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General Economy 1/99 - 7/99 [binder]: Minimum Wage

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April 26, 1999

MEMORANDUM FOR GENE SPERLING

FROM: CARL HAACKE

SUBJECT: Minimum wage update

LEGISLATIVE UPDATE

- *Senate:* Sen. Kennedy is still looking for the latest moving vehicle. He is also looking for other vehicles so that he can find the soonest possible opportunity to raise the issue.
- *House:* Rep. Bonior's staff are still meeting with Blue Dog Democrats to maintain pressure and build support for the Kennedy/Bonior bill. Enclosed are estimates by the Labor Department for various increase levels beginning at various points in time. These scenarios are each part of the discussion about how to move forward on minimum wage that Bonior's staff is resisting. In opposition,
 - Rep. John Shimkus (R-IL) is also proposing raising the minimum wage by \$1.00 over 5 years, possibly allowing this to slide to 4 years. DoL is currently working on estimates for the Shimkus proposal.
 - The Quinn proposal to index the minimum wage after increasing it by \$1.00 over three years does not appear to be active. There continues to be the outstanding question about whether to index and at what level, but there have been no additional proposals.

House Republicans are seeking a number of tax provisions in exchange for joining Democrats on minimum wage. The conversations are open-ended exploration. The provisions most commonly discussed are:

- Extending the research and experimentation tax credit for an additional year after it expires June 30, 1999. Estimated cost: \$2.1 billion.
- Making the Work Opportunity Tax Credit permanent. Estimated cost: \$415 million.
- Lowering the FUTA tax from 0.8 percent to 0.6 percent. Estimated cost: \$1.4 billion.

Provisions that are being rumored as possible attachments to minimum wage

Proposal	Descriptions	Estimated Cost	Comments
Wages paid to tipped employees	Maintain amount employers must pay tipped employers at \$2.15.		1) Oppose.
Small business equipment deduction	Accelerate \$17,500 to \$25,000 increase in allowable first year deduction for equipment purchased by small businesses. \$25,000 deduction to be allowed in 2003 per 1996 MW act.	1999: \$19,000 2000: \$20,000 2001: \$24,000 2003: \$25,000 (?)Estimated 5 year revenue loss in 1996 was \$1.6 billion	1) How this is accelerated has big impact. Get more details.
R&D experimentation tax credit	Extend Credit for research and experimentation, due to expire June 30, 1999, for one year. (Our budget extends through June 30, 2000) Credit was extended in through May 31, 1997 in 1996 MW Act.	\$2.1 billion loss over five years from 1 year extension.	1) OK for permanent extension.
WOTC	Make permanent. Due to expire June 30, 1999. Our proposal is to extend to June 30, 2000.	\$415 million loss over five years from 1 year extension.	1) OK for permanent extension
Self-employed health insurance deduction	Accelerate 100% health deduction for self-employed, currently due to occur in 2005.	\$2.5 billion over 5 years ?	1) Not great, but just acceleration OK. 2) Cost a factor.
FUTA tax	Reduce FUTA tax from 0.8 percent to 0.6 percent.	\$1.3 – \$1.6 billion.	1) Very expensive. 2) Policy problems ?
Tax Deduction for business meals	Increase somehow- once was 100%, now 50%. They want 80%.	\$3 billion	1) Oppose
Subchapter S corporations	Raise ceiling on number allowed on board to qualify ?		??

Inside sales overtime	Make salespeople who work inside exempt from overtime rules in FLSA, like door-to-door salespeople.		1) Oppose ?
Comp Time	Reduce overtime pay requirements by allowing workers to request comp time or request a more flexible schedule.		1) Oppose