

## BUDGET RECEIPTS

Total budget receipts in 1978 are estimated at \$401.6 billion, an increase of \$52.2 billion from the \$349.4 billion estimated for 1977. These estimates are based on the economic assumptions presented in Part 2 and the legislative proposals described below.

### BUDGET RECEIPTS BY SOURCE

(In billions of dollars)

Source	1976 actual	1977 estimate		1978 estimate	
		January budget	Revised budget	January budget	Revised budget
Individual income taxes.....	131.6	153.1	148.9	171.2	179.2
Corporation income taxes.....	41.4	56.6	57.2	58.9	61.6
Social insurance taxes and contributions...	92.7	108.9	108.0	126.1	123.8
Excise taxes.....	17.0	17.9	17.9	18.5	18.6
Estate and gift taxes.....	5.2	5.9	5.9	5.8	5.8
Customs duties.....	4.1	4.7	4.7	5.3	5.3
Miscellaneous receipts.....	8.0	6.9	6.7	7.2	7.2
<b>Total budget receipts.....</b>	<b>300.0</b>	<b>354.0</b>	<b>349.4</b>	<b>393.0</b>	<b>401.6</b>

Receipts are now estimated to be \$4.7 billion lower than in the January budget for 1977 and \$8.6 billion higher for 1978. Substitution of the administration's tax proposals for those presented in the January budget reduces receipts by \$3.8 billion in 1977 and increases receipts by \$6.7 billion in 1978. The remaining differences—a decrease of \$0.9 billion in 1977 and an increase of \$1.9 billion in 1978—are due to revised economic assumptions and other factors.

The principal purpose of the President's tax proposals is to provide immediate economic stimulus while leaving open the way for permanent improvements in the tax structure. To achieve this goal, the largest part of the economic stimulus package is a tax rebate that will raise peoples' after-tax incomes this spring. This tax reduction, together with the smaller and permanent tax reductions proposed, will help to strengthen the rate of economic expansion quickly without

committing large amounts of future tax resources. These resources will thus remain available for the permanent tax proposals that will be submitted to the Congress this fall after the administration has made a careful and comprehensive review of the tax structure. The proposals forthcoming will reflect the President's commitment to the American people to develop a fairer, more efficient, and less complicated tax structure than we have now. To allow the Congress adequate time to consider these proposals, legislation is now proposed to extend for 1 year the temporary provisions of the Tax Reform Act of 1976 that are currently scheduled to expire on December 31, 1977.

**COMPARISON BETWEEN JANUARY BUDGET ESTIMATES OF RECEIPTS  
AND REVISED ESTIMATES**

(In billions of dollars)

Description	Estimate	
	1977	1978
January budget estimates.....	354.0	393.0
Removal of Ford administration proposals.....	6.9	22.5
Revised economic assumptions and other factors.....	-.9	1.9
Estimated receipts under current tax law.....	360.0	417.4
Fiscal stimulus proposals <sup>1</sup> .....	-10.6	-7.9
Extension of temporary tax reductions.....		-7.8
Other proposals.....	—*	—*
Revised budget estimates.....	349.4	401.6

\*\$50 million or less.

<sup>1</sup> Excludes payments in excess of tax liabilities. These payments are treated as budget outlays.

The tax part of the economic stimulus package contains three proposals. They are:

- A \$50 rebate per person to taxpayers and their dependents. This rebate will reduce 1977 receipts by \$8.2 billion. A \$50 payment is also to be made to recipients of social security, supplemental security income, and railroad retirement, and to recipients of the earned income credit and certain other persons with earned income but limited tax liability. These payments are treated as outlays in the budget.
- A permanent simplification of the standard deduction. A flat deduction of \$2,200 for single persons and \$3,000 for joint returns is proposed as a substitute for the present complex set of standard deductions. Simplifica-

tion also includes extension of the \$35 credit to exemptions for age and blindness to facilitate use of simplified tax tables. At current income levels, the changes decrease receipts by about \$4 billion on an annual basis. It is assumed that the decrease in withholding due to these changes will occur at the beginning of May. Since the lower withholding will not be in effect for the first 4 months of calendar year 1977, affected taxpayers will either make smaller tax payments or receive larger refunds in the spring of 1978. Consequently, the reduction in receipts attributable to these proposals is less than for a full year in fiscal year 1977 (\$1.5 billion) and more than for a full year in fiscal year 1978 (\$5.6 billion).

- A permanent business tax reduction. Businesses will be given a choice between either a 2 percentage point increase in the present 10% investment credit, or a refundable credit against income taxes equal to 4% of social security payroll taxes (FICA) and 2% of railroad retirement and self-employment taxes. Businesses will not be permitted to change their choice once made. It is estimated that this proposal will reduce receipts by \$0.9 billion in 1977 and \$2.3 billion in 1978. Payments to businesses in excess of their tax liability are treated as outlays.

In total, these tax proposals for economic stimulus reduce receipts by \$10.6 billion in 1977 and \$7.9 billion in 1978.

The temporary provisions of the Tax Reform Act of 1976 that are proposed to be extended for 1 year are:

- a \$35 tax credit per exemption or a credit equal to 2% of the taxpayer's taxable income up to \$9,000, whichever is larger;
- extension of the earned income credit for families with dependent children, equal to 10% of earned income subject to a maximum of \$400; and
- corporate rate reductions from 22% to 20% on the first \$25,000 of income and from 48% to 22% on the second \$25,000.

The revised estimates also include five proposals that were contained in the January budget: legislation to require em-

ployers to pay social security taxes on employee income derived from tips; a taxable municipal bond option to improve the efficiency of the municipal market; authorization for the Nuclear Regulatory Commission to collect fees to cover the costs of its licensing services, including its reactor safety research program; authorization to require navigators of Federal waterways, canals, locks, and channels to pay user fees to help defray the costs of such waterways; and an increase in the migratory bird hunting stamp from \$5 to \$10. All other legislative proposals in the January budget with regard to receipts have been dropped.

The revised estimates also include proposed legislation to hold the monthly supplemental medical insurance (medicare) premium at its current level of \$7.20 through September 1978. Under existing law, this premium is scheduled to rise to \$7.70 in July 1977 and to an estimated \$8.10 in July 1978.

**PROPOSED LEGISLATION INCLUDED IN THE REVISED ESTIMATES OF RECEIPTS**

(In billions of dollars)

Description	Estimate	
	1977	1978
<b>Fiscal stimulus proposals:</b>		
Individual income tax.....	-9.9	-6.1
\$50 rebate.....	(-8.2)	(.....)
Simplification proposals.....	(-1.5)	(-5.6)
Business tax credits.....	(-.1)	(-.5)
Corporation income tax.....	-7	-1.8
Subtotal.....	<u>-10.6</u>	<u>-7.9</u>
<b>Extension of temporary tax provisions:</b>		
Individual income tax.....		-6.8
Corporation income tax.....		-1.0
Subtotal.....		<u>-7.8</u>
Other proposals.....	<u>-*</u>	<u>-*</u>
<b>Total proposed legislation.....</b>	<b>-10.7</b>	<b>-15.8</b>

\*\$50 million or less.

The revised estimates, like the estimates in the January budget, include the effect of tax changes that are scheduled to occur under current law, such as increases in the social security tax rate and base, increases in the unemployment insurance tax base, and a continued phaseout of the telephone excise tax.