capital gains 24% by January 1, 1982, 20% by January 1, 1983.	
No provision for indexing	Indexing adopted on Senate Floor as separate Committee amendment. Would be effective January 1, 1985.	No provision for indexing	Same as Senate.
No provision	No provision	Increase Zero Bracket Amount by \$200 for single, \$400 for married taxpayers. Earned Income Credit increased to 11% of \$5,000, and phased out between \$8-\$12,000 (up from \$6-\$10,000).	No provision.

II. Capital Cost Recovery

Basic 10-5-3 starting in 1981 with rates approximating 150% declining balance, increased to 175% in 1985 and 200% after 1985.

Same with following modifications:

Expensing election				
1982	1983	1984	1985	1986
\$5,000	\$5,000	\$7,500	\$7,500	\$10,000

Real property recovered over 15 years with 200% declining balance. Section 1245 recapture (ordinary income) for nonresidential buildings unless straight line is elected.

Real property recovered over 15 years with 150% declining balance, except low income housing with 200% declining balance. Recapture same as H.R. 3849.

Beginning January 1, 1981, expensing of personal property other than long-lived public utility property to be phased in by 1990. No investment credit for expensed assets.

Same as H.R. 3849.

Expensing election \$25,000 annually, effective in 1981.

Same as Senate.

Real property 15-year recovery period. Residential rental-150% declining balance, with Section 1250 recapture Low income housing-200% declining balance, with Section 1250 recapture All other real property 150% declining balance, with 1245 recapture

Same as H.R. 3849.

For targeted "economically distressed" areas, 200% declining balance with 1245 recapture for industrial and commercial property.

No provision.

Utility property with current ADR midpoint of 18-25 years would remain 10-year property; over 25 years would be 15-year property, but still eligible for the 10% investment credit.

Utility property with current ADR midpoint of 18.5 to 25 years would be written off over 10 years with 150% declining balance method; greater than 25 year midpoint would be written off over 15 years. 10% investment credit applies. Normalization.

Same as Senate.

Flexibility allowed with two alternatives--recovery period straight line or extended earnings profits recovery period, straight line.

Additional flexibility -- taxpayer may elect earnings and profits period of the next longest class for capital recovery purposes.

Flexibility on expensed amounts, with amount not expensed depreciated at straight line rate over lower limit ADR life. Recovery periods of 15, 25, 35 or 45 years for real property.

Same as Senate.

H.R. 3849

Senate (H.J. Res. 266)

Ways & Means

Substitute

Current IRS leasing rules liberalized.

Leasing provisions slightly liberalized.

Retains current leasing rules.

Same as Senate (with technical corrections).

"At risk" rules extended to investment credit.

"At risk" rules slightly modified.

"Downside Risk" penalty instead.

Includes both Senate and Ways and Means provisions.

NOL and investment credit carryovers extended from 7 to 10 years

10-year NOL carryforward for transportation companies (up from 9).

NOL carryforward 10 years.

Same as Senate.

\$100,000 investment tax credit limitation on used property raised to \$125,000 for 1981-84 and \$150,000 thereafter.

ITC used property limitation \$100,000 through 1984.

Same as Senate.

Special purpose agricultural structures 5-year property

Special purpose structures 15-year property.

Same as Senate.

Petroleum storage facilities 5-year property.

Petroleum and gas storage facilities "expense-method property."

Same as Senate.

\$100,000 per horse "expense method property."

No provision.

Railroad tank cars in 10-year class.

Railroad tank cars, theme parks, and mobile homes in 10-year class.

10-year class for tank cars and theme parks.

No provision.

Lessors of certain railroad rolling stock used outside the U.S. would be eligible for investment credits.

No provision.

No provision.

"Distressed Industries" could carry back to 1962 unused investment credits against 100% of tax liability. One-quarter to be claimed in each of next 4 years. Credit available only to extent funds are "reinvested."

No provision.

No provision.

Amortization of construction period interest and taxes for low income housing deferred until 1987.

Same as Ways and Means, but only until 1983.

H.R. 3849

Senate (H.J. Res. 266)

Corporate rate reduction
1982: \$0 - 25,000 16%
25,000 - 50,000 19%

1983: \$0 - 25,000 15%
25,000 - 50,000 18%

-4-

Ways & Means

Corporate rate reduction
1982: \$0 - 37,500 17%
37,500 - 75,000 20%
75,000 - 112,500 30%
112,500 - 150,000 40%
Over 150,000 46%

1983: \$0 - 50,000 17%
50,000 - 100,000 20%
100,000 - 150,000 30%
150,000 - 200,000 40%
Over 200,000 46%

1984 and after: \$0-50,000 15%
50-100,000 20%
100-150,000 25%
150-200,000 30%
Over 200,000 43%

Top rate 1984 -- 43%
1985 -- 40%
1986 -- 37%
1987 -- 34%

Substitute

Same as Senate.

Same as Senate.

H.R. 3849

Senate (H.J. Res. 266)

Ways and Means

Substitute

III. R&D Tax Credit

Nonrefundable 25% incremental credit Same
for wages paid in conducting R&D,
effective July 1, 1981.

Nonrefundable 25% incremental credit
for qualifying R&D, effective July 1,
1981. Definition includes all
expenses except overhead and indirect
expenses, and depreciation.

Same as Ways and Means.

Provision expires January 1, 1986.

Same as Ways and Means.

Also creditable: Basic research performed
under written agreement with university,
and grants to tax-exempt research
organizations and research funds.
These amounts not in base.

Same as Ways and Means,
but amounts included in
base.

Increased charitable deduction for
donation of certain research equipment
to universities.

Same as Senate.

Same as Senate.

Allocates all R&D performed within the
U.S. to U.S.-source income for first
taxable year following date of enactment.

Same as Ways and Means, but
for all taxable
years following date of
enactment.

IV. Investment Tax Credit for Rehabilitated Buildings

15% for industrial and commercial
buildings at least 30 years old; 20%
for 40-year or more industrial and
commercial buildings; 25% for all
income-producing certified historic
structures.

Same, with retention of current law
penalty on demolition of historic
structures of straight line capital
recovery for replacement. Basis
adjustment of credit amount
added by Senate, except for historic
structures.

Same as H.R. 3849, with Senate basis
adjustment. Repeal of disincentives
on demolition of historic structures.

Same as Senate.

V. Marriage Penalty

5% in 1982, 10% in 1983 for the first Same
\$30,000 of earnings of lower-
earning spouse. Maximum
deduction \$1,500 in 1982;
\$3,000 thereafter.

10% in 1982 of the first \$50,000 of
earnings of lower-earnings spouse.
Maximum deduction \$5,000.

Same as Senate.

<u>H.R. 3849</u>	<u>Senate (H.J. Res. 266)</u>	<u>Ways & Means</u>	<u>Substitute</u>
<u>VI. Individual Retirement Accounts</u>			
Annual IRA contribution raised to lesser of \$2,000 or 100% of earned income (\$2,250 for spousal IRA).	Same, but contributions to 5-year or older spousal IRA can continue regardless of source of income after spouse dies or marriage terminates.	Same as H.R. 3849.	Same as Ways and Means.
Participants in employer-sponsored plans could contribute \$1,000 to separate IRA (\$1,125 for spousal IRA).	Contribution raised to \$1,500; deduction also permitted for voluntary contribution to employer plan, with IRA rules to apply to withdrawals.	Participants in employer-sponsored plans could contribute \$2,000 to separate IRA or could deduct \$2,000 for voluntary contribution to employer plan.	Same as Ways and Means.
<u>VII. Self-Employed Retirement Savings (Keogh plans)</u>			
Annual deduction limit increased from \$7,500 to \$15,000. Prohibition on borrowing from the plan extended to all partners.	Same, but with compensation taken into account raised from \$100,000 to \$200,000.	Same as Senate version.	Same as Senate.
<u>VIII. \$200/\$400 Interest and Dividend Exclusion</u>			
Made permanent.	Interest portion repealed as of December 31, 1981. As of January 1, 1982, dividend exclusion of \$100 single, \$200 joint return.	Same as Senate.	Same as Senate.
<u>IX. Tax Exempt Savings Certificate</u>			
No provision.	\$1,000/\$2,000 interest exclusion on one-year certificates established at financial institutions between October 1, 1981 and December 31, 1982. Interest rate on certificates 70% of Treasury bill rate. Certificates must be available in \$500 denominations. 75% of net gains of retail savings must go to qualified residential property financing.	Same as Senate version except that yield on certificates "no greater than" 70% of T-bill rate. Cap on issuance of certificates by credit unions. Affiliated group basis to determine qualified residential lending. Certificates may be issued between October 1, 1981 and September 30, 1982.	Same as Senate.
	Net interest exclusion 15% of \$3,000/\$6,000, beginning in 1984.	No net interest provision.	Same net interest exclusion as Senate, but beginning in 1985.

H.R. 3849

Senate (H.J. Res. 266)

Ways & Means

Substitute

X. Foreign Earned Income

\$50,000 exclusion, plus one-half of next \$50,000. Housing exclusion. Physical presence shortened to 11 out of 12 months.

Same

\$75,000 exclusion, increasing \$5,000 per year for 4 years to \$95,000 in 1986. Same housing exclusion and physical presence provision. Carryforward of housing allowance in excess of earned income.

Same as Ways and Means.

XI. Estate and Gift

4-year phased-in increase in unified estate and gift tax credit; unlimited marital deduction; annual gift tax exclusion increased from \$3,000 to \$10,000. When fully effective, estates under \$600,000 not subject to tax.

Same, but with 5-year phase-in and several additional technical changes.

Modifications to special use valuation for farms and other business property.

Woodlands would be considered part of qualified real property, but with recapture upon severance or disposition of the timber.

Same, but with 6-year phase-in. Drops highest marginal rate from 70 to 50 percent over 4 years.

Repeals terminable interest rule.

Excludes medical and tuition expenses from gift tax.

Cap on special use valuation increases from \$500,000 to \$1 million over 3 years.

Same as Ways and Means.

H.R. 3849

Senate (H.J. Res. 266)

Ways & Means

Substitute

XII. Crude Oil Windfall Profit Tax Credit for Royalty Owners

Permanent \$2,500 credit

Same, with modification to permit Secretary to provide regulations modifying withholding.

\$2,500 royalty owner credit for 1981.

Same as Ways and Means.

XIII. Windfall Profit Tax

No provision.

Reduce the rate on newly discovered oil from 30 to 15%, beginning January 1, 1982.
1/1/82 27½%
1/1/83 25%
1/1/84 22½%
1/1/85 20%
1/1/86 15%

No provision on percentage depletion.

Rate reduction on new oil same as Senate.
1/1/82 27½%
1/1/83 25%
1/1/84 22½%
1/1/85 20%
1/1/86 15%

Producers exempt on up to 500 bbl/day of tier 3 oil, effective January 1, 1982, or tier 1 and 2 oil below 100 bbl/day 1982-84; 200 bbl/day 1985; 350 bbl/day 1986.

Royalty owners exempt one bbl/day 1982-84, 2 bbl/day 1985, 3.5 bbl/day 1986.

Certain foreign tax credits on oil income reduced.

Oil pipelines 10-year depreciation with 10% ITC.

Certain front-end independent projects exempt.

Certain retailers of natural gas considered independent producers.

\$2,000 builder's credit for passive solar, phased out by 1990.

Child care agencies exempt.

No provision.

Retain percentage depletion rate at 22% for independent producers.

No provision.

1982, 83, 84 2 bbl/day
1985 4 bbl/day

No provision.

No provision.

No provision.

No provision.

15% residential energy credit for efficient woodburning stoves.

Child care agencies exempt.

Exempt independent production of stripper oil beginning 1983.

Child care agencies exempt.

OTHER ITEMS

No provisions.

1. Incentive Stock Options

Employee receiving option would be taxed at long-term capital gains rate at time of sale of stock obtained from exercise. ISO's must be exercised in the order granted.

Applies to any option issued after May 21, 1976 and exercised after date of enactment. ISO's need not be exercised in the order granted.

Permits up to \$75,000 of ISO's per year.

Provision for restricted property under Section 83 permits taxpayer to include fair market value in income at time governmentally imposed restrictions terminate.

Similar to Ways and Means, except ISO's must be exercised in the order granted. Option may be issued for 85% of fair market value, and maximum aggregate for options granted before date of enactment is \$75,000. Same as Ways and Means, but no retroactive application.

2. Commodity straddles

Rules adopted to prevent the conversion of ordinary income into capital gains and the deferral of income.

Similar rules on conversion but commodities losses, including straddle losses, could be used to offset commodities gains.

Same as Ways and Means.

3. ESOP's

Beginning January 1, 1983, a tax credit equal to a percent of payroll will be allowed for contributions to employee stock ownership plans. Required pass through of voting rights eliminated for closely held corporations.

No provision.

No provision.

4. Small business

Maximum number of Subchapter S shareholders increased from 15 to 25.

Same as Senate.

Same as Senate.

Under certain limited circumstances, trust to be permitted as Subchapter S shareholder.

Same as Senate.

Same as Senate.

Minimum accumulated earnings credit would increase from \$150,000 to \$250,000.

Same as Senate. In addition, corporation may accumulate earnings during year prior to death without accumulated earnings liability. Conforms burden of proof standard on reasonable needs of business.

Same as Senate.

<u>Senate (H.J. Res. 266)</u>	<u>Ways & Means</u>	<u>Substitute</u>
	Treasury to prepare study of LIFO and cash accounting by June 30, 1982.	Same study as Ways and Means, but due December 31, 1982. */
5. Motor carrier operating authorities		
Ratable deduction over 60-month period for adjusted basis of motor carrier operating authorities held on July 1, 1980, which have decreased in value due to deregulation.	Same as Senate.	Same as Senate.
6. Above-the-line charitable		
Permits deduction of charitable contributions by nonitemizers of 25% of contributions up to \$100 in 1982 and 1983, 25% with no cap in 1984, 50% in 1985, and 100% in 1986. Provision terminates December 31, 1986.	No provision.	Same as Senate, but \$100 cap is permanent.
7. Photographic collection		
Enables Smithsonian to acquire Matthew Brady collection in exchange for reduced estate taxes.	No provision.	No provision.
8. FUTA exemption		
Exempts fishing boat owners from FUTA and makes eligible for tax refunds persons who treated sternmen as employees rather than independent contractors after 1976.	No provision.	No provision.
9. Foreign investment company		
Gain from sale or exchange of foreign investment company stock attributable to prior earnings would not be taxed as ordinary income under Code section 1246.	No provision.	No provision.

*/Eligible small businesses using LIFO may elect to use one inventory pool for each trade or business. Regulations may authorize taxpayers to value inventory pools by referring to published government indices. Income adjustment resulting from LIFO election amortized over 3 years.

	<u>Ways & Means</u>	<u>Substitute</u>
	10. Tax treatment of state legislators	
	Two-year extension of expiring provision of current law, with several modifications.	Same as Ways and Means, except permanent.
	11. Child care credit	
	Maximum expenses increased to \$2,400 for one dependent, \$4,800 for two (up from \$2,000/\$4,000). Changes credit to sliding scale, 40% for incomes \$10,000 or less. Credit decreases by 1% for every \$1,000 above \$10,000 until 20% credit on \$30,000 of income. Permits credit on out-of-home care for incapacitated dependents over 14.	No provision.
	12. Dividend reinvestment	
	Effective January 1, 1982, shareholders in public utilities could exclude up to \$1,500/\$3,000 of stock dividends.	Same as Ways and Means.
	13. Administrative provisions	
	Interest on overpayments and deficiencies to be adjusted annually to 100% of prime rate.	Same as Ways and Means.
	Civil penalty for false W-4s increased from \$50 to \$500; criminal penalty from \$500 to \$1,000.	Same as Ways and Means.
	Penalty for failure to file information return increased from \$1 per return (\$1,000 per year maximum) to \$10 per return (\$25,000 maximum).	Same as Ways and Means.
	New 25% penalty on overstated amounts withheld by employer.	Same as Ways and Means.
	New "downside risk" penalty on overvaluation of certain property, with increased negligence penalty.	Same as Ways and Means.
	Permits GAO access to certain tax data.	No provision.
Increase in Tax Court filing fee from \$10 to \$60.		

Ways & Means

Substitute

Exemption from individual estimated tax penalty increase from \$100 to \$500 phased in.

Same as Ways and Means.

Safeguards from disclosure of IRS data on standards for audit selection.

Same as Ways and Means.

14. Cash management

Corporate current estimated tax payment increased from 60 to 80% where corporation had income over \$1 million in any of 3 preceding taxable years.

Same as Ways and Means.

15. Railroad retirement taxes

Provides adjustments in tier-II taxes and borrowing authority for the railroad retirement account against amounts to be transferred under the social security financial interchange.

Same as Ways and Means, with clarification of existing law as to basis on which railroad retirement tax liability is determined.

16. Sale of principal residence

The 18 month replacement period is increased to 24 months.

Same as Ways and Means.

Amount of gain eligible for one-time exclusion is increased from \$100,000 to \$125,000.

17. Fringe benefits and commuting expenses

Moratorium on issuance of regulations extended through May 31, 1983.

Same as Ways and Means.

18. Targeted jobs credit

Extended through 1984, with increase in eligible wages to \$10,000. Eligible groups changed to limit cooperative education students and eliminate age requirement for Vietnam veterans. Incorporates WIN credit.

Extended through 1983. Expanded to cover youths involuntarily terminated from CETA jobs and to WIN registrants. Credit terminates after 1981 for cooperative education students. No retroactive certification. Age requirement for Vietnam veterans eliminated.

Ways & Means

Substitute

23. Study of retirement savings incentives
 Treasury to prepare comparative study of methods to stimulate retirement savings by June 30, 1982.

- 19. Mass transit IDBs
 Permits issuance through 1984 of tax-exempt IDBs to finance buses, subway cars and similar equipment leased to mass transit systems.
- 20. Volunteer fire departments
 Provides tax exemption for interest on certain obligations of volunteer fire departments.
- 21. Virgin Islands and Guam
 Authorizes appropriation to reimburse Guam and Virgin Islands for lost tax revenues from this legislation.
- 22. Federal unemployment loans
 Changes treatment of unemployment tax on overdue Federal loans of certain states.

Same as Ways and Means.

Same as Ways and Means, except no retroactive effect.

No provision.

No provision.

No provision.

24. Savings and loan provisions facilitating mergers of insolvent thrifts and permitting tax-free contributions to capital by the FSLIC.

FACT SHEET

June 10, 1981

Summary of H.R. 3849

ECONOMIC RECOVERY TAX ACT OF 1981

Description of the Act

Individual Tax Relief

- * Across-the-board marginal tax rate reductions of 5 percent on October 1, 1981, with additional reductions of 10 percent on July 1, 1982, and 10 percent on July 1, 1983.
- * Marriage tax penalty relief in the form of a 5 percent exclusion up to \$1,500 in 1982 and a 10 percent exclusion up to \$3,000 in 1983 and thereafter.

Savings, Investment and Productivity Incentives

- * The accelerated cost recovery system (ACRS) announced by the Administration in February is modified. The 10-year, 5-year, and 3-year classes of property will be written off using rates that approximate the 150% declining balance method through 1984. For property placed in service in 1985 and 1986 and thereafter, these rates will be increased to 175% and 200%, respectively. All real estate will receive a 15 year audit-proof cost recovery period and will be written off using rates that approximate the 200% declining balance method. A liberalized leasing rule will be provided to facilitate the transfer of the ACRS tax benefits to companies which can utilize these tax benefits. The proposal does not allow a deduction for qualified progress expenditures. The complete system will be effective as of January 1, 1981.
- * The top marginal rate on investment income will be lowered from 70% to 50%, effective January 1, 1982.
- * The maximum contribution to an individual retirement account (IRA) will be increased from \$1,500, to \$2,000, up to 100% of an individual's earnings for the year. The maximum contribution to a spousal IRA will be increased from \$1,750 to \$2,250. Both of these changes will be effective January 1, 1982.

- * The marital deduction will be unlimited, effective January 1, 1982, as contrasted with present law, which limits the marital deduction to one half of the adjusted gross estate or \$250,000, whichever is greater.
- * The annual gift tax exclusion will be increased from \$3,000 to \$10,000 per donee, effective January 1, 1982.

Example of Individual Tax Relief

The Economic Recovery Tax Act will provide substantial relief to all taxpayers. The following illustration shows the impact of the Act on a family of four earning \$25,000 in 1980 and receiving cost-of-living increases for four years to earn \$33,674 in 1984.

Family of Four Earnings \$25,000 for 1980

<u>TAX UNDER</u> <u>CURRENT LAW</u>		<u>TAX REDUCTION IN 1984</u>			
<u>1980</u>	<u>1984</u>	<u>One Earner Couple:</u>		<u>Two Earner Couple</u>	
		<u>TAX</u>	<u>TAX CUT</u>	<u>TAX</u>	<u>TAX CUT</u>
\$2,901	\$4,738	\$3,682	\$-1,056	\$3,297	\$-1,441
11.6% of income	14.1% of income	10.9% of income		9.8% of income	

Impact on the Budget

The Economic Recovery Tax Act will reduce the deficits for fiscal years 1981, 1982 and 1983, and will produce growing budget surpluses in fiscal years 1984 and beyond.

The following tables summarize the direct revenue costs of the Act and the Administration's original program, indicate the revenue effects of the elements of the Act,

Table 1

Summary of the Reduction in Fiscal Year Receipts
under the Economic Recovery Act of 1981 and
under the Administration's Original Tax Reduction Program

Fiscal Years 1981-86

Program	(\$ billions)					
	Fiscal Years					
	1981	1982	1983	1984	1985	1986
Economic Recovery Act of 1981:						
Personal tax reductions	*	28.3	74.8	119.8	138.7	159.9
Business tax reductions	<u>2.1</u>	<u>9.7</u>	<u>18.6</u>	<u>29.8</u>	<u>43.5</u>	<u>65.6</u>
Total	2.1	38.0	93.4	149.6	182.2	225.6
Administration's Original Bill:						
Personal tax reductions	6.4	44.5	81.9	118.9	142.5	163.5
Business tax reductions	<u>2.5</u>	<u>10.5</u>	<u>20.9</u>	<u>32.7</u>	<u>46.1</u>	<u>60.2</u>
Total	8.9	55.0	102.8	151.5	188.6	223.7
Reduced deficit or increased surplus resulting from substituting the Economic Recovery Act of 1981 for the Administration's original Bill						
	6.8	17.0	9.4	2.0	6.4	-1.8

Office of the Secretary of the Treasury
Office of Tax Analysis

June 10, 1981

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

*Less than \$50 million.

Table 2

Reduction in Fiscal Year Receipts Resulting
from the Personal Tax Provisions
of the Economic Recovery Act of 1981

Fiscal Years 1981-86

(\$ billions)

	Fiscal Years					
	1981	1982	1983	1984	1985	1986
\$2,500 windfall profit tax credit for royalty owners (January 1, 1981)	*	0.8	0.7	0.6	0.6	0.6
Total	*	28.3	74.8	119.8	138.7	159.9
Personal tax reductions under the original Administration Bill	6.4	44.5	81.9	118.9	142.5	163.5
Cost of personal tax reductions under the original Administration Bill in excess of the personal tax reductions under the Economic Recovery Act of 1981	6.4	16.2	7.1	-0.9	3.8	3.6

Office of the Secretary of the Treasury
Office of Tax Analysis

June 10, 1981

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

*Less than \$50 million.

Table 4

Effect on Fiscal Year Receipts Resulting
from the Accelerated Cost Recovery System
under the Economic Recovery Act of 1981

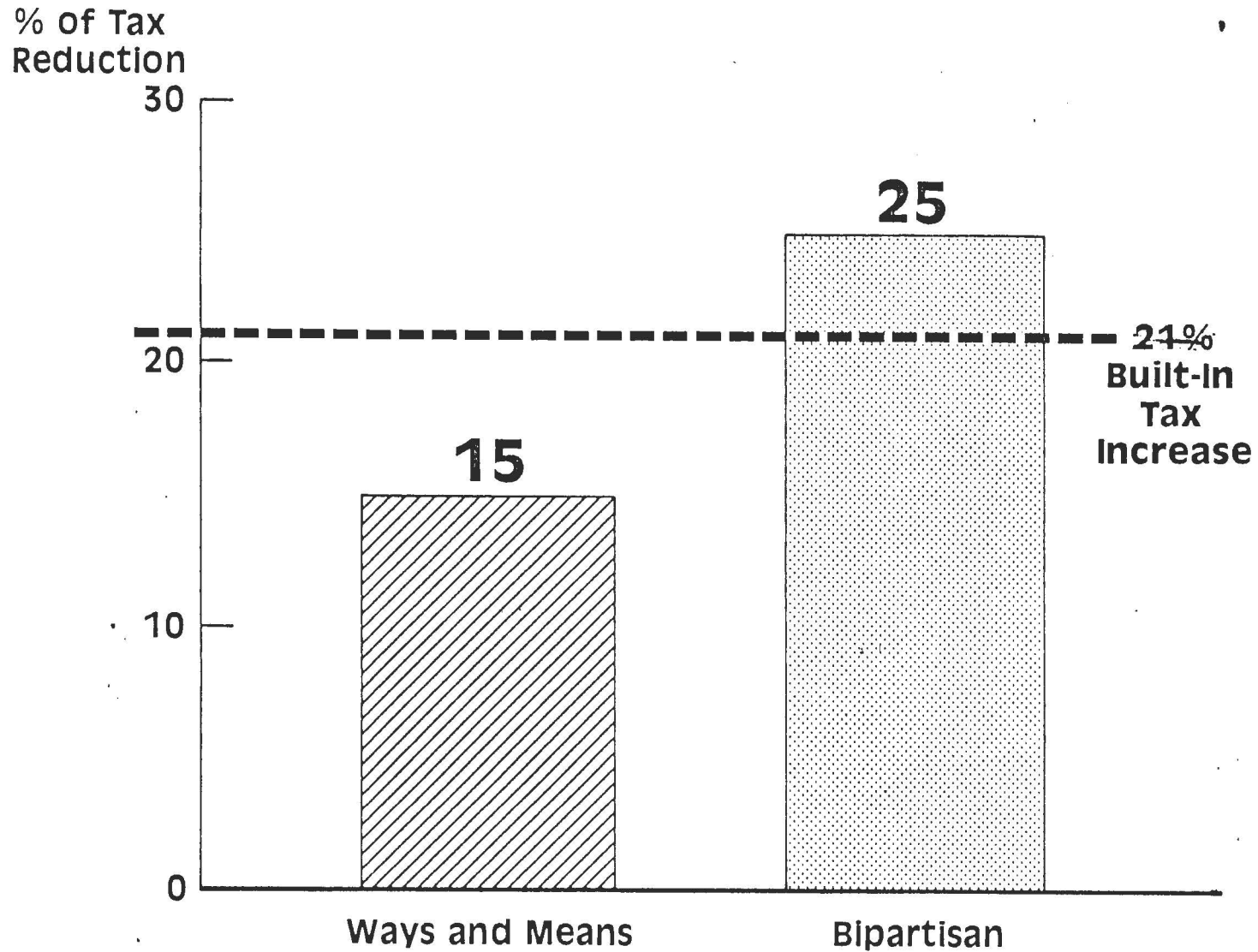
	(\$ billions)					
	Fiscal Years					
	1981	1982	1983	1984	1985	1986
Accelerated cost recovery system under the original Administration Bill	-2.5	-10.5	-20.9	-32.7	-46.1	-60.2
Modifications to the original Administration Bill:						
All structures at 15 years under 200 percent declining balance	-0.2	-0.8	-1.4	-1.7	-1.9	-2.2
Limit the 10-year, 5-year, and 3-year class to 150 percent declining balance through 1984, 175 percent declining balance in 1985, and 200 percent declining balance in 1986 and thereafter; allow taxpayers to elect the straight-line method	0.6	2.9	5.0	7.1	8.8	3.3
Eliminate the deduction for qualified progress expenditures	0.5	2.2	3.8	4.4	4.6	4.6
Liberalize leasing requirements	-0.5	-2.7	-3.8	-5.4	-7.3	-9.4
Accelerated cost recovery system under the Economic Recovery Act of 1981	-2.1	-8.9	-17.3	-28.3	-41.9	-63.9
Cost of the accelerated cost recovery system under the original Administration Bill in excess of the accelerated cost recovery system under the Economic Recovery Act of 1981	0.4	1.6	3.6	4.3	4.2	-3.7

Office of the Secretary of the Treasury
Office of Tax Analysis

June 10, 1981

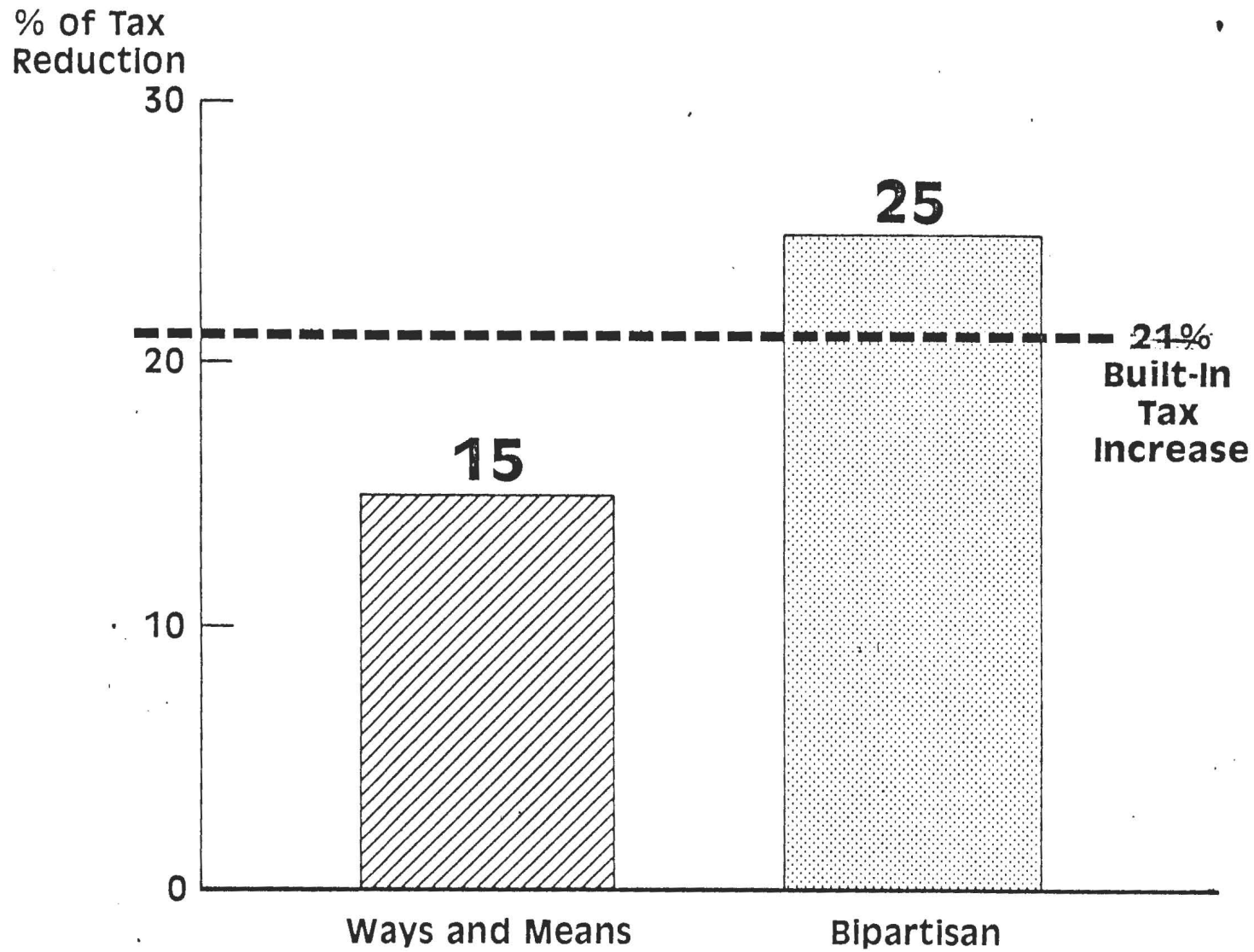
Note: Details may not add to totals due to rounding.

Tax Increase vs Tax Cut



1/17/96 08:00:00

Tax Increase vs Tax Cut



MEMORANDUM

THE WHITE HOUSE

WASHINGTON

MEMORANDUM FOR THE PRESIDENT

FROM: Speechwriting Research Department
VIA: Anthony R. Dolan
DATE: July 27, 1981
SUBJECT: RECOMMENDED CHANGES ON TELEVISION ADDRESS DRAFT

Page 1 paragraph 3 Paragraph needs to be changed to avoid conflict with the elimination of Social Security benefits presently being handled by Conference Committee. More stress should be placed on fact that no "earned benefits" will be eliminated as opposed to "unearned benefits" which are being eliminated. (Source: Paul Simmons, Deputy Commissioner, Social Security Administration, 245-7654.)

Page 2 paragraph 3 Add "an estimated" to "\$100 billion to the cost of things we buy" for clarification.

Page 3 paragraph 3 Substitute "19 out of the last 20 years" for "10 out of the last 20 years."

Page 4 paragraph 2 Substitute "recent poll shows that a year and a half ago..." for "recent poll shows that a year ago...".

Page 6 paragraph 3 Insert "It has been estimated that..." before "If you earned \$10,000...". Substitute 1972 for 1971; substitute 19,860 for 19,850; change tenses to read "come April 15, 1981, you found your tax rates had increased 33 percent."

RE: RECOMMENDED CHANGES ON TELEVISION ADDRESS DRAFT

Page 2

- Page 8 paragraph 1 Substitute "almost 20 years" for "more than 20 years" to accomodate Kennedy tax cut in 1964.
- Page 8 paragraph 2 Cannot substantiate "democratic leadership declared a tax cut was out of the question." Suggest "there were those who declared..." and deletion of sentence "That was in January."
- Page 8 paragraph 3 Change "the leadership discovered..." to "the Democratic leadership discovered..."
- Page 8 paragraph 4 Economic model at Treasury Department is being rerun to substantiate the \$7 billion figure.
- Page 10 continuing paragraph, line 2 Suggest change in lines 2 through 5 to read "As you can see, for people earning \$15,000 a year the committee tax cut is slightly more generous than ours -- for the first 2 years -- then taxes start going up..." to accomodate chart Treasury prepared.
- Page 11 paragraph 5 Suggest change from "...in the beginning didn't want a tax bill..." to "...in the beginning didn't want a tax cut..."

MEMORANDUM

THE WHITE HOUSE
WASHINGTON

MEMORANDUM FOR ANTHONY R. DOLAN

FROM: Daryl S. Borgquist *DSB*
Julie A. Cave *JAC*
Misty L. Church *MLC*

DATE: July 26, 1981

SUBJECT: SUBSTITUTE PARAGRAPH ON SOCIAL SECURITY

Some suggested remarks for the third paragraph on page 1 from Paul Simmons, Deputy Commissioner of the Social Security Administration (245-7654):

Our next priority after the tax bill has got to be to make sure that our Social Security system is alive and well and here to serve you and your children and their children for generations to come. I pledged to you in my campaign, and I pledge to you now as your President, that I will work with the Congress in the months to come to make that happen. We will have a bipartisan plan to rescue the system. We will do it without taking away your hard-earned benefits. We will do it in a way that preserves the basic benefit structure of the system. Those who have paid into Social Security all of their working lives must be confident that their hard-earned dollars will come back to them."

Our next priority after the
tax bill has got to be to make sure
that our Social Security system is alive
and well and here to serve you and
your children and their children for
generations to come. I pledge ^{to you} in my
campaign and I pledge to you now
as your President that I will work
with the Congress in the months to
come to make that happen. We will
have a bipartisan plan to rescue the
system. We will do it without
taking away your hard-earned
benefits. We will do it in a way
that preserves the basic benefit ^{structure} of the
system. Those ^{of} who have paid into
Social Security, all their working lives
must be confident that their hard-earned

Letters will come back to them.

GOOD EVENING. I HAD INTENDED TO MAKE SOME REMARKS ABOUT THE PROBLEM OF SOCIAL SECURITY TONIGHT -- BUT THE IMMEDIACY OF HOUSE ACTION ON THE TAX PROGRAM, A KEY COMPONENT OF OUR ECONOMIC PACKAGE, HAS TO TAKE PRIORITY. LET ME JUST SAY, HOWEVER, I'VE BEEN DEEPLY DISTURBED BY THE WAY YOU WHO ARE DEPENDENT ON SOCIAL SECURITY HAVE BEEN NEEDLESSLY FRIGHTENED, AND IN SOME INSTANCES BY THOSE WHO PLACE POLITICS ABOVE TRUTH.

Paul Stinson

IT IS TRUE THAT THE SOCIAL SECURITY SYSTEM HAS FINANCIAL PROBLEMS. IT IS ALSO TRUE THAT SOME WHO HAVE CAUSED CONFUSION AND FEAR BY THEIR IRRESPONSIBLE CHARGES HAVE BEEN IN A POSITION TO DO SOMETHING CONSTRUCTIVE ABOUT THESE FINANCIAL PROBLEMS FOR MORE THAN 20 YEARS -- AND THEY HAVE DONE NOTHING.

Substitute Paragraph

I HOPE TO ADDRESS YOU ON THIS ENTIRE SUBJECT IN THE NEAR FUTURE. IN THE MEANTIME, LET ME JUST SAY THIS: I STATED DURING THE CAMPAIGN AND I REPEAT NOW I WILL NOT STAND BY AND SEE THOSE OF YOU WHO ARE DEPENDENT ON SOCIAL SECURITY DEPRIVED OF YOUR BENEFITS. I MAKE THAT PLEDGE TO YOU AS YOUR PRESIDENT. YOU HAVE NO REASON TO BE FRIGHTENED. YOU WILL CONTINUE TO RECEIVE YOUR CHECKS IN THE FULL AMOUNT DUE YOU. IN ANY PLAN TO RESTORE FISCAL INTEGRITY OF SOCIAL SECURITY I PERSONALLY WILL SEE THAT NO PART OF THE PLAN WILL BE AT THE EXPENSE OF YOU WHO ARE NOW DEPENDENT ON YOUR MONTHLY SOCIAL SECURITY CHECKS.)

E

NOW, LET US TURN TO THE BUSINESS AT HAND. IT'S BEEN NEARLY 6 MONTHS SINCE I FIRST REPORTED TO YOU ON THE STATE OF THE NATION'S ECONOMY. I'M AFRAID MY MESSAGE THAT NIGHT WAS GRIM AND DISTURBING. I REMEMBER TELLING YOU WE WERE IN

THE WORST ECONOMIC MESS SINCE THE GREAT DEPRESSION. INFLATION WAS CONTINUING TO SPIRAL UPWARD, UNEMPLOYMENT WAS AT A CRIPPLING LEVEL AND ALL BECAUSE GOVERNMENT WAS TOO BIG AND SPENT TOO MUCH OF OUR MONEY.

WE'RE STILL NOT OUT OF THE WOODS, BUT WE'VE MADE A START. AND WE'VE CERTAINLY SURPRISED THOSE LONG-TIME AND SOMEWHAT CYNICAL OBSERVERS OF THE WASHINGTON SCENE WHO LOOKED, LISTENED AND SAID, "IT CAN NEVER BE DONE. WASHINGTON WILL NEVER CHANGE ITS SPENDING HABITS."

WELL, SOMETHING VERY EXCITING HAS BEEN HAPPENING HERE IN WASHINGTON AND YOU ARE RESPONSIBLE. YOUR VOICES HAVE BEEN HEARD. MILLIONS OF YOU, DEMOCRATS, REPUBLICANS AND INDEPENDENTS, FROM EVERY PROFESSION, TRADE AND LINE OF WORK, AND FROM EVERY PART OF THIS LAND; YOU SENT A MESSAGE THAT YOU WANTED A NEW BEGINNING. YOU WANTED TO CHANGE ONE LITTLE TWO-LETTER WORD. IT DOESN'T SOUND LIKE MUCH, BUT IT SURE CAN MAKE A DIFFERENCE CHANGING "CONTROL BY GOVERNMENT" TO "CONTROL OF GOVERNMENT."

IN THAT EARLIER BROADCAST YOU'LL RECALL I PROPOSED A PROGRAM TO DRASTICALLY CUT BACK GOVERNMENT SPENDING IN THE 1982 BUDGET WHICH BEGINS OCTOBER 1ST AND TO CONTINUE CUTTING IN '83 AND '84. ALONG WITH THIS I SUGGESTED AN ACROSS-THE-BOARD TAX CUT SPREAD OVER THOSE SAME 3 YEARS AND THE ELIMINATION OF UNNECESSARY REGULATIONS WHICH WERE ADDING ^{an estimated} \$100 BILLION TO THE COST OF THINGS WE BUY.


ALL THE LOBBYING, THE ORGANIZED DEMONSTRATIONS AND THE CRIES OF PROTEST BY THOSE WHOSE WAY OF LIFE DEPENDS ON MAINTAINING

GOVERNMENT'S WASTEFUL WAYS WERE NO MATCH FOR YOUR VOICES WHICH WERE HEARD LOUD AND CLEAR IN THESE MARBLE HALLS OF GOVERNMENT.

AND YOU MADE HISTORY WITH YOUR TELEGRAMS, YOUR LETTERS, YOUR PHONE CALLS AND, YES, PERSONAL VISITS TO TALK TO YOUR ELECTED REPRESENTATIVES. YOU REAFFIRMED THE MANDATE YOU DELIVERED IN THE ELECTION LAST NOVEMBER. A MANDATE THAT CALLED FOR AN END TO GOVERNMENT POLICIES THAT SENT PRICES AND MORTGAGE RATES SKYROCKETING, WHILE MILLIONS OF AMERICANS WENT JOBLESS.

BECAUSE OF WHAT YOU DID, REPUBLICANS AND DEMOCRATS IN THE CONGRESS CAME TOGETHER AND PASSED THE MOST SWEEPING CUTBACKS IN THE HISTORY OF THE FEDERAL BUDGET. RIGHT NOW MEMBERS OF THE HOUSE AND SENATE ARE MEETING IN A CONFERENCE COMMITTEE TO RECONCILE THE DIFFERENCES BETWEEN THE TWO BUDGET CUTTING BILLS PASSED BY THE HOUSE AND THE SENATE. WHEN THEY FINISH, ALL AMERICANS WILL BENEFIT BY SAVINGS OF MORE THAN \$140 BILLION IN REDUCED GOVERNMENT COSTS OVER THE NEXT 3 YEARS. AND THAT DOESN'T INCLUDE THE ADDITIONAL SAVINGS FROM THE HUNDREDS OF BURDENSOME REGULATIONS ALREADY CANCELLED OR FACING CANCELLATION.

FOR ~~10~~¹⁹ OUT OF THE LAST 20 YEARS THE FEDERAL GOVERNMENT HAS SPENT MORE THAN IT TOOK IN. THERE WILL BE ANOTHER LARGE DEFICIT IN THIS PRESENT YEAR WHICH ENDS SEPTEMBER 30TH. BUT WITH OUR PROGRAM IN PLACE IT WON'T BE QUITE AS BIG AS IT MIGHT HAVE BEEN AND STARTING NEXT YEAR THE DEFICITS WILL GET INCREASINGLY SMALLER UNTIL IN JUST A FEW YEARS THE BUDGET



WILL BE BALANCED AND, HOPEFULLY, WE CAN BEGIN WHITTILING AT THAT ALMOST \$1 TRILLION DEBT THAT HANGS OVER THE FUTURE OF OUR CHILDREN.

NOW SO FAR I'VE BEEN TALKING ABOUT ONLY ONE PART OF OUR PROGRAM FOR ECONOMIC RECOVERY -- THE BUDGET-CUTTING PART. I DON'T MINIMIZE ITS IMPORTANCE. JUST THE FACT THAT DEMOCRATS AND REPUBLICANS COULD WORK TOGETHER AS THEY HAVE, PROVING THE STRENGTH OF OUR SYSTEM, HAS CREATED AN OPTIMISM IN OUR LAND. THE RATE OF INFLATION IS NO LONGER IN DOUBLE DIGIT FIGURES, THE DOLLAR HAS REGAINED STRENGTH IN THE INTERNATIONAL MONEY MARKETS AND BUSINESSMEN AND INVESTORS ARE MAKING DECISIONS WITH REGARD TO INDUSTRIAL DEVELOPMENT, MODERNIZATION AND EXPANSION. ALL OF THIS BASED ON ANTICIPATION OF OUR PROGRAM BEING ADOPTED AND PUT INTO OPERATION.

A RECENT POLL SHOWS THAT WHERE A YEAR ^{and one-half} AGO ONLY 24 PERCENT OF OUR PEOPLE BELIEVED THINGS WOULD GET BETTER, TODAY 46 PERCENT BELIEVE THEY WILL. TO JUSTIFY THEIR FAITH WE MUST DELIVER THE OTHER PART OF OUR PROGRAM. OUR ECONOMIC PACKAGE IS A CLOSELY KNIT, CAREFULLY CONSTRUCTED PLAN TO RESTORE AMERICA'S ECONOMIC STRENGTH AND PUT OUR NATION BACK ON THE ROAD TO PROSPERITY. EACH PART OF THIS PACKAGE IS VITAL. IT CANNOT BE CONSIDERED PIECEMEAL. IT WAS PROPOSED AS A PACKAGE AND IT HAS BEEN SUPPORTED AS SUCH BY THE AMERICAN PEOPLE. ONLY IF THE CONGRESS PASSES ALL OF ITS MAJOR COMPONENTS DOES IT HAVE ANY REAL CHANCE OF SUCCESS. THIS IS ABSOLUTELY ESSENTIAL IF WE ARE TO PROVIDE INCENTIVES AND MAKE CAPITAL AVAILABLE FOR THE INCREASED PRODUCTIVITY REQUIRED TO PROVIDE JOBS FOR OUR PEOPLE.

PAGE 3

AND LET US NOT FORGET THAT THE REST OF THE WORLD IS WATCHING AMERICA CAREFULLY TO SEE HOW WE WILL ACT AT THIS CRITICAL MOMENT. I HAVE RECENTLY RETURNED FROM A SUMMIT MEETING WITH WORLD LEADERS IN OTTAWA, CANADA AND THE MESSAGE I HEARD FROM THEM WAS QUITE CLEAR -- OUR ALLIES DEPEND ON A STRONG AND ECONOMICALLY SOUND AMERICA AND THEY ARE WATCHING EVENTS IN THIS COUNTRY, PARTICULARLY THOSE SURROUNDING OUR PROGRAM FOR ECONOMIC RECOVERY, WITH CLOSE ATTENTION AND GREAT HOPES.

The DAY AFTER TOMORROW -- WEDNESDAY -- THE HOUSE OF REPRESENTATIVES WILL BEGIN DEBATE ON TWO TAX BILLS AND ONCE AGAIN THEY NEED TO HEAR FROM YOU. I KNOW THAT DOESN'T GIVE YOU MUCH TIME, BUT A GREAT DEAL IS AT STAKE.

Hance

A FEW DAYS AGO I WAS VISITED HERE IN THE OFFICE BY A DEMOCRATIC CONGRESSMAN FROM ONE OF OUR SOUTHERN STATES. HE'D BEEN BACK IN HIS DISTRICT AND ONE DAY ONE OF HIS CONSTITUENTS ASKED HIM WHERE HE STOOD ON THE ECONOMIC RECOVERY PROGRAM I'D OUTLINED IN THAT EARLIER BROADCAST. WELL, THE CONGRESSMAN, WHO HAPPENS TO BE A STRONG LEADER IN SUPPORT OF OUR PROGRAM, REPLIED AT SOME LENGTH WITH A DISCUSSION OF THE TECHNICAL POINTS INVOLVED, BUT ALSO MENTIONING A FEW RESERVATIONS HE HAD ON CERTAIN POINTS. THE CONSTITUENT, A FARMER, LISTENED POLITELY UNTIL HE'D FINISHED AND THEN SAID, "WELL, YES, THAT'S ALL VERY INTERESTING -- BUT WHAT I WANT TO KNOW IS -- ARE YOU FOR 'EM OR AGIN 'EM?"

I APPRECIATE THE GENTLEMAN'S SUPPORT AND SUGGEST HIS QUESTION IS A MESSAGE YOUR OWN REPRESENTATIVES SHOULD HEAR.

LET ME ADD THOSE REPRESENTATIVES HONESTLY AND SINCERELY WANT TO KNOW YOUR FEELINGS. THEY GET PLENTY OF INPUT FROM THE SPECIAL INTEREST GROUPS, THEY'D LIKE TO HEAR FROM THEIR HOMEFOLKS.

LET ME EXPLAIN WHAT THE SITUATION IS AND WHAT IS AT ISSUE. WITH OUR BUDGET CUTS WE PRESENTED A COMPLETE PROGRAM OF REDUCTION IN TAX RATES. AGAIN, OUR PURPOSE WAS TO PROVIDE INCENTIVE FOR THE INDIVIDUAL, INCENTIVES FOR BUSINESS TO ENCOURAGE PRODUCTION AND HIRING OF THE UNEMPLOYED AND TO FREE UP MONEY FOR INVESTMENT.

OUR BILL CALLS FOR A 5 PERCENT REDUCTION IN THE INCOME TAX RATES BY OCTOBER 1ST, A 10 PERCENT REDUCTION BEGINNING JULY 1, 1982 AND ANOTHER 10 PERCENT CUT A YEAR LATER -- A 25 PERCENT TOTAL REDUCTION OVER 3 YEARS. BUT THEN TO ENSURE THE TAX CUT IS PERMANENT WE CALL FOR INDEXING THE TAX RATES IN 1985, WHICH MEANS ADJUSTING THEM FOR INFLATION. AS IT IS NOW, IF YOU GET A COST OF LIVING RAISE INTENDED TO KEEP YOU EVEN WITH INFLATION, YOU FIND THAT THE INCREASE IN THE NUMBER OF DOLLARS YOU GET MAY VERY LIKELY MOVE YOU INTO A HIGHER TAX BRACKET AND YOU WIND UP POORER THAN YOU WERE. THIS IS CALLED BRACKET CREEP.

BRACKET CREEP IS AN INSIDIOUS TAX. LET ME GIVE AN EXAMPLE. ^{If you don't think} IF YOU EARNED \$10,000 A YEAR IN 197⁸, BY 1980 YOU HAD TO EARN ~~\$19,850~~ ^{\$19,860} JUST TO STAY EVEN WITH INFLATION. BUT THAT'S BEFORE TAXES. COME APRIL 15TH, ¹⁹⁸¹ YOU ~~FIND~~ ^{FOUND} YOUR TAX RATES ~~HAVE~~ ^{HAD} INCREASED 33 PERCENT. IF YOU'VE BEEN WONDERING WHY YOU DON'T SEEM AS WELL OFF AS YOU WERE A FEW YEARS BACK,

IT'S BECAUSE GOVERNMENT MAKES A PROFIT ON INFLATION. IT GETS AN AUTOMATIC TAX INCREASE WITHOUT HAVING TO VOTE ON IT. WE INTEND TO STOP THAT.

TIME WON'T ALLOW ME TO EXPLAIN EVERY DETAIL, BUT OUR BILL INCLUDES JUST ABOUT EVERYTHING TO HELP THE ECONOMY. WE DO AWAY WITH THE MARRIAGE PENALTY, THAT UNFAIR TAX THAT HAS A WORKING HUSBAND AND WIFE PAY MORE TAX THAN IF THEY WERE SINGLE. WE INCREASE THE EXEMPTION ON THE INHERITANCE (OR ESTATE) TAX TO \$600,000 SO THAT FARMERS AND FAMILY-OWNED BUSINESSES DON'T HAVE TO SELL THE FARM OR STORE IN THE EVENT OF DEATH JUST TO PAY THE TAXES. MOST IMPORTANT WE WIPE OUT THE TAX ENTIRELY FOR A SURVIVING SPOUSE. NO LONGER, FOR EXAMPLE, WILL A WIDOW HAVE TO SELL THE FAMILY SOURCE OF INCOME TO PAY A TAX ON HER HUSBAND'S DEATH. THERE ARE DEDUCTIONS TO ENCOURAGE INVESTMENT AND SAVINGS. BUSINESS GETS REALISTIC DEPRECIATION ON EQUIPMENT AND MACHINERY. AND THERE ARE TAX BREAKS FOR SMALL AND INDEPENDENT BUSINESSES WHICH CREATE 80 PERCENT OF ALL NEW JOBS. THIS BILL ALSO PROVIDES MAJOR CREDITS TO THE RESEARCH AND DEVELOPMENT INDUSTRY -- THESE CREDITS WILL HELP SPARK THE HIGH TECHNOLOGY BREAKTHROUGHS THAT ARE SO CRITICAL TO AMERICA'S ECONOMIC LEADERSHIP IN THE WORLD. THERE ARE ALSO ADDED INCENTIVES FOR SMALL BUSINESSES INCLUDING A PROVISION THAT WILL LIFT MUCH OF THE BURDEN OF COSTLY PAPERWORK THAT GOVERNMENT HAS IMPOSED ON SMALL BUSINESS.

IN ADDITION, THERE IS ~~SUBSTANTIAL~~ SHORT-TERM BUT SUBSTANTIAL ASSISTANCE FOR THE HARD-PRESSED THRIFT INDUSTRY AS WELL AS

REDUCTIONS IN OIL TAXES THAT WILL BENEFIT NEW OR INDEPENDENT OIL PRODUCERS AND MOVE OUR NATION A STEP CLOSER TO ENERGY SELF-SUFFICIENCY.

OUR BILL IS, IN SHORT, THE FIRST REAL TAX CUT FOR EVERYONE IN ~~MORE~~ ^{almost} THAN 20 YEARS.

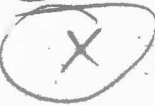
NOW WHEN WE PROPOSED THIS -- AND INCIDENTALLY IT HAS NOW BECOME A BIPARTISAN MEASURE CO-AUTHORED BY REPUBLICAN BARBER CONABLE AND DEMOCRAT KENT HANCE -- ^{there were those} ~~THE DEMOCRATIC~~ ^{who} LEADERSHIP DECLARED A TAX CUT WAS OUT OF THE QUESTION. IT WOULD BE WILDLY INFLATIONARY. ~~THAT WAS IN JANUARY.~~

THEN YOUR VOICES BEGAN TO BE HEARD AND SUDDENLY IN FEBRUARY ^{Democratic} THE LEADERSHIP DISCOVERED A ¹ ~~ONE~~ YEAR TAX CUT WAS FEASIBLE. WE KEPT ON PUSHING OUR 3 YEAR TAX CUT AND BY JUNE THE OPPOSITION FOUND THAT A 2 YEAR CUT MIGHT WORK. NOW IT'S JULY AND THEY FIND THEY COULD GO FOR A THIRD YEAR CUT PROVIDED THERE WAS A TRIGGER ARRANGEMENT THAT WOULD ONLY ALLOW IT TO GO INTO EFFECT IF CERTAIN ECONOMIC GOALS HAD BEEN MET BY 1983.

BUT THERE IS A LITTLE SLEIGHT OF HAND IN THAT TRIGGER MECHANISM. THE COMMITTEE BILL ENSURES THAT THE 1983 DEFICIT, WILL BE MORE THAN \$7 BILLION GREATER THAN UNDER OUR PLAN. THEREFORE, THE THIRD YEAR CUT WILL AUTOMATICALLY NEVER TAKE PLACE.

IF I COULD PARAPHRASE A WELL-KNOWN STATEMENT BY WILL ROGERS THAT HE HAD NEVER MET A MAN HE DIDN'T LIKE -- I'M AFRAID WE HAVE SOME PEOPLE AROUND WHO NEVER MET A TAX THEY DIDN'T HIKE.

Buck
Chapman,
Therry, Ast
See Taylor



THEIR TAX PROPOSAL, SIMILAR IN A NUMBER OF WAYS TO OURS, BUT DIFFERING IN SOME VERY VITAL PARTS, WAS PASSED OUT OF THE HOUSE WAYS AND MEANS COMMITTEE, AND FROM NOW ON I'LL REFER TO IT AS THE COMMITTEE BILL AND OURS AS THE BIPARTISAN BILL. THEY WILL BE THE BILLS TAKEN UP WEDNESDAY.

THE MAJORITY LEADERSHIP CLAIMS THEIRS GIVES A GREATER BREAK TO THE WORKER THAN OURS AND IT DOES -- THAT IS, IF YOU'RE ONLY PLANNING TO LIVE 2 MORE YEARS. THE PLAIN TRUTH IS OUR CHOICE IS NOT BETWEEN ^{two} 2 PLANS TO REDUCE TAXES, ~~IT IS~~ BETWEEN A TAX CUT OR A TAX INCREASE. THERE IS BUILT INTO OUR PRESENT SYSTEM, INCLUDING PAYROLL SOCIAL SECURITY TAXES AND THE BRACKET CREEP I'VE MENTIONED, A 22 PERCENT TAX INCREASE OVER THE NEXT 3 YEARS. THE COMMITTEE BILL OFFERS A 15 PERCENT CUT OVER 2 YEARS; OUR BIPARTISAN BILL GIVES A 25 PERCENT REDUCTION OVER 3 YEARS. AS YOU CAN SEE BY THIS CHART -- HERE IS THE 22 PERCENT INCREASE LINE AND HERE IS THEIR CUT BELOW THAT LINE AND OURS WIPING OUT THE INCREASE WITH A LITTLE TO SPARE.

INCIDENTALLY, THEIR CLAIM THAT CUTTING TAXES FOR INDIVIDUALS FOR AS MUCH AS 3 YEARS AHEAD IS RISKY RINGS A LITTLE HOLLOW WHEN YOU REALIZE THAT THEIR BILL CALLS FOR BUSINESS TAX CUTS EACH YEAR FOR 7 YEARS AHEAD.

IT RINGS EVEN MORE HOLLOW WHEN YOU CONSIDER THE FACT
THE MAJORITY LEADERSHIP ROUTINELY ENDORSES FEDERAL SPENDING
BILLS THAT PROJECT YEARS INTO THE FUTURE, BUT OBJECT TO A
TAX BILL THAT WILL RETURN YOUR MONEY OVER A 3 YEAR PERIOD.

HERE IS ANOTHER CHART WHICH ILLUSTRATES WHAT I SAID ABOUT THEIR GIVING A BETTER BREAK IF YOU ONLY INTEND TO LIVE

FOR 2 MORE YEARS. THEIRS IS THE DOTTED LINE, OURS THE SOLID. AS YOU CAN SEE, ^{For people earning \$15,000 a year} ~~IN EACH OF THE EARNING BRACKETS FROM~~ ^{The committee} ~~\$5,000 ON UP TO \$50,000~~ THEIR TAX CUT IS SLIGHTLY MORE GENEROUS THAN OURS -- FOR THE FIRST 2 YEARS, -- THEN TAXES ~~START~~ ~~GOING UP.~~ ~~ON THE~~ OTHER HAND, AS YOU CAN SEE IN OUR BIPARTISAN BILL, THE TAX KEEPS GOING DOWN AND THEN STAYS DOWN PERMANENTLY.

THIS ORANGE SPACE BETWEEN THE 2 LINES IS THE TAX MONEY THAT WILL REMAIN IN YOUR POCKETS IF OUR BILL PASSES AND IT'S THE AMOUNT THAT WILL LEAVE YOUR POCKETS IF THEIR TAX BILL IS PASSED.

I TAKE NO PLEASURE IN SAYING THIS, BUT THOSE WHO WILL SEEK TO DEFEAT OUR CONABLE-HANCE BIPARTISAN BILL AS DEBATE BEGINS WEDNESDAY ARE THE ONES WHO HAVE GIVEN US ^{are} QUOTE- UNQUOTE "TAX CUTS" IN THE LAST 10 YEARS, BUT OUR TAXES WENT UP \$400 BILLION IN THOSE SAME 10 YEARS.

THE LINES ON THESE CHARTS SAY A LOT ABOUT WHO'S REALLY FIGHTING FOR WHOM. ON THE ONE HAND, YOU SEE A GENUINE AND LASTING COMMITMENT TO THE FUTURE OF WORKING AMERICANS. ON THE OTHER, JUST ANOTHER EMPTY PROMISE. THOSE OF US IN THE BIPARTISAN COALITION WANT TO GIVE THIS ECONOMY AND THE FUTURE OF THIS NATION BACK TO THE PEOPLE, BECAUSE PUTTING PEOPLE FIRST HAS ALWAYS BEEN AMERICA'S SECRET WEAPON. THE HOUSE MAJORITY LEADERSHIP SEEMS LESS CONCERNED WITH PROTECTING YOUR FAMILY BUDGET, THAN WITH SPENDING MORE OF THE FEDERAL BUDGET.

OUR BIPARTISAN TAX BILL TARGETS THREE-QUARTERS OF ITS TAX RELIEF TO MIDDLE-INCOME WAGE EARNERS, WHO PRESENTLY PAY

ALMOST THREE-QUARTERS OF THE TOTAL INCOME TAX. IT ALSO THEN
INDEXES THE TAX BRACKETS TO ENSURE THAT YOU CAN KEEP THAT
TAX REDUCTION IN THE YEARS AHEAD. THERE ALSO IS, AS I SAID,
 ESTATE TAX RELIEF THAT WILL KEEP FAMILY FARMS AND FAMILY-
 OWNED BUSINESSES IN THE FAMILY. AND THERE ARE PROVISIONS
 FOR PERSONAL RETIREMENT PLANS AND INDIVIDUAL SAVINGS ACCOUNTS.

BECAUSE OUR BIPARTISAN BILL IS SO CLEARLY DRAWN AND
BROADLY BASED IT PROVIDES THE KIND OF PREDICTABILITY AND
CERTAINTY THAT THE FINANCIAL SEGMENTS OF OUR SOCIETY NEED TO
MAKE INVESTMENT DECISIONS THAT STIMULATE PRODUCTIVITY AND
MAKE OUR ECONOMY GROW.

EVEN MORE IMPORTANT -- IF THE TAX CUT GOES TO YOU THE
AMERICAN PEOPLE IN THE THIRD YEAR -- THAT MONEY RETURNED TO
YOU WON'T BE AVAILABLE TO THE CONGRESS TO SPEND. AND THAT
IN MY VIEW IS WHAT THIS WHOLE CONTROVERSY COMES DOWN TO:
ARE YOU ENTITLED TO THE FRUITS OF YOUR OWN LABOR OR DOES
GOVERNMENT HAVE SOME PRESUMPTIVE RIGHT TO SPEND AND SPEND AND
SPEND.

I'M ALSO CONVINCED OUR BUSINESS TAX CUT IS SUPERIOR TO
 THOSE, BECAUSE IT IS MORE EQUITABLE, AND IT WILL DO A MUCH
 BETTER JOB PROMOTING THE SURGE IN INVESTMENT WE SO BADLY
 NEED TO REBUILD OUR INDUSTRIAL BASE.

THERE IS SOMETHING ELSE I WANT TO TELL YOU. OUR BIPARTISAN
 COALITION WORKED OUT A TAX BILL WE FELT WOULD PROVIDE INCENTIVE
 AND STIMULATE PRODUCTIVITY, THUS REDUCING INFLATION AND
 PROVIDING JOBS FOR THE UNEMPLOYED. THAT WAS OUR GOAL.

OUR OPPONENTS IN THE BEGINNING DIDN'T WANT A TAX ~~TAX~~ CUT
 AT ALL. WHAT IS THE PURPOSE BEHIND THEIR CHANGE OF HEART?

THEY'VE PUT A TAX PROGRAM TOGETHER FOR ONE REASON ONLY, TO
PROVIDE A POLITICAL VICTORY FOR THEMSELVES. NEVER MIND THAT
IT WON'T SOLVE THE ECONOMIC PROBLEMS CONFRONTING OUR COUNTRY.
NEVER MIND THAT IT WON'T GET THE WHEELS OF INDUSTRY TURNING
AGAIN OR ELIMINATE THE INFLATION WHICH IS EATING US ALIVE.
THIS IS NOT THE TIME FOR POLITICAL FUN AND GAMES. THIS IS
THE TIME FOR A NEW BEGINNING.

I ASK YOU NOW TO PUT ASIDE ANY FEELINGS OF FRUSTRATION
OR HELPLESSNESS ABOUT OUR POLITICAL INSTITUTIONS AND JOIN ME
IN THIS DRAMATIC BUT RESPONSIBLE PLAN TO REDUCE THE ENORMOUS
BURDEN OF FEDERAL TAXATION ON YOU AND YOUR FAMILY.

DURING RECENT MONTHS, MANY OF YOU HAVE ASKED WHAT YOU
CAN DO TO HELP MAKE AMERICA STRONG AGAIN. I URGE YOU AGAIN
TO CONTACT YOUR SENATORS AND CONGRESSMEN, TELL THEM OF YOUR
SUPPORT FOR THIS BIPARTISAN PROPOSAL, TELL THEM YOU BELIEVE
THIS IS AN UNEQUALLED OPPORTUNITY TO HELP RETURN AMERICA TO
PROSPERITY AND MAKE GOVERNMENT AGAIN THE SERVANT OF THE
PEOPLE.

IN A FEW DAYS, THE CONGRESS WILL STAND AT THE FORK OF
TWO ROADS.

ONE ROAD IS ALL TOO FAMILIAR TO US. IT LEADS -- ULTIMATELY --
TO HIGHER TAXES. IT MERELY BRINGS US FULL CIRCLE BACK TO
THE SOURCE OF OUR ECONOMIC PROBLEMS - WHERE THE GOVERNMENT
DECIDES THAT IT KNOWS BETTER THAN YOU WHAT SHOULD BE DONE
WITH YOUR EARNINGS, AND, IN FACT, HOW YOU SHOULD CONDUCT
YOUR LIFE.

THE OTHER ROAD PROMISES TO RENEW THE AMERICAN SPIRIT. IT'S A ROAD OF HOPE AND OPPORTUNITY. IT PLACES THE DIRECTION OF YOUR LIFE BACK IN YOUR HANDS - WHERE IT BELONGS.

I HAVE NOT TAKEN YOUR TIME THIS EVENING MERELY TO ASK YOU TO TRUST ME. INSTEAD, I ASK YOU TO TRUST YOURSELVES. THAT'S WHAT AMERICA IS ALL ABOUT. OUR STRUGGLE FOR NATIONHOOD, OUR UNRELENTING FIGHT FOR FREEDOM, OUR VERY EXISTENCE -- THESE HAVE ALL RESTED ON THE ASSURANCE THAT YOU MUST BE FREE TO SHAPE YOUR LIFE AS YOU ARE BEST ABLE TO - THAT NO ONE CAN STOP YOU FROM REACHING HIGHER OR TAKE FROM YOU THE CREATIVITY THAT HAS MADE AMERICA THE ENVY OF MANKIND.

ONE ROAD IS TIMID AND FEARFUL.

THE OTHER BOLD AND HOPEFUL.

IN THESE 6 MONTHS, WE HAVE DONE SO MUCH AND HAVE COME SO FAR. IT HAS BEEN THE POWER OF MILLIONS OF PEOPLE LIKE YOU WHO HAVE DETERMINED THAT WE WILL MAKE AMERICA GREAT AGAIN. YOU HAVE MADE THE DIFFERENCE UP TO NOW. YOU WILL MAKE THE DIFFERENCE AGAIN.

LET US NOT STOP NOW.

THANK YOU. GOD BLESS YOU AND GOOD NIGHT.