TAX REFORM FOR FAIRNESS, SIMPLICITY, AND ECONOMIC GROWTH

The Treasury Department Report to the President

Volume 1 Overview

Office of the Secretary
Department of the Treasury

November 1984

THE SECRETARY OF THE TREASURY

WASHINGTON D.C. 20220

November 27, 1984

Dear Mr. President:

I am pleased to submit the Treasury Department's Report on Fundamental Tax Simplification and Reform that you requested in your State of the Union address in January. It contains proposals for a broad-based income tax that would allow us to lower marginal tax rates for individuals by an average of 20 percent and the corporate rate from 46 percent to 33 percent. The proposals would make the tax system simpler, fairer, and more economically efficient.

The present U.S. income tax is complex, it is inequitable, and it interferes with economic choices of households and businesses. It is also widely perceived to be unfair. Because this perception undermines taxpayer morale, it may be as important as the actual defects of the system.

In your State of the Union address, you said:

> "To talk of meeting the present situation by increasing taxes is a Band-Aid solution which does nothing to cure an illness that has been coming on for half a century, to say nothing of the fact that it poses a real threat to economic recovery....
>
> There is a better way: Let us go forward with an historic reform for fairness, simplicity and incentives for growth. I am asking Secretary Don Regan for a plan for action to simplify the entire tax code so all taxpayers, big and small, are treated more fairly.... I have asked that specific recommendations, consistent with those objectives, be presented to me by December 1984."

Further we believe we have followed your mandate of May 1984 to design a sweeping and comprehensive reform of the entire tax code. The Treasury Department study focused on four options: a pure flat tax, a modified flat tax, a tax on income that is consumed, and a general sales tax, including a value-added tax and retail sales taxes.

The objectives of our study included: lower marginal tax rates; reduced interference with private economic decisions; simplicity; revenues equal to those of the existing tax system; fairness for families; equal treatment of all sources and uses of income; an unchanged distribution of tax burdens across income classes; and encouragement to economic growth.

We believe that our proposals for a modified flat tax best reconcile these competing objectives. They include some features that are similar to those in flat tax proposals that have been offered by members of Congress, but our proposals are much more comprehensive.

The adoption of these reforms should have far reaching and positive effects on the U.S. economy. Rate reductions of the magnitude we propose will open wide the doors of opportunity to those who are willing to work, to save and invest, and to innovate. With investment decisions being determined by economic consequences, rather than by the tax system, capital will be allocated more efficiently across industries, and growth will accelerate.

If tax reform is not adopted, the complexities, inequities, and distortions of the present system will increase and continue to hinder our nation's progress. Moreover, taxpayer morale will continue to deteriorate, and the so-called tax gap will grow.

The proposals presented in this Report form an integrated package. In some cases neutrality between competing industries can be achieved only if the special preferences benefitting each industry are eliminated. In other cases, changes are mutually dependent and must occur together to avoid inequities, distortions, and extraordinarily complex administrative rules and increased compliance costs to taxpayers. Most importantly, any change in the package inevitably means that the proposed rate structure must be redesigned in order to keep tax burdens constant -- in total and across income classes. Each credit, deduction or deferral of tax that is retained in current law means that tax rates higher than those proposed in the Report will be necessary to attain the same level of revenues. Moreover, if any special tax benefits are left intact, it will be more difficult to resist appeals by others for special treatment.

These proposals are bold, and they will be controversial. Those who benefit from the current tax preferences that distort the use of our nation's resources, that complicate paying taxes for all of us, and that create inequities and undermine taxpayer morale will complain loudly and seek support from every quarter. But a far greater number of Americans will benefit from the suggested rate reduction and simplification. The achievement of fundamental tax reform -- and the manifest benefits it would entail -- will require extraordinary leadership.

I am fully convinced that these proposals constitute the substance of tax simplification and reform that this nation so badly needs. I look forward to working with you and others to secure their enactment.

Respectfully,

Donald T. Regan

Donald T. Regan

The President
The White House
Washington, D.C. 20500

Summary of Proposals

Introduction

The present U.S. tax system desperately needs simplification and reform. It is too complicated, it is unfair, and it retards savings, investment, and economic growth.

Under the current progressive tax system, all taxpayers face higher marginal tax rates in order to make up for the revenue lost by numerous special preferences, exceptions, and tax shelters used by a relatively small number of taxpayers.

As a result, the tax system is complex and inequitable. It reduces economic incentives, hampers economic growth, and is perceived to be so unfair that taxpayer morale and voluntary compliance have been seriously undermined.

As requested by President Reagan in his 1984 State of the Union Address, the Treasury Department has completed a thorough review of the U.S. tax system. This summary outlines the Department's proposals for a fundamental reform and simplification of the income tax system which would raise approximately the same amount of revenues as current law with lower tax rates imposed on a broader tax base.

The Treasury Department is proposing a new income tax system which is broad-based, simple, and fair. It reflects the enormous public input generated by a series of public hearings held throughout the country.

The Treasury Department's recommendation reflects the broad political consensus of the American people that the present system is too complicated and favors special interests at the expense of the general public. While much more comprehensive and far-reaching than other proposals, it resembles several plans for tax reform advanced by members of Congress, especially the Kemp-Kasten and Bradley-Gephardt plans. This bipartisan congressional consensus augurs well for quick action by the Congress.

Tax Simplification and Reform for Individuals

The Treasury Department proposals combine lower tax rates, increased personal exemptions, and zero bracket amounts with the repeal or modification of a number of existing deductions, exclusions and credits. The proposal does not generally change the distribution of individual tax burden across income classes, though it does reduce tax burdens more than proportionally for taxpayers with the lowest incomes.

Rate Structure

The Treasury Department proposal replaces the present 14 brackets of tax rates ranging from 11 to 50 percent with a simple three-bracket system with tax rates set at 15, 25 and 35 percent. (See Tables S-1 and S-2.)

Fairness for Families

In order to provide greater fairness for families, the Treasury Department proposal will increase the personal exemption for all taxpayers and their dependents to $2,000 and increase the zero bracket amounts to $2,800 for singles, $3,800 for joint returns, and $3,500 for heads of households.

These adjustments will virtually eliminate from taxation families with incomes below the poverty level. The individual tax brackets, the personal exemption, and the zero bracket amount would continue to be indexed.

Impact on Individuals

Under the proposal, 78 percent of all taxpayers will experience either no tax change or a tax decrease, and 22 percent will face higher taxes. Of those facing a tax increase, more than half will experience a tax increase of less than one percent of income.

On average, marginal tax rates will be reduced by about 20 percent and individual tax liabilities will be reduced by an average of 8.5 percent. Because of the increased tax-free threshold, the average tax reductions are greater at the bottom of the income scale. Tax liabilities of families with incomes below $10,000 will be reduced by an average of 32.5 percent, and the reduction in taxes for families with incomes of $10,000 to $15,000 will be 16.6 percent.

Broadening the Base

In order to broaden the base, simplify the tax system, and eliminate special preferences and abuses, the Treasury Department proposals would modify or repeal a number of itemized deductions, exclusions, and special tax credits.

These changes generally involve special preferences which are not used by the majority of individual taxpayers and include various fringe benefits, wage replacement payments, preferred uses of income, business deductions for personal expenses such as entertainment, and other areas of abuse.

For most taxpayers who do itemize deductions, the marginal rate reductions and the increased personal exemption will offset the benefits lost from the various proposed reforms. However, those taxpayers who consistently make above-average use of deductions and exclusions to shelter their income in order to avoid paying a fair share of the tax burden will face an increase in taxes.

The Treasury Department proposal retains the existing itemized deductions above certain floors for medical expenses and for casualty losses.

The home mortgage interest deduction is retained for a taxpayer's principal residence. Certain other interest deductions, including consumer interest and interest on second homes, are allowed up to $5,000 in excess of investment income.

The itemized deduction for charitable contributions is retained, but allowed only for charitable contributions in excess of two percent of adjusted gross income.

The deduction for contributions to an Individual Retirement Account is retained and increased from $2,000 to $2,500 per employee. The current $250 spousal IRA limit would be increased to $2,500 for spouses working in the home.

The Social Security benefit exclusion, which generally excludes from taxation Social Security benefits, would be retained.

The existing child care credit would be replaced with a child care deduction.

The earned income tax credit would be retained and indexed for inflation.

A new, single credit for the elderly, blind and disabled would be provided, and the current exclusions for workers' compensation, and for black lung and certain veterans' disability payments would be folded into the credit.

The two-earner deduction, no longer necessary under the revised rate brackets, would be repealed.

The current exclusions for employer-provided pension and profit-sharing plans are retained as are the treatment of certain hard-to-value fringe benefits specifically addressed in the Deficit Reduction Act of 1984.

The exclusion of health insurance benefits would be retained, but capped at $70 per month for singles and $175 per month for a family. This change would affect only about 30 percent of all employees with such plans.

The special exclusion of group-term life insurance and the special treatment of cafeteria plans would be repealed, as would the exclusion of other employer-provided fringe benefits, such as educational benefits, legal services, and dependent care.

The tax-exempt threshold for unemployment compensation, currently set at $18,000 for a joint return, would be repealed. It is not fair that those receiving unemployment compensation pay no tax, while those with equal incomes who work pay tax. With the personal exemption and zero bracket amount increased to $11,800 for a family of four, the impact of this change on low and moderate income taxpayers would be minimal.

Itemized deductions for all state and local taxes would be repealed. These deductions are claimed on only a minority of tax returns, and disproportionately benefit higher income individuals in high-tax states and localities.

The use of business deductions for personal expenses would be curtailed. Deductions for entertainment would be denied, and deductions for business meals would be limited.

Income Distribution

The Treasury Department proposals are designed to be basically neutral from a distributional point of view. The table below shows that the distribution of individual income tax burdens does not differ significantly from that under current law.

	Percent of Total Income Taxes Paid	
Income Class (000)	Current Law	Treasury Proposal
$ 0-10	0.5%	0.3%
10-15	1.8	1.6
15-20	3.3	3.1
20-30	10.3	10.2
30-50	24.3	24.1
50-100	32.8	33.1
100-200	12.3	12.6
200+	14.9	15.0

Average Tax Rates

The proposed tax reforms will reduce individual tax liabilities for all income classes by an average of 8.5 percent. However, those at the bottom of the income scale will receive substantial tax reductions, and those with incomes up to $50,000 will experience above-average reductions in tax liability, as the following table shows.

Average Tax Rate by Income Class

Income Class (000)	Current Law	Treasury Proposal	Change
$ 0-10	1.4%	0.9%	-32.5%
10-15	3.2	2.7	-16.6
15-20	4.6	4.0	-12.1
20-30	6.2	5.7	- 9.1
30-50	7.8	7.0	- 9.3
50-100	9.4	8.7	- 7.4
100-200	13.2	12.3	- 6.4
200+	20.9	19.3	- 8.0

Marginal Tax Rates

The Treasury proposal would reduce marginal tax rates by an average of nearly 20 percent. Although marginal tax rates are reduced by a larger percent for those at the top, these income groups will experience smaller than average tax reductions, as shown in the preceding table. Marginal tax rates fall furthest at the top of the income distribution because that is where the tax base is increased by the largest fraction.

Marginal Tax Rate by Income Class

Income Class (000)	Current Law	Treasury Proposal	Change
$ 0-10	4.2%	3.7%	-11.9%
10-15	9.4	8.5	- 9.6
15-20	12.4	11.0	-11.3
20-30	16.0	14.0	-12.5
30-50	20.9	16.5	-21.1
50-100	27.6	22.1	-19.9
100-200	37.5	30.5	-18.7
200+	46.1	33.2	-28.0

Tax Simplification

The Treasury proposal repeals or consolidates about 65 provisions in the tax Code. It eliminates the need for at least 16 tax forms and 10 lines from the 1040 form.

The proposed changes will reduce the number of individual taxpayers who itemize their deductions from 36 percent to fewer than 25 percent of all individual taxpayers.

In addition, the Internal Revenue Service is proceeding to develop a return-free tax system. Under such a system, the IRS would, at the election of the taxpayer, compute the tax liability of most taxpayers based on withholding and information reports. Institution of a return-free tax system could eliminate the actual filing of tax returns for half or more than half of all taxpayers.

Reform of Capital and Business Income

The taxation of capital and business income in the United States is deeply flawed. It lacks internal consistency, and it is ill-suited to periods when inflation rates have varied and been unpredictable. It contains subsidies to particular forms of investment that distort choices in the use of the nation's scarce capital resources. It provides opportunities for tax shelters that allow wealthy individuals to pay little tax, undermine confidence in the tax system, and further distort economic choices. Equity investment in the corporate sector is placed at a particular disadvantage by the double taxation of dividends. Resulting high marginal tax rates discourage saving, investment, invention, and innovation. Moreover, high marginal rates encourage efforts to obtain additional special tax benefits which, if successful, further erode the tax base and necessitate higher rates in a never-ending cycle.

The Treasury Department's tax reforms would rationalize the taxation of income from business and capital. An overriding objective is to subject real economic income from all sources to the same tax treatment.

Implementation of the reforms proposed by the Treasury Department would cause improved reallocations of economic resources. The lower tax rates made possible by base-broadening and the more realistic rules for the measurement of income and calculation of tax liabilities will increase the attractiveness of industries that suffer under the weight of the current unfair and distortionary tax regime. Both established industries and new "high-tech" industries will benefit from tax reform. But the ultimate beneficiaries will be the American public. No longer will the nation's scarce economic resources--its land, its labor, its capital, and its inventive genius--be allocated by the tax system, instead of by market forces. The result will be more productive investment, greater opportunities for employment, more useful output, and faster economic growth.

Lower Corporate Tax Rates

The Treasury Department's proposals would allow the corporate tax rate to be reduced to 33 percent. All corporations would be subject to this single rate, which is 2 percentage points below the proposed top individual rate.

Capital Gains

Capital gains on assets held for at least a prescribed period have long benefitted from preferential tax treatment. Partial exclusion of capital gains has been justified by the need to avoid taxing fictitious gains that merely reflect inflation.

The Treasury Department approach to the inflation problem is more direct--and therefore more equitable and more neutral. Under it the basis (original cost) of assets used in calculating gains would be adjusted for inflation, so that only real gains would be subject to tax. With this inflation adjustment and a rate structure with only a few wide income brackets in place, there would be little need for preferential tax treatment of realized capital gains. Investment in capital assets will continue to enjoy the substantial benefits of deferral of tax until gains are realized. At even moderate rates of inflation, the taxation of real gains as ordinary income at the proposed rates is more generous than the taxation of nominal gains at the current preferential rates. The reduced rates proposed in this report would alleviate any problems of lock-in and bunching.

Capital Consumption Allowances

The investment tax credit (ITC) and the accelerated cost recovery system (ACRS) were introduced to stimulate investment and prevent capital consumption allowances from being eroded by inflation. Since the present tax system does not adjust the basis of depreciable assets for inflation, these provisions were required to prevent confiscatory taxation of income from capital.

At the lower rates of inflation prevailing today, the ITC and ACRS allow investment in depreciable assets to be recovered far more rapidly than under a neutral system of income taxation. As a result, the tax system favors industries that invest heavily in depreciable assets such as equipment over others such as high technology industries, service industries, and the trade sector that invests more heavily in inventories.

Because the advantages of the ITC and ACRS are "front-loaded," these provisions are of relatively little value to new and rapidly growing firms or to ailing industries, neither of which can fully utilize their benefits. New firms are penalized and there are incentives for tax-motivated mergers. The result is reduced competitiveness and less incentive for innovation. The front-loading of tax benefits also leads to the proliferation of tax shelters, many of which are abusive and create severe administrative burdens for the Internal Revenue Service.

To assure that capital consumption allowances will be more nearly appropriate, regardless of the rate of inflation, the Treasury Department proposes that the investment tax credit be repealed, that the basis of depreciable assets be indexed for inflation, and that depreciation allowances for tax purposes be set to approximate economic depreciation.

Relief for Double Taxation of Dividends

Under present law equity income originating in the corporate sector is taxed twice--first as corporate profits and then as dividends. This double taxation of dividends discourages saving and discriminates against investment in the corporate sector. The Treasury Department proposes that the United States do what many other developed countries do, continue to levy the corporate income tax on earnings that are retained, but provide partial relief from double taxation of dividends. The proposal allows corporations to deduct a portion of the dividends paid out of previously-taxed earnings.

Subsidies for Specific Industries

Certain industries benefit from special tax preferences that have no place in a comprehensive income tax. These include the energy and financial sectors. Moreover, the exclusion of interest on bonds issued by state and local governments for private purposes detracts from the fairness of the tax system, as well as distorting capital flows.

Energy

To be consistent with the goal of increased reliance on free-market forces underlying both this Administration's energy policy and these proposals for fundamental tax reform, the Treasury Department proposes that expensing of intangible drilling costs and percentage depletion should be replaced by cost depletion. The proposed rules are identical to proposed changes in the general rules for income measurement for all multi-period production, which require cost capitalization in order to match deductions with taxable receipts.

Consistent with our objective to make the tax system neutral, the Treasury Department proposes to accelerate the phase-out of the Windall Profits Tax to 1988.

Financial Institutions

The Treasury proposal repeals the preferential tax treatment available to most types of financial institutions. Besides being unfair and distortionary, relative to the taxation of the rest of the economy, these tax preferences create distortions within the financial sector that are inconsistent with the Administration's efforts to deregulate financial markets. Equity and neutrality demand that all financial institutions be taxed uniformly, on all of their net income. These special preferences are especially inappropriate in a world in which the corporate tax rate is lowered and both individuals and other corporations are taxed more nearly on their economic income.
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State and Local Government Bonds

Interest on debt issued by state and local governments for public purposes, such as schools, roads and sewers ("public purpose municipal bonds"), has long been exempt from tax. State and local governments have recently expanded the use of tax-exempt bonds in ways that do not have any "public" purpose. Proceeds from tax-exempt bonds have been used for economic development (via industrial development bonds or IDBs), for low-interest mortgages on owner-occupied housing, for student loans, and for private hospital and educational facilities. In addition, state and local governments have routinely invested proceeds of tax-exempt bonds in higher-yielding taxable securities to earn arbitrage profits.

The Treasury Department proposal would subject to tax the future issuance of all "private purpose" tax-exempt bonds and tighten the restrictions on arbitrage.

The elimination of private purpose bonds should be of financial benefit to state and local governments. Reducing the volume of tax-exempt bonds will improve the market for public purpose bonds, thus reducing interest costs to governments.

Curtailment of Tax Shelters

As a result of the growth in tax shelter activity, there has been a significant erosion in the base of the Federal income tax, particularly among taxpayers with the highest incomes. Estimates from the 1983 Treasury individual tax model indicate that partnership losses may shelter as much as $35 billion of all individual income from taxation. Roughly 82 percent of this total, or $28.6 billion in partnership losses were reported by taxpayers with gross incomes (before losses) of $100,000 or more, and 60 percent, or $21.0 billion, were reported by taxpayers with incomes in excess of $250,000. By comparison, these groups reported 9 percent and 4 percent, respectively, of all gross income before losses reported by individuals.

Several of the Treasury Department's proposals--for example, lower tax rates, taxation of real capital gains as ordinary income, capital consumption allowances that approximate economic depreciation, indexing of net interest expense, matching expenses and receipts from multiperiod production, and tax treatment of certain large partnerships as corporations--will greatly reduce the attractiveness of tax shelters. Yet opportunities for tax shelters will remain, and several proposals are being made to further reduce these opportunities.

Table S-1

Comparison of Tax Rates Under Current Law and Proposal for 1986

Single Returns			Head of Household Returns			Joint Returns		
Taxable income	Marginal tax rate: Current Law 1/	Marginal tax rate: Proposal	Taxable income	Marginal tax rate: Current Law 1/	Marginal tax rate: Proposal	Taxable income	Marginal tax rate: Current Law 1/	Marginal tax rate: Proposal
	(percent)			(percent)			(percent)	
Less than $ 2,800	0-11	0	Less than $ 3,500	0-11	0	Less than $ 3,800	0-11	0
$2,800 to 19,300	11-23	15	$3,500 to 25,000	11-24	15	$3,800 to 31,800	11-25	15
$19,300 to 38,100	23-38	25	$25,000 to 48,000	24-35	25	$31,800 to 63,800	25-38	25
$38,100 or more	38-50	35	$48,000 or more	35-50	35	$63,800 or more	38-50	35

Office of the Secretary of the Treasury
Office of Tax Policy

1/ Estimated.

Table S-2

Comparison of Tax Rates Under Current Law and Proposal for 1986

Single Returns			Head of Household Returns			Joint Returns		
	Marginal tax rate			Marginal tax rate			Marginal tax rate	
Taxable income	Current Law 1/	Proposal	Taxable income	Current Law 1/	Proposal	Taxable income	Current Law 1/	Proposal
Less than $2,510	0		Less than $2,510	0		Less than $3,710	0	
2,510 - 3,710	11	0	2,510 - 4,800	11	0	3,710 - 6,000	11	0
3,710 - 4,800	12		4,800 - 7,090	12		6,000 - 8,290	12	
4,800 - 7,090	14		7,090 - 9,490	14		8,290 - 12,990	14	
7,090 - 9,280	15		9,490 - 12,880	17		12,990 - 17,460	16	
9,280 - 11,790	16	15	12,880 - 16,370	18	15	17,460 - 22,040	18	15
11,790 - 14,080	18		16,370 - 19,860	20		22,040 - 26,850	22	
14,080 - 16,370	20		19,860 - 25,650	24		26,850 - 32,630	25	
16,370 - 19,860	23		25,650 - 31,430	28		32,630 - 38,410	28	
19,860 - 25,650	26	25	31,430 - 37,210	32	25	38,410 - 49,980	33	25
25,650 - 31,430	30		37,210 - 48,780	35		49,980 - 65,480	38	
31,430 - 37,210	34		48,780 - 66,130	42		65,480 - 93,420	42	
37,210 - 45,290	38		66,130 - 89,270	45		93,420 - 119,390	45	
45,290 - 60,350	42	35	89,270 - 118,190	48	35	119,390 - 117,230	49	35
60,350 - 89,270	48		118,190 or more	50		177,230 or more	50	
89,270 or more	50							

Office of the Secretary of the Treasury
Office of Tax Analysis

November 26, 1984

1/ Estimated.

Comparison of Current Law and Treasury Proposal Highlights

	1986 Current Law	Treasury Proposal
INDIVIDUAL TAX RATES	14 rate brackets from 11 to 50%	3 rate brackets 15, 25 & 35%
EXEMPTIONS		
Self, spouse	$1,090	$2,000
Dependents	$1,090	$2,000
ZERO BRACKET AMOUNT		
Single	$2,510	$2,800
Joint	$3,710	$3,800
Heads of Household	$2,510	$3,500
INDEXED RATE BRACKETS, EXEMPTIONS AND ZBA	Yes	Yes
PERSONAL DEDUCTIONS		
Mortgage Interest	Yes	Yes, for principal residences
Other personal interest	Yes	Limited to $5,000 over investment income
Medical expenses	Yes (above 5% of AGI)	Yes (above 5% of AGI)
Charitable contributions	Yes	Yes (above 2% of AGI) but no deduction for unrealized gains on contributed property.
State and local income tax	Yes	No
Other State and local taxes	Yes	No, unless incurred in income-producing activity.
Two-earner deduction	Yes	No
OTHER INDIVIDUAL ITEMS		
Earned Income Credit	Yes	Yes, indexed
Child Care Credit	Yes	Deduction
Unemployment Compensation	Taxed if AGI over $12,000 ($18,000 if married)	Taxed
Workers' Compensation	Not taxed	Taxed, but eligible for special credit for elderly and disabled
Entertainment expenses	Deducted	No
Business Meals and Travel Expenses	Deducted	Capped
Income shifting to children and via trusts	Permissible	Curtailed

RETIREMENT SAVINGS		
IRA	$2,000	$2,500
Spousal IRA	$ 250	$2,500
Corporate pensions	Tax deferred	Tax deferred
Social Security	Generally not taxed	Generally not taxed
FRINGE BENEFITS		
Health insurance	Excluded	Capped Exclusion
Group life and legal insurance	Excluded	Taxed
CAPITAL AND BUSINESS INCOME		
Corporate Tax Rates	Graduated, up to 46%	33% flat rate
Dividend relief	$100/200 exclusion	Exclusion repealed; 50% dividend-paid deduction
Depreciation	ACRS	Economic depreciation, indexed
Investment Tax Credit	6% - 10%	Repealed
Capital gains	60% excluded	Indexed, taxed as ordinary income
Interest income/expense	Fully taxed/deducted	Indexed, partially excludable/nondeductible
Rehabilitation and energy credits	Yes	No
Inventory accounting		
LIFO conformity required	Yes	No
FIFO	Not Indexed	Indexed
Uniform production Cost rules	No	Yes
Bad debt reserve deduction	Yes	No
Installment sales	Deferral	No deferral if receivables pledged
OIL INDUSTRY		
Percentage depletion	Yes	No; Indexed cost depletion
Expensing of intangible drilling costs	Yes	No
Windfall profits tax	Yes	Accelerate phase-out
FINANCIAL INSTITUTIONS		
Special bad debt deduction	Yes	No
Deduction for interest to carry tax-exempts	Yes	No
Exemption of credit unions	Yes	No
Deferral for life insurance investment income and annuity income	Yes	No
MUNICIPAL BONDS		
Public purpose	Tax-exempt	Tax-exempt
Private purpose	Tax-exempt	Taxed