

Table T09-0207
Revenue Raising Options
Impact on Tax Revenue (\$ billions), 2010-19 ¹

	Fiscal Year										2010-19 ²
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	
<u>Current Law Baseline</u>											
Option 1: Replace Itemized Deductions with 15 Percent Nonrefundable Credit	16.7	141.1	130.3	141.4	152.0	161.9	171.3	180.6	190.4	200.8	1,486.6
Option 2: Replace Itemized Deductions with 15 Percent Refundable Credit	11.6	112.6	115.7	124.6	132.7	139.4	145.5	152.3	159.9	168.5	1,262.7
Option 3: Increase Social Security Payroll Tax Rate by 1 Percent ³	80.0	101.4	98.8	102.7	108.0	112.9	117.7	122.4	127.3	132.1	1,103.4
Option 4: Eliminate Social Security Earnings Cap	53.9	83.8	84.4	87.2	93.1	98.4	103.1	108.7	113.1	118.8	944.4
Option 5: Index Individual Income Tax Using CPI - 1% ⁴	3.6	7.8	14.5	20.1	25.6	30.1	35.6	40.9	48.3	53.8	280.3
<u>Administration Baseline ⁵</u>											
Option 1: Replace Itemized Deductions with 15 Percent Nonrefundable Credit	16.3	124.0	104.2	114.4	124.1	133.1	141.3	149.3	157.7	166.2	1,230.4
Option 2: Replace Itemized Deductions with 15 Percent Refundable Credit	12.1	93.2	80.5	90.0	98.6	106.2	113.0	119.4	126.2	133.2	972.5
Option 3: Increase Social Security Payroll Tax Rate by 1 Percent ³	83.1	108.9	108.5	113.4	119.2	124.6	130.0	135.2	140.7	146.2	1,209.8
Option 4: Eliminate Social Security Earnings Cap	56.7	94.8	99.2	103.2	109.9	115.8	121.1	127.5	132.6	139.2	1,100.2
Option 5: Index Individual Income Tax Using CPI - 1% ⁴	5.6	10.3	19.1	27.3	36.2	44.6	55.3	66.6	81.0	94.4	440.5

Source: Urban-Brookings Tax Policy Center Microsimulation Model (version 0309-2).

(1) Estimates include microdynamic behavioral response. Estimates assume an elasticity of taxable income with respect to (1 - marginal rate) of 0.25; a labor supply response elasticity for changes in payroll tax rates of 0.1; and that increases in the employer share of payroll taxes are passed along to workers as lower nominal wages. The latter effect is assumed to occur gradually over the first three years of the proposal. Payroll and indexing options assume a 75-25 fiscal split; itemized deduction options assume a 20-80 split for the first year of the proposal and a 60-40 split for future years. All proposals are effective 01/01/10.

(2) Numbers might not add due to rounding.

(3) Proposal increases both the employee and employer rate by 1 percent.

(4) All individual income tax parameters that are currently indexed to inflation using the Consumer Price Index for All Urban Consumers (CPI-U) would instead be indexed using the CPI-U less 1 percentage point. All unindexed parameters would remain unindexed.

(5) Administration baseline extends all of the individual income tax provisions in EGTRRA and JGTRRA that are set to expire on 12/31/10; maintains the estate tax at its 2009 parameters; extends the 2009 AMT patch including the allowance of personal nonrefundable credits against the AMT, and indexes the AMT exemption, rate bracket threshold, and phase-out exemption threshold for inflation.