RECEIPTS, USER FEES, AND OTHER COLLECTIONS

GOVERNMENTAL RECEIPTS

Receipts (budget and off-budget) are taxes and other collections from the public that result from the exercise of the Government's sovereign or governmental powers. The difference between receipts and outlays determines the surplus or deficit.

Table B-1. **RECEIPTS BY SOURCE**

(In billions of dollars)

Source	1989 actual	Estimate			
		1990	1991	1992	1993
Individual income taxes	445.7	489.4	528.5	561.5	593.6
Corporation income taxes	103.6	112.0	129.7	140.6	154.7
Social insurance taxes and contributions	359.4	385.4	421.4	449.7	481.4
On-budget	(95.8)	(99.9)	(106.9)	(112.3)	(119.5)
Off-budget	(263.7)	(285.4)	(314.5)	(337.4)	(361.9)
Excise taxes	34.1	36.2	37.6	39.2	40.8
Estate and gift taxes	8.7	9.3	9.8	10.3	10.4
Customs duties and fees	16.3	16.8	18.6	20.1	21.5
Miscellaneous receipts	22.8	24.4	24.6	25.0	25.2
Total receipts	**990.7**	**1,073.5**	**1,170.2**	**1,246.4**	**1,327.6**
On-budget	*(727.0)*	*(788.0)*	*(855.7)*	*(909.0)*	*(965.6)*
Off-budget	*(263.7)*	*(285.4)*	*(314.5)*	*(337.4)*	*(361.9)*

Growth in receipts.—Total receipts in 1991 are estimated to be $1,170.2 billion, an increase of $96.8 billion or 9.0 percent from the $1,073.5 billion estimated for 1990. Receipts are projected to grow at a much slower average annual rate of 6.5 percent between 1991 and 1993, to $1,327.6 billion. Because the growth in 1991 receipts exceeds the growth in GNP, the receipts share of GNP is projected to rise from 19.6 percent in 1990 to 19.9 percent in 1991. GNP grows faster than receipts in subsequent years, causing the receipts share of GNP to decline to 19.6 percent by 1993. This is still well above the average receipts shares of GNP of 18.3 percent and 19.0 percent realized in the 1970s and 1980s, respectively.

The year-to-year growth in the level of receipts and in the receipts share of GNP can be divided between changes attributable to growth in the tax base—largely due to increased incomes resulting from both real economic growth and inflation—and to revisions in the tax structure. For example, under the Administration's forecast and the tax rates and structure in effect on January 1, 1988, receipts would have risen by $66.3 billion in 1990 and $75.2 billion in 1991. The receipts share of GNP would have remained unchanged in 1990 and 1991 at 19.2 percent. Administrative action and enacted and proposed tax changes increase the growth in receipts in 1990 and 1991 by $16.4 billion and $21.6 billion, respectively, and increase the growth in the receipts share of GNP by 0.3 percentage point in each year.

Table B-2. **COMPONENTS OF CHANGES IN RECEIPTS**

	1990	1991	1992	1993
Growth in receipts (in billions of dollars):				
Under existing law and administrative action and proposed legislation	82.8	96.8	76.1	81.2
Under tax rates and structure in effect January 1, 1988	66.3	75.2	71.9	78.4
Difference	16.4	21.6	4.2	2.8
Growth in receipts share of GNP (percent):				
Under existing law and administrative action and proposed legislation	0.3	0.3	−0.2	−0.1
Under tax rates and structure in effect January 1, 1988	.....	.....	−0.2	−0.1
Difference	0.3	0.3	.....	.....

Table B-3. **CHANGES IN RECEIPTS**

(In billions of dollars)

	1989	1990	1991	1992	1993
Receipts under tax rates and structure in effect January 1, 1988 [1]	**989.3**	**1,055.6**	**1,130.9**	**1,202.7**	**1,281.1**
Administrative action		**−0.1**	**−0.2**	**−0.3**	**−0.3**
Enacted legislative changes:					
Medicare Catastrophic Coverage Act of 1988	0.5	7.0	7.5	7.1	7.4
Family Support Act of 1988	0.1	0.2	0.3	0.3	0.4
Technical and Miscellaneous Revenue Act of 1988	−0.8	−0.5	−0.1	−0.3	−0.8
Financial Institutions Reform, Recovery and Enforcement Act	0.3	0.5	0.3	*	*
Treasury, Postal Service, and General Government Appropriations Act for 1990	.....	0.2	0.6	1.0	1.2
Medicare Catastrophic Coverage Repeal Act	.....	−7.5	−7.5	−7.1	−7.4
Omnibus Budget Reconciliation Act of 1989 [5]	0.1	5.7	3.5	3.6	5.4
Social security taxable earnings base increases: [2]					
$45,000 to $48,000 on Jan. 1, 1989	1.5	4.2	4.9	5.9	7.0
$48,000 to $51,300 on Jan. 1, 1990	.....	1.6	4.5	5.4	6.5
$51,300 to $54,300 on Jan. 1, 1991	.....	.....	1.5	4.3	5.1
$54,300 to $57,600 on Jan. 1, 1992	.....	.....	.....	1.7	4.9
$57,600 to $61,200 on Jan. 1, 1993	.....	.....	.....	.....	1.8
Social security (OASDHI) tax rate increases: [2] [3]					
15.02% to 15.3% effective Jan. 1, 1990	.....	6.0	10.3	10.7	11.5
Other	−0.3	−0.2	−0.3	−0.3	−0.3
Proposed legislation and administrative action		**0.6**	**13.9**	**11.4**	**4.1**
Total, receipts under existing and proposed legislation and administrative action [4]	**990.7**	**1,073.5**	**1,170.2**	**1,246.4**	**1,327.6**

[1] These estimates assume a social security taxable earnings base of $45,000 through 1993.
[2] When the tax rate and the taxable earnings base increase at the same time, dividing up the total effect on receipts is arbitrary to some small extent because of an interaction effect. The increase in receipts due to this interaction effect is attributed to the rate and base changes in proportion to the increases in receipts that would occur if the rate and base were each changed separately.
[3] The combined employer-employee old age and survivors, disability, and hospital insurance (OASDHI) tax rate.
[4] These estimates include both the direct and indirect effects of administrative action and legislative changes.
[5] Excludes the effect of FICA base changes shown below.

The increase in the combined employer-employee social security (OASDHI) tax rate to 15.3 percent on January 1, 1990, and annual increases in the social security taxable earnings base together account for $10.3 billion and $9.5 billion, respectively, of the year-to-year growth in 1990 and 1991 receipts above the levels that would have been realized under the tax

rates and structure in effect on January 1, 1988. The Administration's proposals account for $13.3 billion of the additional growth in 1991 receipts.

For 1992 and 1993, receipts would have risen by $71.9 billion and $78.4 billion, respectively, under the Administration's forecast and the tax rates and structure in effect on January 1, 1988. Administrative action and enacted and proposed tax changes increase the growth in receipts in 1992 and 1993 by $4.2 billion and $2.8 billion, respectively.

Composition of receipts.—The Federal tax system will rely predominantly on income and payroll taxes in 1991, with these sources accounting for 92.3 percent of 1991 receipts. The Federal tax system will continue to rely predominantly on these sources of receipts in 1993; however, their combined share will rise to 92.6 percent.

ENACTED LEGISLATION

Four major laws were enacted in 1989 that affect receipts: the Financial Institutions Reform, Recovery and Enforcement Act (FIRREA); the Treasury, Postal Services and General Government Appropriations Act for 1990; the Omnibus Budget Reconciliation Act of 1989; and the Medicare Catastrophic Coverage Repeal Act of 1989. The major provisions of these laws are described below:

Financial Institutions Reform, Recovery and Enforcement Act.—This Act repealed the three provisions providing tax relief to financially troubled thrift institutions that the Technical and Miscellaneous Revenue Act of 1988 had extended through December 31, 1989 and expanded to apply to troubled banks. The repealed provisions excluded certain assistance payments from gross income, relaxed the rules for tax-free reorganizations, and permitted the carry forward of net operating losses.

Treasury, Postal Services and General Government Appropriations Act for 1990.—To close the gap between taxes owed and taxes voluntarily paid, additional funds were provided to IRS for tax law enforcement. This funding will help IRS ensure that taxpayers are correctly reporting income and will improve collections from amounts past due.

Medicare Catastrophic Coverage Repeal Act of 1989.—The supplemental premium based on income tax liability, which became law under the Medicare Catastrophic Coverage Act of 1988 and was mandatory for all individuals eligible for medicare hospital insurance (Part A), was repealed retroactive to January 1, 1989.

Omnibus Budget Reconciliation Act of 1989.—This Act increased receipts by a net $6.1 billion in 1990 and $4.6 billion in 1991 in a manner consistent with President Bush's pledge not to raise new taxes. The major revenue provisions of this Act are described below.

Speed-up payroll tax deposit.—Under prior law, employers were required to deposit withheld individual income tax and payroll tax liability as frequently as eight times per month, provided that the amount to be deposited equaled or exceeded $3,000. Deposits were required to be made within three banking days after the close of the deposit period. Effective for deposits made after July 31, 1990, employers holding withheld liability greater than or equal to $100,000 are required to deposit that amount by the close of the "applicable banking day" following the day on which the withheld amount reaches $100,000. For calendar years 1990, 1993 and 1994 the applicable banking day is the first, for calendar year 1991 it is the second, and for calendar year 1992 it is the third. For calendar year 1995 and succeeding years regulations will be issued regarding the applicable banking day. (See the following discussion of receipts proposals for the Administration's proposed modification of these deposit requirements.)

Modify tax treatment of employee stock ownership plans (ESOPs).—Under prior law, one-half of the interest received by a bank or other lender with respect to an ESOP loan was excludable from income. In addition, dividends paid by a company to an ESOP and used to repay an ESOP loan were deductible by the company. This Act limits the interest exclusion to loans that are not more than 15 years in length and to loans made to an ESOP that owns more than 50 percent of the company and that passes through all voting rights to employees. The Act also limits the dividend deduction to those dividends paid with respect to stock acquired with the proceeds of the loan.

This Act also repeals the estate tax deduction equal to 50 percent of the proceeds of a sale of stock to an ESOP, repeals the provision permitting an ESOP to assume estate tax liability, repeals the rule providing that certain employer securities are not taken into account in determining whether an ownership change has occurred for purposes of the net operating loss rules, and eliminates the special $60,000 limit on annual contributions that may be made to an ESOP on behalf of any one employee.

Suspend airport and airway trust fund tax trigger.—Under prior law, the excise taxes (except for the international air passenger departure tax) dedicated to the airport and airway trust fund were scheduled to be reduced by 50 percent on January 1, 1990, because appropriations for the capital programs funded by these taxes were less than 85 percent of authorized amounts for 1988 and 1989. This Act suspends the trigger for 1 year, through December 31, 1990.

Impose a fee on ozone-depleting chemicals.—Effective January 1, 1990, a fee is imposed on certain ozone-depleting chemicals sold or used by the manufacturer or importer of the chemical, and on the ozone-depleting content of imported products sold or used by the importer of the product. The amount of the fee is determined by multiplying a base fee amount by a factor—ranging from 0.6 to 10.0—that represents the ozone-depleting potential of the chemical. The base fee per pound is $1.37 for calendar years 1990 and 1991, $1.67 for calendar year 1992, and $2.65 for calendar years 1993 and 1994. Thereafter, the base fee increases by $0.45 per pound per year.

Include deferred compensation in the indexing of the social security wage base.—Contributions to deferred compensation plans, including amounts deferred in 401(k) plans, are included in the determination of average total wages for purposes of determining the social

security taxable earnings base. The change is effective for calendar year 1990.

Repeal completed contract method of accounting.—Prior law rules that allowed a portion of a long-term contract to be reported under the completed contract method were repealed for contracts entered into after December 31, 1989.

Impose oil spill liability trust fund tax.—The internal revenue code establishes an excise tax of 1.3 cents per barrel on domestic crude oil and imported crude oil and petroleum products for the purpose of funding the oil spill liability trust fund. However, the tax was not imposed under prior law because legislation authorizing expenditures from the trust fund had not been enacted. Under this provision the tax is imposed at a rate of 5 cents per barrel effective January 1, 1990.

Modify collection period of airline ticket tax.—Under prior law the air passenger tax was billed to a customer on a semi-monthly basis and was considered to be collected from the customer during the second following semi-monthly period. The tax was required to be deposited in a Federal Reserve Bank or other authorized depository within three banking days after the semi-monthly period during which it was considered to be collected. This provision requires that the tax be considered to be collected during the first week of the second following semi-monthly period and deposited within three banking days after the end of the week during which the tax is considered to be collected.

Increase air passenger international departure tax.—The departure tax on international air transportation, which was $3.00 per person under prior law, is increased to $6.00 per person effective January 1, 1990.

Modify corporate alternative minimum tax.—The prior law requirement that adjusted current earnings (ACE) cost recovery be determined by reference to the present value of the taxpayer's financial statement cost recovery allowances is eliminated. The Act further simplifies the ACE computation by eliminating the prior law adjustments for discharge of indebtedness income, installment sales, and capitalized costs; and provides relief for dividends received from a 20-percent (or greater) owned corporation. In addition, a minimum tax credit is allowed as an offset to regular tax in subsequent years for the entire minimum tax liability and the prior law requirement that individuals amortize research and experimentation costs over a 10-year period for purposes of the alternative minimum tax is repealed.

Extend exclusion for employer-provided educational assistance.—The exclusion for employer-provided educational assistance is restored retroactive to January 1, 1989, and is extended so that it expires for taxable years beginning after September 30, 1990. For taxable years beginning before that date, the exclusion is limited to amounts paid by the employer on or before September 30, 1990.

Extend research and experimentation (R&E) tax credit.—The tax credit provided for certain incremental research and experimentation expenditures, which was scheduled to expire on December 31, 1989, is extended for 1 year. In addition, the method of calculating the credit is restructured. (See the following discussion of receipts proposals for the Administration's proposed extension of this credit.)

Extend research and experimentation (R&E) allocation rules.—The rules for allocating R&E expenses to U.S. or foreign source income are extended for the taxpayers first taxable year beginning after August 1, 1989 and before August 2, 1990, and apply only to that portion of research expenses paid or incurred during the first nine months of the tax year. (See the following discussion of receipts proposals for the Administration's proposed extension of these allocation rules.)

Extension of low-income housing credit.—The prior law credit, which was scheduled to expire on December 31, 1989, is extended through December 31, 1990 with substantial modifications and a 25 percent reduction in the annual volume limitation. (See the following discussion of receipts proposals for the Administration's proposed extension of this credit.)

Table B-4. **EFFECT OF MAJOR LEGISLATION ENACTED IN 1989 ON RECEIPTS** [1]

(In billions of dollars)

	1989	1990	1991	1992	1993
Financial Institutions Reform, Recovery and Enforcement Act					
Corporation income taxes	0.3	0.5	0.3	*	*
Total, Financial Institutions Reform, Recovery and Enforcement Act	0.3	0.5	0.3	*	*
Treasury, Postal Services and General Accounting Appropriations Acts for 1990					
Individual income taxes	.....	0.1	0.2	0.4	0.5
Corporation income taxes	.....	0.1	0.4	0.6	0.7
Total, Treasury, Postal Services and General Government Appropriations Act of 1990	.....	0.2	0.6	1.0	1.2
Medicare Catastrophic Coverage Repeal Act					
Individual income taxes	.....	−7.5	−7.5	−7.1	−7.4
Total, Medicare Catastrophic Coverage Repeal Act	.....	−7.5	−7.5	−7.1	−7.4
Omnibus Budget Reconciliation Act of 1989					
Individual income taxes	.....	1.1	−0.3	−0.6	−0.2
Corporation income taxes	0.1	1.1	1.7	3.1	3.7
Social insurance taxes and contributions	.....	1.5	1.2	0.8	1.2
Excise taxes	.....	2.3	1.9	1.4	1.9
Estate and gift taxes	.....	0.1	0.1	0.1	*
Total, Omnibus Budget Reconciliation Act of 1989	0.1	6.1	4.6	4.8	6.6
ADDENDUM					
Total effect on receipts by source:					
Individual income taxes	.....	−6.3	−7.5	−7.2	−7.1
Corporation income taxes	0.4	1.8	2.4	3.7	4.4
Social insurance taxes and contributions	.....	1.5	1.2	0.8	1.2
Excise taxes	.....	2.3	1.9	1.4	1.9
Estate and gift taxes	.....	0.1	0.1	0.1	*
Total effect on receipts	0.4	−0.6	−1.9	−1.3	0.4

* $50 million or less

[1] These estimates are based on the direct effect only of legislative changes at a given level of economic activity. Indirect 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.

Receipts Proposals

The receipts changes proposed in this budget are estimated to increase receipts by $13.9 billion in 1991.

Enhance long-term investment.—Long-term investment would be enhanced through restoration of a capital gains differential. Specifically, when fully phased in in 1992, gains from all capital assets held by individuals (other than collectibles) would qualify for an exclusion

of 30 percent if held for more than 3 years, 20 percent if held for more than 2 years, and 10 percent if held for more than 1 year. During the balance of 1990, such assets held for more than 1 year would qualify for an exclusion of 30 percent; during 1991, such assets would qualify for an exclusion of 30 percent if held for more than 2 years and 20 percent if held for more than 1 year. The alternative minimum tax would be applicable to the excluded amounts and assets would be subject to depreciation recapture at ordinary rates.

Initiate IRS management reforms.—Proposed improvements in the management of tax law enforcement resources would increase revenue yields without requiring additional expenditures.

Extend social security (OASDI) coverage to State and local employees not participating in public employee retirement programs.—The Federal Government does not require social security coverage of State and local employees. Currently some 30 percent of State and local government jobs (about 7 million employees) are not covered by OASDI. About 3.8 million of these employees, many of whom are young and are employed part-time or temporarily, are not participating in a public employee retirement plan. Without social insurance protection, these workers and their families are vulnerable to loss of income due to death or disability, and are not earning credits for their retirement. Mandatory coverage of State and local employees not participating in a public employee retirement system in conjunction with their current State and local employment is proposed to be effective October 1, 1990. Such coverage would allow these workers to begin earning valuable protection for themselves and their families in case of disability and death, and they would begin earning credits for their retirement.

Extend medicare hospital insurance (HI) coverage to all State and local government employees.—A minority of the State and local government employees who were hired prior to April 1, 1986 may not be assured of medicare coverage. Because of eligibility through their spouse or short periods of work in covered employment, as many as four out of five State and local employees who contribute nothing to medicare in their current employment are entitled to the full range of medicare benefits. Coverage of these employees, who are the only major group of employees not assured medicare coverage, would correct an inequity in coverage and eliminate this drain on the medicare trust fund. The change is proposed to be effective October 1, 1990.

Extend and modify collection of telephone excise tax.—The 3 percent excise tax imposed on local and toll telephone service, and on teletypewriter exchange service, which expires after December 31, 1990, would be permanently extended. In addition, the collection period of telephone excise taxes would be modified, effective for taxes considered collected for semi-monthly periods beginning after December 31, 1990.

Stabilize payroll tax deposit rules.—Under the Omnibus Budget Reconciliation Act of 1989, employers who have accumulated $100,000 or more of withheld employee taxes must deposit these taxes by the close of the next working day in 1990, 1993, and 1994. The employer must make the deposit within 2 days in 1991, and within 3 days in 1992. The proposal would make the deposit requirements consistent for all years by requiring that the deposit be made by the close of the next working day.

Increase IRS enforcement funding.—The Administration proposes to close the gap between taxes owed and taxes paid by providing additional funding to IRS. These funds would be used to collect delinquent tax debt, enhance tax document matching to detect underreporting of income and improper dependent claims, audit mortgage interest deductions, and increase the audit workforce.

Increase airport and airway fees.—The Airport and Airway Development and Revenue Act of 1970 linked funding of the Federal Aviation Administration (FAA) capital and operating programs to user fee receipts by increasing the passenger ticket fee from 5 percent to 8 percent (other fees were similarly increased) and depositing receipts in the airport and airway trust fund. Prior to 1971, the 5 percent passenger ticket fee and various other aviation fees were deposited in the general fund. User fees have always covered trust fund outlays, but have never covered total FAA outlays; in 1990 user fee receipts are projected to cover only 60 percent of total FAA outlays. To help fund spending increases for FAA programs, the passenger ticket fee would be increased from 8 percent to 10 percent and other fees would be similarly increased effective January 1, 1991.

Increase ad valorem fee on shippers.—The current ad valorem fee on shippers would be increased from 0.04 percent of cargo value to approximately 0.125 percent of cargo value. This increase would fully offset the cost of Corps of Engineers harbor maintenance dredging; currently 40 percent of the cost of the program is recovered by the fee. It would also offset the cost of certain National Oceanic and Atmospheric Administration marine programs, including coastal mapping, marine weather, and circulation and tide data.

Permit limited use of excess pension funds to pay current retiree health benefits.—The transfer of excess pension plan assets to pay current retiree health benefits would be allowed. The transfer would have to occur before January 1, 1993 and in a plan year beginning after December 31, 1990.

Include salvage values in calculation of loss deductions by insurance companies.—Currently, a property and casualty insurance company may deduct losses incurred during a year, but need not include salvage values of losses paid in its calculation of deductions for losses incurred. The salvage values need not be included if a State does not allow the company to claim the salvage values as assets for statutory purposes. The proposal would require insurance companies to include salvage values in their calculations of loss incurred, regardless of how States treat salvage values.

Increase and expand Securities Exchange Commission (SEC) fees.—Effective July 1, 1990, the fee on securities market transactions would be increased from 1/300 to 1/220 of 1 percent of dollar value of sales and would be expanded to apply to most over-the-counter securities transactions. In addition, the fee charged for merger or proxy filing would be increased from 1/50 to 1/40 of 1 percent of the value of the transaction. Similarly, the

registration fee on securities would be increased from 1/50 to 1/40 of 1 percent of the value of the securities.

Modify Federal Reserve reimbursement.—The Administration proposes to establish a permanent, indefinite appropriation to reimburse Federal Reserve banks for their services as fiscal agents for the Bureau of the Public Debt. This would result in a corresponding increase in deposit of earnings by the Federal Reserve System, which are classified as receipts.

Extend IRS user fee.—The existing fee on each request for a letter ruling, determination letter, opinion letter, or other similar ruling or determination filed after January 31, 1988 and before October 1, 1990, would be permanently extended.

Extend abandoned mine reclamation fees.—The abandoned mine reclamation fees, which are scheduled to expire in August 1992, would be extended. Collections from the existing fees of 35-cents per ton for surface mined coal and 15-cents per ton for underground mined coal are allocated to States for reclamation grants. Abandoned land problems are expected to exist in certain States after all the money from the collection of fees under current law is expended.

Establish Commodity Futures Trading Commission (CFTC) fee.—Effective October 1, 1990, a futures market transactions fee of 11 cents per transaction would be established to cover the cost of CFTC expenses.

Change collection point of special taxes in connection with liquor occupations.—To increase compliance rates and revenues, the special occupation taxes currently levied on retailers would be eliminated and the existing taxes on wholesalers and manufacturers would be increased effective October 1, 1990.

Increase the District of Columbia (D.C.) employer contribution to the civil service retirement system (CSRS).—Effective January 1, 1991, the D.C. government would be required to phase-in payments for current CSRS employee cost of living (COLA) liabilities as well as to pay the cost of COLAs for post-1986 CSRS annuitants.

Extend social security and medicare hospital insurance (OASDHI) coverage to D.C. government employees.—This proposal would extend OASDHI coverage to all newly hired D.C. government employees effective January 1, 1991. Most D.C. government employees are currently covered.

Establish Federal Emergency Management Agency (FEMA) user fees.—Beginning October 1, 1990, 100 percent of FEMA's costs incurred as the Nuclear Regulatory Commission's agent in regulating the evacuation plans of nuclear power plants would be recovered through user fees.

Establish Corps of Engineers application fees for permits.—Revised regulations are being developed that would enable the Corps of Engineers to begin collecting fees on requests for permits necessary for development or other activities in navigable waterways and waters of the United States, including wetlands. These fees would be effective October 1, 1990.

Extend research and experimentation (R&E) tax credit.—The 20 percent tax credit provided for certain incremental research and experimentation expenditures, which was scheduled to expire after December 31, 1989, was extended 1 year, but only 75 percent of the total research expenses for the year will qualify for purposes of computing the credit. In addition, modifications were made in the calculation of the credit. The Administration proposes making permanent the R&E credit, as modified by the Omnibus Budget Reconciliation Act of 1989, by allowing 100 percent (rather than 75 percent) of the total research expenses for a year to qualify for purposes of computing the credit for all years after December 31, 1989.

Extend research and experimentation (R&E) allocation rules.—Companies with foreign operations are allowed to allocate 64 percent of domestic R&E expenditures to their domestic operations and 64 percent of foreign R&E expenditures to their foreign operations. The remaining expenses are to be allocated on the basis of gross sales or (subject to a limitation) gross income. Under the Omnibus Budget Reconciliation Act of 1989, these rules were extended for the tax year beginning after August 1, 1989 and before August 2, 1990, but applied only to 75 percent of U.S. R&E expenditures. Under the proposal, the rules, as modified by the Omnibus Budget Reconciliation Act of 1989, would be permanently extended for tax years beginning after August 1, 1990, and would allow 100 percent (rather than 75 percent) of U.S. expenditures to be covered for all tax years beginning after that date.

Enhance energy security.—The Administration is proposing four incentives to encourage the finding of new oil and gas fields and the reclaiming of old fields. These incentives, proposed to be effective January 1, 1991, include the following: a 10 percent credit on the first $10 million of annual expenses for exploratory intangible drilling costs and a 5 percent credit on the balance; elimination of 80 percent of minimum tax preference items from exploratory intangible drilling costs in excess of amortization and income allowances; modification of oil and gas depletion rules; and a 10 percent credit for new tertiary enhanced recovery projects.

Enhance personal savings.—Americans would be encouraged to increase personal savings by being permitted to establish Family Savings Accounts with contributions of up to $2,500 per year (with a limit of two such accounts per family). Contributions would not be deductible but earnings would be excluded from income while in the account and would be permanently excluded if the contribution to which they relate remains in the account for more than 7 years. Earnings on withdrawals within 3 years of contribution would be subject to a 10 percent excise tax. Available investments would be the same as for current Individual Retirement Accounts. Accounts would not be available to single individuals with income exceeding $60,000 or to families with income exceeding $120,000.

Extend health insurance deduction for self-employed.—The 25 percent deduction provided to self-employed individuals for the cost of health insurance expenses, which was scheduled to expire after December 31, 1989, was extended for nine months under the Omnibus Budget Reconciliation Act of 1989. Under this proposal the deduction would be permanently extended.

Extend low-income housing credit.—Under the Omnibus Budget Reconciliation Act of 1989, the low-income housing tax credit, which was scheduled to expire after December 31, 1989, was extended for 1 year, but only 75

percent of the State housing credit ceiling applicable to any State will be available. In addition, modifications were made in the calculation of the credit. The Administration proposes a 1-year extension of the low-income housing credit as modified by the Omnibus Budget Reconciliation Act of 1989. The proposal would make available 100 percent of the State housing credit ceiling applicable to any State for years after December 31, 1989 and before January 1, 1992.

Establish enterprise zones.—The Administration proposes to provide tax incentives to promote entrepreneurship and job creation in up to 50 economically distressed urban and rural communities. Beginning in 1991, the proposal provides for elimination of the capital gains tax with respect to tangible investments located in a zone, expensing of investments in certain corporate stock issued by zone businesses, and refundable tax credits for low-income zone employees.

Waive excise tax for certain early withdrawals from Individual Retirement Accounts (IRAs).—Under current law, early withdrawals from a fully-deductible IRA are subject to a 10-percent excise tax (penalty), and included as ordinary income on an individual's tax return. The Administration proposes to waive the 10-percent excise tax for early withdrawals effective January 1, 1991, if the money is used for a first-time home purchase and the home costs no more than 110 percent of the median price of homes. The maximum amount that could be withdrawn without penalty for a first-time home purchase would be $10,000.

Delay for 3 months the Federal employee pay raise.—The Federal employee pay raise, which affects employee contributions to civil service retirement, is proposed to be delayed 3 months from October 31, 1990 to January 1, 1991.

Establish a new tax credit for young children.—A new tax credit of up to $1,000 for each child under age 4 would be established. The credit would be based on family earnings and would be refundable. Families with income up to $13,000 would be eligible in 1991, rising to $20,000 by 1995. In addition, the existing child and dependent care credit would be made refundable; however, parents would not be entitled to claim both credits with respect to the same child.

Extend and expand railroad unemployment insurance (UI) reimbursable status.—To prevent public subsidies from being diverted to pay for the high unemployment costs of the private sector railroads, public commuter railroads were exempt from the full railroad unemployment tax rate in 1989 and will continue to be exempt in 1990. Instead, they are required to reimburse the railroad unemployment insurance fund for the actual costs of their employees. Under this proposal the exemption provided to public commuter railroads would be extended beyond its current law expiration date and would be expanded to apply to Amtrak beginning in 1991.

Double and restore adoption deduction.—The Administration proposes to restore and double to $3,000 the special needs adoption deduction, effective January 1, 1991.

Other.—Additional proposals include modification of the EPA pesticide fee and an increase in the HUD interstate land sales fee.

Table B-5. **EFFECT OF PROPOSED LEGISLATION AND ADMINISTRATIVE ACTION ON RECEIPTS** [1]

(In billions of dollars)

	1990	1991	1992	1993
Enhance long-term investment	0.5	4.9	2.8	1.2
Initiate IRS management reforms	0.1	2.5	1.1	0.5
Extend OASDI coverage to State and local employees not participating in a retirement program [2]		2.1	2.2	2.3
Extend HI coverage to State and local employees [2]		1.7	1.7	1.7
Extend and modify collection of telephone excise tax [2]		1.6	2.5	2.7
Stabilize payroll tax deposit rules		0.9	2.2	−3.1
Increase IRS enforcement funding		0.5	0.8	1.3
Increase airport and airway taxes [2]		0.5	0.8	0.9
Increase ad valorem fee on shippers [2]		0.3	0.3	0.3
Permit limited use of excess pension funds to pay retiree health benefits		0.2	0.4	0.2
Include salvage values in calculation of loss deductions by insurance companies	0.2	0.2	0.2	0.2
Increase and expand SEC fees	*	0.1	0.1	0.1
Modify Federal Reserve reimbursement		0.1	0.1	0.1
Extend IRS user fee		0.1	0.1	0.1
Extend abandoned mine reclamation fees [2]			0.1	0.3
Establish CFTC fee		*	*	*
Change collection point of liquor occupation taxes		*	*	*
Increase D.C. contribution to CSRS		*	*	*
Extend OASDHI coverage to D.C. government employees		*	*	*
Establish FEMA fees	*	*	*	*
Establish Corps of Engineers fees		*	*	*
Extend R&E credit	−0.1	−0.5	−0.9	−1.1
Extend R&E allocation rules		−0.4	−0.7	−0.8
Enhance energy security		−0.3	−0.5	−0.5
Enhance personal savings	−*	−0.2	−0.6	−1.0
Extend health insurance deduction for self-employed	−*	−0.2	−0.4	−0.5
Extend low-income housing credit	−*	−0.1	−0.3	−0.4
Establish enterprise zones		−*	−0.2	−0.3
Waive excise tax for certain early withdrawals from IRAs	−*	−*	−0.1	−0.1
Delay the Federal employee pay raise for three months		−*	−0.1	−0.1
Establish child care credit [3]		−*	−*	−*
Extend and expand railroad UI reimbursable status		−*	−*	−*
Double and restore adoption deduction		−*	−*	−*
Other		−0.1	−0.2	−*
Total effect on receipts	0.6	13.9	11.4	4.1
ADDENDUM				
Effect of proposals on receipts by source:				
Individual income taxes	0.5	4.9	1.4	−3.6
Corporation income taxes	0.1	1.0	−0.5	−1.0
Social insurance taxes and contributions		4.6	5.4	2.9
Excise taxes		2.7	4.4	4.8
Customs duties and fees		0.4	0.4	0.5
Other	*	0.3	0.3	0.6
Total effect on receipts	0.6	13.9	11.4	4.1

* $50 million or less.

[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.

[2] Net of income tax offsets.

[3] These estimates reflect only the effect of the proposal on budget receipts. The proposal increases outlays by the following amounts: 1991, $0.2 billion; 1992, $1.8 billion; and 1993, $2.0 billion.

USER FEES AND OTHER COLLECTIONS

The budget document includes all Federal cash flows on a consolidated basis. Under existing budget concepts, all income to the Government arising from the exercise of its sovereign powers (mainly, but not exclusively, taxes) is classified as governmental receipts and included in the receipt totals. In contrast, any income from the public that results from voluntary business-like transactions is classified as offsetting collections, which offset outlays rather than being included with the governmental receipts.

The preceding pages covered governmental receipts, including compulsory charges. This discussion covers offsetting collections, particularly the Administration's user fee proposals. As shown in Table B-6, total offsetting collections from the public, including those proposed by the Administration but excluding the collections of the off-budget Postal Service, are estimated to be $146.6 billion in 1991.

Table B-6. **TOTAL OFFSETTING COLLECTIONS**

(In millions of dollars)

	1989	1990	1991
Collections deposited in receipt accounts:			
Medicare premiums and other charges	10,473	11,239	11,897
Military assistance trust fund property sales	8,154	8,770	8,302
Outer Continental Shelf payments, FCC spectrum auction, naval petroleum reserve lease, power administration asset sales, and other undistributed offsetting receipts	2,931	2,615	7,536
Sale of property and services, interest income, and all other collections deposited in receipt accounts	17,344	14,156	15,277
Subtotal, collections deposited in receipt accounts	38,902	36,780	43,012
Collections credited to appropriation accounts:			
Postal Service stamp sales and other collections	36,965	37,514	42,756
Deposit insurance premiums	16,421	48,399	33,697
Tennessee Valley Authority and power administration collections	7,817	8,389	9,227
Commodity Credit Corporation loan repayments and other collections	11,028	7,996	8,249
Other loan repayments	15,883	11,817	9,406
Loan guarantee and other insurance premiums, interest income, and all other collections credited to appropriation accounts	41,812	40,623	42,996
Subtotal, collections credited to appropriation accounts	129,925	154,738	146,331
Total Offsetting Collections	168,827	191,518	189,343
Total Offsetting Collections less off-budget Postal Service collections	131,862	154,004	146,587

The budget contains a variety of user fee and other offsetting collection proposals that would yield additional net collections of $5.6 billion in 1991 and $23.0 billion between 1991 and 1995. Descriptions of the Administration's 1991 proposals, which are listed in Table B-7, are presented in detail below.

Table B-7. **PROPOSED USER FEES AND OTHER OFFSETTING COLLLECTIONS** [1]

(In millions of dollars)

	1991	1992	1993	1994	1995
FCC spectrum auction	2,252	1,126	.....	.....	.....
Naval petroleum reserve lease (net)	1,000	−89	−31	−268	−294
Arctic National Wildlife Refuge	.....	.....	1,901	1	1,201
Subtotal	3,252	1,037	1,869	−267	907
Service fees:					
Customs passenger and merchandise processing	806	822	839	858	879
Nuclear Regulatory Commission	296	318	330	342	360
Medicare and Medicaid survey and certification	226	285	377	429	478
Coast Guard	200	208	216	223	230
Food and Drug Administration	157	160	163	165	168
Animal and plant health inspection	79	82	86	91	95
Hardrock mining claim holding fee	78	78	78	78	78
FEMA flood insurance and student registration	43	53	53	54	56
EPA permit, certification, and registration fees	31	31	31	31	31
Veterans medical care copayments	30	31	32	33	34
Coal royalties (net)	21	21	25	23	26
Railroad safety inspections	20	37	37	38	38
Army Corps of Engineer recreational fee	20	20	20	20	20
Agricultural Marketing Service	11	13	14	14	14
Other	27	55	55	55	56
Subtotal	2,046	2,216	2,357	2,454	2,563
Loan guarantee and other credit fees:					
Veterans housing	110	102	102	106	109
Small Business Administration	101	105	109	113	116
Government-sponsored enterprises	52	306	666	871	1,092
Rural Electrification Administration	11	18	25	32	39
Other	16	39	84	124	163
Subtotal	290	571	986	1,246	1,519
Total	5,588	3,825	5,213	3,433	4,990

[1] Excludes asset sales.

Spectrum auction.—The budget proposes to assign six megahertz of currently unassigned non-broadcast spectrum through competitive bidding—four megahertz in 1991 and two in 1992. The Federal Communications Commission will be responsible for conducting the competitive allocation. Legislation will be proposed to authorize the competitive bidding process.

Naval petroleum reserve lease.—The Administration proposes to competitively lease two oil fields that the Energy Department runs in California and Wyoming. The oil fields would be leased in return for up-front bonus payments of $1.0 billion in 1991 and $0.3 billion in 1992 and 1993, plus an annual royalty payment on a percentage of the oil and gas produced at each property. The lease would be awarded to the parties offering the highest annual royalty payment. Part of the royalty payments would be used to establish a 10 million barrel Defense Petroleum Inventory, which would be managed by and available to the Defense Department.

Service Fees.—The Administration proposes to establish user charges and increase existing fees on a variety of Government services in order to recover more of the costs of providing these services.

- *Customs Service.*—Extend the Customs merchandise processing fee, which is scheduled to expire on September 30, 1990, and conform the fee to the

General Agreement on Trade and Tariffs requirements; and extend the Customs passenger processing fee, which is also scheduled to expire September 30, 1990, at current rates and require the fees to be used for air and sea passenger processing, commercial mail inspection, and all related overtime inspection services.

- *Nuclear Regulatory Commission (NRC).*—Increase existing fees to recover 100 percent of the NRC's costs incurred in regulating nuclear power plants. Under current law, the NRC can recover 45 percent of its costs through user fees in 1990. When this authority expires at the end of 1990, however, NRC would be able to recover only 33 percent of its costs through fees.
- *Medicare and Medicaid survey and certification.*—Establish fees to cover all the costs of Medicare and Medicaid survey and certification activities, which ensure that health care providers and suppliers comply with Federal health and safety standards. These fees, together with fees from clinical laboratories required by the Clinical Laboratory Improvement Amendments of 1988 to finance costs of laboratory inspection and certification activities, will be deposited in a new revolving fund. The fund will be used to finance all Medicare, Medicaid, and clinical laboratory survey, inspection, and certification activities.
- *Coast Guard.*—Charge each recreational and commercial boater using waterways patrolled by the Coast Guard $25 annually for a decal, and charge direct fees for specific Coast Guard services, such as licensing and inspections.
- *Food and Drug Administration (FDA).*—Establish fees for FDA review of new product applications, including new and generic drugs, medical devices, and biologics, and for FDA inspection of products already approved. A portion of the fees will finance expanded FDA activities in these areas. The FDA will also expand its voluntary fee-funded seafood inspection program.
- *Animal Plant and Health Inspection Service.*—Establish a fee that would recover the cost of certain veterinary diagnostic services, import-export inspections, and agricultural quarantine inspections at ports of entry.
- *Hardrock mining claim holding fee.*—Establish an annual holding fee of $100 per claim to keep mining claims on public lands active, replacing the current Federal requirement that claimholders spend at least $100 per year on development of the claim.
- *Federal Emergency Management Agency (FEMA).*—Increase fees on FEMA flood insurance policy holders to recover the cost of administering the program; and establish a student registration fee of $25 per week or any part of a week for State and local officials attending training sessions at the Emergency Management Institute or the National Fire Academy.
- *Environmental Protection Agency (EPA).*—Establish fees on EPA-issued water permits, auto fuel and certification tests, radon proficiency ratings, and pesticide registrations.
- *Veterans medical care.*—Establish modest copayments for moderate and higher income veterans for their inpatient subsistence and their outpatient visits and prescriptions. This fee would apply only to veterans who did not incur disabilities during military service.
- *Coal royalties.*—Reverse a 1989 decrease in the base from which royalties on coal mined from Federal lands are calculated. Under the regulatory proposal, State severance taxes and Abandoned Mine Land Reclamation and Black Lung fees would be included in the coal product-value calculation, as was done prior to January 13, 1989. These types of expenses are included in the base for other minerals. (Budget savings are only half of total receipts, because half are shared with the States in which the mines are located.)
- *Railroad safety.*—Establish a fee, to be phased in over two years, to cover the cost of the railroad safety program.
- *Army Corps of Engineers.*—Establish fees at developed recreational sites administered by the Corps. Receipts would be used to expand operation and maintenance activities at the recreational sites beginning in 1992.
- *Agricultural Marketing Service.*—Establish a fee on commodity distributors to cover costs of coordinating the national marketing orders program; and increase existing fees on commodity grading to cover the cost of developing grading standards.

Loan Guarantee and Other Credit Fees.—For loan guarantee programs, the administration proposals are intended to recover the costs associated with the risks and expenses the Federal Government incurs in providing loan guarantees. These costs include default risk as well as servicing and administrative costs.

The proposed fees for the Government-sponsored enterprises are designed to reimburse the Government for the borrowing advantages these enterprises have because of their special relationship with the Government.

- *Department of Veterans Affairs (VA).*—Charge a 1.75 percent fee on new VA housing loan guarantees regardless of whether a veteran makes a downpayment. The fee would apply to all nonservice connected veterans as well as those with low-rated service-connected disabilities. Under current law, the fee is set at 1.25 percent, but is reduced for those veterans who make a downpayment of at least 5.0 percent.
- *Small Business Administration (SBA).*—Increase fees on SBA loan guarantees from 1.2 percent to 3 percent for minority enterprise small business investment companies and from 2 percent to 5 percent for most other SBA loan guarantee programs to help offset default costs. In addition, establish a 6 basis point fee on guaranteed loans sold in the secondary market to help cover potential costs.
- *Government-sponsored enterprises (GSEs).*—Establish an annual fee on new securities issued after September 30, 1990. GSEs affected by the proposal include the Federal National Mortgage Associa-

tion (Fannie Mae), the Federal Home Loan Mortgage Corporation (Freddie Mac), and the Student Loan Marketing Association (Sallie Mae). The GSE fee would be phased in over three years, starting with 10 basis points in 1991, increasing to 20 basis points in 1992, and 30 basis points each year thereafter. For issuances of Fannie Mae and Freddie Mac mortgage-backed securities, the fee would be slightly lower: 5 basis points in 1991, increasing to 10 in 1992, and to 15 in each year thereafter.

- *Rural Electrification Administration (REA).*—Establish a 1 percent fee on REA loan guarantees in 1991 and increase the fee by 0.5 percent each year thereafter, with a maximum fee of 5 percent.

X. RECEIPTS, USER FEES, AND OTHER COLLECTIONS

GOVERNMENTAL RECEIPTS

Receipts (budget and off-budget) are taxes and other collections from the public that result from the exercise of the Government's sovereign or governmental powers. The difference between receipts and outlays determines the surplus or deficit.

Table X–1. **RECEIPTS BY SOURCE**

(In billions of dollars)

Source	1990 actual	Estimate					
		1991	1992	1993	1994	1995	1996
Individual income taxes	466.9	492.6	529.5	572.0	632.9	688.9	742.1
Corporation income taxes	93.5	95.9	101.9	109.0	120.6	130.0	138.3
Social insurance taxes and contributions	380.0	402.0	429.4	463.8	501.0	534.1	568.5
On-budget	(98.4)	(103.7)	(114.1)	(125.1)	(135.5)	(144.2)	(151.3)
Off-budget	(281.7)	(298.3)	(315.3)	(338.7)	(365.5)	(389.8)	(417.2)
Excise taxes	35.3	44.8	47.8	50.1	52.0	53.6	47.8
Estate and gift taxes	11.5	12.2	13.3	14.1	13.7	14.6	15.7
Customs duties and fees	16.7	17.7	19.3	20.8	22.0	22.7	23.9
Miscellaneous receipts	27.3	26.2	23.9	22.8	23.2	23.5	24.5
Total receipts	**1,031.3**	**1,091.4**	**1,165.0**	**1,252.7**	**1,365.3**	**1,467.3**	**1,560.7**
On-budget	*(749.7)*	*(793.2)*	*(849.8)*	*(914.0)*	*(999.8)*	*(1,077.5)*	*(1,143.5)*
Off-budget	*(281.7)*	*(298.3)*	*(315.3)*	*(338.7)*	*(365.5)*	*(389.8)*	*(417.2)*

Growth in receipts.—Total receipts in 1992 are estimated to be $1,165.0 billion, an increase of $73.6 billion or 6.7 percent from the $1,091.4 billion estimated for 1991. Receipts are projected to grow at a much higher average annual rate of 7.6 percent between 1992 and 1996, to $1,560.7 billion. Because the rate of growth of receipts in 1992 exceeds the rate of growth of GNP, the receipts share of GNP is projected to rise from 19.4 percent in 1991 to 19.5 percent in 1992. The rate of growth of receipts exceeds the rate of growth of GNP in subsequent years, causing the receipts share of GNP to rise to 20.0 percent in 1996. This is well above the average receipts shares of GNP of 18.3 percent and 19.0 percent realized in the 1970s and 1980s, respectively.

Table X–2. **CHANGES IN RECEIPTS**

(In billions of dollars)

	1991	1992	1993	1994	1995	1996
Receipts under tax rates and structure in effect January 1, 1990[1]	**1,064.9**	**1,117.8**	**1,206.3**	**1,309.5**	**1,403.0**	**1,499.7**
Enacted legislative changes:						
Omnibus Budget Reconciliation Act of 1990[2]	23.2	35.0	31.9	36.5	37.4	28.8
Social security (OASDI) taxable earnings base increases:						
$51,300 to $53,400 on Jan. 1, 1991	0.7	2.2	2.6	3.1	3.6	4.2
$53,400 to $55,500 on Jan. 1, 1992	.....	0.8	2.3	2.8	3.3	3.8
$55,500 to $57,900 on Jan. 1, 1993	.....	.....	1.0	2.9	3.3	3.9
$57,900 to $61,800 on Jan. 1, 1994	.....	.....	.....	1.6	4.7	5.5
$61,800 to $65,400 on Jan. 1, 1995	.....	.....	.....	.....	1.4	4.3
$65,400 to $69,000 on Jan. 1, 1996	.....	.....	.....	.....	.....	1.4
Medicare (HI) taxable earnings base increases:						
$51,300 to $125,000 on Jan. 1, 1991	2.3	6.5	7.7	9.1	10.5	12.2
$125,000 to $130,200 on Jan. 1, 1992	.....	0.1	0.2	0.2	0.2	0.3
$130,200 to $135,900 on Jan. 1, 1993	.....	.....	0.1	0.2	0.2	0.3
$135,900 to $145,200 on Jan. 1, 1994	.....	.....	.....	0.1	0.4	0.4
$145,200 to $153,900 on Jan. 1, 1994	.....	.....	.....	.....	0.1	0.3
$153,900 to $162,600 on Jan. 1, 1996	.....	.....	.....	.....	.....	0.1
Proposed legislation and administrative action	**0.4**	**2.7**	**0.6**	**–0.7**	**–0.9**	**–4.3**
Total, receipts under existing and proposed legislation and administrative action[3]	**1,091.4**	**1,165.0**	**1,252.7**	**1,365.3**	**1,467.3**	**1,560.7**

[1] These estimates assume a social security taxable earnings base of $51,300 through 1996.

[2] Excludes the effect of medicare (HI) base changes shown below.

[3] These estimates include both the direct and indirect effects of administrative and legislative changes.

Composition of receipts.—The Federal tax system will rely predominantly on income and payroll taxes in 1992, with these sources accounting for 82.2 percent of receipts. The Federal tax system will continue to rely predominantly on these sources of receipts in 1996, when their combined share will rise to 83.7 percent.

ENACTED LEGISLATION

The Omnibus Budget Reconciliation Act of 1990.—This Act, which is the largest deficit reduction package in history, is an important measure for ensuring America's long-term economic growth. It was the result of long, hard work by the Administration and the Congress. Less than 30 percent of its deficit reductions were achieved through revenue increases. The major revenue provisions of the Act are described below:

Individual Income Tax Provisions

Modify individual income tax rates.—Two statutory tax brackets and tax rates—15 percent and 28 percent—were in effect under prior law. However, the benefit of the 15 percent bracket was phased out for taxpayers with taxable income exceeding specified levels, implicitly creating a marginal tax rate of 33 percent in the affected income range. Effective January 1, 1991, the phaseout of the benefit of the 15 percent bracket is repealed and a third statutory tax rate of 31 percent is imposed on taxable income greater than or equal to the level at which the phaseout of prior law began.

Limit itemized deductions.—Effective January 1, 1991, otherwise allowable deductions (with the exception of medical expenses, casualty and theft losses, and investment interest), are reduced for taxpayers with adjusted gross income in excess of $100,000. The reduction is equal to three percent of the taxpayer's adjusted gross income in excess of $100,000; however, a taxpayer's deductions may not be reduced by more than 80 percent.

Phase out personal exemptions.—The deduction for personal exemptions is phased out as the taxpayer's adjusted gross income exceeds threshold amounts. For 1991, the threshold amounts are $150,000 for taxpayers filing a joint return, $125,000 for a head of household, $100,000 for a single taxpayer, and $75,000 for a married taxpayer filing a separate return; these amounts are indexed for inflation beginning in 1992. Each otherwise allowable exemption is reduced by two percent for each $2,500 (or fraction thereof) that the taxpayer's adjusted gross income exceeds the threshold amount.

Earned Income Tax Credit

Modify and expand earned income tax credit (EITC).—Certain individuals who maintain a home for one or more children are allowed an advance refundable tax credit based on the taxpayer's earned income. Under prior law, the earned income tax credit (EITC) for 1990 was equal to 14 percent of the first $6,810 of earned income, for a maximum credit of $953. The credit was phased out at a rate of 10 percent of the amount by which adjusted gross income in 1990 exceeded $10,730. Effective for taxable years beginning after December 31, 1990, the rate of the credit is increased, an adjustment is provided for family size, and the phaseout rates are modified as follows:

	Credit percentage	Phaseout percentage
1991:		
1 qualifying child	16.7	11.93
2 or more qualifying children	17.3	12.36
1992:		
1 qualifying child	17.6	12.57
2 or more qualifying children	18.4	13.14
1993:		
1 qualifying child	18.5	13.21
2 or more qualifying children	19.5	13.93
1994 and thereafter:		
1 qualifying child	23.0	16.43
2 or more qualifying children	25.0	17.86

The prior law dollar thresholds, indexed for inflation, are retained. In addition, the eligibility rules are modified.

Establish supplemental credit for young children.—An additional credit is provided for qualifying children under the age of 1, as of the close of the taxable year of the taxpayer. The maximum credit for 1991 is $355.

Establish supplemental credit for certain health insurance premium expenses.—Effective for taxable years beginning after December 31, 1990, a credit is available to taxpayers for qualified health insurance expenses that include coverage for a qualifying child. The eligibility criteria, income and phaseout requirements are the same as those for the EITC. However, the credit percentage is 6.0 percent of earned income and the phaseout rate is 4.285 percent. For 1991, the maximum credit is $428.

Excise Tax Provisions

Increase excise taxes on distilled spirits, beer and wine.—Excise taxes on distilled spirits are increased by $1.00 to $13.50 per proof gallon effective January 1, 1991. Excise taxes on beer generally are doubled on that date from $9.00 to $18.00 per barrel. Wine, which generally had been taxed at rates ranging from $0.17 to $2.40 per wine gallon prior to January 1, 1991, is now taxed at rates ranging from $1.07 to $3.30 per wine gallon.

Increase tobacco excise taxes.—Excise taxes on all tobacco products, including cigarettes, cigars, chewing tobacco, snuff, and pipe tobacco, are increased by 50 percent relative to prior law. The first increase, equal to 25 percent of prior law, is effective January 1, 1991. The second increase, equal in dollar amount to the first increase, will be effective January 1, 1993. Specifically, the excise tax on small cigarettes is increased from $.16 per pack to $.20 per pack on January 1, 1991 and will be increased to $.24 per pack on January 1, 1993.

Expand excise tax on ozone depleting chemicals.—The prior law fee imposed on certain ozone-depleting chemicals is expanded to apply to additional chemicals including carbon tetrachloride and methyl chloroform effective January 1, 1991. The amount of the fee is determined by multiplying a base fee amount by a factor—ranging

from 0.1 to 10.0—that represents the ozone-depleting potential of the chemical. The base fee per pound applicable to chemicals taxed under prior law is $1.37 for calendar year 1991, $1.67 for calendar year 1992, and $2.65 for calendar years 1993 and 1994. Thereafter, the base fee increases by $.45 per pound per year. The base fee per pound is phased in for newly taxed chemicals, equaling $1.37 for 1991 and 1992, $1.67 for 1993, $3.00 for 1994, and $3.10 for 1995. Thereafter, the base fee increases by $0.45 per pound as it does for chemicals taxed under prior law.

Increase highway and motor boat fuels excise taxes.—The prior law excise taxes imposed on gasoline and special motor fuels used in highway transportation and motor boats are increased from $.09 per gallon to $.14 per gallon effective December 1, 1990. On that date the prior law excise tax on diesel fuel used in highway transportation is increased by $.05 per gallon to $.20 per gallon and a $.025 per gallon tax is imposed on fuels used in rail transportation. The Act specifies that one-half of the increases in highway fuels taxes and motor boat fuels taxes be deposited in the Highway Trust Fund and the Aquatic Resources Trust Fund, respectively; the remaining half of the increases are to be deposited in the General Fund of the Treasury. The tax imposed on fuels used in rail transportation is also to be deposited in the General Fund.

Increase Airport and Airway Trust Fund taxes.—Excise taxes deposited in the airport and airway trust fund were scheduled to expire after December 31, 1990 under prior law. This Act extends these taxes through December 31, 1995, but also increases the tax on air passengers from 8 percent to 10 percent, increases the tax on airfreight from 5 percent to 6.25 percent, increases the tax on noncommercial aviation gasoline from $.12 per gallon to $.15 per gallon, and increases the tax on noncommercial aviation jet fuel from $.14 per gallon to $.175 per gallon. In addition, the Act specifies that all revenue from the increases in aviation gasoline and fuel excise taxes relative to prior law rates go to the General Fund of the Treasury through 1992, and to the Airport and Airway Trust Fund for 1993–1995.

Increase ad valorem fee on shippers.—The prior law ad valorem fee on shippers is increased from 0.04 percent of cargo value to 0.125 percent of cargo value effective January 1, 1991.

Reauthorize Leaking Underground Storage Tank (LUST) Trust Fund tax.—Prior to September 1, 1990, a tax of $.001 per gallon was imposed on gasoline, diesel fuel, special motor fuels, aviation fuel and fuels used on inland waterways, and deposited in the LUST Trust Fund. This tax terminated on August 31, 1990 after the Fund reached a statutory ceiling of $500 million of net revenue. This Act reimposes the tax through December 31, 1995.

Reauthorize Hazardous Substance Superfund Trust Fund taxes.—The taxes authorized to be deposited in the Hazardous Substance Superfund were scheduled to expire on December 31, 1991 under prior law. This Act extends these taxes through December 31, 1995. Superfund financing is derived from a tax of $.082 per barrel on domestic crude oil and $.117 per barrel on imported petroleum products, a tax on domestic feedstock chemicals and imported chemical derivatives, and an environmental tax on corporate taxable income.

Increase gas guzzler excise tax.—The prior law tax imposed on the manufacturer or importer of automobiles that do not meet statutory standards for fuel economy is doubled effective January 1, 1991. The Act repeals the prior law exemption provided for stretch limousines, as well as the special rules permitting the Secretary of the Treasury to set the rate of tax for small manufacturers.

Extend and modify collection of telephone excise tax.—The 3 percent excise tax imposed on local and toll telephone service, and on teletypewriter exchange service, which was scheduled to expire after December 31, 1990, is permanently extended. In addition, the collection period of telephone excise taxes is modified, effective for taxes considered collected for semi-monthly periods beginning after December 31, 1990.

Impose excise tax on certain luxury goods.—Effective January 1, 1991 through December 31, 1999, an excise tax, equal to 10 percent of the retail price in excess of specified thresholds, is levied on the following items: automobiles above $30,000, boats and yachts above $100,000, aircraft above $250,000, and furs and jewelry above $10,000. Boats, yachts, aircraft, and passenger cars used exclusively in a trade or business or for the purpose of transporting persons or property for compensation or hire generally are exempt from the tax.

Expiring Tax Provisions

Extend research and experimentation (R&E) allocation rules.—The rules for allocating R&E expenses to U.S. or foreign source income are extended for an additional 15 months so that they apply to taxable years beginning on or before August 1, 1991.

Extend research and experimentation (R&E) tax credit.—The tax credit provided for certain incremental research and experimentation expenditures, which was scheduled to expire on December 31, 1990, is extended for 1 year. In addition, the special rule to prorate research expenditures incurred during 1990 is repealed.

Extend exclusion for employer-provided educational assistance.—The exclusion for employer-provided educational assistance is extended to apply to amounts paid by an employer on or before December 31, 1991. In addition, the restriction on graduate level courses is repealed, effective for taxable years beginning after December 31, 1990.

Extend low-income housing tax credit.—The low income housing tax credit, which was scheduled to expire after December 31, 1990, is extended for one year through December 31, 1991, with several modifications.

Extend abandoned mine reclamation fees.—The abandoned mine reclamation fees, which were scheduled to expire in August 1992, are extended through September 30, 1995.

Extend IRS user fee.—The prior law fee on each request for a letter ruling, determination letter, opinion

letter, or other similar ruling or determination filed after January 31, 1988 and before October 1, 1990, is extended through September 30, 1995.

Tax Incentive Provisions

Initiate energy incentives.—The Act includes several incentives to encourage the finding of new oil and gas fields and the reclaiming of old fields. These incentives include the following: a 2 year extension of the nonconventional fuels tax credit and an expansion of the definition of qualifying gas produced from a tight sands formation; the initiation of a new income tax credit for ethanol production, modification of existing credits for ethanol fuels and ethanol fuels mixtures, and modification of the tariff on ethanol; initiation of a new income tax credit for qualified enhanced oil recovery costs; modification of percentage depletion rules; and the provision of alternative minimum tax relief for oil and gas operations.

Initiate small business incentives.—Several incentives designed to assist small business are provided in the Act. These incentives include the following: a revision of estate freeze rules, generally effective for transfers made and agreements entered into after October 8, 1990; and modification of the treatment of certain expenditures incurred to make businesses accessible to disabled individuals.

Insurance Company Provisions

Amortize policy acquisition expenses of insurance companies.—Under prior law, insurance companies generally were allowed to deduct life insurance policy acquisition expenses (commissions and other selling expenses) in the year in which they were incurred. In the case of reinsurance, however, the reinsuring company was required to capitalize commissions and to amortize them over the useful life of the asset rather than permitting a current deduction for such an expense. Effective after September 30, 1990, insurance companies are required to amortize life insurance policy acquisition expenses on a straight-line basis over a period of 120 months beginning with the first month in the second half of the taxable year. For any given taxable year, policy acquisition expenses required to be capitalized and amortized are determined to be a specific percentage of the net premiums, depending on the type of insurance contract. Three separate categories of insurance contracts, and, therefore, three separate percentages, are identified. A special rule is provided for certain reinsurance transactions. In addition, the tax treatment of acquisition expenses incurred on property and casualty insurance policies sold by life insurance companies now conforms with the tax treatment of these expenses for property and casualty insurance companies.

Include salvage values in calculation of loss deductions by insurance companies.—Under prior law a property and casualty insurance company could deduct losses incurred during a year, but need not include salvage values of losses paid in its calculation of deductions for losses incurred. The salvage values need not be included if a State did not allow the company to claim the salvage values as assets for statutory purposes. The Act requires insurance companies to include salvage values in their calculations of loss incurred, regardless of how States treat salvage values. As a transition rule, salvage values are to be included in the calculation of the deduction for losses incurred as if these values had been included in such calculations in all prior tax years.

Employment Tax Provisions

Increase dollar limitation on amount of wages and self-employment income subject to the medicare (HI) hospital insurance payroll tax.—Effective January 1, 1991, the cap on wages and self-employment income considered in calculating HI tax liability is increased to $125,000. This cap is indexed annually thereafter to changes in the average wage.

Extend social security (OASDI) and medicare (HI) coverage to State and local government employees not participating in a public employee retirement system.—Mandatory social security and medicare coverage is extended to all State and local government employees not participating in a public employee retirement system in conjunction with their current State and local employment. Coverage applies with respect to all wages earned with respect to services performed on or after June 30, 1991.

Extend Federal Unemployment Act (FUTA) surtax.—The temporary unemployment surtax of 0.2 percent imposed on employers, which was scheduled to expire with respect to wages paid after December 31, 1990, is extended for 5 years through December 31, 1995.

Stabilize payroll tax law.—Effective for deposits made after July 31, 1990, employers holding withheld liability greater than or equal to $100,000 were required to deposit that amount by the close of the "applicable banking day" following the day on which the withheld amount reached $100,000. For calendar years 1990, 1993 and 1994 the applicable banking day was the first, for calendar year 1991 it was the second, and for calendar year 1992 it was the third. Under this Act, effective for calendar year 1991 and succeeding years, deposits equal to or greater than $100,000 must be made by the close of the next banking day.

Internal Revenue Service (IRS) Initiatives

Increase IRS enforcement funding and initiate management reforms.—To close the gap between taxes owed and taxes paid, additional funding is provided to IRS. These funds are to be used to collect delinquent tax debt, enhance tax document matching to detect underreporting of income and improper dependent claims, audit mortgage interest deductions, and increase the audit workforce. In addition, improvements in the management of tax law enforcement resources will increase revenue yields without requiring additional expenditures. These initiatives are expected to increase receipts $10.2 billion over the 1991–1995 period.

Miscellaneous Provisions

Modify rules relating to interest paid by corporations to the IRS on tax obligations.—Under prior law, the interest rate charged corporations on the underpayment of tax was equal to the short-term Federal rate plus 3 percentage points. Effective for purposes of determining interest for periods after December 31, 1990, regardless of the taxable period to which the underlying tax may relate, the rate is increased to the Federal rate plus 5 percentage points.

Extend statute of limitations for collection of taxes.—Under prior law, the IRS was required to institute collection proceedings within 6 years after an assessment of tax had been made. This Act extends the statute of limitations to 10 years.

Increase the maximum allowable civil penalties for violations of labor laws.—In an effort to provide effective civil penalties, the maximum allowable civil penalties for violations of the Occupational Safety and Health Act are increased seven fold. These fines had not been increased since they were enacted in 1970. The maximum allowable civil penalties for violations of the Federal Mine Safety Act, which had not been increased in 21 years, are increased five fold. In addition, the Fair Labor Standards Act is amended to create a civil penalty ceiling of $10,000 for each violation of some of the provisions relating to child labor.

Permit limited use of excess pension funds to pay current retiree health benefits and modify treatment of employer reversions.—The transfer of excess pension plan assets to pay current retiree health benefits is allowed, effective for transfers occurring in taxable years beginning after December 31, 1990 and before January 1, 1996. The prior law excise tax on any assets that revert to the employer upon plan termination is increased from 15 percent to 20 percent if the employer establishes a qualified replacement plan, or to 50 percent if no replacement plan is established. The higher excise tax is applicable to reversions occurring after September 30, 1990.

RECEIPTS PROPOSALS

Enhance long-term investment.—Long-term investment would be enhanced through expansion of a capital gains differential. Specifically, when fully phased in in 1993, gains from all capital assets held by individuals (other than collectibles) would qualify for an exclusion of 30 percent if held for more than 3 years, 20 percent if held for more than 2 years, and 10 percent if held for more than 1 year. During the balance of 1991, such assets held for more than 1 year would qualify for an exclusion of 30 percent; during 1992, such assets would qualify for an exclusion of 30 percent if held for more than 2 years and 20 percent if held for more than 1 year. Where such exclusions apply, the capital gains rate otherwise applicable will apply to the gain reduced by the exclusion. For example, gains eligible for a 30 percent exclusion of a taxpayer subject to a 28 percent capital gains rate will in effect be taxed at a rate of 19.6 percent. The alternative minimum tax would be applicable to the excluded amounts and assets would be subject to depreciation recapture at ordinary rates. The proposal to enhance long-term investment is shown in Table X–4 and in tables in Part Five as estimated by the Treasury Department's Office of Tax Analysis (OTA). Because the methodological differences among OTA, Congressional estimators, and outside experts have not yet been resolved, totals are presented with the Administration's estimate and with a zero (neutral) entry for this proposal.

Extend medicare hospital insurance (HI) coverage to all State and local government employees.—A minority of the State and local government employees who were hired prior to April 1, 1986 may not be assured of medicare coverage. Because of eligibility through their spouse or short periods of work in covered employment, as many as four out of five State and local employees

Table X–3. **EFFECT OF MAJOR LEGISLATION ENACTED IN 1990 ON RECEIPTS**[1]

(In billions of dollars)

	1991	1992	1993	1994	1995	1996
Omnibus Budget Reconciliation Act of 1990						
Individual income taxes	4.6	10.2	7.8	9.9	10.1	5.3
Corporation income taxes	3.8	2.4	2.7	2.5	2.3	2.8
Social insurance taxes and contributions	4.6	10.5	8.8	11.1	11.7	11.3
On-budget	(4.1)	(8.4)	(6.5)	(8.6)	(9.1)	(8.4)
Off-budget	(0.5)	(2.2)	(2.3)	(2.5)	(2.7)	(2.9)
Excise taxes	12.5	17.1	18.2	19.3	20.0	17.1
Estate and gift taxes	*	–*	–0.1	–0.3	–0.4	–0.7
Customs duties and fees	0.3	0.4	0.5	0.5	0.5	0.5
Miscellaneous receipts	0.2	0.4	0.7	0.7	0.8	0.4
Total, Omnibus Budget Reconciliation Act of 1990	26.0	40.9	38.5	43.7	45.0	36.8
On-budget	(25.5)	(38.8)	(36.2)	(41.3)	(42.3)	(33.9)
Off-budget	(0.5)	(2.2)	(2.3)	(2.5)	(2.7)	(2.9)
Total, Omnibus Budget Reconciliation Act of 1990, net of income tax offsets	22.5	35.2	32.7	37.5	38.6	31.0
On-budget	(22.7)	(33.9)	(31.3)	(36.0)	(36.9)	(28.9)
Off-budget	(–0.1)	(1.3)	(1.4)	(1.5)	(1.7)	(2.0)

*$50 million or less.

[1] These estimates are based on the direct effect only of legislative changes at a given level of economic activity. Indirect 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.

who contribute nothing to medicare in their current employment are entitled to the full range of medicare benefits. Coverage of these employees, who are the only major group of employees not assured medicare coverage, would correct an inequity in coverage and eliminate this drain on the medicare trust fund. The change is proposed to be effective January 1, 1992.

Improve retail compliance with alcohol special occupational taxes.—To increase compliance rates and revenues, distributors of alcoholic beverages would be required to verify retail compliance with the tax prior to sale.

Increase IRS enforcement funding.—The Administration proposes to increase compliance with the tax code by providing additional funding to IRS. These funds would be used to collect delinquent tax debt and increase the audit workforce.

Extend tax deadlines for Desert Shield participants.—This proposal would extend the time period for filing Federal tax returns, paying Federal tax and taking other actions until 180 days after an individual's participation in the Desert Shield operation comes to an end.

Extend railroad unemployment insurance (UI) reimbursable status.—To prevent public subsidies from being diverted to pay for the high unemployment costs of the private sector railroads, public commuter railroads and Amtrak were exempt from the full railroad unemployment tax rate in 1989 and 1990. Instead, they were required to reimburse the railroad unemployment insurance fund for the actual costs of their employees. Under this proposal the exemption would be extended beyond its current law expiration date.

Increase Department of Housing and Urban Development (HUD) interstate land sales fee.—The Interstate Land Sales Full Disclosure Act gives HUD the responsibility of registering certain subdivisions that are sold or leased across State lines. A fee is charged when a developer files a statement of record about the subdivision with HUD. The fee charged cannot exceed $1,000 for any one developer. Under the current structure, the fees collected cover only a portion of the costs associated with the administration of the program. The Administration's proposal would remove the $1,000 fee limitation to help offset fully the direct administrative costs of the program.

Extend abandoned mine reclamation fees.—The abandoned mine reclamation fees, which are scheduled to expire on September 30, 1995, would be extended. Collections from the existing fees of 35-cents per ton for surface mined coal and 15-cents per ton for underground mined coal are allocated to States for reclamation grants. Abandoned land problems are expected to exist in certain States after all the money from the collection of fees under current law is expended.

Extend research and experimentation (R&E) tax credit.—The 20 percent tax credit provided for certain incremental research and experimentation expenditures, which was scheduled to expire on December 31, 1990, was extended for 1 year under the Omnibus Budget Reconciliation Act of 1990. The Administration proposes permanent extension of the R&E credit.

Extend research and experimentation (R&E) allocation rules.—Companies with foreign operations are allowed to allocate 64 percent of domestic R&E expenditures to their domestic operations and 64 percent of foreign R&E expenditures to their foreign operations. The remaining expenses are to be allocated on the basis of gross sales or (subject to a limitation) gross income. Under the Omnibus Budget Reconciliation Act of 1990, these rules are extended to apply to taxable years beginning on or before August 1, 1991. The Administration proposes a 1 year extension of these rules.

Establish family savings accounts.—Americans would be encouraged to increase personal savings by being permitted to establish Family Savings Accounts with contributions of up to $2,500 per year (with a limit of two such accounts per family). Contributions would not be deductible but earnings would be excluded from income while in the account and would be permanently excluded if the contribution to which they relate remains in the account for more than 7 years. Earnings on withdrawals within 3 years of contribution would be subject to a 10 percent excise tax. Available investments would be the same as for current Individual Retirement Accounts. Accounts would not be available to single individuals with income exceeding $60,000 or to families with income exceeding $120,000.

Extend health insurance deduction for self-employed.—Under the Omnibus Budget Reconciliation Act of 1990, the 25 percent deduction provided to self-employed individuals for the cost of health insurance expenses was extended through December 31, 1991. The Administration proposes to extend the deduction for 1 year through December 31, 1992.

Extend low-income housing tax credit.—This credit was extended through December 31, 1991 under the Omnibus Budget Reconciliation Act of 1990. A 1-year extension of this credit is proposed.

Extend targeted jobs tax credit.—The Administration proposes to extend the targeted jobs tax credit for 1 year. This credit, which is generally equal to 40 percent of the first $6,000 of qualified first year wages (40 percent of up to $3,000 of wages to any disadvantaged summer youth employees), was extended through December 31, 1991 under the Omnibus Budget Reconciliation Act of 1990.

Establish enterprise zones.—The Administration proposes to provide tax incentives to promote entrepreneurship and job creation in up to 50 economically distressed urban and rural communities. Beginning in 1992, the proposal provides for elimination of the capital gains tax with respect to tangible investments located in a zone, expensing of investments in certain corporate stock issued by zone businesses, and refundable tax credits for low-income zone employees. This proposal is discussed more fully in Chapters V.A. and VI.A.

Waive excise tax for certain early withdrawals from Individual Retirement Accounts (IRAs).—Under current law, early withdrawals from a fully-deductible IRA are

subject to a 10 percent excise tax (penalty), and included as ordinary income on an individual's tax return. The Administration proposes to waive the 10 percent excise tax for early withdrawals effective January 1, 1991, if the money is used for a first-time home purchase and the home costs no more than 110 percent of the median price of homes. The maximum amount that could be withdrawn without penalty for a first-time home purchase would be $10,000.

Extend business energy tax credits.—The Administration proposes to extend business energy tax credits for solar and geothermal properties for 1 year. These credits are sheduled to expire on December 31, 1991 under current law.

Double and restore adoption deduction.—The Administration proposes to restore and double to $3,000 the special needs adoption deduction, effective January 1, 1992.

Extend taxes to finance the Highway Trust Fund.—The budget contains the Administration's proposal for new 5-year highway and transit programs financed from the Highway Trust Fund. Legislation to enact and finance this program will be transmitted to the Congress. The legislation will be financed by extending the $.09 gasoline tax, the $.15 diesel tax, and other excise taxes dedicated to the Trust Fund that were enacted in 1987 to support the current highway program.

Table X–4. **EFFECT OF PROPOSED LEGISLATION AND ADMINISTRATIVE ACTION ON RECEIPTS**[1]

(In billions of dollars)

	1991	1992	1993	1994	1995	1996
Enhance long-term investment[2]	0.4	3.0	1.7	0.9	1.8	1.7
Extend HI coverage to State and local employees[3]	.....	1.1	1.5	1.5	1.5	1.5
Improve retail compliance with alcohol special occupational taxes[3]	.....	*	*	*	*	*
Increase IRS enforcement funding	.....	*	0.1	0.2	0.2	0.2
Extend tax deadlines for Desert Shield participants	–*	*	*	.....	.....	.....
Extend railroad UI reimbursable status[3]	–*	*	*	*	–*	–*
Increase HUD land sales fee	.....	*	*	*	*	*
Extend abandoned mine reclamation fees	.....	.....	.....	.....	.....	0.3
Extend R&E credit	.....	–0.5	–1.0	–1.3	–1.6	–1.8
Extend R&E allocation rules	.....	–0.3	–0.3	.....	.....	.....
Establish family savings accounts	.....	–0.3	–0.8	–1.3	–1.8	–2.3
Extend health insurance deduction for self-employed	.....	–0.1	–0.2	.....	.....	.....
Extend low-income housing tax credit	.....	–0.1	–0.2	–0.3	–0.3	–0.3
Extend targeted jobs tax credit	.....	–0.1	–0.1	–0.1	–*	–*
Establish enterprise zones	.....	–*	–0.2	–0.3	–0.5	–0.8
Waive excise tax for certain early withdrawals from IRAs	.....	–*	–0.1	–0.1	–0.1	–0.1
Extend business energy tax credits	.....	–*	–*	*	*	*
Double and restore adoption deduction	.....	.....	–*	–*	–*	–*
Extend Highway Trust Fund taxes[3]	.....	.....	.....	.....	.....	–2.7
Total effect on receipts	0.4	2.7	0.6	–0.7	–0.9	–4.3
Total effect on receipts with enhance long-term investment at zero	–*	–0.3	–1.1	–1.6	–2.7	–6.0
ADDENDUM						
Effect of proposals on receipts by source:						
Individual income taxes	0.4	2.3	*	–1.2	–0.9	–0.9
Corporation income taxes	.....	–0.9	–1.2	–1.2	–1.7	–1.9
Employment taxes and contributions	.....	1.2	1.7	1.7	1.7	1.7
Unemployment insurance	–*	*	*	*	–*	–*
Excise taxes	.....	0.1	0.1	*	*	–3.5
Miscellaneous receipts	.....	.....	.....	.....	.....	0.3
Total effect on receipts	0.4	2.7	0.6	–0.7	–0.9	–4.3
Individual income taxes with enhance long-term investment at zero	–*	–0.7	–1.7	–2.1	–2.7	–2.6

A $50 million or less.

[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.

[2] The proposal to enhance long-term investment is shown in Table X–4 and in tables in Part Five as estimated by the Treasury Department's Office of Tax Analysis (OTA). Because the methodological differences among OTA, Congressional estimators, and outside experts have not yet been resolved, totals are presented with the Administration's estimate and with a zero (neutral) entry for this proposal.

[3] Net of income tax offsets.

USER FEES AND OTHER COLLECTIONS

The budget includes all Federal cash flows. Under existing budget concepts, all income to the Government arising from the exercise of its sovereign powers (mainly, but not exclusively, taxes) is classified as governmental receipts and included in the receipt totals. In contrast, any income from the public that results from voluntary business-like transactions is classified as offsetting collections, which offset outlays rather than being included with the governmental receipts.

The preceding pages covered governmental receipts, including compulsory charges. This discussion covers offsetting collections, particularly the Administration's user fee proposals. As shown in Table X–5, total offsetting collections from the public, including those proposed by the Administration but excluding the collections of the off-budget Postal Service, are estimated to be $187.4 billion in 1992.

The budget contains a variety of user fee and other offsetting collections proposals that would yield $2.3 billion in 1992 and $12.0 billion over the years 1992 through 1996. Administration proposals establish or increase fees in order to recover more of the costs of providing Government services. Descriptions of these proposals, which are listed in Table X–6, are presented below.

Table X–6 splits the proposals between discretionary and mandatory, indicating which of the Budget Enforcement Act (BEA) requirements apply.

Discretionary.—The discretionary proposals create savings under the BEA's domestic discretionary spending limits.

- *Medicare and medicaid survey and certification.*—Establish fees for survey and certification activities required by the Social Security Act. Providers and suppliers would be charged fees, which would be set annually to cover all programmatic and administrative costs.
- *Food and Drug Administration (FDA).*—Establish fees for FDA review of new product applications, including new and generic drugs, medical devices, biologics, and food and color additives. A portion of these fees would finance expanded FDA activities in these areas. The proposal also includes fees for the registration and inspection of seafood processors.
- *Veterans medical care.*—Permanently authorize the copayment expansion that is scheduled to expire September 30, 1991, enacted in the Omnibus Budget Reconciliation Act of 1990 (OBRA 1990). Establish copayments, subject to means testing, for treatment of non-service-connected illnesses of veterans with service-connected disabilities rated 40 percent or lower.
- *Small Business Administration (SBA).*—Increase guarantee fees on most general business loans from 2 percent to 5 percent, on regular small business investment companies from 1.2 percent to 5 percent, and on development finance companies from 0.5 percent to 1 percent. Savings reflect a reduction in SBA's credit subsidy outlays, rather than increased collections.
- *Hard rock mining claim holding fee.*—Establish an annual holding fee which would require holders of mining claims on Federal lands to pay $100 per claim. This fee would replace the existing requirement that claimants spend $100 per year developing each claim. This change would eliminate activities that result in surface disturbance of land solely to maintain a claim. A portion of the fee would support the Bureau of Land Management's

Table X–5. **TOTAL OFFSETTING COLLECTIONS**

(In millions of dollars)

	1990	1991	1992
Collections deposited in receipt accounts:			
Medicare premiums and other charges	11,245	11,844	13,002
Military assistance trust fund property sales	10,293	10,300	10,000
Outer Continental Shelf payments, naval petroleum reserve lease, power administration asset sales, and other undistributed offsetting receipts	3,006	3,729	3,963
Sale of property and services, interest income, and all other collections deposited in receipt accounts	14,831	14,808	15,839
Subtotal, collections deposited in receipt accounts	39,376	40,681	42,804
Collections credited to appropriation accounts:			
Postal Service stamp sales and other collections	32,202	43,150	46,088
Depository insurance funds	32,818	57,146	67,949
Tennessee Valley Authority and power administration collections	8,487	8,922	9,278
Commodity Credit Corporation loan repayments and other collections	10,719	8,476	8,544
Other loan repayments	11,437	12,580	9,459
Loan guaranty and other insurance premiums, interest income, and all other collections credited to appropriation accounts	42,536	45,500	49,347
Subtotal, collections credited to appropriation accounts	144,199	175,773	190,665
Total offsetting collections	183,575	216,454	233,469
Total offsetting collections excluding off-budget Postal Service collections	151,373	173,304	187,381

Table X–6. **PROPOSED USER FEES AND OTHER OFFSETTING COLLECTIONS**

(in millions of dollars)

	1992	1993	1994	1995	1996
Discretionary:					
Medicare and medicaid survey and certification (net)	264	246	246	249	254
FDA product review and seafood inspections	198	205	212	212	212
Veterans medical care copayments	125	131	138	145	152
SBA loan guarantee[1]	86	96	96	96	96
Hard rock mining claim holding	80	80	80	80	80
SEC registration	68	71	73	76	79
FCC licensing and service	65	65	65	65	65
CFTC contract trading	48	51	55	59	63
FEMA regulation of emergency plans	10	10	10	10	10
FCC spectrum auction	—	—	800	1,200	500
Subtotal, discretionary	943	955	1,775	2,192	1,512
Mandatory:					
Elk Hills naval petroleum reserve lease	1,191	–139	–120	–113	–95
Veterans loan origination[1]	122	106	101	101	98
Corps of Engineers recreation site	20	20	20	20	20
Agricultural Marketing Service	13	16	16	17	18
Federal Grain Inspection Service	8	8	8	8	8
Forest Service recreation site	8	8	8	8	8
Pesticide reregistration	3	3	3	3	3
Arctic National Wildlife Refuge leasing	—	1,901	1	1,201	1
Subtotal, mandatory	1,364	1,922	36	1,244	59
Total	2,306	2,876	1,811	3,436	1,571

[1] Savings from credit fees reflect a reduction in subsidy outlays, rather than increased collections.

mining law administration program and finance the collection of the fee itself.

- *Securities and Exchange Commission.*—Increase the registration fee from 1/50 to 1/32 of 1 percent of the dollar value of the offering.
- *Federal Communications Commission (FCC).*—Increase existing licensing and service fees from commercial users. A portion of this increase would be dedicated to the expansion of FCC services.
- *Commodities Futures Trading Commission.*—Establish a transaction fee of 13 cents per contract traded on commodity futures and options exchanges.
- *Federal Emergency Management Agency (FEMA).*—Establish fees to cover costs incurred by FEMA (acting as the Nuclear Regulatory Commission's agent) in regulating the evacuation and emergency preparedness plans of nuclear power plants.
- *FCC spectrum auction.*—Approximately 30 megahertz of radio spectrum which the Government currently uses or has reserved would be freed up for private users, whom the FCC will reassign from other frequencies. The spectrum vacated by those private users would be reassigned through auctions beginning in 1994.

Mandatory.—The following mandatory user fee and other offsetting collection proposals create savings for purposes of pay-as-you-go enforcement.

- *Elk Hills naval petroleum reserve.*—The Administration proposes to lease this oil field which is presently operated by the Department of Energy. Bonus payments of $1.0 billion in 1992 and $0.4 billion annually from 1993 through 1996 plus annual royalty payments would more than offset the loss of annual receipts for oil sales that would otherwise be collected by the Government. Under this leasing proposal, discretionary funds that would otherwise have to be appropriated for this program would not be needed.
- *Veterans loan origination.*—Make permanent the .625 percent loan origination fee increase that was enacted as part of OBRA 1990 and is scheduled to expire September 30, 1991. OBRA 1990 effectively raised the origination fee for a no-downpayment loan from 1.25 percent to 1.875 percent. In addition, non-active duty military personnel who use the program more than once would pay a 2.5 percent fee for each additional loan. Savings reflect a reduction in the VA credit subsidy outlays, rather than increased collections.
- *Corps of Engineers.*—Expand the types of user fees collected to include those for day use of developed recreational sites and for all overnight camping sites.
- *Forest Service.*—Expand the types of facilities and services for which fees may be charged at national forest recreation sites. Collections would be dedicated to increased rehabilitation and reconstruction of existing trails and facilities.
- *Agricultural Marketing Service.*—Establish fees paid by local market committees for administrative support provided by the Government for marketing agreements and orders which help stabilize commodities markets. Additionally, establish user fees for tobacco news reports, for the development and assistance of grading standards, and for the

statistical and economic analysis of commodity markets.

- *Federal Grain Inspection Service.*—Establish user fees for standardization and quality assurance activities that support the fee-funded weighing and grain inspection services.
- *Environmental Protection Agency.*—Remove the cap on the amount that may be collected from any one registrant under the existing user fees for pesticide reregistration.
- *Arctic National Wildlife Refuge leasing.*—Certain of these lands would be made available for oil and gas leasing. Receipts from the first lease sale would be in 1993 and the second in 1995.

Detailed Receipts Tables.—A detailed report of governmental receipts by source is presented in Table X–7. Offsetting receipts by type are detailed in Table X–8.

Table X–7. **RECEIPTS BY SOURCE**

(In millions of dollars)

Source	1990 actual	1991 estimate	1992 estimate
Individual income taxes:			
Federal funds:			
Withheld	390,473	415,710	443,146
Other	149,189	155,925	168,327
Refunds	–72,251	–79,362	–84,242
Proposed legislation	—	363	2,288
Total Federal funds net individual income taxes	467,411	492,635	529,518
Trust funds (Catastrophic health insurance)	–527	—	—
Total net individual income taxes	**466,884**	**492,635**	**529,518**
Corporation income taxes:			
Federal funds:			
Existing law	109,556	113,638	122,122
Refunds	–16,510	–18,092	–19,737
Proposed legislation	—	—	–866
Total Federal funds net corporation income taxes	93,046	95,546	101,519
Trust funds:			
Existing law (Hazardous substance superfund)	461	320	394
Refunds	—	—	—
Total Trust funds net corporation income taxes	461	320	394
Total net corporation income taxes	**93,507**	**95,866**	**101,913**
Social insurance taxes and contributions (trust funds):			
Employment taxes and contributions:			
Old-age and survivors insurance (Off-budget)	255,031	269,477	284,865
Disability insurance (Off-budget)	26,625	28,810	30,389
Hospital insurance	68,556	74,037	81,474
Proposed legislation	—	—	1,234
Railroad retirement:			
Social Security equivalent accout	1,387	1,450	1,485
Rail pension fund	2,292	2,400	2,426
Total employment taxes and contributions	353,891	376,175	401,873
On-budget	(72,235)	(77,888)	(86,619)
Off-budget	(281,656)	(298,287)	(315,254)
Unemployment insurance:			
State taxes deposited in Treasury [1]	15,967	15,603	17,186
Federal unemployment tax receipts [1]	5,356	5,297	5,427
Railroad unemployment tax receipts [1]	199	196	139

Table X–7. **RECEIPTS BY SOURCE—Continued**

(In millions of dollars)

Source	1990 actual	1991 estimate	1992 estimate
Proposed legislation	—	–11	2
Railroad debt repayment [1]	112	109	109
Total unemployment insurance	21,635	21,194	22,863
Other retirement contributions:			
Federal employees' retirement—employee contributions	4,405	4,469	4,511
Contributions for non-Federal employees [2]	117	117	116
Total other retirement contributions	4,522	4,586	4,627
Total social insurance taxes and contributions	**380,047**	**401,955**	**429,363**
On-budget	(98,392)	(103,668)	(114,109)
Off-budget	(281,656)	(298,287)	(315,254)
Excise taxes:			
Federal funds:			
Alcohol taxes:			
Distilled spirits	3,807	4,177	4,324
Beer	1,680	1,909	2,012
Wines	267	1,408	1,894
Special taxes in connection with liquor occupations	131	131	131
Proposed legislation	—	—	57
Refunds	–190	–188	–185
Total alcohol taxes	5,695	7,437	8,233
Tobacco taxes:			
Cigarettes	4,014	4,556	4,718
Cigars	40	40	35
Cigarette papers and tubes	2	2	2
Smokeless tobacco	24	24	24
Other	8	8	8
Refunds	–7	–7	–7
Total tobacco taxes	4,081	4,623	4,780
Manufacturers' excise taxes:			
Firearms, shells, and cartridges	98	100	103
Pistols and revolvers	41	44	46
Bows and arrows	13	14	15
Gas guzzler	90	175	198
Motor boat	1	110	132
Refunds	–11	–33	–33
Total manufacturers' excise taxes	232	410	461
Miscellaneous excise taxes:			
General and toll telephone and teletype service	2,995	3,251	3,174
Wagering taxes, including occupational taxes	9	10	10

Table X–7. **RECEIPTS BY SOURCE—Continued**

(In millions of dollars)

Source	1990 actual	1991 estimate	1992 estimate
Employee pension plans	200	184	184
Tax on foundations	180	189	198
Foreign insurance policies	103	98	100
Ship departure tax	5	9	11
Ozone depletion tax	360	1,250	1,136
Luxury tax	—	252	403
Refunds	–25	–20	–10
Total miscellaneous excise taxes	3,827	5,223	5,206
Undistributed Federal tax deposits and unapplied collections	1,756	3,224	3,525
Total Federal fund excise taxes	15,591	20,918	22,206
Trust funds:			
Highway:			
Gasoline	9,371	11,778	12,234
Trucks, buses, and trailers	1,112	1,049	1,379
Tires, innertubes, and tread rubber	255	315	328
Diesel fuel used on highways	3,240	3,631	3,822
Use-tax on certain vehicles	584	580	598
Fines	7	4	4
Refunds	–701	–540	–589
Total highway trust fund	13,867	16,817	17,776
Airport and airway:			
Transportation of persons	3,219	4,359	4,932
Waybill tax	181	236	262
Tax on fuels	140	139	149
International departure tax	178	254	273
Refunds	–18	–24	–31
Total airport and airway trust fund	3,700	4,964	5,585
Aquatic resources trust fund	218	150	154
Black lung disability insurance trust fund	665	627	649
Inland waterway trust fund	63	60	70
Hazardous substance superfund trust fund	818	816	815
Oil spill liability trust fund	143	243	240
Post-closure liability trust fund	–1	–12	—
Vaccine injury compensation fund	159	118	124
Leaking underground storage tank trust fund	122	109	149
Total trust fund excise taxes	19,754	23,892	25,562
Total excise taxes	**35,345**	**44,810**	**47,768**
Estate and gift taxes	**11,500**	**12,241**	**13,265**
Customs duties and fees:			
Federal funds	16,497	17,142	18,614
Trust funds	210	556	681
Total customs duties and fees	**16,707**	**17,698**	**19,295**
Miscellaneous receipts: [3]			
Miscellaneous taxes	117	152	158
Deposit of earnings, Federal Reserve System	24,319	23,384	20,741
Fees for permits and regulatory and judicial services:			
Immigration, passport, and consular fees	282	305	373
Patent and copyright fees	1	*	*
Registration and filing fees	472	517	524
Coal mining reclamation fees	242	241	248
Miscellaneous fees for permits, licenses, etc	3	21	41
Miscellaneous fees for regulatory and judicial services	148	213	292
Fees for legal and judicial services	107	42	42
Total fees for permits and regulatory and judicial services	1,254	1,340	1,520
Fines, penalties, and forfeitures	1,492	1,217	1,353
Restitutions, reparations, and recoveries under military occupation	13	2	2
Gifts and contributions	123	91	82
Refunds and recoveries	–2	50	50
Total miscellaneous receipts	**27,316**	**26,236**	**23,907**
Total budget receipts	**1,031,308**	**1,091,440**	**1,165,029**
On-budget	(749,652)	(793,153)	(849,775)
Off-budget	(281,656)	(298,287)	(315,254)
MEMORANDUM			
On-budget:			
Federal funds	634,107	667,924	712,365
Trust funds	255,182	273,050	293,446
Interfund transactions	–139,638	–147,821	–156,036
Total on-budget	749,652	793,153	849,775
Off-budget (trust funds)	281,656	298,287	315,254
Total	**1,031,308**	**1,091,440**	**1,165,029**

* $500 thousand or less.

[1] Deposits by States are State payroll taxes that cover the benefit part of the program. Federal unemployment tax receipts cover administrative costs at both the Federal and State level. Railroad unemployment tax receipts cover both the benefits and administrative costs of the program for the railroads.

[2] Represents employer and employee contributions to the civil service retirement and disability fund for covered employees of Government-sponsored, privately owned enterprises and the District of Columbia municipal government.

[3] Includes both Federal and trust funds. Trust fund amounts in miscellaneous receipts are: 1990, $233 million; 1991, $242 million; and 1992, $242 million.

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Table X–8. **OFFSETTING RECEIPTS BY TYPE**

(In millions of dollars)

Type	1990 actual	1991 estimate	1992 estimate
INTRAGOVERNMENTAL TRANSACTIONS			
Intrabudgetary transactions:			
Federal intrafund transactions:			
Distributed by agency:			
Interest from the Federal Financing Bank	13,731	16,137	18,552
Interest on Government capital in enterprises	4,061	4,211	3,470
Other	107	1,774	974
Total Federal intrafunds	17,899	22,123	22,995
Trust intrafund transactions:			
Distributed by agency	65	1	1
Total intrafund transactions	17,964	22,124	22,996
Interfund transactions:			
Distributed by agency:			
Federal fund payments to trust funds:			
Contributions to insurance programs:			
Military retirement fund	10,596	10,782	11,402
Supplementary medical insurance	33,210	34,730	37,724
Hospital insurance	798	601	748
Railroad social security equivalent fund	2,568	2,804	2,932
Rail industry pension fund	181	97	196
Civilian supplementary retirement contributions	17,989	18,830	19,724
Unemployment insurance	317	327	427
Other	138	417	441
Miscellaneous payments:			
Other	309	1,040	225
Subtotal	66,107	69,628	73,819
Trust fund payments to Federal funds:			
Repayment of loans or advances to trust funds	2,577	2,594	2,774
Charges for services to trust funds	145	210	208
Other	257	644	598
Subtotal	2,979	3,448	3,579
Total interfunds distributed by agency	69,086	73,076	77,398
Undistributed by agency:			
Employer share, employee retirement (on-budget):			
Civil service retirement and disability insurance	5,953	6,409	6,897
Hospital insurance (contribution as employer)[1]	1,780	1,821	1,926
Military retirement fund	16,324	16,254	16,161
Other Federal employees retirement	79	80	178
Total employer share, employee retirement (on-budget)	24,135	24,565	25,163
Interest received by on-budget trust funds	46,416	50,179	53,476
Total interfund transactions undistributed by agency	70,552	74,745	78,638
Total interfund transactions	139,638	147,821	156,036
Total intrabudgetary transactions	157,602	169,944	179,032

Table X–8. **OFFSETTING RECEIPTS BY TYPE—Continued**

(In millions of dollars)

Type	1990 actual	1991 estimate	1992 estimate
Payments by on-budget accounts to off-budget accounts:			
Interfund transactions:			
Distributed by agency:			
Federal fund payments to trust funds:			
Old-age, survivors, and disability insurance	4,707	5,527	5,847
Undistributed by agency:			
Employer share, employee retirement (off-budget)	5,567	5,827	6,231
Interest received by off-budget trust funds	15,991	20,164	23,733
Total payments by on-budget accounts to off-budget accounts	26,266	31,518	35,811
Payments by off-budget accounts to on-budget accounts:			
Intrafund transactions from off-budget accounts:			
Distributed by agency:			
Payments to railroad retirement[2]	3,049	3,583	3,339
Total Intrafund transactions from off-budget accounts	3,049	3,583	3,339
Interfund transactions from off-budget accounts:			
Distributed by agency:			
Interest payments to the Treasury	1,082	400	—
Undistributed by agency:			
Employer contributions to FHI	373	388	420
Retirement contributions	3,536	4,584	5,003
Total payments by off-budget accounts to on-budget accounts	8,040	8,955	8,762
Intratrust transactions between off-budget accounts:			
Distributed by agency:			
Total intragovernmental transactions	**191,908**	**210,417**	**223,606**
PROPRIETARY RECEIPTS FROM THE PUBLIC			
Distributed by agency:			
Interest:			
Interest on loans, Foreign Assistance Act	346	301	269
Other interest on foreign loans and deferred foreign collections	868	931	961
Interest on deposits in tax and loan accounts	1,362	1,380	1,150
Other interest (domestic—civil)[3]	336	270	490
Total interest	2,912	2,882	2,870
Rents:			
Rent and bonuses from land leases, etc	10	42	44
Rent of land and other real property	36	47	48
Rent of equipment and other personal property	11	14	14
Total rents	57	103	106
Royalties	883	1,089	1,038

Table X–8. **OFFSETTING RECEIPTS BY TYPE—Continued**

(In millions of dollars)

Type	1990 actual	1991 estimate	1992 estimate
Sale of products:			
Sale of timber and other natural land products	1,349	1,296	1,288
Sale of minerals and mineral products	576	654	524
Sale of power and other utilities	775	799	987
Sale of other products [3]	4	*	*
Recovery of mint manufacturing expense	52	141	61
Total sale of products	2,756	2,890	2,860
Fees and other charges for services and special benefits:			
Medicare premiums and other charges (trust funds)	11,245	11,834	12,984
Nuclear waste disposal revenues	576	563	564
Veterans life insurance (trust funds)	398	402	371
Other	2,848	2,937	3,303
Total fees and other charges	15,068	15,735	17,222
Sale of Government property:			
Sale of land and other real property [3]	92	109	109
Sale of equipment and other personal property:			
Military assistance program sales (trust funds)	10,293	10,300	10,000
Sale of scrap and salvage material	90	83	—
Total sale of Government property	10,474	10,492	10,109
Realization upon loans and investments:			
Dollar repayments of loans, Agency for International Development	452	430	449
Foreign military credit sales	232	231	384
Negative loan subsidies	—	—	376
Dollar conversion of foreign currency	26	26	26
Repayment of loans to United Kingdom	94	96	98
Other [3]	193	195	199
Total realization upon loans and invesments	997	977	1,532

Table X–8. **OFFSETTING RECEIPTS BY TYPE—Continued**

(In millions of dollars)

Type	1990 actual	1991 estimate	1992 estimate
Recoveries and refunds [3]	510	930	1,105
Miscellaneous receipt accounts [3]	1,373	1,853	2,000
Total proprietary receipts from the public distributed by agency	35,031	36,952	38,841
Undistributed by agency:			
Other interest: Interest received from Outer Continental Shelf escrow account	2	—	—
Rents and royalties on the Outer Continental Shelf:			
Rents and bonuses	712	1,102	468
Royalties	2,292	2,627	2,219
Sale of major assets	—	—	85
Other undistributed offsetting receipts	—	—	1,191
Total proprietary receipts from the public undistributed by agency	3,006	3,729	3,963
Total proprietary receipts from the public [4]	**38,038**	**40,681**	**42,804**
OFFSETTING GOVERNMENTAL RECEIPTS			
Defense cooperation	—	15,000	—
Total offsetting receipts	**229,945**	**266,098**	**266,409**

* $500 thousand or less.

[1] Includes provision for covered Federal civilian employees and military personnel.

[2] Interchange receipts between the social security and railroad retirement funds place the social security funds in the same position they would have been if there were no separate railroad retirement system.

[3] Includes both Federal funds and trust funds.

[4] Consists of:

	1990 actual	*1991 estimate*	*1992 estimate*
Federal funds	14,545	16,824	17,892
Trust funds	23,493	23,857	24,914
Off-budget	*	—	—