

T08-0101
Senator John McCain's Tax Proposals
Impact on Tax Revenue, 2009-18¹

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	Total 2009-18
(1) Make permanent all provisions of the 2001 and 2003 tax cuts other than estate tax repeal, including the reduced marginal tax rates, the marriage penalty relief, and the expanded child credit.	0.0	-9.6	-132.0	-178.9	-195.7	-213.3	-224.2	-229.8	-236.5	-243.5	-1,663.7
(2) Index AMT exemption for inflation permanently, increase by inflation plus 5% annually beginning in 2014 until the joint exemption surpasses \$143,000, and allow personal nonrefundable credits against the AMT.	-22.7	-61.1	-71.9	-84.1	-97.9	-113.1	-131.9	-152.8	-175.1	-199.0	-1,109.5
(3) Increase estate tax exemption to \$5 million (unindexed), cut rate to 15%.	0.0	-13.8	4.5	-36.5	-39.5	-43.2	-46.9	-50.5	-54.6	-58.4	-338.7
(4) Increase dependent exemption by \$500 annually between 2010 and 2016 and index for inflation thereafter. Accelerate increase for joint tax units.	0.0	-5.4	-9.6	-12.7	-15.9	-20.4	-25.1	-29.8	-32.1	-33.9	-185.0
(5) Reduce corporate income tax rate to 30% in 2010-11, 28% in 2012-13, 26% in 2014, and 25% thereafter.	0.0	-47.3	-47.5	-71.2	-65.1	-87.3	-99.1	-102.0	-105.5	-109.8	-734.7
(6) Repeal domestic production activities deduction.	5.6	8.0	9.6	10.1	10.4	10.3	10.3	10.6	11.1	11.5	97.6
(7) Allow expensing of all 3-year and 5-year business equipment. Deny interest deductions for expensed equipment. Sunset after 2013.	-40.4	-22.0	-14.7	-9.5	-5.9	34.6	19.5	11.6	6.6	2.2	-18.0
(8) Permanently extend and modify the R&D credit.	-7.1	-9.1	-10.6	-11.8	-12.8	-13.9	-15.0	-16.2	-17.5	-19.0	-133.1
(9) Eliminate corporate welfare, including oil company loopholes. Unverifiable campaign-provided revenue estimate	22.5	31.2	33.0	34.7	36.3	37.9	39.6	41.3	43.1	45.0	364.8
Total of all provisions	-42.1	-129.0	-239.2	-360.0	-386.0	-408.4	-472.9	-517.6	-560.5	-604.8	-3,720.5
Addenda:											
Total of all provisions fully phased in	-120.7	-177.7	-292.6	-399.1	-423.8	-463.8	-500.4	-534.1	-571.4	-611.6	-4,095.3
Net revenue impact against tax cuts extended, AMT-patched baseline	9.4	-50.6	36.7	0.3	-2.4	-1.0	-39.8	-56.5	-69.7	-79.5	-253.3
Net revenue impact against tax cuts extended, AMT-patched baseline fully phased in	-69.3	-99.2	-16.7	-38.9	-40.2	-56.5	-67.4	-73.0	-80.6	-86.3	-628.2
Federal tax revenue as a share of GDP under the proposal	18.6	17.9	18.0	18.0	17.8	17.8	17.6	17.6	17.6	17.6	17.8
Federal tax revenue as a share of GDP under the proposal fully phased in	18.1	17.6	17.6	17.7	17.6	17.5	17.5	17.5	17.6	17.6	17.6

Source: Urban-Brookings Tax Policy Center Microsimulation Model (version 0308-5), various JCT scores, the fiscal year 2009 Treasury blue book, and CBO's most recent budget projections.

(1) Estimates incorporate a 0.3 elasticity of taxable income with respect to the marginal tax rate on ordinary income, a long-run elasticity of capital gains realizations with respect to the maximum tax rate on capital gains of slightly less than 0.3, and an additional short-term shifting of realizations around the time of the tax rate change. Corporate income and estate tax estimates are static (they do not include a behavioral response) and estate tax estimates do not include any effects on the gift tax or income tax. Official estimates from the Joint Committee on Taxation would likely differ.