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Statement of Administration Policy-Office of Management and Budget

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EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET

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To: Alexis Herman 62983

Number of pages (including cover sheet):

From: Christopher Edley, Jr.
Associate Director for General Government and Finance

Comments:

EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

February 21, 1995
(House)

STATEMENT OF ADMINISTRATION POLICY

(THIS STATEMENT HAS BEEN COORDINATED BY OMB WITH THE CONCERNED AGENCIES.)

<u>H.R. 831 -- Permanently Extend the Tax Deductibility for Health Insurance Costs for Self-Employed Individuals</u>
(Archer (R) TX and 3 others)

As stated previously, the Administration supports the primary purpose of H.R. 831 -- to extend permanently the 25 percent tax deduction for health insurance premiums for self-employed individuals.

The Administration opposes one of the bill's offsets -- i.e., the outright repeal of the current tax treatment for the sale of radio and television broadcast facilities and cable television systems to minority-owned businesses. The Administration has expressed its willingness to work with Congress to review what actions are necessary to ensure proper use of the provision but continues to oppose its outright repeal.

The Administration will work with the Congress to identify appropriate offsets to extend this important health insurance tax deduction.

<u>Scoring for Purposes of Pay-As-You-Go</u>

H.R. 831 would affect receipts; therefore, it is subject to the pay-as-you-go requirement of the Omnibus Budget Reconciliation Act (OBRA) of 1990.

The Administration's preliminary scoring estimates of this bill are presented in the table below. Final scoring of this legislation may deviate from these estimates. If H.R. 831 were enacted, final OMB scoring estimates would be published within five days of enactment, as required by OBRA. The cumulative effects of all enacted legislation on direct spending and receipts will be reported to Congress at the end of the congressional session, as required by OBRA.

PAY-AS-YOU-GO ESTIMATES
(Receipts in millions)

	1995	1996	1997	1998	1999	2000	1995-2000
SE Tax	-493	-437	-474	-516	-563	-613	-3,096
FCC	+399	+449	+213	+220	+226	+233	+1,740
EITC	--	+ 14	+277	+295	+309	+332	+1,227
Other	+ 12	+ 31	+ 34	+ 37	+ 40	+ 43	+ 197
Totals	- 82	+ 57	+ 50	+ 36	+ 12	- 5	+ 68

(Note:

SE Tax = 25 percent tax deduction for self-employed persons.

FCC = Repeal of current tax treatment on sale of broadcast facilities to minority-owned businesses.

EITC = Modification of the Earned Income Tax Credit.

Other = Change in Section 1033 of the Internal Revenue Code.)

* * * * * * *

(Do Not Distribute Outside Executive Office of the President)

This position was developed by LRD (Pellicci) in consultation with LA (Lew/Konigsberg), HP (Min/Miller), HR (Apfel/Cash), EP (Lyon), TCJS (Edley/Neihardt), BASD (Balis), OIRA (Sunderhauf), and the White House Office of Policy Development (Jennifer Klein). The Departments of the Treasury (Karen Dorsey), Health and Human Services (Klepner), and Commerce (Barry Bird) and the FCC (per Bob Peck), and SBA (Rainnie Dean) have no objection to the proposed statement. The Office of the White House Counsel, the Departments of Justice and Labor and the NEC and CEA did not respond.

Background

The Tax Reform Act of 1986 (P.L. 99-514) provided a 25 percent tax deduction for health insurance costs for self-employed individuals. This deduction has been extended numerous times, most recently through December 31, 1993. Last year, the Administration proposed to extend the 25 percent tax deduction, followed by an increase in the deduction to 100 percent, in the Health Security Act. Because health care reform was not enacted in 1994, the tax deduction was not extended. According to the Treasury Department, almost 3.2 million self-employed individuals would claim the 25 percent deduction on their 1994 tax returns if it were made available to them.

Administration Statements to Date on Issues in H.R. 831

Tax deduction for self-employed individuals. On January 27, 1995, Treasury Assistant Secretary for Tax Policy Les Samuels addressed this deduction in a statement submitted for the record to the House Ways and Means Subcommittee on Health. The statement expressed the Administration's support for restoring and extending the tax deduction for health insurance premiums for self-employed individuals. Assistant Secretary Samuels further stated that the Administration would work with Congress "to find a way to restore this deduction without increasing the Federal budget deficit."

FCC certificate program for minority ownership ("Section 1071 benefits"). On January 27th, Treasury Tax Legislative Counsel Kohl, in testimony before the House Ways and Means Subcommittee on Oversight, reiterated the Administration's position on the Section 1071 benefits. He stated that the Administration would consider "whether a cap or other limitations on Section 1071 benefits would be necessary and appropriate to target more precisely this tax provision to its desired objective."

Description of the Major Provisions of H.R. 831

As reported by the House Committee on Ways and Means on February 14th, H.R. 831 would make permanent the 25 percent tax deduction for health insurance costs for self-employed individuals. The bill would be retroactive to tax year 1994.

To offset the more than $3 billion loss in revenues associated with the tax deduction, H.R. 831 would repeal Section 1071 of the Internal Revenue Code, which allows sellers of FCC-licensed broadcast properties to defer taxes on gains realized in a sale to minority ownership. In addition, H.R. 831 would put new restrictions on the Earned-Income Tax Credit (EITC) to exclude from receiving the credit taxpayers who have aggregate interest and dividend income exceeding $3,150. The tax credit would be phased down for taxpayers with aggregate interest and dividend income between $2,500 and $3,150. The EITC provision is similar to one proposed in the President's FY 1996 Budget. The President's Budget included a $2,500 cutoff.

Pay-As-You-Go Scoring

According to BASD (Stigile/Barth/Balis), H.R. 831 would both increase and decrease receipts. Therefore, it is subject to the pay-as-you-go requirement of OBRA 1990. CBO (according to Melissa Sampson) is using Joint Committee on Taxation (JCT) scoring for H.R. 831. JCT estimates H.R. 831 would increase receipts by $10 million for the period 1995 through 2000.

LEGISLATIVE REFERENCE DIVISION
02/15/95 -- 5:20 p.m.

The White House
Office of Public Liaison

Alexis M. Herman, Director
Phone (202) 456-2930
Fax (202) 456-6218

Facsimile Transmittal Sheet

Number of Pages (Including Cover) 2

To Debbie Fine

Fax Number 6-2983

Office Number

Date

From Denise Orloff

********** COMMENTS **********

Here is the participant list for the working session. I will send it on to the guy.

- Denise

060210

WELFARE REFORM WORKING SESSION
JANUARY 28, 1995

PARTICIPANT LIST

Sen. John B. Breaux	(D-LA)	[Sen. Daschle-designate]
Sen. Barbara A. Mikulski	(D-MD)	[Sen. Daschle-designate]
Sen. Edward M. Kennedy	(D-MA)	Ranking Member Senate Labor and Human Resources Committee
Sen. Daniel Patrick Moynihan	(D-NY)	Ranking Member Senate Finance Committee
Sen. Charles E. Grassley	(R-IA)	[Sen. Dole-designate]
Sen. Hank Brown	(R-CO)	[Sen. Dole-designate]
Sen. Nancy Landon Kassebaum	(R-KS)	Chairman Senate Labor and Human Resources Committee
Sen. Bob Packwood	(R-OR)	Chairman Senate Finance Committee
Rep. Richard A. Gephardt	(D-MO)	Minority Leader
Rep. Harold E. Ford	(D-TN)	[Minority Leader-designate]
Rep. William L. Clay	(D-MO)	Ranking Member House Economic and Educational Opportunities Committee
Rep. Sam M. Gibbons	(D-FL)	Ranking Member House Ways and Means Committee
Rep. Dave Camp	(R-MI)	[Rep. Gingrich-designate]
Rep. Tim Hutchinson	(R-AR)	[Rep. Gingrich-designate]
Rep. Jan Meyers	(R-KS)	[Rep. Goodling-designate]
Rep. E. Clay Shaw	(R-FL)	[Rep. Archer-designate]
Gov. Howard Dean	(D-VT)	
Gov. Tommy G. Thompson	(R-WI)	
Gov. Arne H. Carlson	(R-MN)	
Gov. Mel Carnahan	(D-MO)	
Gov. Thomas R. Carper	(D-DE)	
Gov. John M. Engler	(R-MI)	

Wayne Bryant, Member, New Jersey State Assembly
Yvonne Brathwaite Burke, Chair, L.A. County Board of Supervisors
James Lack, State Senator, New York
Greg Lashutka, Mayor of Columbus, Ohio
Michael Pappas, Freeholder, Somerset County (New Jersey)
Joe Serna, Jr., Mayor of Sacramento, California

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