Tax Policy Center Annual Report: 2002
The Urban-Brookings
Tax Policy Center
2002 in Review

I. Objectives
II. Publications and Reports
III. Outreach
IV. Media Placement
V. Modeling Capabilities
VI. Fundraising

I. OBJECTIVES

The Urban-Brookings Tax Policy Center aims to provide independent analyses of current and longer-term tax issues and to communicate its analyses to the public and to policymakers in a timely and accessible manner. The Center combines top national experts in tax, expenditure, budget policy, and microsimulation modeling to concentrate on four overarching areas of tax policy that are critical to future debate:

• **Fair, simple, and efficient taxation:** Virtually everyone agrees that taxes should be simple, fair, and efficient. Disagreement arises over how to define and achieve those objectives. The TPC quantifies trade-offs among these goals and searches for reforms that increase simplicity, equity, and efficiency.

• **Social policy in the tax code:** Over the past decade, much of social policy has shifted from direct expenditures to tax subsidies. A full assessment of social policy as well as tax progressivity, marriage penalties, and related issues requires consideration of both tax and spending programs. The TPC is evaluating this revolution in tax and social policy.

• **Long-term implications of tax and budget choices:** Long-term projections paint a constrained picture of the nation’s fiscal prospects because of unfunded public obligations related to rising health care costs and the retirement of the baby boomer generation. The TPC examines the implications of current policies and proposed tax changes for future generations.

• **State tax issues:** State and local taxes play important roles in assisting low- and moderate-income families, attracting business development, and affecting the cyclical properties of the economy, and serve as a laboratory for different approaches to resolving tax and fiscal issues. The TPC builds on lengthy traditions at the Urban Institute and the Brookings Institution in examining state issues.
II. PUBLICATIONS AND REPORTS

Discussion Paper series: TPC working papers


Issues and Options series: TPC policy briefs


“Tax Facts” TPC’s semi-weekly column in Tax Analysts’ Tax Notes


Testimony


• “The Tax Treatment of Foreign Income.” William G. Gale before the House Committee on Ways and Means, Subcommittee on Select Revenue Measures. May 9, 2002.


• “Role of the Congressional Budget Office.” Rudolph G. Penner before the House Committee on the Budget. May 2, 2002.


Other publications, op-eds, and commentary


• “Harnessing the AMT.” Leonard E. Burman, William G. Gale, and Jeffrey Rohaly, Personal Finance, XXIX:19. October 9, 2002


Web site reports: TaxPolicyCenter.org

Revenue and Distribution Tables: Estimates of the impact of selected current and recent tax proposals on the distribution and level of tax revenues using the Tax Policy Center’s exclusive Microsimulation Model.

“Policy Notes”: Short commentaries and explanations of the latest tax developments


III. OUTREACH
Web site

The Tax Policy Center’s web site (www.taxpolicycenter.org) has recently been named a “Best Web site” by Forbes Magazine. The purpose of the TPC web site is to communicate the research of the Tax Policy Center in an accessible and timely manner. It serves the following functions:

- To be a resource for citizens, policy analysts, legislators, and the press looking for answers to specific questions about tax policy and related issues;
- To be a resource for people looking for current news and events about U.S. tax policy and related issues;
- To provide easy access to TPC papers and analysis;
- To disseminate the TPC Revenue and Distribution Estimates generated from our Microsimulation Model; and
- To distribute updates about TPC and its products through regular listserv announcements.

Our users differ in the ways they access our web site. We have four distinct target audiences: private citizens, press, legislators/policy analysts, and academics. Private citizens likely want to access information that directly affects them and may not understand the intricacies of tax structure. Members of the press are likely looking for concise descriptions and answers to specific questions about current policy issues. Legislative and policy analyst users likely want to access reports and commentary about tax model and budget proposals. Academics are interested in timely research and analysis of tax structures. The latter groups will benefit most from the microsimulation model, once posted as a web-based resource.

Tax Facts (Web)

“Tax Facts” provides tax information for citizens, policy analysts, legislators, and the press. Data are compiled from a variety of sources, including the Internal Revenue Service, the Joint Committee on Taxation, the Congressional Budget Office, the Department of the Treasury, the Federation of Tax Administrators, and the Organization for Economic Co-operation and Development. We also use data from our exclusive TPC Microsimulation model.

Listserv

The Tax Policy Center sends email announcements to our regular users about new research available online and upcoming TPC events. Users may sign themselves up on the web site and have the opportunity to unsubscribe at any time. We have received positive feedback from our users about the value of our web site and regular announcements. The TPC listserv had almost 1,800 users by the end of 2002 and the number of users continues to grow.

Public forums

November 14, 2002 National Tax Association Presidential Address
C. Eugene Steuerle presented “Some Future Directions for Public Finance”
October 18, 2002 Host: SOI Consultant Panel Meeting
September 18, 2002 Tax Economists Forum
Presentation: The Individual AMT
September 18, 2002 Press Briefing
The Individual AMT: Problems and Potential Solutions

IV. MEDIA PLACEMENT

TPC research and analysis has appeared in articles around the nation. Following is a selected list from 2002:

- **Washington Mulls How to Stimulate Economy**, *CNN* (December 31, 2002) by Brooks Jackson.
• Meet the Press, NBC News (November 10, 2002) with Tim Russert and Senator Trent Lott.

• Income tax cut? U.S. law has an alternative: Minimum levy, More families abroad are liable, International Herald Tribune (October 25, 2002) by Barbra D. Murray.

• Tax Report, Wall Street Journal (October 10, 2002) by Tom Herman.

• Class Warfare Gone Awry: The Alternative Minimum Tax Has Grown Out of Control, National Review (October 8, 2002) by Eric V. Schlecht.

• The Incredible Swelling Tax, Business Week (September 30, 2002) in Economic Trends.

• Alternative Tax Can Be a Big Blow to Many, Los Angeles Times (September 29, 2002) by Kathy M. Kristof.

• Stealth Income-Tax Hike Soon to Attack Middle Class, Newsday (September 26, 2002) editorial.

• ‘Minimum Tax’ Maximizes Pain, Saint Paul Pioneer Press (September 25, 2002) by Dave Beal.

• Bush Tax ‘Cuts’: a Dirty Deal for the Middle Class, Los Angeles Times (September 22, 2002) by John Balzar.


• ‘Alternative minimum’ Will Hit with a Wallop, Orlando Sentinel (September 22, 2002) by Myriam Marquez.


• Money & Markets, CNN Financial News CNNFN (September 19, 2002) with Kathleen Hays and Bruce Francis. Interview with Len Burman.

• Crossfire, CNN (September 19, 2002) with James Carville and Tucker Carlson.

• Tax Cut Benefits Disappearing, CNN / Money (September 19, 2002).

• Your World with Neil Cavuto, Fox News (September 19, 2002). Interview with Len Burman.

• Middle Class Cut out of Tax Benefit, The Hotline (September 19, 2002) by the National Journal Group, Inc.

• Marketplace, NPR Marketplace (September 19, 2002).

• Study Says Middle Class to Lose Much of Bush Tax Cut’s Benefit, New York Times (September 19, 2002) by David Cay Johnston.
V. MODELING CAPABILITIES

The Tax Policy Center developed a large-scale, state-of-the-art microsimulation model. We use the model to produce revenue and distribution estimates and information to support research and analysis. The model is similar to those used by the Congressional Budget Office (CBO), the Joint Committee on Taxation (JCT), and the Treasury’s Office of Tax Analysis (OTA).

The model is based on data from the 1996 public-use file produced by the Statistics of Income (SOI) Division of the Internal Revenue Service. The file contains 112,186 records with detailed information from federal individual income tax returns filed in the 1996 calendar year. In some cases, those data are augmented by imputations from other sources such as the Current Population Survey (CPS) of the U.S. Census Bureau supplement the SOI tax data. For example, we use information from the CPS to impute the ages of dependent children in order to model the child tax credit, which was enacted in 1997.

The tax model consists of two components: a statistical routine that “ages” or extrapolates the 1996 SOI data to create a representative sample of tax filers for future years, and a detailed tax calculator that computes the income tax liability for all filers in the sample under current law and under alternative policy proposals.

Much of our work in the first reporting period was devoted to development and improvement of this model. We will continue to update and expand the model.

VI. FUNDRAISING
The Tax Policy Center continues to raise funds in order to expand our current efforts. As of June, 2003, we had received support from foundations and organizations including AARP, Annie E. Casey Foundation, Charles Stewart Mott Foundation, Cummings Foundation, Ford Foundation, George Gund Foundation, Lumina Foundation, Open Society Institute, and the Robert Wood Johnson Foundation.