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National Economic Council
Gene Sperling
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[Minimum Wage 10/00] [3]

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RESTRICTION CODES

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- b(6) Release would constitute a clearly unwarranted invasion of personal privacy [(b)(6) of the FOIA]
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- b(8) Release would disclose information concerning the regulation of financial institutions [(b)(8) of the FOIA]
- b(9) Release would disclose geological or geophysical information concerning wells [(b)(9) of the FOIA]

EXECUTIVE SUMMARY

- **Raising the Minimum Wage by $1 to $6.15 an Hour Would Potentially Benefit More than 10 Million American Workers—Most of Whom are Adult Workers.** An analysis of labor market data shows that in 1999, 10.1 million hourly paid workers made between $5.15 and $6.14 an hour, and thus would potentially benefit from a $1 increase in the minimum wage. About 69 percent of these workers are adults (age 20 or over), about 60 percent are women, about 45 percent worked full-time, and about 33 percent were parents with children under 18 years old. In 1997, the earnings of average minimum wage workers accounted for 54 percent of their family's total earnings.

- **Raising the Minimum Wage to $6.15 an Hour Would Restore the Real Value to What It Was in 1982.** Since it was first established in 1938, the minimum wage has been increased 19 times. Between January 1981 and March 1990, the minimum wage was fixed at $3.35 an hour, while prices rose by nearly 50 percent. The proposal to raise the minimum wage by $1 over two years would restore the real value of the minimum wage to what it was in 1982.

- **Increasing the Minimum Wage Would Help Hard-Pressed Families Pay for Groceries, Rent, and Other Necessities.** Raising the minimum wage from $5.15 to $6.15 would raise the annual earnings of a full-time worker by about $2,000 a year. A study of spending by low-income families found that they spend on average about $300 per month on groceries and about $400 per month on rent. Thus, for a full-time worker, the minimum wage increase would translate into enough money to pay for nearly 7 months of groceries or 5 months of rent.

- **Recent Increases in the Minimum Wage Had No Discernable Negative Effect on Employment.** Since the minimum wage increase in 1996, the economy has created more than 10 million jobs and the unemployment rate has fallen from 5.2 percent in September 1996 to 4.1 percent in February 2000, near its lowest level in thirty years. Labor market trends for workers most affected by the minimum wage increase—including younger workers, workers with lower educational levels, and minorities—also show no negative impact of the minimum wage on employment. Numerous careful economic studies, including ones by David Card and Alan Krueger, have shown that increasing the minimum wage has no negative effect on employment. Recent research has even suggested that higher wages can increase employment, because they increase employers' ability to attract, retain, and motivate workers. And they benefit workers by increasing the reward to work.

- **The Minimum Wage Plays a Key Role in Ensuring That All Workers Share in a Growing Economy.** In the last seven years, incomes have grown nearly as strongly at the bottom as at the top of the income distribution, ending a decades long increase in inequality. In contrast, in the previous two decades inequality widened, as poorer families saw their incomes decline in real terms. Research has shown that the decline in the real value of the minimum wage from 1979 to 1988 was responsible for approximately 24 percent of the increase in wage inequality experienced by men and about 32 percent of the increase in wage inequality for women.

- **The Minimum Wage Has Helped Reduce the Welfare Caseload.** By increasing the reward to work, a higher minimum wage attracts new workers into the workforce. An analysis by the Council of Economic Advisers showed that higher federal and state minimum wages were responsible for 10 to 16 percent of the decline in welfare caseloads between 1996 and 1998.

- **The Minimum Wage and the Earned Income Tax Credit Are Complementary.** A working parent with two children earning the minimum wage in 1993 made $10,563 with the EITC (in 1998 inflation-adjusted dollars)—well below the poverty line. With the 1993 increase in the EITC and the 90 cent increase in the minimum wage in 1996 and 1997, a comparably situated family in 1998 was above the poverty line—making $13,268—a 26 percent inflation-adjusted increase in its standard of living.

Tax Provisions Attached to the Minimum Wage Bill

	HOUSE		SENATE	
Minimum Wage / Small Business	**45**	**122**	**25**	**103**
Small Business	10	19	12	27
Pension Provisions	6	18	6	18
Estate	27	79	--	--
Talent-Watts	1	2	--	--
Real Estate	1	5	--	--
Long-term Care	--	--	7	58

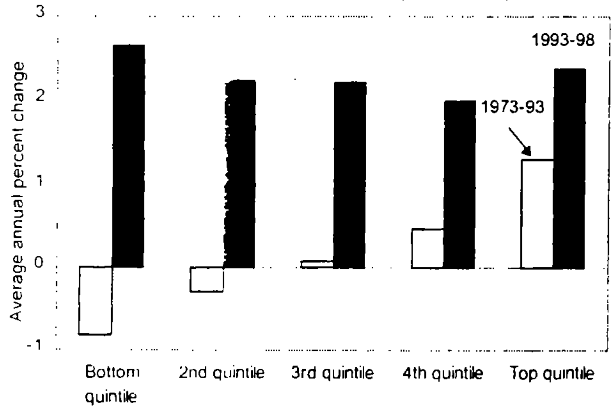
- Senate bill has a $1 increase over three years.
- House bill has a $1 increase over two years.

1. INTRODUCTION

The American economy is in the midst of the longest economic expansion in history. Since January 1993, the economy has created nearly 21 million new jobs. The unemployment rate in February 2000 was 4.1 percent, near its lowest level in three decades. The overall performance of the economy has only grown stronger over time. In the last four years, labor productivity has grown at a 2.9 percent annual rate and GDP has grown at a 4.4 percent annual rate. At the same time, the underlying core inflation rate in 1999 was 1.9 percent—the lowest rate since 1965.

In contrast to the previous twenty years, the strong economy of the last seven years has contributed to shared growth across all income groups and substantial poverty reduction. As indicated in Chart 1, incomes have grown nearly as strongly at the bottom as at the top of the income distribution, ending a decades long increase in inequality. The poverty rate has fallen to 12.7 percent, the lowest level since 1979. The strong labor market has been beneficial to people across the economic and demographic spectrum. In 1999, the unemployment rates for African Americans and Hispanics fell to the lowest levels ever recorded.

Chart 1: Growth in Mean Real Family Income by Quintile



Source: Department of Commerce (Bureau of the Census).

Strong growth is necessary but not sufficient to produce sustained income gains and poverty reduction. Also important are policies that insure that all workers are rewarded for their work. The Clinton Administration has consistently sought to make work pay through a range of policies, including expanding the Earned Income Tax Credit in 1993, reforming welfare in order to increase work incentives, and increasing investments in child care for working parents. And an additional key element was the 1996-97 increase in the minimum wage. These policies interact in a beneficial way for low-income families. For instance, a working parent with two children earning the minimum wage in 1993 made $10,563 with the EITC (in 1998 inflation-adjusted dollars), well below the poverty threshold. With the 1993 increase in the EITC and the 90 cent increase in the minimum wage in 1996 and 1997, a comparably situated family in 1998 was above the poverty level—making $13,268—a 26 percent inflation-adjusted increase in their standard of living.

This report examines the role that the minimum wage plays in increasing the reward to work and boosting incomes for workers at the bottom of the earnings distribution. The report also examines the recent evidence about the effect of the minimum wage on employment.

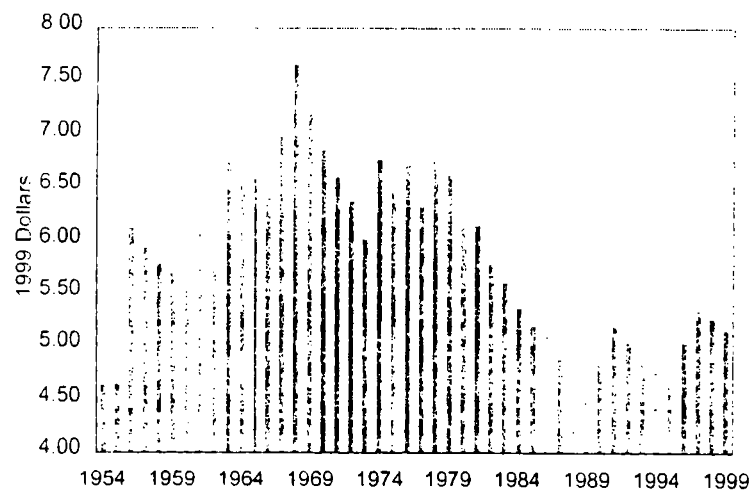
2. BACKGROUND ON THE MINIMUM WAGE

A federal minimum wage of 25 cents was first established as a part of the Fair Labor Standards Act of 1938 (FLSA). Since its inception, the federal minimum wage has been increased 19 times, and the FLSA has been amended numerous times to expand the workers covered by the minimum wage provision. In recent years, about two thirds of wage and salary workers have been covered by the FLSA minimum wage. (Workers who are exempt most often are in executive, administrative, and professional occupations.)

The federal minimum wage reached its highest value in real terms in 1968, at $7.67 in 1999 dollars (see Chart 2). With five increases during the 1970s, the minimum wage held its value at approximately $6.60. The last increase of the 1970s left the inflation-adjusted value at $6.66. From January 1981 through March 1990, the minimum wage was unchanged, while at the same time prices rose by nearly 50 percent. This eroded the real value of the minimum wage at the end of the 1980s to $4.50. The dollar level of the minimum wage was increased from $3.35 to $3.80 in 1990 and to $4.25 in 1991. In real terms the value of the minimum wage was still well below the 1968 peak.

Even with the modest inflation of the 1990s, the minimum wage lost value, falling to $4.65 in 1995. By 1996, the minimum wage adjusted for inflation was approaching a 40-year low. Inflation had largely wiped out the last increase in the minimum wage in 1990. In August 1996, Congress passed and President Clinton signed into law a two-step increase, lifting the minimum wage from $4.25 to $5.15. The first step of that increase went into effect October 1, 1996 and the second step on September 1, 1997. More recently, President Clinton proposed to increase the minimum wage by $1 over two years, raising it to $6.15. If the full increase were implemented in 2001, this would restore the real value of the minimum wage to its 1982 level, about 75 percent of the 1968 peak value.

Chart 2: Real Level of the Minimum Wage



Source Department of Labor (Bureau of Labor Statistics)

3. THE 1996-97 MINIMUM WAGE INCREASE

The $0.90 increase in the minimum wage in 1996 and 1997 is estimated to have benefited almost 10 million American workers.[1] This section examines the impact of this increase on employment and the distribution of wages.

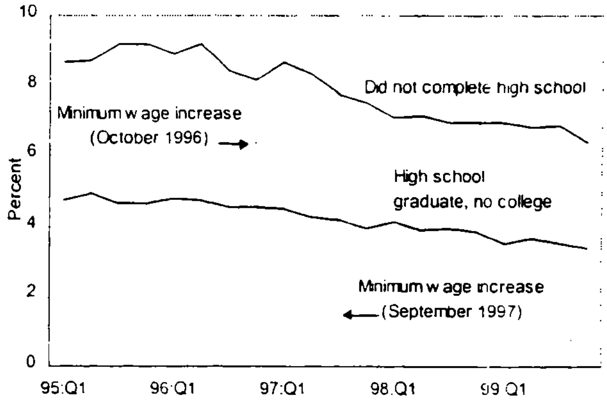
Effect on Employment

Since the 1996-97 increase in the minimum wage, the American economy—and labor markets in particular—have continued to perform very strongly. Between September 1996 and February 2000, 10.2 million jobs were created—an average of 248,000 per month, even stronger job growth than in the previous 2 years. In retail trade, which has a large concentration of minimum wage workers, there were 1.4 million new jobs. Over this same period the overall unemployment rate fell from 5.2 percent to 4.1 percent.

In addition, welfare rolls have declined 44 percent since welfare reform was enacted in August 1996. A report by the Council of Economic Advisers (1999) suggests that 10 to 16 percent of the welfare caseload decline from 1996 to 1998 was attributable to the increases in federal and state minimum wages. Other important factors were changes in welfare policy and the decline in unemployment.

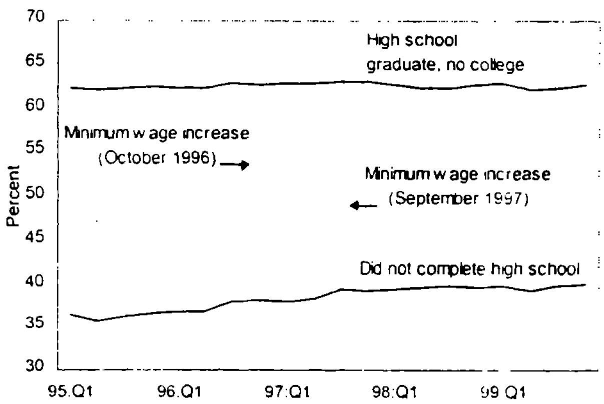
The strong labor market of the last four years, however, is not definitive proof that the minimum wage has no adverse effects on employment. Numerous other factors affect the job market, and workers paid at or near the minimum wage are a relatively small fraction of the overall workforce. A better test of the impact of minimum wage increases is the experience of workers most likely to be affected by the increases. An examination of data for these workers also shows no discernable negative effect of the last minimum wage increase. For example, adults (age 25 and above) with lower levels of education generally have relatively low wages. As Chart 3 indicates, though, quarterly unemployment rates have generally declined for both high school graduates with no college and those with less than a high school education. Chart 4 shows, similarly, that over the past five years the employment to population ratio generally held steady or increased for both groups of adults. No visible disruptions to these trends are apparent following either the 1996 or 1997 minimum wage increases. Comparable

Chart 3: Civilian Unemployment Rates by Education



Source: Department of Labor (Bureau of Labor Statistics)

Chart 4: Employment to Population Ratios by Education

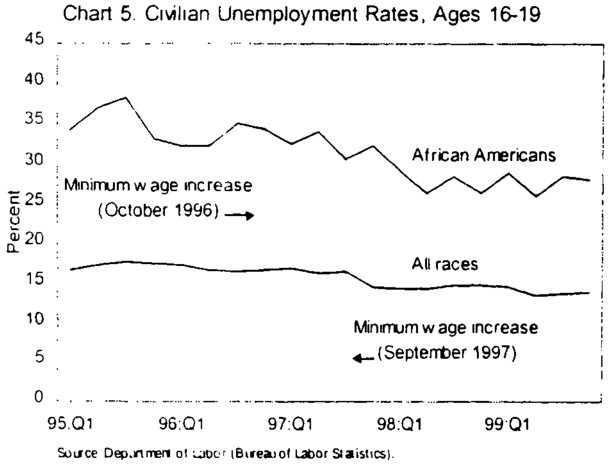


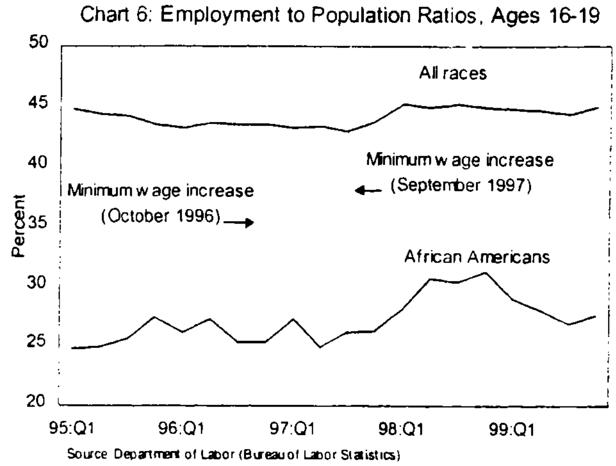
Source: Department of Labor (Bureau of Labor Statistics)

[1] See Bernstein and Schmitt (1998).

observations pertain for teenage workers in general, and for African American teens specifically (Charts 5 and 6).[2]

These data provide evidence that the minimum wage increase did not have a major negative effect on employment. Still, as suggestive as this evidence is, it does not provide rigorous statistical tests that control for the myriad of factors that affect employment. Section 5 reviews the evidence from recent economic studies.





Effect on Wages for Low-income Workers

Recent increases in the minimum wage in the U.S. have improved the distribution of wages at the low end of the distribution. Fortin and Lemieux (1997) demonstrate the importance of the minimum wage in boosting wages at the low end, and reducing wage inequality. They show that the decline in the real value of the minimum wage from 1979 to 1988 was responsible for approximately 24 percent of the increase in wage inequality experienced by men and about 32 percent of the increase in wage inequality for women. Card and Krueger (1995) conclude that the 1990-91 minimum wage increase reversed about 30 percent of the increase in wage inequality that occurred during the previous decade.

The effect of the recent minimum wage increase—in October 1996 and September 1997—on the wage distribution is clearly evident in wage data. Statistics tabulated from the Current Population Survey (CPS), show that in the first two quarters of 1996, when the federal minimum wage was $4.25, about 10 percent of all hourly wage workers earned less than $5.00.[3] The minimum wage increase (to $5.15) clearly increased wages in the low end of the distribution; by the first two quarters of 1998, the fraction of workers earning less than $5.00 declined to 2 percent.

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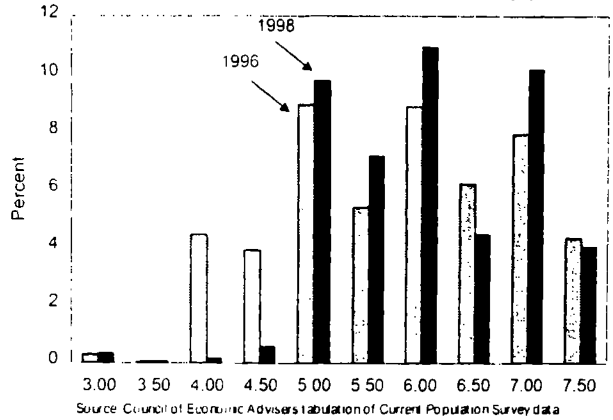
[2] One careful statistical analysis (Neumark, 1999) shows that the 1996-97 minimum wage increases had no effect on the general employment of 16-19 year olds.

[3] The analysis presented in this paper excludes salaried and other non-hourly workers. Research has shown, however, that a relatively smaller number and share of salaried workers and others not paid by the hour have earnings that, when translated into hourly rates, are at or below the minimum wage. BLS does not routinely estimate hourly earnings for nonhourly workers because of data concerns that arise in producing these estimates. See Haughen and Mellor (1990) for further information.

Chart 7 illustrates the effect of the 1996-97 minimum wage increases on the low end of the wage distribution ($3.00 to $7.99) for just one demographic group of interest, women who maintain families and have at least one child present in the household.[4] For 1996, the distribution of wages shows that a relatively small share of workers with hourly wages earn between $3.00 and $3.99.[5] In contrast, a substantial fraction earned between $4.00 and $4.49. (The chart shows the distribution by 50-cent increments.) This jump, of course, reflects the clustering of workers whose wages were at or near the minimum wage. The comparable distribution for 1998 indicates a shift that was clearly due to the change in minimum wage policy. In the first two quarters of 1996, about 9 percent of these women earned less than $5.00. By the first two quarters of 1998, this fraction declined to 2 percent.

Chart 7: Wage Distribution, $3.00 to $7.99, Women who Maintain Families with Children



At the same time, an increasing share of workers earned wages above $6 and $7, suggesting that the increase in the minimum wage had spillover benefits for workers above the minimum wage. Such spillover effects have been documented more formally in research by Grossman (1983), Katz and Krueger (1992), and Card and Krueger (1994).

4. RAISING THE MINIMUM WAGE TO $6.15: WHO IS DIRECTLY AFFECTED?

Raising the minimum wage from $5.15 to $6.15 would raise the annual earnings of a full-time worker by about $2,000 a year. A study of spending by low-income families found that they spend on average about $300 per month on groceries and about $400 per month on rent. Thus, for a full-time worker, the minimum wage increase would translate into enough money to pay for nearly 7 months of groceries or 5 months of rent. This section provides a detailed examination of the workers that would benefit from a further increase in the minimum wage.

Characteristics of Minimum Wage Workers in 1999

Evidence about workers who currently earn the minimum wage is available from unpublished tabulations provided by the Bureau of Labor Statistics (BLS) based on data from the CPS. In 1999, 72.3 million workers were paid at hourly rates, representing about 61 percent of wage and salary workers. It is estimated that 3.3 million workers—4.6 percent of all workers who are paid an hourly rate—earn a wage at or below the current $5.15 Federal minimum. Of these 3.3 million workers, about 1.1 million reported a wage at exactly $5.15, while the remainder, 2.2

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[4] A family maintained by a woman is one in which the householder (person in whose name the housing unit is rented or owned) is female, and no spouse is present. Here we examine such households when a child under 18 is present.
[5] The presence of workers with reported wages below the minimum wage does not necessarily indicate violations of the Fair Labor Standards Act. There are several reasons why the reported wage for a worker may be below the Federal minimum. First, certain workers are exempt from the minimum wage provisions of the law, including workers for whom tips might serve to supplement the hourly wages received. Second, there may be a misreporting or rounding in the survey responses. When the minimum wage is $5.15, for example, a large number of workers report a wage of exactly $5.00.

million, earned a wage less than $5.15. A study by Bernstein and Schmitt (1998) indicated that in 1997 the earnings of average minimum wage workers accounted for 54 percent of their family's total earnings.

Selected demographic and economic characteristics for these workers are presented in Table 1. The statistics indicate that about 70 percent of workers earning $5.15 or less were age 20 or older. 64 percent of these workers are women.

How Many Workers would be Affected by an Increase in the Minimum Wage?

Using the CPS data described above, it is possible to examine the number and characteristics of workers who would potentially receive a pay raise from a $1.00 increase in the federal minimum wage. Table 2 presents the number of individuals who currently have an hourly wage between $5.15 and $6.14. This table indicates that:

- There are approximately 10.1 million workers within this wage range—about 14 percent of all workers paid an hourly rate.
- 69 percent of the affected workers are adults age 20 or older.
- About 60 percent of these workers are women.
- 16 percent are African American and 20 percent are Hispanic.
- 37 percent are the household head or a spouse who contributes to family income.

Other respected studies have looked at the question of who would potentially benefit from an increase in the minimum wage, focusing on family and income characteristics. Some highlights from these studies are:

- Parents with children under 18 years old comprise almost 33 percent of those potentially affected. (Bernstein, Hartmann, and Schmitt, 1999).
- Over 50 percent of the proposed gains would go to households with incomes less than $25,000 per year. (Bernstein, Hartmann, and Schmitt, 1999).
- 45 percent of the gains go to families with incomes below 200 percent of the poverty level, and an additional 19 percent to families with income below 300 percent of the poverty level. (Burkhauser, 1999).

There are other workers who would also likely benefit from a $1.00 minimum wage increase in addition to those workers that report hourly wages between $5.15 and $6.14. As noted above, a number of the over 900,000 workers who report a $5.00 per hour wage are also likely to be workers currently at the minimum wage, but mis-reporting their earnings. There is also evidence, as discussed earlier, that workers who earn wages just above the new minimum can see their pay rise as a result of the minimum wage increase. To help gauge the size of this group in the event of a minimum wage increase to $6.15, Table 2 also presents the number of workers with hourly wages between $6.15 and $7.14. In 1999 there were approximately 8.4 million such workers, many of whom could indirectly benefit from a minimum wage increase.

Appendix A presents a breakdown of the number of workers that would benefit by state. While the most populous states would have the greatest number of workers in these wage categories (California, for example, has almost 1.5 million workers with wages between $5.15 and $6.14) the evidence suggests that thousands of workers in every state would potentially benefit from a $1.00 increase in the minimum wage.

Table 1. Employed Wage and Salary Workers Paid Hourly Rates with Earnings At or Below Minimum Wage, 1999

Characteristic	Number of workers (in thousands)		Percent distribution		Percent of workers in demographic group who earn $5.15 or less
	Total paid hourly rates	Paid $5.15 or less	Total paid hourly rates	Paid $5.15 or less	
Total, 16 years and over	72,306	3,340	100.0	100.0	4.6
AGE					
16 to 19 years	6,600	1,006	9.1	30.1	15.2
20 and over	65,706	2,334	90.9	69.9	3.6
SEX					
Men, 16 years and over	36,073	1,214	49.9	36.3	3.4
Women, 16 years and over	36,233	2,126	50.1	63.7	5.9
RACE AND HISPANIC ORIGIN					
White	58,999	2,698	81.6	80.8	4.6
African American	10,126	515	14.0	15.4	5.1
Hispanic	9,402	513	13.0	15.4	5.5
FULL- AND PART-TIME STATUS					
Full-time workers	54,931	1,320	76.0	39.5	2.4
Part-time workers	17,227	2,010	23.8	60.2	11.7
FAMILY RELATIONSHIP					
Husbands	17,609	242	24.4	7.2	1.4
Wives	16,996	622	23.5	18.6	3.7
Women who maintain families	5,395	288	7.5	8.6	5.3
Men who maintain families	1,815	50	2.5	1.5	2.8
Other persons	30,491	2,082	42	62	28

Note: Data exclude the incorporated self-employed. Detail for the above race and Hispanic-origin groups will not sum to totals because data for the "other races" group are not presented and Hispanics are included in both the white and black population groups. Also note that the distinction between full- and part-time workers is based on hours usually worked. These data will not sum to totals because full- or part-time status on the principal job is not identifiable for a small number of multiple jobholders.

Source: U.S. Department of Labor (Bureau of Labor Statistics), unpublished tabulations from the Current Population Survey, 1999 annual averages.

Table 2. Distribution of Wage and Salary Workers Paid Hourly Rates, 1999

Characteristic	Number of workers (in thousands)		Percent distribution		Percent of workers in demographic group who fall in wage category	
	$5.15 - $6.14	$6.15 - $7.14	$5.15 - $6.14	$6.15 - $7.14	$5.15 - $6.14	$6.15 - $7.14
Total, 16 years and over	10,093	8,370	100.0	100.0	14.0	11.6
AGE						
16 to 19 years	3,133	1,482	31.0	17.7	47.5	22.5
20 and over	6,960	6,888	69.0	82.3	10.6	10.5
SEX						
Men, 16 years and over	4,076	3,405	40.4	40.7	11.3	9.4
Women, 16 years and over	6,018	4,965	59.6	59.3	16.6	13.7
RACE AND HISPANIC ORIGIN						
White	8,027	6,668	79.5	79.7	13.6	11.3
African American	1,602	1,336	15.9	16.0	15.8	13.2
Hispanic	1,989	1,447	19.7	17.3	21.2	15.4
FULL- AND PART-TIME STATUS						
Full-time workers	4,563	5,301	45.2	63.3	8.3	9.7
Part-time workers	5,512	3,048	54.6	36.4	32.0	17.7
FAMILY RELATIONSHIP						
Husbands	851	990	8.4	11.8	4.8	5.6
Wives	1,821	1,962	18.0	23.4	10.7	11.5
Women who maintain families	855	807	8.5	9.6	15.8	15.0
Men who maintain families	171	167	1.7	2.0	9.4	9.2
Other persons	6,396	4,445	63	53	84	58

Note: Data exclude the incorporated self-employed. Detail for the above race and Hispanic-origin groups will not sum to totals because data for the "other races" group are not presented and Hispanics are included in both the white and black population groups. Also note that the distinction between full- and part-time workers is based on hours usually worked. These data will not sum to totals because full- or part-time status on the principal job is not identifiable for a small number of multiple jobholders.

Source: U.S. Department of Labor (Bureau of Labor Statistics), unpublished tabulations from the Current Population Survey, 1999 annual averages.

5. ECONOMIC RESEARCH ON THE EFFECT OF THE MINIMUM WAGE ON EMPLOYMENT

The impact of a moderate increase in the minimum wage on employment is a key question for policymakers. Clearly, while an increase in the minimum wage benefits those workers who receive it, some have raised concerns that these direct gains may be partially or fully offset if the minimum wage increase leads to greater unemployment among lower income workers. Section 3 discussed some of the aggregate evidence from the 1996-97 experience. This section discusses the economic theory and empirical evidence behind the effects of the minimum wage on employment.

Recent Economic Theory on the Impact of the Minimum Wage on Employment

The traditional economic theory of supply and demand predicts that an increase in the minimum wage above the market rate would increase the cost faced by employers, causing them to reduce employment. Recent theoretical analyses, however, have challenged this conventional wisdom, examining reasons why some employers may respond to a moderately higher minimum wage by expanding employment. Specifically, higher wages can help firms attract better workers, motivate them to work harder, and retain them for longer periods. (While firms always have the option of increasing their pay rate, some managers leave wages unchanged because of reluctance to increase average labor costs.) At least five papers—recently published in peer-reviewed economics journals—rigorously study this logic.[6] These papers show that a moderate minimum wage can have a positive effect on employment. In general, then, an increase in the minimum wage has an ambiguous effect on employment. The only way to determine the effect in practice is to look at the empirical evidence.

Recent Empirical Evidence on Employment Effects

In an important book, economists David Card and Alan Krueger (1995) provide a critical analysis of previous research, and present their own extensive exploration of the wide variation in minimum wages across states found in the late 1980s and early 1990s. Their work shows that there were no negative employment effects even for teenagers, the group for whom any disemployment effects should be most apparent. Similarly, their detailed analysis fails to find disemployment effects of a minimum wage in the retail trade or in employment of fast food restaurants. More recent studies confirm these results.

Employment in Fast Food Restaurants. To determine the impact of minimum wages on employment, one would like to gather data from firms prior to a minimum wage increase and see how firms adjust employment relative to other similar firms for which the minimum wage does not increase. New work by Card and Krueger (forthcoming) comes closest to doing this. In 1992, New Jersey imposed a higher minimum wage, and yet the neighboring state of Pennsylvania did not. And then in 1996 an increase in the federal minimum wage affected Pennsylvania but not New Jersey. These two episodes provide an experiment that can be used to infer the effects of a minimum wage increase on employment. Card and Krueger use the BLS's employer-reported payroll files from 1991 through 1997 to evaluate employment growth of fast

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[6] See Bhaskar and To (1999), Dickens, Machin, and Manning (1999), Lang and Kahn (1998), Manning (1995), and Rebitzer and Taylor (1995). Additional discussion of these models are found in Chapter 11 of Card and Krueger (1995).

food restaurants in New Jersey and nearby counties in Pennsylvania. They conclude that the minimum wage changes had very little (and possibly slightly positive) effect on employment.[7]

The British Experience. Dickens, Machin, and Manning (1999) studied the British experience with minimum wages. They found "...strong evidence that [minimum wages] compressed the distribution of earnings and no evidence that they have reduced employment."

6. CONCLUSION

The evidence is convincing that moderate increases in the minimum wage have provided meaningful additional earnings for many of America's most hard-pressed working families with no discernible negative employment effects. Increasing the minimum wage is one of the ways that government can help ensure that everyone continues to share in the benefits of growth. When the minimum wage was fixed from 1981 to 1990, the wages and incomes of poorer workers fell in real terms. Thanks to the 1996-97 minimum wage increase, today the minimum wage is helping to ensure that a single parent with two children does not have to raise his or her children in poverty.

The minimum wage is just one component of an overall strategy for insuring that all families benefit from the nation's economic growth. The President's proposed expansion in the Earned Income Tax Credit—to increase benefits for families with three or more children, reduce the marriage penalty, and reduce the phaseout rate—would enhance the value of a higher minimum wage, especially for families with more children and thus greater needs. At the same time, the President is committed to continuing to make important investments in people. Since 1993, the budget for education and training programs has nearly doubled and the President is proposing record increases for a number of key education programs, including Head Start, in his FY 2001 budget. Together, these policies are an investment in continued strong and shared economic growth.

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[7] While some critics of Card and Krueger expressed concern about their data collection, the most recent research uses BLS employment records and finds basically the same results.

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Appendix: Distribution of Wage and Salary Workers Paid Hourly Rates by State, 1999

	Number (in thousands)		Percent of All Wage and Salary Workers	
	$5.15 to $6.14	$6.15 to $7.14	$5.15 to $6.14	$6.15 to $7.14
Total	10,093	8,370	13.9	11.6
Alabama	202	146	18.1	13.1
Alaska	9	13	5.5	7.6
Arizona	200	157	15.2	11.9
Arkansas	130	101	20.9	16.2
California	1,463	1,023	17.4	12.1
Colorado	79	92	7.3	8.4
Connecticut	62	70	7.5	8.6
Delaware	22	21	10.8	10.0
DC	12	12	10.0	10.7
Florida	597	530	15.5	13.8
Georgia	267	248	13.1	12.3
Hawaii	47	29	15.0	9.4
Idaho	58	45	15.6	12.3
Illinois	428	354	13.2	10.8
Indiana	180	209	9.8	11.4
Iowa	103	91	11.2	9.9
Kansas	123	96	15.6	12.3
Kentucky	157	161	14.2	14.7
Louisiana	297	123	25.9	10.7
Maine	45	39	11.8	10.4
Maryland	125	137	9.5	10.5
Massachusetts	161	162	9.6	9.7
Michigan	341	312	11.3	10.3
Minnesota	115	121	8.0	8.4
Mississippi	146	74	22.7	11.5
Missouri	172	169	11.9	11.8
Montana	54	32	21.5	12.7
Nebraska	67	68	13.2	13.6
Nevada	60	60	11.2	11.3
New Hampshire	29	31	8.2	8.5
New Jersey	205	187	10.6	9.8
New Mexico	75	39	18.0	9.1
New York	566	395	14.8	10.3
North Carolina	247	223	12.4	11.2
North Dakota	34	29	18.3	15.9
Ohio	427	356	12.7	10.6
Oklahoma	170	126	19.6	14.5
Oregon	35	184	3.7	19.7
Pennsylvaina	454	338	13.8	10.3
Rhode Island	37	25	13.4	9.3
South Carolina	153	116	14.9	11.3
South Dakota	33	29	15.2	13.7
Tennessee	208	216	13.6	14.2
Texas	929	653	18.5	13.1
Utah	61	84	10.1	14.0
Vermont	21	20	12.4	11.5
Virginia	218	207	13.6	12.8
Washington	180	158	10.9	9.6
West Virgina	106	60	22.2	12.8
Wisconsin	157	177	8.9	10.0
Wyoming	25	19	17.8	13.8

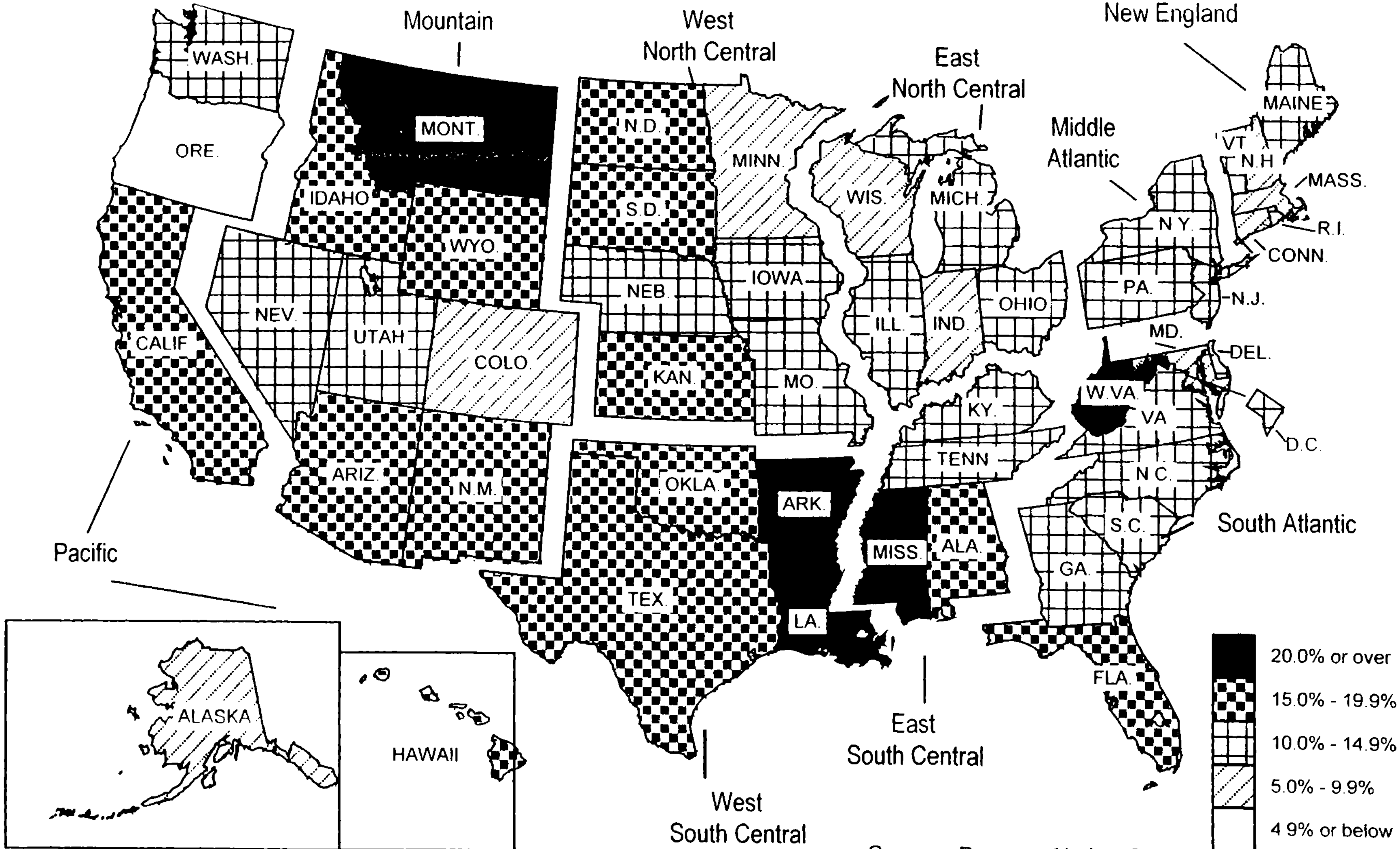
Note: Workers in the $5.15 to $6.14 category would be directly affected by a $1.00 increase in the minimum wage. Those in the $6.15 to $7.14 category could be affected by spillovers.

Source: U.S. Department of Labor, Bureau of Labor Statistics, unpublished tabulations from the Current Population Survey, 1999.

Percentage of workers paid hourly rates earning between $5.15 and $6.14 per hour, by State

(U.S. percentage = 14.0 percent)

1999 annual averages



Source: Bureau of Labor Statistics

RAISING THE MINIMUM WAGE:
AN OVERDUE PAY RAISE FOR AMERICA'S WORKING FAMILIES
March 8, 2000

Today, President Clinton will call on Congress to pass clean, straightforward legislation to raise the minimum wage by $1 – from $5.15 to $6.15 – in two equal steps. The President will discuss how working families deserve a raise that simply restores the value of the minimum wage to what it was in 1982 and will reiterate his opposition to legislation that holds this increase hostage to provisions that delay this overdue pay raise – costing a full-time minimum wage worker more than $900 over two years – or jeopardize our ability to strengthen Social Security and Medicare and pay down the debt by 2013 for future generations. The President will also release a report by the National Economic Council which shows that raising the minimum wage is good for American workers and good for the American economy. Some highlights from the report are:

- **The President's Proposal to Raise the Minimum Wage by $1 to $6.15 an Hour Would Potentially Benefit More than 10 Million American Workers – Most of Whom Are Adult Workers.** The report finds that 10.1 million hourly paid workers make between $5.15 and $6.14 an hour and would potentially benefit from a $1 increase in the minimum wage. About 69 percent of these workers are adults (age 20 or over), about 60 percent are women, about 45 percent worked full-time, and about 33 percent are parents with children under age 18. In 1997, the earnings of the average minimum wage worker accounted for 54 percent of their family's total earnings.

- **Increasing the Minimum Wage Would Help Hard-Pressed Families Pay for Groceries, Rent, and Other Necessities.** Raising the minimum wage from $5.15 to $6.15 would raise the annual earnings of a full-time worker by about $2,000 a year. For a full-time worker, the minimum wage increase would translate into enough money to pay for nearly 7 months of groceries or 5 months of rent. *Delaying the minimum wage increase by spreading it out over 3 years would cost a full-time worker earning the minimum wage over $900 over two years.*

- **The President's Modest Increase Would Simply Restore the Real Value of the Minimum Wage to What it Was in 1982.** Raising the minimum wage by $1 over two years would simply restore the real value of the minimum wage to what it was in 1982. This would help erode the erosion in the real value of the minimum wage during the 1980s when, between January 1981 and March 1990, the minimum wage remained at $3.35 an hour, while prices rose by nearly 50 percent.

- **The Impact from Last Minimum Wage Increase Is Clear: 10 Million Workers Got A Raise and There Is No Evidence Jobs Were Lost.** Since the last 90 cent minimum wage increase signed into law by President Clinton in 1996, the economy has created more than 10 million jobs and the unemployment rate has fallen from 5.2 percent in September 1996 to 4.1 percent in February 2000, near its lowest level in thirty years. Labor market trends for workers most affected by the minimum wage increase – including younger workers with lower educational levels and minorities – also show no negative impact of the minimum wage on employment.

- **Economic Studies Find No Negative Effect of the Minimum Wage on Employment.** Numerous careful economic studies, including ones by David Card and Alan Krueger of Princeton University, have found that increasing the minimum wage has no negative effect on employment. Recent research has even suggested that higher wages can *increase* employment, because they increase employers' ability to attract, retain, and motive workers. And they benefit workers by increasing the reward to work.

- **The Minimum Wage Plays an Important Role in Ensuring That All Workers Share in a Growing Economy.** In the last seven years, incomes have grown nearly as strongly from the bottom to the top of the income distribution, ending a decades long increase in inequality. In contrast, in the previous two decades inequality widened, as poorer workers saw their incomes decline in real terms. Research has shown that the decline in the real value of the minimum wage from 1979 to 1988 was responsible for approximately 24 percent of the increase in wage inequality experienced by men and about 32 percent of the increase in wage inequality for women.

- **Recent Increases in the Minimum Wage Have Helped Reduce the Welfare Caseload.** By increasing the reward to work, a higher minimum wage attracts new workers into the workforce. An analysis by the Council of Economic Advisers showed that the 90 cent increase in the minimum wage signed into law by President Clinton in 1996 and increased minimum wages in some states were responsible for 10 to 16 percent of the decline in welfare caseloads between 1996 and 1998.

- **Helping Ensure Parents Can Raise Their Children Out of Poverty.** A working parent with two children earning the minimum wage in 1993 made $10,563 with the EITC (in 1998 inflation-adjusted dollars) – well below the poverty line. Because of the President's efforts to increase the EITC in 1993 and raise the minimum wage in 1996, a similar family in 1998 was above the poverty line – making $13,268 – a 26 percent inflation-adjusted increase in their standard of living.

THE WHITE HOUSE

Office of the Press Secretary

For Immediate Release March 8, 2000

REMARKS BY THE PRESIDENT ON RAISING THE MINIMUM WAGE

The South Lawn

10:31 A.M. EST

THE PRESIDENT: I don't think the rest of us need to say much. (Laughter.) I want to thank Senator Kennedy and Congressman Gephardt, Congressman Bonior, and all the members of the House who are here with us today. I want to thank the members of the administration who are here, in addition to Mr. Podesta -- Treasury Secretary Larry Summers, Gene Sperling, Deputy Labor Secretary Ed Montgomery. I thank the religious leaders who are here, including Reverend Paul Sherry, the former President of the United Church of Christ; the Reverend David Beckmann, the President of Bread for the World; and the other community leaders.

But most important of all, I want to thank Cheryl Costas for being here, because we're here today on behalf of her and so many people like her all across our country. People who work for the minimum wage often don't get a chance to see the White House. They don't have time to come, even for the public tours. They work hard every day; they stock our store shelves, wash dishes at our restaurants, clean our offices at night, care for our kids during the day. They're in every town and every city in our country. They're of every racial and ethnic and religious group. They have in common the minimum wage. And they need a raise, and as you saw, they deserve a raise.

We are here today to ask Congress to give it to them. Ever since I ran for President in 1992, I've had a vision of making our nation a place where everyone -- everyone -- responsible enough to work for it could have a share of the American Dream. Over the last seven years, with the help of a lot of you here today, we've made a lot of headway toward that goal -- turning the economy around and continuing the longest economic expansion in our history. I want to continue doing that.

I want us not to squander the surplus, but to save Social Security and Medicare, to invest in education and to pay our debt down. I also have tried very hard not just to generate jobs, but to help people who are working hard for less. That's why we expanded the earned income tax credit, and I've asked Congress to expand it again. That's why we passed the Family and Medical Leave law, and I've asked Congress to expand it again. And that's why with bipartisan support in 1996 we raised the minimum wage to $5.15 an hour, over two years. And now it's time to do it again, to $6.15 an hour.

We have bipartisan support again in Congress, but, once again, the Republican leadership is trying to stop us. They know they can't win on the facts. Back in 1996 -- listen to what was said the last time we tried to raise the minimum wage. In 1996, Republican leaders said that a higher minimum wage -- and I quote -- "was a job killer cloaked in kindness." They warned that it would throw young minorities out of work and lead to -- listen to this -- a juvenile crime wave of epic proportions.

Time has not been kind to their predictions. (Laughter.) Today, I release a report from the National Economic Council that puts to rest any of the lingering myths about the minimum wage. Since the minimum wage was raised in 1996, our economy has created over 10 million new jobs. The unemployment rate is at its lowest point in 30 years; the employment of minority youth has gone up, juvenile crime has gone down. We now have the lowest poverty rates in 20 years and the lowest African American and Hispanic unemployment rates ever recorded. We've cut the welfare rolls in half-- and, thanks, in part, to the minimum wage increase, millions have moved from welfare to work, and incomes for even the poorest Americans are rising for the first time in decades.

Now, that's what happened the last time we raised the minimum wage. There are no facts on which to base this opposition anymore. The new report I release today also dispels another myth about the minimum wage, that those who benefit are mostly middle-class teenagers working for gas money. Cheryl probably feels a lot like me -- I wish I were still a middle-class teenager working for gas money. (Laughter.)

But the fact is that 70 percent of the people on the minimum wage are adults, 60 percent are women, and almost half work full-time. Many are the sole breadwinners, struggling to raise their children on $10,700 a year. And I think Congress ought to think about them when this vote comes up.

Today, there are more than 10 million Americans like Cheryl working for $5.15 an hour. You heard her say it's hard to live on that -- especially if you have children. But no Americans who work full-time should raise their children in poverty. This modest increase would simply restore the minimum wage to what it was in real dollar terms in 1982. People who are against this should have to confront that fact.

For a full-time worker, however, this would mean another $2,000 a year. And if you're on the minimum wage, that's real money -- enough money for a family of four to buy groceries for seven months or pay rent for five months.

This is the right thing to do for working families, the right thing to do for our economy, at a time when we've got labor shortages that will draw more people back into the labor market.

Studies from Princeton to my own Council of Economic Advisors show that's exactly what happens when you raise the minimum wage. Increase the reward for work and people who weren't looking for jobs decide to look and go to work.

There are a dozen good reasons to raise the minimum wage, and not a single good argument against it. Even the Republican leadership understands that. So instead of arguing the facts, they're playing legislative sleight of hand. For example, they're now using the minimum wage as a vehicle to repeal worker protections, and pass irresponsible tax cuts that would threaten our fiscal discipline and jeopardize our ability to save Social Security and Medicare and pay the debt down by 2013.

They also say they want to put this in over three years, not two. That would mean $900 less in wages for a full-time minimum wage worker. If Republican leaders send me a bill that make workers wait for another year for their full pay raise, and holds the minimum wage hostage for risky tax cuts that threaten our prosperity, I'll veto it. (Applause.)

It is time to stop nickel-and-diming the American working people out of the money that they need and deserve. This is just wrong. This is wrong. We have destroyed every single argument against raising the minimum wage. They're gone. All you've got now is legislative game-playing. And it's wrong.

I want a clean, straightforward bill to raise the minimum wage by a dollar over two years, and I intend to sign it. (Applause.)

Let me say to all of you, I am profoundly grateful for the prosperity our nation enjoys today, grateful for the opportunity that our administration has had to play a role in it. But I will never be satisfied as long as there are people like Cherly out there. I mean, what else can you ask this woman to do? She's kept her family together. Her husband has a disability; she's supporting four kids. She's going to school full-time. Now, how can Congress justify saying no to her?

That's what I want to know. Let's play games on another bill. They're going to pass a lot of other bills. Can't we put the working people of this country first for a change here, put political games second? (Applause.)

I'd like to now introduce to speak the first of a series of members of Congress, without whom this fight could never be waged. And I am profoundly grateful to Representative David Bonior for nearly 25 years of fighting for people like Cheryl Costas.

Congressman Bonior. (Applause.)

* * *

THE PRESIDENT: Ladies and gentlemen, all that needs to be said has been said. But what needs to be done has not been done. So I ask you to leave here remembering the stirring words of our leaders in Congress and the profoundly moving story of Cheryl Costas.

And just remember there's a lot more people like her out there. Remember what Dick Gephardt told you -- just ask every member of Congress to imagine how long they could live on the minimum wage.

This is the right thing to do. We're still here after over 220 years because when the chips are down, we mostly do the right thing, in spite of ourselves. Ask them to do the right thing.

Thank you and God bless you. (Applause.)

END 10:58 A.M. EST

ECONOMIC POLICY INSTITUTE | Citizens for Tax Justice

TUESDAY, March 7, 2000

Bob McIntyre (CTJ), 202/626-3780
Nan Gibson (EPI), 202/331-5546

House GOP Minimum Wage Plan Offers $11 in Upper-Income Tax Breaks for Every $1 in Wage Hikes for Low Earners

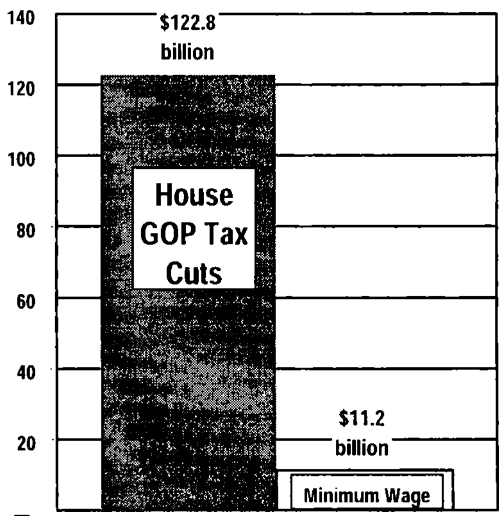
The House GOP leadership's $123 billion tax-cut/minimum-wage plan, to be voted on this week, would give upper-income taxpayers $11 in tax breaks over the next decade for every dollar in increased wages paid to low-wage workers.

Unbalanced Acts, a joint analysis of the GOP proposal by Citizens for Tax Justice and the Economic Policy Institute, finds:

Over the next decade, the proposed tax cuts will total $122.8 billion. Over the same period, wage increases stemming from the $1 boost in the minimum wage will total only $11.2 billion. This means that over ten years, for every dollar in higher wages for low-wage workers, $10.90 in upper-income tax breaks will be provided.

Almost all the tax cuts (91.4%) would go to the best-off tenth of all taxpayers. In fact, the top one percent of all taxpayers, those making more than $319,000 a year, would get almost three-quarters of the tax reductions. Their average annual tax cut under the plan would be $6,128 each (in 1999 dollars). That compares to only a $4 average tax cut for the bottom 60 percent.

Total Gains from the Tax Cut & Minimum Wage Hike, 2000-10



Sources: EPI; Joint Committee on Taxation

While the tax bill's permanent tax cuts grow to $17.6 billion by 2010, the effect of the minimum wage proposals will be totally eroded by inflation after 2006.

"The minimum wage hike will allow low-wage workers to share in the tremendous gains of this economic recovery, while the proposed tax cuts will needlessly provide a second helping of the economic pie to the wealthiest taxpayers," said EPI Vice President Lawrence Mishel.

"It's ridiculous that a minimum wage bill supposedly designed to aid low-wage workers would actually give its biggest benefits to the highest-income people in the country," said Citizens for Tax Justice director Robert S. McIntyre.

MORE . . .

EPI's minimum wage analysis compares the wage hikes under the GOP plan, which would boost the minimum wage by $1 over three years, to the wages that affected workers would earn if their wages merely keep up with inflation over the next decade. The GOP's three-year phase-in of the wage boost provides an $11.2 billion gain to these workers over ten years—$3.8 less than the Bonior-Kennedy proposal's two-year implementation plan, which would produce a total of $15 billion in higher wages.

The distributional effects of the tax cuts were analyzed by CTJ using the Institute on Taxation and Economic Policy Tax Model. The $123 billion estimated ten-year cost of the tax cuts is based on preliminary, March 1, 2000 estimates from the Joint Committee on Taxation. (The tax cut plan would, among other things: cut estate taxes by $79 billion over ten years—representing almost two-thirds of the total proposed tax cuts; increase the write-off for business meals to 60% of cost from 50% under current law; provide added tax breaks for pensions and 401(k) plans; increase the limits on immediate write-offs of business capital investments; speed up the date when 100% of self-employed health insurance can be deducted; restore a loophole for installment sales that was repealed in 1999; expand enterprise zones; expand the tax credit for investors in low-income housing; and augment tax breaks for private tax-exempt bonds.)

A table detailing the distributional effects of the tax cuts follows.

Effects of the Tax Cuts in the House GOP 2000 Minimum Wage Bill

(Annual effects at 1999 levels; $-billion except averages.)

Income Group	Income Range	Average Income	Estate Tax Cuts	Corporate Tax Breaks	Pensions & 401Ks	Total Tax Cuts	Average Tax Cut	% of Total Tax Cut
Lowest 20%	**Less than $13,600**	$ 8,600	$ -0.0	$ -0.0	$ -0.0	$ -0.0	$ -1	0.3%
Second 20%	**$13,600–24,400**	18,800	-0.0	-0.1	-0.0	-0.1	-4	0.9%
Middle 20%	**$24,400–39,300**	31,100	-0.0	-0.2	-0.0	-0.2	-7	1.7%
Fourth 20%	**$39,300–64,900**	50,700	-0.0	-0.3	-0.0	-0.3	-13	3.0%
Next 15%	**$64,900–130,000**	86,800	-0.0	-0.4	-0.1	-0.6	-29	5.3%
Next 4%	**$130,000–319,000**	183,000	-0.8	-0.5	-0.4	-1.7	-329	15.7%
Top 1%	**$319,000 or more**	915,000	-5.7	-1.4	-0.7	-7.7	-6,128	73.1%
ALL			**$ -6.5**	**$ -2.8**	**$ -1.2**	**$ -10.6**	**$ -83**	**100.0%**
ADDENDUM								
Bottom 60%	**Less than $39,300**	$ 19,500	$ -0.0	$ -0.3	$ -0.0	$ -0.3	$ -4	2.8%
Top 10%	**$92,500 or more**	218,000	-6.5	-2.0	-1.1	-9.7	-765	91.4%

Figures show the annual effects of the approximately $123 billion in tax cuts over the next 10 years included in the GOP minimum wage increase plan to be voted on by the House on March 9 or 10. All provisions are measured as fully effective, at 1999 income levels.

Source: Institute on Taxation and Economic Policy Tax Model, March 2000.

The report, *Unbalanced Acts*, is available on-line at both www.epinet.org and www.ctj.org. It can also be obtained by calling 1-800-374-4844.

I'm worried ~~about~~
that we've already
given up by
going so much
to plan B.

$1
40 hours
2000

$2000

2000
20,000,000,000

THE WHITE HOUSE

WASHINGTON

March 7, 2000

The Honorable J. Dennis Hastert
Speaker of the
House of Representatives
Washington, D.C. 20515

Dear Mr. Speaker:

I am writing this letter to strongly encourage Congress to pass clean, straightforward legislation to raise the minimum wage by $1 -- from $5.15 to $6.15 -- in two equal steps. Working families across this country deserve an increase that simply restores the real value of the minimum wage to what it was in 1982.

Those who argue this modest pay raise would harm the economy could not be more wrong. Since 1996, when I worked with Congress to raise the minimum wage by 90 cents over 2 years, the unemployment rate has fallen from 5.2 percent to 4.1 percent -- near the lowest level in 30 years, more than 10 million new jobs have been created, and economic growth has averaged 4.3 percent.

Despite this overwhelming evidence, some in Congress are insisting on a lengthier 3-year increase in the minimum wage -- a delay that would cost a full-time, year-round worker more than $900 over 2 years. Others have chosen to use the minimum wage increase as a vehicle to repeal important overtime protections for American workers. And finally, some are using this minimum wage increase to pass irresponsible tax cuts that would threaten our fiscal discipline and jeopardize our ability to extend the life of Medicare and Social Security and pay down the debt by 2013.

Let me be clear -- this is the wrong approach. I will veto any legislation that holds this minimum wage increase hostage to provisions that delay this overdue pay raise or jeopardize our ability to strengthen Social Security and Medicare and pay down the debt by 2013 for future generations.

All Americans should be able to share in our current economic prosperity. For a full-time worker at the minimum wage, this increase would provide a $2,000 annual raise -- enough for a family of four to buy groceries for 7 months or pay rent for 5 months. More than 10 million workers would benefit from this proposal, the majority of them women. Congress should do the right thing and give these workers a raise.

Sincerely,

Bill Clinton

March 2, 2000

MEMORANDUM FOR GENE SPERLING

FROM: JASON FURMAN
BRIAN KENNEDY

SUBJECT: MINIMUM WAGE: ISSUES AND STRATEGY

This memo goes through some of the open issues on the minimum wage and the strategy for next week. The minimum wage will be going to the House Rules committee on Wednesday March 8th and to the floor the following day. The floor vote will be split between minimum wage and tax. The minimum wage will be a vote on the $1 over three years and the $1 over two years alternative. The Republicans have a tax package that is $120 billion over 10 years, of which $80 billion is estate. It is currently uncertain whether or not the Republicans will allow a vote on the Democratic alternative. The Democrats are working on their alternative; right now it is $30 billion gross (including small business and school construction) and $20 billion of raisers. They are trying to make it fully paid for.

Our suggestion is that Brian and Jason hold the Friday meeting on these issues, and then you hold a principals meeting on Monday where people like Podesta, Lew, Summers are present and can make decisions.

Minimum Wage Strategy

We have been working on some elements of an approach to next week. These include:

- *Minimum wage event.* An event with the President on Wednesday to fire up support for the minimum wage. This would probably include one worker who would benefit from the increase and possibly one employer who has benefited from paying above minimum wages. An open question is whether or not to include members. The tentative thought is that we should only do this if we could get a Republican to speak; otherwise it would make it too partisan and jeopardize the ability to attract moderate Republicans in the House.

- *Minimum wage report.* CEA and Labor are working on a tentative report on the minimum wage. The topics covered would include: (1) who would benefit from the increase (totals, percentage of women, percentage of full-time workers, state-by-state numbers etc.), (2) the positive effects of the last minimum wage increase, (3) the lack of negative effects on jobs or inflation from the last minimum wage increase, and (4) the economic evidence on the minimum wage and jobs. If we want this report to go forward, we could release it in conjunction with the POTUS minimum wage event.

- *Letter/SAP with a veto threat.* Marti Thomas, Broderick Johnson, and others feel we need to get a written veto threat for the Republican tax provisions up to the Hill soon, sometime between Monday and Wednesday. The point of the letter would be to define the debate as the desirability of a clean minimum wage increase, and a veto threat if the Republicans attach poison pills. The three vehicles for this would be a POTUS letter, a Summers/Herman letter, and a SAP. Our suggestion is to do a POTUS letter on Monday that is general and then a SAP that goes into more detail about specific objections to tax and labor provisions in the Republican bill. (We could do the POTUS letter without knowing the details of the Republican tax package; the SAP would have to wait until these details are known.) We are drafting a POTUS letter. One issue you need to think about is whether a POTUS letter on Monday would partly undermine the event on Wednesday; should we hold off or use another vehicle?

- *Calls to members.* A list of wavering members is attached; we should think about whether there are any calls you should make. We are talking to White House leg about this as well.

Open Issues

The biggest open issue is that we have to decide our stance toward the Democratic package (sketchy details of the package are below). This will depend on whether the package is paid for (they are trying to do this, but it is still unclear whether or not they will be able to), whether the package is contingent (their marriage penalty was, but in this case it is less likely), and our opinion on the specific provisions in the bill. If the Democratic alternative is paid for, the best stance would probably be to praise the Democrats for their fiscal responsibility and talk about how the Republican bill would jeopardize Social Security, Medicare and debt reduction. There are open questions, however, whether or not to take a position on their specifics; and if so what position we should take.

Principals should probably meet on Monday to discuss this and any other open issues. If this is not possible, we could probably cover it in the Friday 5 pm meeting and Monday's 8:30 meeting.

Details of the Minimum Wage Increases

The current Democratic draft has two $0.50 increases, the first one month from enactment and the second 12 months later. The current Republican draft has increases of $0.35 on April 1st 2000, $0.35 on April 1st 2001, and $0.30 on April 1st 2002. The Republican package would cost a full-time worker at the minimum wage $900 over two years. The Democratic package would simply restore the real value of the minimum wage to what it was in 1982.

Details of the Republican Tax Package

A draft JCT scoring of the Republican tax package is attached. It is similar to the one proposed in the fall. The main provisions are:

REPUBLICAN MINIMUM WAGE TAX PACKAGE	
	10-year Cost (billions)
Small Business Provisions, Total	**17.0**
Accelerate 100% self-employed health insurance deduction	*2.1*
Increase section 179 expensing to $30,000	*2.6*
Increase business meals deduction to 60 percent	*11.2*
Other	*1.1*
Pension Provisions ($9.2 billion of total are limit increases)	**18.1**
Estate and Gift Tax Relief (mostly lower rates and converting unified credit into an exemption)	**78.7**
Distressed Communities (mostly "American Community Renewal Act" with 15 Renewal Communities)	**2.0**
Real Estate Provisions (mostly a phased-in increase of LIHTC)	**4.9**
Total Tax Cut	**$120.7**

The estate tax provisions are barely targeted at small businesses, farms, or smaller estates. Instead, the primary benefits go to larger estates. (One exception is a $227 million provision to expand conservation easements.) Specifically, the fully phased in estate tax provisions would cut the top rate from 55 percent to 48 percent, but cut lower rates by only 2 percentage points. It would eliminate the 5 percent surtax, which only benefits estates worth more than $10 million. And it would turn the unified credit for estates (which effectively means that estates below $675,000 are not taxed) into an exemption. Like turning any tax credit into a deduction, this would have no effect on estates in the lower bracket, and taxes for estates in the higher brackets.

Details of the Democratic Tax Package

We do not know very much about the Democratic package. Currently they have about $30 billion of tax cuts and $20 billion of raisers. They are trying to make it fully paid for, but are concerned that the raisers may alienate some of their members. If it is not paid for, they might make it contingent on debt reduction and Social Security/Medicare solvency, similar to the marriage penalty. This does not, however, seem very likely. The particular direction they go will shape how we talk about our opposition to the Republican tax measures.

The Democratic tax package may include some estate tax provisions geared at small business. They will argue that these provide more tax relief for small businesses than the Republican proposal. They will also probably include business meals, section 179 expensing, school construction, deductibility of spouses on business trips, and other measures.

Paul D. Glastris
03/07/2000 06:38:37 PM

Record Type: Record

To: See the distribution list at the bottom of this message

cc:
Subject: minimum wage, latest

Draft 3/7/2000 6:35 p.m.
Glastris

PRESIDENT WILLIAM J. CLINTON
REMARKS ON RAISING THE MINIMUM WAGE
WHITE HOUSE
WASHINGTON, DC
March 8, 2000

Acknowledgments: Sen. Edward Kennedy; Rep. Richard Gephardt; Rep. David Bonior; Cheryl Costas; John Podesta; Sec. Larry Summers; Deputy Labor Sec. Ed Montgomery; Right Rev. McKinley Young of the African Methodist Episcopal Church (and all the religious leaders who have expressed their support for raising the minimum wage).

We are here today, on this beautiful morning, in this glorious setting, on behalf of Americans like Cheryl Costas—people who don't often get a chance to see a place like this. They are people who work hard every day, stocking store shelves, washing dishes at restaurants, cleaning our offices at night, and caring for our children during the day. They are in every town and city in America, and of every racial and ethnic group. But they have one thing in common: they earn the minimum wage--and they need a raise. We're here today to call on Congress to give them one.

Ever since I ran for President back in 1992, I've had a vision of making our nation a place where everyone responsible enough to work for it could have a shot at the American Dream. And over the last seven years, with the help of a lot of people here today, we've made that vision a reality for millions of Americans. We turned the economy around with a new economic plan of fiscal discipline, expanded trade, and investment in our people. And I believe we should continue down that path, by paying off the debt for the first time since 1835, strengthening Social Security and Medicare, and investing in education, health care, and the environment. We helped millions of working Americans escape poverty by expanding the Earned Income Tax Credit, and I've asked Congress to expand it again. We helped millions of working parents take time off to care for a newborn child or a sick loved one by passing family and medical leave, and I think we ought to expand the law to cover regular visits to schools, too.

And in 1996, with bipartisan support, we raised the minimum wage in two steps over two years, to $5.15 an hour. Now it's time to raise it again, over two years, to $6.15 an hour. Again we have bipartisan support in Congress. And again, the Republican leadership is trying to stop us, only this time they know they can't win on the facts.

Back in 1996, Republican leaders said that a higher minimum wage was "a job killer cloaked in kindness." They warned that it would throw young minorities out of work and lead to a juvenile crime wave of "epic proportions."

Time has not been kind to their predictions, and today, I am releasing a report from my National Economic Council that puts to rest any lingering myths about the minimum wage. Since we raised the minimum wage in 1996, the economy has created over 10 million new jobs. The unemployment rate has fallen to nearly its lowest point in 30 years. The employment rate of minority youth has gone up. Juvenile crime has gone down. We now have the lowest poverty rates in 20 years and the lowest African American and Hispanic unemployment rates on record. We've cut the welfare rolls in half, and thanks in part to a higher minimum wage, millions have moved from welfare to work, and incomes are rising even for the poorest groups of Americans for the first time in decades. And last month, we achieved the longest period of economic growth in our entire history.

The new report I am releasing today also dispels another myth about the minimum wage: That those who benefit are mostly middle-class teenagers working for gas money. In fact, 70 percent are adults. Sixty percent are women. Almost half work full time. And many are sole breadwinners struggling to raise their children on $10,700 a year.

In total, more than 10 million workers would get a pay raise if we raised the minimum wage by a dollar an hour.

No American who works full-time should raise their family in poverty. This modest increase would simply restore the real value of the minimum wage to what it was in 1982. But for a full-time worker, it would mean an extra $2,000 a year. That's real money--enough for a family of four to buy groceries for 7 months or pay rent for 5 months.

Raising the minimum wage is the right thing to do for working families. And it's the smart thing to do for our economy. At a time when businesses are suffering labor shortages, one of the surest ways to maintain high growth with low inflation is to bring more workers into the job market. That is precisely what happens when you raise the minimum wage, as this report shows. When you increase the reward for work, people who weren't looked for jobs decide to go to work.

There are a dozen good reasons to raise the minimum wage, and not a single one not to. Even the Republican leadership understands that. So instead of arguing the facts, they're playing legislative slight-of-hand. For instance, they're using the minimum wage bill as a vehicle to repeal worker protections and pass irresponsible tax cuts that would threaten our fiscal discipline and jeopardize our ability to extend the life of Medicare and Social Security and pay down the debt by 2013. They're also pushing to delay the minimum wage increase over three years. That would mean at least $900 less in wages for a full-time worker making the minimum wage.

If Republican leaders make workers wait another year for their full pay raise, or hold the minimum wage bill hostage for risky tax cuts that threaten our prosperity, I will veto it. It's time for the leadership to stop their shell games. Stop nickle and diming American workers out of the dollar-an-hour raise they deserve. Send me a clean, straightforward bill to raise the minimum wage by one dollar over two years—and I'll sign it.

Raising the minimum wage by a dollar over two years is right for America, and right for people like Cheryl Costas—hard-working Americans trying to keep body and soul together. They deserve our admiration, and our support. And never have we been in a better position to provide that support.

I am deeply grateful for the historic prosperity we enjoy. But our nation cannot live up to its full potential until every American willing to work for it has a chance to share in that prosperity. Raising the minimum wage is an important step to making that happen. Now, I want to introduce someone who has been fighting for working Americans for almost 25 years in Congress, Rep. Richard Gephardt.

[following remarks by Rep. Bonior, you will step back up to podium and close the program]

Message Sent To:____

**ESTIMATED BUDGET EFFECTS OF H.R. 3081,
THE "WAGE AND EMPLOYMENT GROWTH ACT OF 1999,"
AS REPORTED BY THE COMMITTEE ON WAYS AND MEANS**

Fiscal Years 2000 - 2010

[Millions of Dollars]

Provision	Effective	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2000-05	2000-10
I. Amendments to the Fair Labor Standards Act of 1938		*No Revenue Effect*												
II. Small Business Provisions														
1. Accelerate 100% self-employed health insurance deduction and extend eligibility to those who choose not to participate in employer-subsidized health plans	tyba 12/31/00	---	-287	-1,093	-697	---	---	---	---	---	---	---	-2,077	-2,077
2. Increase section 179 expensing to $30,000	tyba 12/31/00	---	-359	-616	-350	-187	-176	-160	-167	-188	-197	-202	-1,688	-2,605
3. Increase business meals deduction (excluding entertainment expenses) to 55% in 2001 and 60% in 2002 and thereafter	tyba 12/31/00	---	-259	-794	-1,090	-1,137	-1,186	-1,239	-1,294	-1,351	-1,412	-1,477	-4,466	-11,239
4. 80% business meals deduction for workers subject to DOT hours of service limitation	tyba 12/31/00	---	-39	-70	-64	-55	-47	-37	-26	-13	---	---	-276	-351
5. Provide that Federal farm production payments are taxable in the year of receipt (ignore election to take the payments in an earlier year unless exercised)	---	*Previously Enacted*												
6. Coordinate farmer income averaging and the AMT and provide the same income averaging relief to commercial fishermen	tyba 12/31/00	---	-1	-2	-2	-2	-3	-3	-4	-5	-6	-7	-9	-33
7. Repeal the occupational taxes relating to distilled spirits, wine, and beer	7/1/01	---	-64	-75	-75	-75	-75	-75	-75	-75	-75	-75	-364	-739
Total of Small Business Provisions		**—**	**-1,009**	**-2,650**	**-2,278**	**-1,456**	**-1,487**	**-1,514**	**-1,566**	**-1,632**	**-1,690**	**-1,761**	**-8,880**	**-17,044**
III. Pension Provisions														
A. Provisions for Expanding Coverage														
1. Increase contribution and benefit limits:														
a. Increase limitation on exclusion for elective deferrals to $11,000 in 2001, $12,000 in 2002, $13,000 in 2003, $14,000 in 2004; index in $500 increments thereafter [1]	yba 12/31/00	---	-131	-317	-468	-578	-640	-687	-735	-783	-832	-879	-2,135	-6,052
b. Increase limitation on SIMPLE elective contributions to $7,000 in 2001, $8,000 in 2002, $9,000 in 2003, $10,000 in 2004; index in $500 increments thereafter [1]	yba 12/31/00	---	-5	-14	-22	-27	-29	-29	-30	-32	-33	-35	-96	-25[illegible]
c. Increase defined benefit dollar limit to $160,000	yba 12/31/00	---	-18	-31	-40	-45	-48	-50	-53	-55	-57	-59	-182	-45[illegible]
d. Lower early retirement age to 62; lower normal retirement age to 65	yba 12/31/00	---	-3	-4	-4	-4	-5	-5	-5	-5	-5	-5	-21	-4[illegible]

Provision	Effective	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2000-05	2000-10
e. Increase annual addition limitation for defined contribution plans to $40,000 [1]	yba 12/31/00	---	-6	-12	-14	-15	-16	-17	-19	-20	-21	-23	-63	-163
f. Increase qualified plan compensation limit to $200,000 [1]	yba 12/31/00	---	-43	-74	-84	-91	-99	-107	-115	-122	-131	-139	-391	-1,004
g. Increase limits on deferrals under deferred compensation plans of State and local governments and tax-exempt organizations to $11,000 in 2001, $12,000 in 2002, $13,000 in 2003, and $14,000 in 2004 [1]	yba 12/31/00	---	-53	-93	-108	-119	-128	-136	-145	-153	-162	-170	-500	-1,266
2. Plan loans for subchapter S owners, partners, and sole proprietors	lma 12/31/00	---	-18	-30	-33	-35	-37	-39	-42	-44	-47	-49	-153	-374
3. Modification of top-heavy rules	pyba 12/31/00	---	-4	-9	-11	-12	-14	-16	-17	-19	-21	-23	-50	-146
4. Elective deferrals not taken into account for purposes of deduction limits	yba 12/31/00	---	-40	-75	-87	-94	-101	-108	-115	-122	-129	-135	-396	-1,004
5. Repeal of coordination requirements for deferred compensation plans of State and local governments and tax-exempt organizations	yba 12/31/00	---	-16	-22	-22	-22	-22	-23	-24	-25	-26	-27	-104	-228
6. Elimination of user fee for certain requests regarding employer pension plans; waiver applies only for request made during first 5 plan years [2]	rma 12/31/00	---	-9	-5	-5	---	---	---	---	---	---	---	-19	-19
7. Definition of compensation for purposes of deduction limits [1]	yba 12/31/00	---	-1	-2	-3	-3	-3	-3	-3	-3	-3	-3	-12	-28
8. Option to treat elective deferrals as after-tax contributions	tyba 12/31/00	---	50	100	131	144	89	-2	-104	-218	-345	-485	514	-640
9. Reduce PBGC premium for new plans of small employers [2]	pea 12/31/00	---	---	[3]	[3]	[3]	[3]	[3]	[3]	[3]	[3]	[3]	-2	-4
10. Phase-in of additional PBGC premium for new plans; include additional variable premium relief for small employers [2]	pea 12/31/00 & pyba 12/31/00	---	---	[3]	[3]	[3]	[3]	[3]	[3]	[3]	[3]	[3]	-12	-27
Subtotal of Provisions for Expanding Coverage		---	-297	-591	-773	-904	-1,056	-1,225	-1,410	-1,604	-1,815	-2,035	-3,622	-11,709
B. Provisions for Enhancing Fairness for Women														
1. Additional catch-up contributions for individuals age 50 and above - increase in maximum contribution limits for pension plans by 10% annually beginning in 2001, not to exceed 40%	yba 12/31/00	---	-74	-152	-131	-99	-95	-97	-100	-101	-103	-103	-550	-1,054
2. Equitable treatment for contributions of employees to defined contribution plans [1]	yba 12/31/00	---	-51	-78	-84	-91	-97	-104	-111	-118	-124	-131	-401	-989
3. Faster vesting of certain employer matching contributions	pyba 12/31/00						*Negligible Revenue Effect*							
4. Simplify and update the minimum distribution rules by modifying post-death distribution rules, reducing (to 10%) the excise tax on failures to make minimum distributions, and directing the Treasury to simplify and finalize regulations relating to the minimum distribution rules	yba 12/31/00	---	-118	-212	-239	-268	-297	-330	-366	-402	-441	-484	-1,135	-3,157
5. Clarification of tax treatment of division of section 457 plan benefits upon divorce	tdapma 12/31/00						*Negligible Revenue Effect*							
6. Modification of safe harbor relief for hardship withdrawals from 401(k) plans	yba 12/31/00						*Negligible Revenue Effect*							
Subtotal of Provisions for Enhancing Fairness for Women		---	-243	-442	-454	-458	-489	-531	-577	-621	-668	-718	-2,086	-5,200

Provision	Effective	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2000-05	2000-10
C. Provisions for Increasing Portability for Participants														
1. Rollovers allowed among governmental section 457 plans, section 403(b) plans, and qualified plans	dma 12/31/00	---	26	-5	-5	-5	-5	-5	-5	-6	-6	-6	6	-22
2. Rollovers of IRAs to workplace retirement plans	dma 12/31/00	*Negligible Revenue Effect*												
3. Rollovers of after-tax retirement plan contributions	dma 12/31/00	*Negligible Revenue Effect*												
4. Waiver of 60-day rule	dma 12/31/00	*Negligible Revenue Effect*												
5. Treatment of forms of qualified plan distributions	yba 12/31/00	*Negligible Revenue Effect*												
6. Rationalization of restrictions on distributions	da 12/31/00	*Negligible Revenue Effect*												
7. Purchase of service credit in governmental defined benefit plans	ta 12/31/00	*Negligible Revenue Effect*												
8. Employers may disregard rollovers for cash-out amounts	da 12/31/00	*Negligible Revenue Effect*												
9. Minimum distribution and inclusion requirements for section 457 plans	dma 12/31/00	*Considered in Other Provisions*												
Subtotal of Provisions for Increasing Portability for Participants		---	26	-5	-5	-5	-5	-5	-5	-6	-6	-6	6	-22
D. Provisions for Strengthening Pension Security and Enforcement														
1. Phase-in repeal of 150% of current liability funding limit; extend maximum deduction rule	yba 12/31/00	---	-3	-14	-20	-36	-36	-38	-38	-39	-41	-42	-109	-307
2. Missing plan participants	[4]	*Negligible Revenue Effect*												
3. Periodic pension benefits statements	pyba 12/31/00	*No Revenue Effect*												
4. Civil penalties for breach of fiduciary responsibility [5]	voo/a DOE	*No Revenue Effect*												
5. Excise tax relief for sound pension funding	yba 12/31/00	---	-2	-3	-3	-3	-3	-3	-3	-3	-3	-3	-14	-29
6. Notice of significant reduction in plan benefit accruals	pateo/a DOE	*Negligible Revenue Effect*												
7. Investment of employee contributions to 401(k) plans	aiii TRA'97	*Negligible Revenue Effect*												
8. Repeal 100% of compensation limit for multiemployer plans	yba 12/31/00	---	-2	-4	-4	-4	-4	-4	-5	-5	-5	-5	-19	-42
9. Technical correction to Saver Act	DOE	*No Revenue Effect*												
10. Model spousal consent language and qualified domestic relations order	DOE	*No Revenue Effect*												
11. Elimination of ERISA double jeopardy	aaocpo/a DOE	*Negligible Revenue Effect*												
Subtotal of Provisions for Strengthening Pension Security and Enforcement		---	-7	-21	-27	-43	-43	-45	-46	-47	-49	-50	-142	-378
E. Provisions for Reducing Regulatory Burdens														
1. Modification of timing of plan valuations	pyba 12/31/00	*Negligible Revenue Effect*												
2. ESOP dividends may be reinvested without loss of dividend deduction	tyba 12/31/00	---	-19	-44	-56	-61	-63	-66	-69	-71	-74	-77	-243	-600
3. Repeal transition rule relating to certain highly compensated employees	pyba 12/31/00	---	-2	-3	-3	-3	-3	-3	-4	-4	-4	-4	-13	-32
4. Employees of tax-exempt entities [6]	DOE	*Negligible Revenue Effect*												
5. Treatment of employer-provided retirement advice	yba 12/31/00	*Negligible Revenue Effect*												
6. Pension plan reporting simplification [6]	1/1/01	*Negligible Revenue Effect*												
7. Improvement to Employee Plans Compliance Resolution System [6]	DOE	*Negligible Revenue Effect*												
8. Substantial owner benefits in terminated plans [2]	DOE	*Negligible Revenue Effect*												
9. Clarification of exclusion for employer-provided transit passes	tyba 12/31/00	---	-6	-10	-13	-14	-15	-15	-16	-16	-16	-16	-58	-137
10. Repeal of multiple use test	yba 12/31/00	*Considered in Other Provisions*												
11. Flexibility in nondiscrimination and line of business rules [6]	DOE	*Negligible Revenue Effect*												

Provision	Effective	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2000-05	2000-10
12. Extension to international organization of moratorium on application of certain nondiscrimination rules applicable to State and local government plans	yba 12/31/00	Negligible Revenue Effect												
13. Notice and consent period regarding distributions	yba 12/31/00	No Revenue Effect												
14. Annual report dissemination	rf yba 12/31/98	No Revenue Effect												
15. Excess benefit plans	yba 12/31/99	Negligible Revenue Effect												
16. Benefit suspension notice	pyba 12/31/99	No Revenue Effect												
17. Clarification of church welfare plan status under State insurance law	DOE	No Revenue Effect												
Subtotal of Provisions for Reducing Regulatory Burdens		---	-27	-57	-72	-78	-81	-84	-89	-91	-94	-97	-314	-769
F. Provisions Relating to Plan Amendments	DOE	No Revenue Effect												
Total of Pension Provisions		—	-548	-1,116	-1,331	-1,488	-1,674	-1,890	-2,127	-2,369	-2,632	-2,906	-6,158	-18,078
IV. Extension of Expiring Provisions														
1. Work opportunity tax credit; credit cannot be claimed until after 9/30/00 (through 12/31/01)	---	Previously Enacted												
2. Welfare-to-work tax credit; credit cannot be claimed until after 9/30/00 (through 12/31/01)	---	Previously Enacted												
Total of Extension of Expiring Provisions		—	—	—	—	—	—	—	—	—	—	—	—	—
V. Estate and Gift Tax Relief Provisions														
1. Reduction in estate, gift, and generation-skipping transfer taxes: beginning in 2001, convert the unified credit into a true exemption, repeal the 5% "bubble" (which phases out the lower rates); repeal rates in excess of 53%; in 2002, repeal rates in excess of 50%; in 2003 through 2004, reduce all rates by 1 percentage point a year; proportionately reduce State tax credit rates	dda & gma 12/31/00	---	---	-4,738	-6,358	-7,247	-8,465	-9,134	-9,674	-10,173	-10,916	-11,635	-26,808	-78,340
2. Provide deemed allocation of GST exemption	ta 12/31/99	---	-1	-3	-4	-4	-4	-4	-4	-4	-4	-4	-16	-36
3. Provide retroactive allocation of GST for unnatural orders of death	generally ea 12/31/99	---	-4	-5	-6	-6	-6	-6	-6	-6	-6	-6	-27	-57
4. Allow severances of trusts holding property having an inclusion ratio of greater than zero	---	Included in Estate and Gift Item 3.												
5. Modify certain valuation rates	---	Included in Estate and Gift Item 3.												
6. Provide relief from late elections	---	Included in Estate and Gift Item 3.												
7. Provide rule of substantial compliance	---	Included in Estate and Gift Item 3.												
8. Expand estate tax rule for conservation easements - increase the 25-mile limit to 50 miles; increase 10-mile limit to 25 miles, and clarify that the date for determining easement compliance	dda 12/31/99 & dda 12/31/97	---	-11	-15	-21	-22	-23	-24	-25	-26	-29	-31	-92	-227
Total of Estate and Gift Tax Relief Provisions		—	-16	-4,761	-6,389	-7,279	-8,498	-9,168	-9,709	-10,209	-10,955	-11,676	-26,943	-78,660

Provision	Effective	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2000-05	2000-10
VI. Distressed Communities and Industries Provisions														
A. "American Community Renewal Act of 1999"														
1. Designate 15 renewal communities within 36 months; provide various incentives (zero capital gains tax on certain 5-year investments; special deduction for real estate revitalization expenditures; special expensing for certain business property; work opportunity tax credit; environmental remediation expenses; family development accounts) beginning 1/1/01 and ending 12/31/07	DOE	---	-102	-197	-202	-201	-220	-247	-325	-141	-35	-76	-922	-1,745
B. Timber Incentives														
1. Increase maximum reforestation expenses qualifying for amortization and credit from $10,000 to $25,000; remove cap on amortization of reforestation costs in 2001 through 2003	tyba 12/31/00	---	-5	-15	-22	-27	-29	-32	-34	-33	-29	-25	-98	-250
Total of Distressed Communities and Industries Provisions		—	-107	-212	-224	-228	-249	-279	-359	-174	-64	-101	-1,020	-1,995
VII. Real Estate Provisions														
A. Improvements in the Low-Income Housing Credit - increase per capita credit by $0.10 per year through 2004; thereafter COLA; $2 million small State minimum beginning in 2001; COLA beginning in 2005; modify stacking rules and credit allocation rules; certain Native American housing assistance disregarded in determining whether building is Federally subsidized for purposes of the low-income housing credit	tyba 12/31/00	—	-4	-24	-68	-140	-234	-345	-467	-601	-750	-913	-470	-3,545
B. Real Estate Investment Trust (REIT) Provisions														
1. Impose 10% vote or value test	---							*Previously Enacted*						
2. Treatment of income and services provided by taxable REIT subsidiaries	---							*Previously Enacted*						
3. Personal property treatment for determining rents from real property for REITs	---							*Previously Enacted*						
4. Special foreclosure rule for health care REITs	---							*Previously Enacted*						
5. Conformity with RIC 90% distribution rules	---							*Previously Enacted*						
6. Clarification of definition of independent operators for REITs	---							*Previously Enacted*						
7. Modification of earnings and profits rules	---							*Previously Enacted*						
C. Accelerate 5-Year Phasein of Private Activity Bond Volume Cap	cyba 12/31/00	---	-10	-41	-83	-127	-163	-179	-179	-174	-167	-159	-425	-1,284
D. Exclusion from Gross Income for Certain Forgiven Mortgage Obligations	doia 12/31/00	---	-2	-6	-6	-6	-7	-7	-7	-7	-8	-8	-27	-64
Total of Real Estate Provisions		—	-16	-71	-157	-273	-404	-531	-653	-782	-925	-1,080	-922	-4,893
NET TOTAL		—	-1,696	-8,810	-10,379	-10,724	-12,312	-13,382	-14,414	-15,166	-16,266	-17,524	-43,923	-120,670

Joint Committee on Taxation

NOTE: Details may not add to totals due to rounding.

[Legend and Footnotes for Table #00-1 034 appear on the following page]

Legend and Footnotes for Table #00-1 034:

Legend for "Effective" column:

aaocpo/a = any action or claim pending on or after
aiii TRA'97 = as if included in the Taxpayer Relief Act of 1397
cyba = calendar years beginning after
da = distributions after
doia = discharges of indebtedness after
dda = decedents dying after
dma = distributions made after
DOE = date of enactment
ea = events after
gma = gifts made after
lma = loans made after
pateo/a = plan amendments taking effect on or after
pea = plans established after
pyba = plan years beginning after
rf = reports for
rma = requests made after
ta = transfers after
tdapma = transfers, distributions, and payments made after
tyba = taxable years beginning after
voo/a = violations occurring on or after
yba = years beginning after

[1] Provision includes interaction with other provisions in Provisions for Expanding Coverage.
[2] Estimate provided by the Congressional Budget Office.
[3] Loss of less than $5 million.
[4] Effective for distributions from terminating plans that occur after the PBGC has adopted final regulations implementing provision.
[5] Department of Labor penalties.
[6] Directs the Secretary of the Treasury to modify rules through regulations.

Sylvia –

The rule for the minimum wage/small business tax bill raised a new issue that needs to be considered for the floor SAP. Rather than create a self-executing rule to add a provision to the bill that would allow States to opt out of the increase, they are sending to the floor a new bill that already includes the opt-out language. Then they are allowing a moderate Republican (Mike Castle, DE) to offer an amendment striking that new language.

We will need to consider how to address this in the SAP. Barbara, recommends (and Kieffer and I concur) that we should add a sentence saying "the Administration strongly supports the Castle amendment." Without it, many workers would be denied a raise. States would also have an incentive to try to attract low-wage industries at the expense of their minimum wage workforce.

At the 8:30 meeting, you may want to raise this issue. In addition to whether or not to add language supporting the Castle amendment, you may want to discusss whether we also want to add a statement on the underlying opt-out language itself. On that front, we could:

1. Be silent.

2. Add general language that would cover the opt-out provision without directly refering to it. "The Administration would veto any legislation that includes provisions that would effectively undermine the minimum wage." or "...that would potentially deny many low-income workers the benefits of an increase."

3. Add a direct new veto threat. After expressing support for the Castle Amendment, add "The Administration would veto any minimum wage legislation that includes opt-out language such as that in H.R. 3846. Such a provision could deny the benefits of a higher minimum wage to millions of low-income Americans."

The House begins legislative business at 10 am. Option 2 might be easier to clear on such short notice.

As expected, the rule did not allow a Democratic substitute to the tax bill, although instructions to report particular changes could be incorporated in a motion to recommit.

The rule does allow an amendment to increase the minimum wage in two steps rather than three. However, Republicans either did not find a sponsor in their caucus or did not want the symbolism of having a GOP member offer that amendment. In a creative twist, they allowed it to be offered by Rep. Martinez of California, who lost his primary Tuesday, rather than give it to any Democrat who might benefit politically from sponsoring it.

We should also add language explicitly supporting the Martinez amendment, which would implement the two-step increase we called for in our Rules Committee SAP.

Brooke has added proposed language to the draft floor SAP (attached) on the Castle and Martinez amendments but is looking for guidance on whether to address the underlying State opt-out language. We have also made technical changes reflecting the effective dates of the increases in the bill and the Martinez amendment.

TJ

9, 2000
House)

If Congress ... um
wage increase ... tion.

HR 3846 - a ...

Congress shou... steps,
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of the minimum ...
minimum wage bill ... portant
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A modest in...
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reasonable increase in th... last
minimum wage increase ... rate has
fallen from 5.2 percent ...
million new jobs ... cant
incentive to work ... ging the
welfare rolls down ... in
contributing to ... s of the
previous decade ...

Minimum ...
protections for ... sions.

For example, the Administration is concerned about provisions in the bill that would repeal overtime protections for 1.5 million American sales employees, funeral workers, and computer professionals.

H.R. 3081, the Wage and Employment Growth Act of 1999

By spending a substantial fraction of the non-Social Security surplus without a balanced framework, the House tax package would threaten the Federal Government's ability to extend the life of Medicare and Social Security and pay down the debt by 2013. Absent an agreement on a balanced framework, a bill composed of these provisions would not meet the pay-as-you-go requirements of the Budget Act, which have helped provide the discipline necessary to bring us from an era of large and growing budget deficits to the potential for substantial surpluses. The bill in its present form contains tax cuts of such magnitude that they would require an unacceptably large automatic sequester of mandatory programs, including Medicare.

The bulk of the tax provisions in H.R. 3081 are directed away from working families, and, whatever their stated intent, would do little to help most small businesses or family farms. For example, the estate tax relief is expensive, provides no benefit to average working Americans, and is poorly targeted to its purported purpose of providing relief for small business owners and family farms, because its three major provisions – conversion of the unified credit to an exemption, repeal of the surtax, and reduction in top marginal rates – would provide a disproportionate benefit to the very wealthiest estates.

H.R. 3081 also contains pension provisions that would raise the maximum retirement plan contribution and considered compensation limits for business owners and executives. This provision would weaken the pension anti-discrimination and top-heavy protections for moderate- and lower-income workers. These provisions are regressive, would not significantly increase plan coverage or national savings, and could lead to cuts in retirement benefits for moderate- and lower-income workers while benefits for highly paid executives are maintained or even increased.

Conclusion

The Administration urges the Congress to refrain from passing either a minimum wage increase that would be delayed unacceptably or fiscally irresponsible tax cuts that would threaten Social Security, Medicare, and debt reduction, and are not targeted at the needs of working families. The Congress should pass clean legislation that would raise the minimum wage ~~by $1 over two years~~ **in two equal steps** and that would increase the rewards for work in a manner that would be good for the country and good for working families who are struggling to make ends meet. The legislation should not be encumbered by provisions ~~that are unrelated to this increase or~~ that would undermine **the minimum wage increase or** existing labor protections. And any tax bill passed by the Congress should be fiscally responsible and adhere to a framework that protects the Federal Government's ability to extend the life of Medicare and Social Security and pay down the debt by 2013, such as the Democratic alternative does.

* * * * * * *

THE WHITE HOUSE

WASHINGTON

March 7, 2000

The Honorable Thomas A. Daschle
Democratic Leader
United States Senate
Washington, D.C. 20510

Dear Mr. Leader:

I am writing this letter to strongly encourage Congress to pass clean, straightforward legislation to raise the minimum wage by $1 -- from $5.15 to $6.15 -- in two equal steps. Working families across this country deserve an increase that simply restores the real value of the minimum wage to what it was in 1982.

Those who argue this modest pay raise would harm the economy could not be more wrong. Since 1996, when I worked with Congress to raise the minimum wage by 90 cents over 2 years, the unemployment rate has fallen from 5.2 percent to 4.1 percent -- near the lowest level in 30 years, more than 10 million new jobs have been created, and economic growth has averaged 4.3 percent.

Despite this overwhelming evidence, some in Congress are insisting on a lengthier 3-year increase in the minimum wage -- a delay that would cost a full-time, year-round worker more than $900 over 2 years. Others have chosen to use the minimum wage increase as a vehicle to repeal important overtime protections for American workers. And finally, some are using this minimum wage increase to pass irresponsible tax cuts that would threaten our fiscal discipline and jeopardize our ability to extend the life of Medicare and Social Security and pay down the debt by 2013.

Let me be clear -- this is the wrong approach. I will veto any legislation that holds this minimum wage increase hostage to provisions that delay this overdue pay raise or jeopardize our ability to strengthen Social Security and Medicare and pay down the debt by 2013 for future generations.

All Americans should be able to share in our current economic prosperity. For a full-time worker at the minimum wage, this increase would provide a $2,000 annual raise -- enough for a family of four to buy groceries for 7 months or pay rent for 5 months. More than 10 million workers would benefit from this proposal, the majority of them women. Congress should do the right thing and give these workers a raise.

Sincerely,

Bill Clinton

THE WHITE HOUSE

WASHINGTON

March 7, 2000

The Honorable Trent Lott
Majority Leader
United States Senate
Washington, D.C. 20510

Dear Mr. Leader:

I am writing this letter to strongly encourage Congress to pass clean, straightforward legislation to raise the minimum wage by $1 -- from $5.15 to $6.15 -- in two equal steps. Working families across this country deserve an increase that simply restores the real value of the minimum wage to what it was in 1982.

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Sincerely,

Bill Clinton

THE WHITE HOUSE

WASHINGTON

March 7, 2000

The Honorable Richard A. Gephardt
Democratic Leader
House of Representatives
Washington, D.C. 20515

Dear Mr. Leader:

I am writing this letter to strongly encourage Congress to pass clean, straightforward legislation to raise the minimum wage by $1 -- from $5.15 to $6.15 -- in two equal steps. Working families across this country deserve an increase that simply restores the real value of the minimum wage to what it was in 1982.

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Sincerely,

Bill Clinton

Description of Possible Tax Proposal for Democratic Substitute for Minimum Wage Tax Bill

The Democratic substitute would provide approximately $30 billion over the 10-year budget window in tax relief targeted to small businesses. The cost of that tax relief would be fully offset. Following is a description of the tax benefits and offsets which are included in the Democratic substitute.

Tax Benefits

1. The substitute contains a permanent extension of the Work Opportunity Tax Credit and the Welfare to Work credit. In addition, the substitute would remove the age restrictions on the eligibility of food stamp recipients for the WOTC. Both of those credits are designed to encourage employment of disadvantaged workers. Under current law, they will terminate December 31, 2001.

2. Under current law, there is a phase-in of 100 percent deductibility of health insurance premiums paid by the self-employed. For year 2000 the percent deductible is 60 percent, and it will reach 100 percent in 2003. The substitute would accelerate 100 percent deductibility to years after 2000.

3. Under current law, small businesses are permitted to deduct currently (i.e., expense) a portion of their business investments in plant and equipment. The amount that they may expense is $20,000 in 2000 and is scheduled to be increased to $25,000 in 2003. The substitute would provide a $30,000 limit on expensing for small businesses effective for years after 2000.

4. Section 415 of the Code imposes limitations on contributions and benefits under qualified employer retirement plans. The substitute contains modifications to those limitations for multiemployer plans and plans maintained by tax-exempt organizations.

5. Under current law, a 10% investment tax credit and 7-year amortization are allowed for the first $10,000 of reforestation expenses incurred by the taxpayer during any year. The substitute would increase the investment credit to 20%, shorten the amortization period to 3 years, and increase the dollar limitation on these benefits to $20,000.

6. Currently, 50% of business meal and entertainment expenses are deductible. The substitute would increase the deduction to 65% for small businesses. For this purpose, small businesses would be defined as businesses with annual gross receipts of less than $5 million.

7. The substitute would repeal a provision that disallows the business deduction for travel expenses incurred with respect to a spouse, dependent, or other individual accompanying the taxpayer on business travel.

8. Under current law sec.127, there is an exclusion for amounts paid by an employer for the education or training of an employee. The substitute would provide an exclusion for postsecondary educational benefits provided for the employees' children. There would be a $2,000 per-child limit on the exclusion.

9. The substitute would increase the limitation for calendar year 2001 on the Qualified School Academy Bond Program from $400 million to $1.4 billion. In addition, the substitute would authorize $11 billion in school construction bonds for calendar year 2001 as provided in the President's school construction initiative. Contractors on projects funded under the program who fail to pay prevailing wage rates would be subjected to a penalty tax.

10. The substitute would repeal the changes made to the installment method by section 536(a) of the tax extender bill of last year.

Estate Tax Relief

Under current law, there is a $1.3 million exclusion from the estate tax for interests in farms and closely held businesses. In the case of a married couple, a separate $1.3 million exclusion is available for each spouse if they meet the requirements of the exclusion. Married couples with large amounts of assets typically can engage in estate tax planning so that the full benefit of the $1.3 million exclusion is realized in the estate of each spouse. That planning is more difficult in the case of married couples with moderate amounts of wealth. Therefore many couples lose the full benefit of the $1.3 million exclusion.

The substitute effectively would create a $4 million exclusion per family for farms and closely-held businesses. The substitute would accomplish this by increasing the limit on the small business exclusion from $1.3 to $2 million and by providing that the portion of that exclusion not used in the estate of the spouse to first die will be allowed to the estate of the other spouse.

aimed at farms and small business

Revenue Offsets

A. Tax Motivated Expatriation

In 1995 and 1996, there was a bitter partisan debate over the issue of tax motivated expatriation. Over the objection of the Clinton Administration the Senate Republicans and Democrats and the House Democrats, the House Republicans enacted their version of expatriation legislation. That version left many avoidance devices untouched and does not appear to have been ineffective in stopping tax-motivated expatriation.

The substitute would include the provisions of H.R. 3099, introduced by Mr. Rangel. Those provisions are substantially identical to provisions included in the President's budget this year. The Treasury ~~Department~~ estimates that the provisions would raise approximately $3 billion over 10 years.

But joint tax won't score.

The provisions in the alternative –

1. Impose a tax on the unrealized appreciation in the value of an expatriates' assets with a $600,000 gain exclusion ($1.2 million exclusion for married couples).

2. Eliminate the ability to avoid estate and gift taxes through expatriation by imposing a tax on the receipt by U.S. citizens of gifts or bequests from expatriates.

3. Eliminate the ability to expatriate on an informal basis.

B. Corporate Tax Shelters

The substitute includes provisions to address the increasing use of aggressive tax avoidance strategies by corporations. Under current law, there is a court-developed doctrine that requires transactions to have economic substance in order to be respected for tax purposes. The proposal would codify and strengthen this court-developed doctrine.

Under current law, there is a substantial understatement penalty equal to 20 percent of the understatement. There are exceptions to that penalty where the taxpayer shows reasonable cause or where the taxpayer has a legal opinion justifying the transaction. The proposal would modify the substantial understatement penalty in two ways. First, it would increase the penalty from 20 to 40 percent unless the transaction was disclosed to the Internal Revenue Service. Secondly, it would provide that the current law exceptions from the penalty are not available where the tax benefits are denied because of lack of economic substance.

The substitute would also impose penalties on promoters of shelters where a court determines that the shelter lacks substance or is a sham. It would also limit the ability to use losses incurred abroad.

C. Estate Tax

Before the Taxpayer Relief Act of 1997, there was a provision that phased out the benefits of the unified credit. A drafting error in the 1997 Act inadvertently repealed that phaseout. That drafting error provided unintended estate tax reductions to estates with assets in excess of $17 million. The substitute would restore that phaseout, raising approximately $1.4 billion over 10 years.

Under current law, taxpayers routinely claim valuation discounts when making gifts or bequests of fractional interests in entities such as stock in a corporation or a partnership interest. A common estate tax avoidance device is to transfer marketable assets to a family limited partnership and claim valuation discounts for gifts or bequests of interest in those partnerships. The substitute would include the provision recommended in the President's budget that would eliminate valuation discounts except to the extent that they apply to active business assets. This provision would raise approximately $7.2 billion over 10 years.

D. Other Revenue Offsets

The substitute includes a provision that would conform the amortization period (currently 5 years) for startup and organizational expenses to the period (15 years) applicable to goodwill. This provision was included in the President's budget and it would raise approximately $2.4 billion over the 10-year budget window. The provision liberalizes current law by providing immediate write-offs for small businesses.

The substitute also includes the modification to the foreign tax credit carryback period that was passed by the Senate as part of its tax extender bill. That provision would limit the carryback to one year. It would raise approximately $3.5 billion over the 10-year budget window.

The substitute would also limit the ability to avoid capital gains tax through the use of swap funds.

ESTIMATED BUDGET EFFECTS OF H.R. 3081,
THE "WAGE AND EMPLOYMENT GROWTH ACT OF 1999,"
AS REPORTED BY THE COMMITTEE ON WAYS AND MEANS

Fiscal Years 2000 - 2010

[Millions of Dollars]

Provision	Effective	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2000-05	2000-10
I. Amendments to the Fair Labor Standards Act of 1938								*No Revenue Effect*						
II. Small Business Provisions														
1. Accelerate 100% self-employed health insurance deduction and extend eligibility to those who choose not to participate in employer-subsidized health plans	tyba 12/31/00	---	-287	-1,093	-697	---	---	---	---	---	---	---	-2,077	-2,077
2. Increase section 179 expensing to $30,000	tyba 12/31/00	---	-359	-616	-350	-187	-176	-160	-167	-188	-197	-202	-1,688	-2,605
3. Increase business meals deduction (excluding entertainment expenses) to 55% in 2001 and 60% in 2002 and thereafter	tyba 12/31/00	---	-259	-794	-1,090	-1,137	-1,186	-1,239	-1,294	-1,351	-1,412	-1,477	-4,466	-11,239
4. 80% business meals deduction for workers subject to DOT hours of service limitation	tyba 12/31/00	---	-39	-70	-64	-55	-47	-37	-26	-13	---	---	-276	-351
5. Provide that Federal farm production payments are taxable in the year of receipt (ignore election to take the payments in an earlier year unless exercised)	---							*Previously Enacted*						
6. Coordinate farmer income averaging and the AMT and provide the same income averaging relief to commercial fishermen	tyba 12/31/00	---	-1	-2	-2	-2	-3	-3	-4	-5	-6	-7	-9	-33
7. Repeal the occupational taxes relating to distilled spirits, wine, and beer	7/1/01	---	-64	-75	-75	-75	-75	-75	-75	-75	-75	-75	-364	-739
Total of Small Business Provisions		**---**	**-1,009**	**-2,650**	**-2,278**	**-1,456**	**-1,487**	**-1,514**	**-1,566**	**-1,632**	**-1,690**	**-1,761**	**-8,880**	**-17,044**
III. Pension Provisions														
A. Provisions for Expanding Coverage														
1. Increase contribution and benefit limits:														
a. Increase limitation on exclusion for elective deferrals to $11,000 in 2001, $12,000 in 2002, $13,000 in 2003, $14,000 in 2004; index in $500 increments thereafter [1]	yba 12/31/00	---	-131	-317	-468	-578	-640	-687	-735	-783	-832	-879	-2,135	-6,052
b. Increase limitation on SIMPLE elective contributions to $7,000 in 2001, $8,000 in 2002, $9,000 in 2003, $10,000 in 2004; index in $500 increments thereafter [1]	yba 12/31/00	---	-5	-14	-22	-27	-29	-29	-30	-32	-33	-35	-96	-25[illegible]
c. Increase defined benefit dollar limit to $160,000	yba 12/31/00	---	-18	-31	-40	-45	-48	-50	-53	-55	-57	-59	-182	-45[illegible]
d. Lower early retirement age to 62; lower normal retirement age to 65	yba 12/31/00	---	-3	-4	-4	-4	-5	-5	-5	-5	-5	-5	-21	-4[illegible]

Provision	Effective	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2000-05	2000-10
e. Increase annual addition limitation for defined contribution plans to $40,000 [1]	yba 12/31/00	---	-6	-12	-14	-15	-16	-17	-19	-20	-21	-23	-63	-163
f. Increase qualified plan compensation limit to $200,000 [1]	yba 12/31/00	---	-43	-74	-84	-91	-99	-107	-115	-122	-131	-139	-391	-1,004
g. Increase limits on deferrals under deferred compensation plans of State and local governments and tax-exempt organizations to $11,000 in 2001, $12,000 in 2002, $13,000 in 2003, and $14,000 in 2004 [1]	yba 12/31/00	---	-53	-93	-108	-119	-128	-136	-145	-153	-162	-170	-500	-1,266
2. Plan loans for subchapter S owners, partners, and sole proprietors	lma 12/31/00	---	-18	-30	-33	-35	-37	-39	-42	-44	-47	-49	-153	-374
3. Modification of top-heavy rules	pyba 12/31/00	---	-4	-9	-11	-12	-14	-16	-17	-19	-21	-23	-50	-146
4. Elective deferrals not taken into account for purposes of deduction limits	yba 12/31/00	---	-40	-75	-87	-94	-101	-108	-115	-122	-129	-135	-396	-1,004
5. Repeal of coordination requirements for deferred compensation plans of State and local governments and tax-exempt organizations	yba 12/31/00	---	-16	-22	-22	-22	-22	-23	-24	-25	-26	-27	-104	-228
6. Elimination of user fee for certain requests regarding employer pension plans; waiver applies only for request made during first 5 plan years [2]	rma 12/31/00	---	-9	-5	-5	---	---	---	---	---	---	---	-19	-19
7. Definition of compensation for purposes of deduction limits [1]	yba 12/31/00	---	-1	-2	-3	-3	-3	-3	-3	-3	-3	-3	-12	-28
8. Option to treat elective deferrals as after-tax contributions	tyba 12/31/00	---	50	100	131	144	89	-2	-104	-218	-345	-485	514	-640
9. Reduce PBGC premium for new plans of small employers [2]	pea 12/31/00	---	---	[3]	[3]	[3]	[3]	[3]	[3]	[3]	[3]	[3]	-2	-4
10. Phase-in of additional PBGC premium for new plans; include additional variable premium relief for small employers [2]	pea 12/31/00 & pyba 12/31/00	---	---	[3]	[3]	[3]	[3]	[3]	[3]	[3]	[3]	[3]	-12	-27
Subtotal of Provisions for Expanding Coverage		---	-297	-591	-773	-904	-1,056	-1,225	-1,410	-1,604	-1,815	-2,035	-3,622	-11,709
B. Provisions for Enhancing Fairness for Women														
1. Additional catch-up contributions for individuals age 50 and above - increase in maximum contribution limits for pension plans by 10% annually beginning in 2001, not to exceed 40%	yba 12/31/00	---	-74	-152	-131	-99	-95	-97	-100	-101	-103	-103	-550	-1,054
2. Equitable treatment for contributions of employees to defined contribution plans [1]	yba 12/31/00	---	-51	-78	-84	-91	-97	-104	-111	-118	-124	-131	-401	-989
3. Faster vesting of certain employer matching contributions	pyba 12/31/00	*Negligible Revenue Effect*												
4. Simplify and update the minimum distribution rules by modifying post-death distribution rules, reducing (to 10%) the excise tax on failures to make minimum distributions, and directing the Treasury to simplify and finalize regulations relating to the minimum distribution rules	yba 12/31/00	---	-118	-212	-239	-268	-297	-330	-366	-402	-441	-484	-1,135	-3,157
5. Clarification of tax treatment of division of section 457 plan benefits upon divorce	tdapma 12/31/00	*Negligible Revenue Effect*												
6. Modification of safe harbor relief for hardship withdrawals from 401(k) plans	yba 12/31/00	*Negligible Revenue Effect*												
Subtotal of Provisions for Enhancing Fairness for Women		---	-243	-442	-454	-458	-489	-531	-577	-621	-668	-718	-2,086	-5,200

Provision	Effective	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2000-05	2000-10
C. Provisions for Increasing Portability for Participants														
1. Rollovers allowed among governmental section 457 plans, section 403(b) plans, and qualified plans	dma 12/31/00	—	26	-5	-5	-5	-5	-5	-5	-6	-6	-6	6	-22
2. Rollovers of IRAs to workplace retirement plans	dma 12/31/00	Negligible Revenue Effect												
3. Rollovers of after-tax retirement plan contributions	dma 12/31/00	Negligible Revenue Effect												
4. Waiver of 60-day rule	dma 12/31/00	Negligible Revenue Effect												
5. Treatment of forms of qualified plan distributions	yba 12/31/00	Negligible Revenue Effect												
6. Rationalization of restrictions on distributions	da 12/31/00	Negligible Revenue Effect												
7. Purchase of service credit in governmental defined benefit plans	ta 12/31/00	Negligible Revenue Effect												
8. Employers may disregard rollovers for cash-out amounts	da 12/31/00	Negligible Revenue Effect												
9. Minimum distribution and inclusion requirements for section 457 plans	dma 12/31/00	Considered in Other Provisions												
Subtotal of Provisions for Increasing Portability for Participants		—	26	-5	-5	-5	-5	-5	-5	-6	-6	-6	6	-22
D. Provisions for Strengthening Pension Security and Enforcement														
1. Phase-in repeal of 150% of current liability funding limit; extend maximum deduction rule	yba 12/31/00	—	-3	-14	-20	-36	-36	-38	-38	-39	-41	-42	-109	-307
2. Missing plan participants	[4]	Negligible Revenue Effect												
3. Periodic pension benefits statements	pyba 12/31/00	No Revenue Effect												
4. Civil penalties for breach of fiduciary responsibility [5]	voo/a DOE	No Revenue Effect												
5. Excise tax relief for sound pension funding	yba 12/31/00	—	-2	-3	-3	-3	-3	-3	-3	-3	-3	-3	-14	-29
6. Notice of significant reduction in plan benefit accruals	pateo/a DOE	Negligible Revenue Effect												
7. Investment of employee contributions to 401(k) plans	aiii TRA'97	Negligible Revenue Effect												
8. Repeal 100% of compensation limit for multiemployer plans	yba 12/31/00	—	-2	-4	-4	-4	-4	-4	-5	-5	-5	-5	-19	-42
9. Technical correction to Saver Act	DOE	No Revenue Effect												
10. Model spousal consent language and qualified domestic relations order	DOE	No Revenue Effect												
11. Elimination of ERISA double jeopardy	aaocpo/a DOE	Negligible Revenue Effect												
Subtotal of Provisions for Strengthening Pension Security and Enforcement		—	-7	-21	-27	-43	-43	-45	-46	-47	-49	-50	-142	-378
E. Provisions for Reducing Regulatory Burdens														
1. Modification of timing of plan valuations	pyba 12/31/00	Negligible Revenue Effect												
2. ESOP dividends may be reinvested without loss of dividend deduction	tyba 12/31/00	—	-19	-44	-56	-61	-63	-66	-69	-71	-74	-77	-243	-600
3. Repeal transition rule relating to certain highly compensated employees	pyba 12/31/00	—	-2	-3	-3	-3	-3	-3	-4	-4	-4	-4	-13	-32
4. Employees of tax-exempt entities [6]	DOE	Negligible Revenue Effect												
5. Treatment of employer-provided retirement advice	yba 12/31/00	Negligible Revenue Effect												
6. Pension plan reporting simplification [6]	1/1/01	Negligible Revenue Effect												
7. Improvement to Employee Plans Compliance Resolution System [6]	DOE	Negligible Revenue Effect												
8. Substantial owner benefits in terminated plans [2]	DOE	Negligible Revenue Effect												
9. Clarification of exclusion for employer-provided transit passes	tyba 12/31/00	—	-6	-10	-13	-14	-15	-15	-16	-16	-16	-16	-58	-137
10. Repeal of multiple use test	yba 12/31/00	Considered in Other Provisions												
11. Flexibility in nondiscrimination and line of business rule	DOE	Negligible Revenue Effect												

Provision	Effective	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2000-05	2000-10
12. Extension to international organization of moratorium on application of certain nondiscrimination rules applicable to State and local government plans	yba 12/31/00	Negligible Revenue Effect												
13. Notice and consent period regarding distributions	yba 12/31/00	No Revenue Effect												
14. Annual report dissemination	rf yba 12/31/98	No Revenue Effect												
15. Excess benefit plans	yba 12/31/99	Negligible Revenue Effect												
16. Benefit suspension notice	pyba 12/31/99	No Revenue Effect												
17. Clarification of church welfare plan status under State insurance law	DOE	No Revenue Effect												
Subtotal of Provisions for Reducing Regulatory Burdens		---	-27	-57	-72	-78	-81	-84	-89	-91	-94	-97	-314	-769
F. Provisions Relating to Plan Amendments	DOE	No Revenue Effect												
Total of Pension Provisions		---	-548	-1,116	-1,331	-1,488	-1,674	-1,890	-2,127	-2,369	-2,632	-2,906	-6,158	-18,078
IV. Extension of Expiring Provisions														
1. Work opportunity tax credit; credit cannot be claimed until after 9/30/00 (through 12/31/01)	---	Previously Enacted												
2. Welfare-to-work tax credit; credit cannot be claimed until after 9/30/00 (through 12/31/01)	---	Previously Enacted												
Total of Extension of Expiring Provisions		---	---	---	---	---	---	---	---	---	---	---	---	---
V. Estate and Gift Tax Relief Provisions														
1. Reduction in estate, gift, and generation-skipping transfer taxes: beginning in 2001, convert the unified credit into a true exemption, repeal the 5% "bubble" (which phases out the lower rates); repeal rates in excess of 53%; in 2002, repeal rates in excess of 50%; in 2003 through 2004, reduce all rates by 1 percentage point a year; proportionately reduce State tax credit rates	dda & gma 12/31/00	---	---	-4,738	-6,358	-7,247	-8,465	-9,134	-9,674	-10,173	-10,916	-11,635	-26,808	-78,340
2. Provide deemed allocation of GST exemption	ta 12/31/99	---	-1	-3	-4	-4	-4	-4	-4	-4	-4	-4	-16	-36
3. Provide retroactive allocation of GST for unnatural orders of death	generally ea 12/31/99	---	-4	-5	-6	-6	-6	-6	-6	-6	-6	-6	-27	-57
4. Allow severances of trusts holding property having an inclusion ratio of greater than zero	---	Included in Estate and Gift Item 3.												
5. Modify certain valuation rates	---	Included in Estate and Gift Item 3.												
6. Provide relief from late elections	---	Included in Estate and Gift Item 3.												
7. Provide rule of substantial compliance	---	Included in Estate and Gift Item 3.												
8. Expand estate tax rule for conservation easements - increase the 25 mile limit to 50 miles; increase 10-mile limit to 25 miles, and clarify that the date for determining easement compliance	dda 12/31/99 & dda 12/31/97	---	-11	-15	-21	-22	-23	-24	-25	-26	-29	-31	-92	-227
Total of Estate and Gift Tax Relief Provisions		---	-16	-4,761	-6,389	-7,279	-8,498	-9,168	-9,709	-10,209	-10,955	-11,676	-26,943	-78,660

Provision	Effective	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2000-05	2000-10
VI. Distressed Communities and Industries Provisions														
A. "American Community Renewal Act of 1999"														
1. Designate 15 renewal communities within 36 months; provide various incentives (zero capital gains tax on certain 5-year investments; special deduction for real estate revitalization expenditures; special expensing for certain business property; work opportunity tax credit; environmental remediation expenses; family development accounts) beginning 1/1/01 and ending 12/31/07	DOE	---	-102	-197	-202	-201	-220	-247	-325	-141	-35	-76	-922	-1,745
B. Timber Incentives														
1. Increase maximum reforestation expenses qualifying for amortization and credit from $10,000 to $25,000; remove cap on amortization of reforestation costs in 2001 through 2003	tyba 12/31/00	---	-5	-15	-22	-27	-29	-32	-34	-33	-29	-25	-98	-250
Total of Distressed Communities and Industries Provisions		---	-107	-212	-224	-228	-249	-279	-359	-174	-64	-101	-1,020	-1,995
VII. Real Estate Provisions														
A. Improvements in the Low-Income Housing Credit - increase per capita credit by $0.10 per year through 2004; thereafter COLA; $2 million small State minimum beginning in 2001; COLA beginning in 2005; modify stacking rules and credit allocation rules; certain Native American housing assistance disregarded in determining whether building is Federally subsidized for purposes of the low-income housing credit	tyba 12/31/00	---	-4	-24	-68	-140	-234	-345	-467	-601	-750	-913	-470	-3,545
B. Real Estate Investment Trust (REIT) Provisions														
1. Impose 10% vote or value test	---						*Previously Enacted*							
2. Treatment of income and services provided by taxable REIT subsidiaries	---						*Previously Enacted*							
3. Personal property treatment for determining rents from real property for REITs	---						*Previously Enacted*							
4. Special foreclosure rule for health care REITs	---						*Previously Enacted*							
5. Conformity with RIC 90% distribution rules	---						*Previously Enacted*							
6. Clarification of definition of independent operators for REITs	---						*Previously Enacted*							
7. Modification of earnings and profits rules	---						*Previously Enacted*							
C. Accelerate 5-Year Phasein of Private Activity Bond Volume Cap	cyba 12/31/00	---	-10	-41	-83	-127	-163	-179	-179	-174	-167	-159	-425	-1,28
D. Exclusion from Gross Income for Certain Forgiven Mortgage Obligations	doia 12/31/00	---	-2	-6	-6	-6	-7	-7	-7	-7	-8	-8	-27	-6
Total of Real Estate Provisions		---	-16	-71	-157	-273	-404	-531	-653	-782	-925	-1,080	-922	-4,89
NET TOTAL		---	-1,696	-8,810	-10,379	-10,724	-12,312	-13,382	-14,414	-15,166	-16,266	-17,524	-43,923	-120,67

Joint Committee on Taxation

NOTE: Details may not add to totals due to rounding.

[Legend and Footnotes for Table #00-1 034 appear on the following page]

Legend and Footnotes for Table #00-1 034:

Legend for "Effective" column:

aaocpo/a = any action or claim pending on or after
aiii TRA'97 = as if included in the Taxpayer Relief Act of 1997
cyba = calendar years beginning after
da = distributions after
doia = discharges of indebtedness after
dda = decedents dying after
dma = distributions made after
DOE = date of enactment
ea = events after
gma = gifts made after
lma = loans made after
pateo/a = plan amendments taking effect on or after
pea = plans established after
pyba = plan years beginning after .
rf = reports for
rma = requests made after
ta = transfers after
tdapma = transfers, distributions, and payments made after
tyba = taxable years beginning after
voo/a = violations occurring on or after
yba = years beginning after

[1] Provision includes interaction with other provisions in Provisions for Expanding Coverage.
[2] Estimate provided by the Congressional Budget Office.
[3] Loss of less than $5 million.
[4] Effective for distributions from terminating plans that occur after the PBGC has adopted final regulations implementing provision.
[5] Department of Labor penalties.
[6] Directs the Secretary of the Treasury to modify rules through regulations.

Bonior motion

Question Number 1

Whip Office:
11/15/99 10:21 AM

191 —Yes

2 —Leaning Yes		12 —Undecided		1 —Leaning No		5 —No		0 —No Response
Bentsen	57508	Bishop	53631	Sisisky	56365	Goode	54711	
Dooley	53341	Boucher	53861			Hall (TX)	56673	
		Boyd	55235			Pickett	54215	
		Condit	56131			Stenholm	56605	
		Cramer	54801			Tanner	54714	
		Danner	57041					
		Doggett	54865					
		Lucas	53465					
		Peterson	52165					
		Shows	55865					
		Taylor	55772					
		Turner	52401					

Democrats on Bonior 2-year

REPUBLICANS (45)

Boehlert
Campbell
Castle
Diaz-Balart
English
Fosella
Franks (NJ)
Ganske
Gilchrest
Gilman
Green (WI)
Greenwood
Horn
Houghton
Johnson (CT)
Kelly
King
LaHood
LaTourette
Leach
Lewis (CA)
LoBiondo
McHugh (NY)
Metcalf
Morella
Ney
Quinn
Ramstad
Regula
Reynolds
Ros-Lehtinen
Roukema
Ryan (WI)
Saxton
Shays
Sherwood
Smith (NJ)
Sweeney
Terry
Upton
Walden
Walsh
Weldon (PA)
Weller
Young (AK)

DEMOCRATS (10)

Bishop
Boucher
Boyd
Cramer
Danner
Dooley
Lucas
Peterson
Shows
Taylor

Repub
Get-able on Bonior
2-year

Question Number 1 Bonior

191 —Yes 11/15/99 10:21 AM

2 —Leaning Yes		12 —Undecided		1 —Leaning No		5 —No		0 —No Response
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Democrats on Bonior 2-year

REPUBLICANS (45)

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Horn
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Johnson (CT)
Kelly
King
LaHood
LaTourette
Leach
Lewis (CA)
LoBiondo
McHugh (NY)
Metcalf
Morella
Ney
Quinn
Ramstad
Regula
Reynolds
Ros-Lehtinen
Roukema
Ryan (WI)
Saxton
Shays
Sherwood
Smith (NJ)
Sweeney
Terry
Upton
Walden
Walsh
Weldon (PA)
Weller
Young (AK)

DEMOCRATS (10)

Bishop
Boucher
Boyd
Cramer
Danner
Dooley
Lucas
Peterson
Shows
Taylor

Repeats
Get-able on Bonior
2-year

THE WHITE HOUSE

WASHINGTON

March 7, 2000

The Honorable J. Dennis Hastert
Speaker of the
House of Representatives
Washington, D.C. 20515

Dear Mr. Speaker:

I am writing this letter to strongly encourage Congress to pass clean, straightforward legislation to raise the minimum wage by $1 -- from $5.15 to $6.15 -- in two equal steps. Working families across this country deserve an increase that simply restores the real value of the minimum wage to what it was in 1982.

Those who argue this modest pay raise would harm the economy could not be more wrong. Since 1996, when I worked with Congress to raise the minimum wage by 90 cents over 2 years, the unemployment rate has fallen from 5.2 percent to 4.1 percent -- near the lowest level in 30 years, more than 10 million new jobs have been created, and economic growth has averaged 4.3 percent.

Despite this overwhelming evidence, some in Congress are insisting on a lengthier 3-year increase in the minimum wage -- a delay that would cost a full-time, year-round worker more than $900 over 2 years. Others have chosen to use the minimum wage increase as a vehicle to repeal important overtime protections for American workers. And finally, some are using this minimum wage increase to pass irresponsible tax cuts that would threaten our fiscal discipline and jeopardize our ability to extend the life of Medicare and Social Security and pay down the debt by 2013.

Let me be clear -- this is the wrong approach. I will veto any legislation that holds this minimum wage increase hostage to provisions that delay this overdue pay raise or jeopardize our ability to strengthen Social Security and Medicare and pay down the debt by 2013 for future generations.

All Americans should be able to share in our current economic prosperity. For a full-time worker at the minimum wage, this increase would provide a $2,000 annual raise -- enough for a family of four to buy groceries for 7 months or pay rent for 5 months. More than 10 million workers would benefit from this proposal, the majority of them women. Congress should do the right thing and give these workers a raise.

Sincerely,

Bill Clinton

THE WHITE HOUSE

WASHINGTON

March 7, 2000

The Honorable Trent Lott
Majority Leader
United States Senate
Washington, D.C. 20510

Dear Mr. Leader:

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Sincerely,

Bill Clinton

THE WHITE HOUSE

WASHINGTON

March 7, 2000

The Honorable Thomas A. Daschle
Democratic Leader
United States Senate
Washington, D.C. 20510

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Sincerely,

Bill Clinton

THE WHITE HOUSE

WASHINGTON

March 7, 2000

MEET-AND-GREET FOLLOWED BY RALLY FOR AN INCREASE IN THE MINIMUM WAGE

DATE:	March 8, 2000
TIME:	10:05 a.m. – 11:00 a.m.
LOCATION:	Lawn Behind the Oval Office
FROM:	Gene Sperling

I. PURPOSE

To call on Congress to pass clean, straightforward legislation to raise the minimum wage by $1 over two years.

II. BACKGROUND

Substance:

The following bullets come from the draft Executive Summary of the CEA's report on the minimum wage.

- **A higher minimum wage will help more than 10 million Americans -- mostly adult workers trying to support their families.** According to data from the Bureau of Labor Statistics, more than 10 million hourly paid workers earn between $5.15 and $6.14 and would directly benefit from this pay raise. Over two-thirds (70%) of the workers who would benefit are adults, age 20 or over, and three-fifths (59%) are women, many of whom are trying to raise the family on $5.15. Almost half (46%) worked full-time. And the average minimum-wage worker is estimated to bring home half his or her household's earnings.

- **Valuing work: restoring the value of the minimum wage.** Your proposal to increase the minimum wage by $1 -- combined with the previous 90-cent increase -- simply restores the real value of the minimum wage to what it was in 1982. During President Reagan's eight years in office, the minimum wage remained unchanged at $3.35 and the real value of the minimum wage *fell* by 33 percent. This increase -- in percentage terms -- is in line with previous ones that helped low-wage workers without adversely affecting the economy: both this proposal and the last one combine to increase the minimum wage by about 20 percent.

Withdrawal/Redaction Marker
Clinton Library

DOCUMENT NO. AND TYPE	SUBJECT/TITLE	DATE	RESTRICTION
001. memo	re: Rally for an increase in the minimum wage (Personal) [partial] (1 page)	03/07/2000	b(6)

COLLECTION:

Clinton Presidential Records
National Economic Council
Gene Sperling
OA/Box Number: 20717

FOLDER TITLE:

[Minimum Wage 10/00] [3]

2016-0531-F
jm1821

RESTRICTION CODES

Presidential Records Act - [44 U.S.C. 2204(a)]

P1 National Security Classified Information [(a)(1) of the PRA]
P2 Relating to the appointment to Federal office [(a)(2) of the PRA]
P3 Release would violate a Federal statute [(a)(3) of the PRA]
P4 Release would disclose trade secrets or confidential commercial or financial information [(a)(4) of the PRA]
P5 Release would disclose confidential advice between the President and his advisors, or between such advisors [a)(5) of the PRA]
P6 Release would constitute a clearly unwarranted invasion of personal privacy [(a)(6) of the PRA]

C. Closed in accordance with restrictions contained in donor's deed of gift.
PRM. Personal record misfile defined in accordance with 44 U.S.C. 2201(3).
RR. Document will be reviewed upon request.

Freedom of Information Act - [5 U.S.C. 552(b)]

b(1) National security classified information [(b)(1) of the FOIA]
b(2) Release would disclose internal personnel rules and practices of an agency [(b)(2) of the FOIA]
b(3) Release would violate a Federal statute [(b)(3) of the FOIA]
b(4) Release would disclose trade secrets or confidential or financial information [(b)(4) of the FOIA]
b(6) Release would constitute a clearly unwarranted invasion of personal privacy [(b)(6) of the FOIA]
b(7) Release would disclose information compiled for law enforcement purposes [(b)(7) of the FOIA]
b(8) Release would disclose information concerning the regulation of financial institutions [(b)(8) of the FOIA]
b(9) Release would disclose geological or geophysical information concerning wells [(b)(9) of the FOIA]

(b)(6)

The Costas family lives in a 12 ft. by 70 ft. trailer, and in Cheryl's words, "Things get very crowded at times." She says a raise in the minimum wage would make a big difference for herself and family.

[001]

III. PARTICIPANTS

Meet-and-Greet in Oval Office:

Total = 25-30 people

- **YOU**
- Rep. Dick Gephardt
- Rep. David Bonior
- Senator Ted Kennedy [probably will attend]
- any other Members of Congress who attend the event
- John Podesta
- Sec. Lawrence Summers
- Gene Sperling
- Mary Beth Cahill
- Dep. Secretary Ed Montgomery of the Dept. of Labor
- Cheryl Costas, real person

Event on Lawn Behind Oval Office:

On Stage:

- **YOU**
- John Podesta
- Sen. Kennedy [probably will attend]
- Rep. Gephardt
- Rep. Bonior
- Cheryl Costas, real person
- All Members of Congress in attendance who can fit (overflow will flank the stage on either side)

Audience:

Total = 150

- **Helping ensure parents can raise their children out of poverty.** In 1993, you expanded the Earned Income Tax Credit (EITC), helping to lift hundreds of thousands of working families out of poverty. Today, with the previous minimum wage increase and the expanded EITC, parents who work full-time do not have to raise their children in poverty. A working parent with two children earning the minimum wage in 1993 made $10,559 with the EITC (in 1998 inflation-adjusted dollars) – well below the poverty line. With the 1993 increase in the EITC and the 90 cent increase in the minimum wage in 1996 and 1997, a similarly situated family in 1998 was above the poverty line – making $13,268 – a 26 percent inflation-adjusted increase in their standard of living.

- **The impact from last minimum wage increase is clear: 10 million workers got a raise and there is no evidence jobs were lost.** The last minimum wage, which went into effect in October 1996, provided a pay raise to 10 million workers. Since then the economy has created more than 10 million new jobs and the unemployment rate has fallen from 5.2 percent to 4.1 percent – near the lowest level in 30 years. For teenagers, African-Americans, and women, unemployment is down and employment is up.

- **Minimum wage contributes to welfare roll reductions.** The welfare rolls have fallen by 39 percent since the minimum wage increased in 1996. A study by the Council of Economic Advisers released in August, "The Effects of Welfare Policy and the Economic Expansion on Welfare Caseloads: an Update," found that the increase in the minimum wage contributed 10 to 16 percent of this reduction.

- **Yet more evidence that moderate minimum wage increases do not hurt jobs.** A Card-Krueger study of June 1999 studied the relative effects of minimum wage increases in New Jersey and Eastern Pennsylvania. It finds that, if anything, a higher minimum wage increased employment by increasing the labor supply.

<u>Real Person</u>: **Cheryl Costas**

Cheryl is a checkout clerk at the Colton Alba Grocery and Gas, in her hometown of Colton Alba, Pennsylvania. She is 37 years old, married, and has 4 children ranging in the age of 5 to 15. She just recently received a raise from $5.15 to $5.50 per hour.

She has worked at the grocery store since October 1999, and before that she worked at the Dandy Mini-Mart earning the minimum wage. She is also receiving both federal and state grants to go to school full time at Mansfield University, and would like to get her degree in criminal justice. She just recently cut back her hours to 16-20 hours a week to devote more time to school, but previously worked 36-40 hours at the grocery store.

Until last year, Cheryl was the sole wage earner for her family. Her husband has been on disability since 1997 as a result of a back injury while working for the town roads department. In 1999, he began receiving $925 in social security payments each month.

- Sec. Lawrence Summers
- Gene Sperling
- Mary Beth Cahill
- Dep. Secretary Ed Montgomery of the Dept. of Labor
- Representatives of AFL-CIO
- Representative of civil rights organizations
- Representatives of a coalition of church-based groups that recently endorsed a raise in the minimum wage
- Representatives of pay equity groups

IV. SEQUENCE OF EVENTS

-- **YOU** greet guests in Oval Office for meet-and-greet
-- All proceed to event area behind the Oval Office
-- Off-stage announcement of **YOU**, other speakers and Members of Congress
-- Podesta welcomes guests and introduces Cheryl Costas
-- Cheryl Costas tells her story then introduces **YOU**
-- **YOU** deliver remarks then introduce Rep. Gephardt
-- Rep. Gephardt delivers remarks then introduces Sen. Kennedy
-- Sen. Kennedy makes remarks and introduces Rep. Bonior
-- **YOU** close event and depart

V. PRESS COVERAGE

Open press.

VI. REMARKS

Provided by speechwriting.

Description of Possible Tax Proposal for Democratic Substitute for Minimum Wage Tax Bill

The Democratic substitute would provide approximately \$30 billion over the 10-year budget window in tax relief targeted to small businesses. The cost of that tax relief would be fully offset. Following is a description of the tax benefits and offsets which are included in the Democratic substitute.

Tax Benefits

1. The substitute contains a permanent extension of the Work Opportunity Tax Credit and the Welfare to Work credit. In addition, the substitute would remove the age restrictions on the eligibility of food stamp recipients for the WOTC. Both of those credits are designed to encourage employment of disadvantaged workers. Under current law, they will terminate December 31, 2001.

2. Under current law, there is a phase-in of 100 percent deductibility of health insurance premiums paid by the self-employed. For year 2000 the percent deductible is 60 percent, and it will reach 100 percent in 2003. The substitute would accelerate 100 percent deductibility to years after 2000.

3. Under current law, small businesses are permitted to deduct currently (i.e., expense) a portion of their business investments in plant and equipment. The amount that they may expense is \$20,000 in 2000 and is scheduled to be increased to \$25,000 in 2003. The substitute would provide a \$30,000 limit on expensing for small businesses effective for years after 2000.

4. Section 415 of the Code imposes limitations on contributions and benefits under qualified employer retirement plans. The substitute contains modifications to those limitations for multiemployer plans and plans maintained by tax-exempt organizations.

Defined Benefit Plan 135,000 - Maximum 65 point 1 A
60,000 max 55 (\$100,000)
80,000
0.2% Build + Tech

5. Under current law, a 10% investment tax credit and 7-year amortization are allowed for the first $10,000 of reforestation expenses incurred by the taxpayer during any year. The substitute would increase the investment credit to 20%, shorten the amortization period to 3 years, and increase the dollar limitation on these benefits to $20,000.

6. Currently, 50% of <u>business meal and entertainment expenses</u> are deductible. The substitute would increase the deduction to 65% <u>for small businesses</u>. For this purpose, small businesses would be defined as businesses with annual gross receipts of less than $5 million.

7. The substitute would repeal a provision that disallows the business deduction for <u>travel expenses incurred with respect to a spouse</u>, dependent, or other individual accompanying the taxpayer on business travel.

8. Under current law sec.127, there is an exclusion for amounts paid by an employer for the education or training of an employee. The substitute would provide an <u>exclusion for postsecondary educational benefits provided for the employees' children</u>. There would be a $2,000 per-child limit on the exclusion.

9. The substitute would increase the limitation for calendar year 2001 on the Qualified School Academy Bond Program from $400 million ~~to~~ $1.4 billion. In addition, the substitute would authorize $11 billion in school construction bonds for calendar year 2001 as provided in the President's school construction initiative. Contractors on projects funded under the program who fail to pay prevailing wage rates would be subjected to a penalty tax.

10. The substitute would repeal the changes made to the installment method by section 536(a) of the tax extender bill of last year.

Estate Tax Relief

Under current law, there is a $1.3 million exclusion from the estate tax for interests in farms and closely held businesses. In the case of a married couple, a separate $1.3 million exclusion is available for each spouse if they meet the requirements of the exclusion. Married couples with large amounts of assets typically can engage in estate tax planning so that the full benefit of the $1.3 million exclusion is realized in the estate of each spouse. That planning is more difficult in the case of married couples with moderate amounts of wealth. Therefore many couples lose the full benefit of the $1.3 million exclusion.

aimed at farms and small business

The substitute effectively would create a $4 million exclusion per family for farms and closely-held businesses. The substitute would accomplish this by increasing the limit on the small business exclusion from $1.3 to $2 million and by providing that the portion of that exclusion not used in the estate of the spouse to first die will be allowed to the estate of the other spouse.

Revenue Offsets

A. Tax Motivated Expatriation

In 1995 and 1996, there was a bitter partisan debate over the issue of tax motivated expatriation. Over the objection of the Clinton Administration the Senate Republicans and Democrats and the House Democrats, the House Republicans enacted their version of expatriation legislation. That version left many avoidance devices untouched and does not appear to have been ineffective in stopping tax-motivated expatriation.

The substitute would include the provisions of H.R. 3099, introduced by Mr. Rangel. Those provisions are substantially identical to provisions included in the President's budget this year. The Treasury Department estimates that the provisions would raise approximately $3 billion over 10 years.

But joint tax won't score.

The provisions in the alternative –

1. Impose a tax on the unrealized appreciation in the value of an expatriates' assets with a $600,000 gain exclusion ($1.2 million exclusion for married couples).

2. Eliminate the ability to avoid estate and gift taxes through expatriation by imposing a tax on the receipt by U.S. citizens of gifts or bequests from expatriates.

3. Eliminate the ability to expatriate on an informal basis.

B. Corporate Tax Shelters

The substitute includes provisions to address the increasing use of aggressive tax avoidance strategies by corporations. Under current law, there is a court-developed doctrine that requires transactions to have economic substance in order to be respected for tax purposes. The proposal would codify and strengthen this court-developed doctrine.

Under current law, there is a substantial understatement penalty equal to 20 percent of the understatement. There are exceptions to that penalty where the taxpayer shows reasonable cause or where the taxpayer has a legal opinion justifying the transaction. The proposal would modify the substantial understatement penalty in two ways. First, it would increase the penalty from 20 to 40 percent unless the transaction was disclosed to the Internal Revenue Service. Secondly, it would provide that the current law exceptions from the penalty are not available where the tax benefits are denied because of lack of economic substance.

The substitute would also impose penalties on promoters of shelters where a court determines that the shelter lacks substance or is a sham. It would also limit the ability to use losses incurred abroad.

C. Estate Tax

Before the Taxpayer Relief Act of 1997, there was a provision that phased out the benefits of the unified credit. A drafting error in the 1997 Act inadvertently repealed that phaseout. That drafting error provided unintended estate tax reductions to estates with assets in excess of $17 million. The substitute would restore that phaseout, raising approximately $1.4 billion over 10 years.

Under current law, taxpayers routinely claim valuation discounts when making gifts or bequests of fractional interests in entities such as stock in a corporation or a partnership interest. A common estate tax avoidance device is to transfer marketable assets to a family limited partnership and claim valuation discounts for gifts or bequests of interest in those partnerships. The substitute would include the provision recommended in the President's budget that would eliminate valuation discounts except to the extent that they apply to active business assets. This provision would raise approximately $7.2 billion over 10 years.

D. Other Revenue Offsets

The substitute includes a provision that would conform the amortization period (currently 5 years) for startup and organizational expenses to the period (15 years) applicable to goodwill. This provision was included in the President's budget and it would raise approximately $2.4 billion over the 10-year budget window. The provision liberalizes current law by providing immediate write-offs for small businesses.

The substitute also includes the modification to the foreign tax credit carryback period that was passed by the Senate as part of its tax extender bill. That provision would limit the carryback to one year. It would raise approximately $3.5 billion over the 10-year budget window.

The substitute would also limit the ability to avoid capital gains tax through the use of swap funds.

DRAFT **3/7/00** **8:15 pm**

DRAFT

(a) Section 7(e) is amended by:

(1) in paragraph (6), by striking "or" at the end;

(2) in paragraph (7), by striking the period and inserting "or"; and

(3) by inserting a new paragraph (8) as follows:

(8) any income derived from employer-provided grants or rights provided pursuant to a bona fide stock option program, employee stock purchase program, or stock appreciation program. A bona fide stock option program, employee stock purchase program or stock appreciation program is one in which:

(a) the grants, rights or payments are made pursuant to a written program, and the terms, conditions and risks of the program are fully disclosed and effectively communicated to employees in the written program or other written document;

(b) (i) if the grant or right is offered at or above fair market value, there is a period of at least ______ between the date the grant is awarded and the first date on which the instrument may be [converted into cash][exercised] ; (ii) if the grant or right is offered at a discounted rate, the exercise price is at least 85% of the fair market value of the stock on the grant date, and there is a period of at least ______ between the date the grant is awarded and the first date on which the instrument may be [converted into cash][exercised];

(c) exercise of vested options is fully voluntary; and

(d) eligibility for and the amount of employer-provided grants or rights, or income derived from such grants or rights, provided pursuant to the program must be determined without regard to hours of work (except for length of service or minimum schedule of hours or days of work as specified in the program or arrangement), or efficiency or productivity of any unit below the facility level; unless the grants, rights or payments are in recognition of services

DRAFT

performed in a given period and are made in the sole discretion of the employer (except that there may be a vesting period) and announced at or near the end of the period.

(b) Section 7(h) is amended by:

(1) renumbering the current text as paragraph (2); and

(2) inserting the following as a new paragraph (1):

(1) Except as provided in paragraph (2) of this subsection, sums excluded from the regular rate pursuant to subsection (e) shall not be creditable toward wages required under section 6 or overtime compensation required under this section.

(c) This amendment shall take effect immediately.

(d) No employer shall be liable under the FLSA for any failure to include in an employee's regular rate any income derived from employer-provided grants or rights provided to or obtained pursuant to a stock option program, employee stock purchase program, or stock appreciation program before the effective date of this Act, unless there is clear and convincing evidence the program was established to evade the overtime requirements of the FLSA.

(e) A stock option program, employee stock purchase program, or stock appreciation program provided under a collective bargaining agreement which is in effect as of the effective date of this Act shall be treated as a bona fide stock option program, employee stock purchase program, or stock appreciation program until the expiration date of the collective bargaining agreement.

(f) The Secretary of Labor shall prescribe such regulations as are necessary to carry out the provisions of this Act.

DRAFT – revised 3 pm

March xx, 2000

Dear xx,

Congress should pass clear, straightforward legislation to raise the minimum wage by $1 in two equal steps. Increasing the reward to work would be good for the country and good for lower-income workers that are struggling to make ends meet. A modest increase in the minimum wage from $5.15 to $6.15 an hour would simply restore the real value of the minimum wage to what it was in 1982. For a full-time worker at the minimum wage, this would provide a $2,000 raise – enough for such a family of four to buy groceries for 7 months or pay rent for 5 months. More than ten million workers would benefit under this proposal, the majority of them women.

In the past, some have said that even reasonable increases in the minimum wage would harm the economy, costing jobs and causing inflation. After our experience since the last minimum wage increase in 1996, we know better. In 1996, the Congress and I worked together to raise the minimum wage by 90 cents over two years. Since then, the American economy has created more than 10 million new jobs, many of those jobs in sectors where minimum-wage workers are employed. The unemployment rate has fallen from the already low rate of 5.2 percent to 4.1 percent – around the lowest in 30 years. And the minimum wage increase has been a crucial factor in contributing to rising wages for the lowest-income groups, reversing the wage declines of the previous decade. At the same time, underlying inflation is the lowest it has been in more than three decades. By increasing the reward to work, the minimum wage increase has contributed to the 44 percent decline in the welfare caseload since the last minimum wage increase – bringing the welfare rolls down to their lowest level in three decades. What works for America's working families, works for America's economy.

That is why I would have to veto a $1 minimum wage increase over three years. This would delay the American worker's much-needed pay raise, costing a full-time, year-round worker more than $900 over two years.

Also, I want to make it clear that the minimum wage bill should not be used as a vehicle to pass costly, regressive and unnecessary tax cuts that would threaten our fiscal discipline or to repeal important overtime protections for American workers, including a measure that would even weaken the Administration's ability to protect workers' pension and health benefits. The bulk of the tax provisions attached to the minimum wage bill in the House are directed away from working families, and, whatever their stated intent, would do little to help most small businesses. Some of these provisions could even reduce the retirement benefits enjoyed by millions of working Americans. If the unacceptable tax cuts in the House bill are attached to a two-step increase in the minimum wage, I would have no choice but to veto the entire bill.

America's workers show up to work every day and get the job done. Congress should do the same. I urge Congress to raise the minimum wage by $1 over two years and refrain from attaching to this legislation measures to repeal important overtime protections for workers or regressive, fiscally irresponsible, tax cuts that threaten Social Security, Medicare, and debt reduction.

Sincerely,

WJC

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for
Democratic Substitute for Minimum Wage Tax Bill

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Aimed at farms and small business

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Question Number 1 Bonior motion

Whip Office:
11/15/99 10:21 AM

191 —Yes

2 —Leaning Yes		12 —Undecided		1 —Leaning No		5 —No		0 —No Response
Bentsen	57508	Bishop	53631	Sisisky	56365	Goode	54711	
Dooley	53341	Boucher	53861			Hall (TX)	56673	
		Boyd	55235			Pickett	54215	
		Condit	56131			Stenholm	56605	
		Cramer	54801			Tanner	54714	
		Danner	57041					
		Doggett	54865					
		Lucas	53465					
		Peterson	52165					
		Shows	55865					
		Taylor	55772					
		Turner	52401					

Democrats on Bonior 2-year

REPUBLICANS (45)

Boehlert
Campbell
Castle
Diaz-Balart
English
Fosella
Franks (NJ)
Ganske
Gilchrest
Gilman
Green (WI)
Greenwood
Horn
Houghton
Johnson (CT)
Kelly
King
LaHood
LaTourette
Leach
Lewis (CA)
LoBiondo
McHugh (NY)
Metcalf
Morella
Ney
Quinn
Ramstad
Regula
Reynolds
Ros-Lehtinen
Roukema
Ryan (WI)
Saxton
Shays
Sherwood
Smith (NJ)
Sweeney
Terry
Upton
Walden
Walsh
Weldon (PA)
Weller
Young (AK)

DEMOCRATS (10)

Bishop
Boucher
Boyd
Cramer
Danner
Dooley
Lucas
Peterson
Shows
Taylor

Repubs
Get-able on Bonior
2-year

March 2, 2000

MEMORANDUM FOR GENE SPERLING

FROM: JASON FURMAN
BRIAN KENNEDY

SUBJECT: MINIMUM WAGE: ISSUES AND STRATEGY

This memo goes through some of the open issues on the minimum wage and the strategy for next week. The minimum wage will be going to the House Rules committee on Wednesday March 8th and to the floor the following day. The floor vote will be split between minimum wage and tax. The minimum wage will be a vote on the $1 over three years and the $1 over two years alternative. The Republicans have a tax package that is $120 billion over 10 years, of which $80 billion is estate. It is currently uncertain whether or not the Republicans will allow a vote on the Democratic alternative. The Democrats are working on their alternative; right now it is $30 billion gross (including small business and school construction) and $20 billion of raisers. They are trying to make it fully paid for.

Our suggestion is that Brian and Jason hold the Friday meeting on these issues, and then you hold a principals meeting on Monday where people like Podesta, Lew, Summers are present and can make decisions.

Minimum Wage Strategy

We have been working on some elements of an approach to next week. These include:

- *Minimum wage event.* An event with the President on Wednesday to fire up support for the minimum wage. This would probably include one worker who would benefit from the increase and possibly one employer who has benefited from paying above minimum wages. An open question is whether or not to include members. The tentative thought is that we should only do this if we could get a Republican to speak; otherwise it would make it too partisan and jeopardize the ability to attract moderate Republicans in the House.

- *Minimum wage report.* CEA and Labor are working on a tentative report on the minimum wage. The topics covered would include: (1) who would benefit from the increase (totals, percentage of women, percentage of full-time workers, state-by-state numbers etc.), (2) the positive effects of the last minimum wage increase, (3) the lack of negative effects on jobs or inflation from the last minimum wage increase, and (4) the economic evidence on the minimum wage and jobs. If we want this report to go forward, we could release it in conjunction with the POTUS minimum wage event.

- *Letter/SAP with a veto threat.* Marti Thomas, Broderick Johnson, and others feel we need to get a written veto threat for the Republican tax provisions up to the Hill soon, sometime between Monday and Wednesday. The point of the letter would be to define the debate as the desirability of a clean minimum wage increase, and a veto threat if the Republicans attach poison pills. The three vehicles for this would be a POTUS letter, a Summers/Herman letter, and a SAP. Our suggestion is to do a POTUS letter on Monday that is general and then a SAP that goes into more detail about specific objections to tax and labor provisions in the Republican bill. (We could do the POTUS letter without knowing the details of the Republican tax package; the SAP would have to wait until these details are known.) We are drafting a POTUS letter. One issue you need to think about is whether a POTUS letter on Monday would partly undermine the event on Wednesday; should we hold off or use another vehicle?

- *Calls to members.* A list of wavering members is attached; we should think about whether there are any calls you should make. We are talking to White House leg about this as well.

Open Issues

The biggest open issue is that we have to decide our stance toward the Democratic package (sketchy details of the package are below). This will depend on whether the package is paid for (they are trying to do this, but it is still unclear whether or not they will be able to), whether the package is contingent (their marriage penalty was, but in this case it is less likely), and our opinion on the specific provisions in the bill. If the Democratic alternative is paid for, the best stance would probably be to praise the Democrats for their fiscal responsibility and talk about how the Republican bill would jeopardize Social Security, Medicare and debt reduction. There are open questions, however, whether or not to take a position on their specifics; and if so what position we should take.

Principals should probably meet on Monday to discuss this and any other open issues. If this is not possible, we could probably cover it in the Friday 5 pm meeting and Monday's 8:30 meeting.

Details of the Minimum Wage Increases

The current Democratic draft has two \$0.50 increases, the first one month from enactment and the second 12 months later. The current Republican draft has increases of \$0.35 on April 1st 2000, \$0.35 on April 1st 2001, and \$0.30 on April 1st 2002. The Republican package would cost a full-time worker at the minimum wage \$900 over two years. The Democratic package would simply restore the real value of the minimum wage to what it was in 1982.

Details of the Republican Tax Package

A draft JCT scoring of the Republican tax package is attached. It is similar to the one proposed in the fall. The main provisions are:

REPUBLICAN MINIMUM WAGE TAX PACKAGE	
	10-year Cost (billions)
Small Business Provisions, Total	**17.0**
Accelerate 100% self-employed health insurance deduction	*2.1*
Increase section 179 expensing to $30,000	*2.6*
Increase business meals deduction to 60 percent	*11.2*
Other	*1.1*
Pension Provisions ($9.2 billion of total are limit increases)	**18.1**
Estate and Gift Tax Relief (mostly lower rates and converting unified credit into an exemption)	**78.7**
Distressed Communities (mostly "American Community Renewal Act" with 15 Renewal Communities)	**2.0**
Real Estate Provisions (mostly a phased-in increase of LIHTC)	**4.9**
Total Tax Cut	**$120.7**

The estate tax provisions are barely targeted at small businesses, farms, or smaller estates. Instead, the primary benefits go to larger estates. (One exception is a $227 million provision to expand conservation easements.) Specifically, the fully phased in estate tax provisions would cut the top rate from 55 percent to 48 percent, but cut lower rates by only 2 percentage points. It would eliminate the 5 percent surtax, which only benefits estates worth more than $10 million. And it would turn the unified credit for estates (which effectively means that estates below $675,000 are not taxed) into an exemption. Like turning any tax credit into a deduction, this would have no effect on estates in the lower bracket, and taxes for estates in the higher brackets.

Details of the Democratic Tax Package

We do not know very much about the Democratic package. Currently they have about $30 billion of tax cuts and $20 billion of raisers. They are trying to make it fully paid for, but are concerned that the raisers may alienate some of their members. If it is not paid for, they might make it contingent on debt reduction and Social Security/Medicare solvency, similar to the marriage penalty. This does not, however, seem very likely. The particular direction they go will shape how we talk about our opposition to the Republican tax measures.

The Democratic tax package may include some estate tax provisions geared at small business. They will argue that these provide more tax relief for small businesses than the Republican proposal. They will also probably include business meals, section 179 expensing, school construction, deductibility of spouses on business trips, and other measures.

ESTIMATED BUDGET EFFECTS OF H.R. 3081,
THE "WAGE AND EMPLOYMENT GROWTH ACT OF 1999,"
AS REPORTED BY THE COMMITTEE ON WAYS AND MEANS

Fiscal Years 2000 - 2010

[Millions of Dollars]

Provision	Effective	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2000-05	2000-10
I. Amendments to the Fair Labor Standards Act of 1938		*No Revenue Effect*												
II. Small Business Provisions														
1. Accelerate 100% self-employed health insurance deduction and extend eligibility to those who choose not to participate in employer-subsidized health plans	tyba 12/31/00	---	-287	-1,093	-697	---	---	---	---	---	---	---	-2,077	-2,077
2. Increase section 179 expensing to $30,000	tyba 12/31/00	---	-359	-616	-350	-187	-176	-160	-167	-188	-197	-202	-1,688	-2,605
3. Increase business meals deduction (excluding entertainment expenses) to 55% in 2001 and 60% in 2002 and thereafter	tyba 12/31/00	---	-259	-794	-1,090	-1,137	-1,186	-1,239	-1,294	-1,351	-1,412	-1,477	-4,466	-11,239
4. 80% business meals deduction for workers subject to DOT hours of service limitation	tyba 12/31/00	---	-39	-70	-64	-55	-47	-37	-26	-13	---	---	-276	-351
5. Provide that Federal farm production payments are taxable in the year of receipt (ignore election to take the payments in an earlier year unless exercised)	---	*Previously Enacted*												
6. Coordinate farmer income averaging and the AMT and provide the same income averaging relief to commercial fishermen	tyba 12/31/00	---	-1	-2	-2	-2	-3	-3	-4	-5	-6	-7	-9	-33
7. Repeal the occupational taxes relating to distilled spirits, wine, and beer	7/1/01	---	-64	-75	-75	-75	-75	-75	-75	-75	-75	-75	-364	-739
Total of Small Business Provisions		---	**-1,009**	**-2,650**	**-2,278**	**-1,456**	**-1,487**	**-1,514**	**-1,566**	**-1,632**	**-1,690**	**-1,761**	**-8,880**	**-17,044**
III. Pension Provisions														
A. Provisions for Expanding Coverage														
1. Increase contribution and benefit limits:														
a. Increase limitation on exclusion for elective deferrals to $11,000 in 2001, $12,000 in 2002, $13,000 in 2003, $14,000 in 2004; index in $500 increments thereafter [1]	yba 12/31/00	---	-131	-317	-468	-578	-640	-687	-735	-783	-832	-879	-2,135	-6,052
b. Increase limitation on SIMPLE elective contributions to $7,000 in 2001, $8,000 in 2002, $9,000 in 2003, $10,000 in 2004; index in $500 increments thereafter [1]	yba 12/31/00	---	-5	-14	-22	-27	-29	-29	-30	-32	-33	-35	-96	-259
c. Increase defined benefit dollar limit to $160,000	yba 12/31/00	---	-18	-31	-40	-45	-48	-50	-53	-55	-57	-59	-182	-454
d. Lower early retirement age to 62; lower normal retirement age to 65	yba 12/31/00	---	-3	-4	-4	-4	-5	-5	-5	-5	-5	-5	-21	-49

Provision	Effective	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2000-05	2000-10
e. Increase annual addition limitation for defined contribution plans to $40,000 [1]	yba 12/31/00	---	-6	-12	-14	-15	-16	-17	-19	-20	-21	-23	-63	-163
f. Increase qualified plan compensation limit to $200,000 [1]	yba 12/31/00	---	-43	-74	-84	-91	-99	-107	-115	-122	-131	-139	-391	-1,004
g. Increase limits on deferrals under deferred compensation plans of State and local governments and tax-exempt organizations to $11,000 in 2001, $12,000 in 2002, $13,000 in 2003, and $14,000 in 2004 [1]	yba 12/31/00	---	-53	-93	-108	-119	-128	-136	-145	-153	-162	-170	-500	-1,266
2. Plan loans for subchapter S owners, partners, and sole proprietors	lma 12/31/00	---	-18	-30	-33	-35	-37	-39	-42	-44	-47	-49	-153	-374
3. Modification of top-heavy rules	pyba 12/31/00	---	-4	-9	-11	-12	-14	-16	-17	-19	-21	-23	-50	-146
4. Elective deferrals not taken into account for purposes of deduction limits	yba 12/31/00	---	-40	-75	-87	-94	-101	-108	-115	-122	-129	-135	-396	-1,004
5. Repeal of coordination requirements for deferred compensation plans of State and local governments and tax-exempt organizations	yba 12/31/00	---	-16	-22	-22	-22	-22	-23	-24	-25	-26	-27	-104	-228
6. Elimination of user fee for certain requests regarding employer pension plans; waiver applies only for request made during first 5 plan years [2]	rma 12/31/00	---	-9	-5	-5	---	---	---	---	---	---	---	-19	-19
7. Definition of compensation for purposes of deduction limits [1]	yba 12/31/00	---	-1	-2	-3	-3	-3	-3	-3	-3	-3	-3	-12	-28
8. Option to treat elective deferrals as after-tax contributions	tyba 12/31/00	---	50	100	131	144	89	-2	-104	-218	-345	-485	514	-640
9. Reduce PBGC premium for new plans of small employers [2]	pea 12/31/00	---	---	[3]	[3]	[3]	[3]	[3]	[3]	[3]	[3]	[3]	-2	-4
10. Phase-in of additional PBGC premium for new plans; include additional variable premium relief for small employers [2]	pea 12/31/00 & pyba 12/31/00	---	---	[3]	[3]	[3]	[3]	[3]	[3]	[3]	[3]	[3]	-12	-27
Subtotal of Provisions for Expanding Coverage		---	-297	-591	-773	-904	-1,056	-1,225	-1,410	-1,604	-1,815	-2,035	-3,622	-11,709
B. Provisions for Enhancing Fairness for Women														
1. Additional catch-up contributions for individuals age 50 and above - increase in maximum contribution limits for pension plans by 10% annually beginning in 2001, not to exceed 40%	yba 12/31/00	---	-74	-152	-131	-99	-95	-97	-100	-101	-103	-103	-550	-1,054
2. Equitable treatment for contributions of employees to defined contribution plans [1]	yba 12/31/00	---	-51	-78	-84	-91	-97	-104	-111	-118	-124	-131	-401	-989
3. Faster vesting of certain employer matching contributions	pyba 12/31/00							*Negligible Revenue Effect*						
4. Simplify and update the minimum distribution rules by modifying post-death distribution rules, reducing (to 10%) the excise tax on failures to make minimum distributions, and directing the Treasury to simplify and finalize regulations relating to the minimum distribution rules	yba 12/31/00	---	-118	-212	-239	-268	-297	-330	-366	-402	-441	-484	-1,135	-3,157
5. Clarification of tax treatment of division of section 457 plan benefits upon divorce	tdapma 12/31/00							*Negligible Revenue Effect*						
6. Modification of safe harbor relief for hardship withdrawals from 401(k) plans	yba 12/31/00							*Negligible Revenue Effect*						
Subtotal of Provisions for Enhancing Fairness for Women		---	-243	-442	-454	-458	-489	-531	-577	-621	-668	-718	-2,086	-5,200

Provision	Effective	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2000-05	2000-10
C. Provisions for Increasing Portability for Participants														
1. Rollovers allowed among governmental section 457 plans, section 403(b) plans, and qualified plans	dma 12/31/00	---	26	-5	-5	-5	-5	-5	-5	-6	-6	-6	6	-22
2. Rollovers of IRAs to workplace retirement plans	dma 12/31/00	Negligible Revenue Effect												
3. Rollovers of after-tax retirement plan contributions	dma 12/31/00	Negligible Revenue Effect												
4. Waiver of 60-day rule	dma 12/31/00	Negligible Revenue Effect												
5. Treatment of forms of qualified plan distributions	yba 12/31/00	Negligible Revenue Effect												
6. Rationalization of restrictions on distributions	da 12/31/00	Negligible Revenue Effect												
7. Purchase of service credit in governmental defined benefit plans	ta 12/31/00	Negligible Revenue Effect												
8. Employers may disregard rollovers for cash-out amounts	da 12/31/00	Negligible Revenue Effect												
9. Minimum distribution and inclusion requirements for section 457 plans	dma 12/31/00	Considered in Other Provisions												
Subtotal of Provisions for Increasing Portability for Participants		---	26	-5	-5	-5	-5	-5	-5	-6	-6	-6	6	-22
D. Provisions for Strengthening Pension Security and Enforcement														
1. Phase-in repeal of 150% of current liability funding limit; extend maximum deduction rule	yba 12/31/00	---	-3	-14	-20	-36	-36	-38	-38	-39	-41	-42	-109	-307
2. Missing plan participants	[4]	Negligible Revenue Effect												
3. Periodic pension benefits statements	pyba 12/31/00	No Revenue Effect												
4. Civil penalties for breach of fiduciary responsibility [5]	voo/a DOE	No Revenue Effect												
5. Excise tax relief for sound pension funding	yba 12/31/00	---	-2	-3	-3	-3	-3	-3	-3	-3	-3	-3	-14	-29
6. Notice of significant reduction in plan benefit accruals	pateo/a DOE	Negligible Revenue Effect												
7. Investment of employee contributions to 401(k) plans	aiii TRA'97	Negligible Revenue Effect												
8. Repeal 100% of compensation limit for multiemployer plans	yba 12/31/00	---	-2	-4	-4	-4	-4	-4	-5	-5	-5	-5	-19	-42
9. Technical correction to Saver Act	DOE	No Revenue Effect												
10. Model spousal consent language and qualified domestic relations order	DOE	No Revenue Effect												
11. Elimination of ERISA double jeopardy	aaocpo/a DOE	Negligible Revenue Effect												
Subtotal of Provisions for Strengthening Pension Security and Enforcement		---	-7	-21	-27	-43	-43	-45	-46	-47	-49	-50	-142	-378
E. Provisions for Reducing Regulatory Burdens														
1. Modification of timing of plan valuations	pyba 12/31/00	Negligible Revenue Effect												
2. ESOP dividends may be reinvested without loss of dividend deduction	tyba 12/31/00	---	-19	-44	-56	-61	-63	-66	-69	-71	-74	-77	-243	-600
3. Repeal transition rule relating to certain highly compensated employees	pyba 12/31/00	---	-2	-3	-3	-3	-3	-3	-4	-4	-4	-4	-13	-32
4. Employees of tax-exempt entities [6]	DOE	Negligible Revenue Effect												
5. Treatment of employer-provided retirement advice	yba 12/31/00	Negligible Revenue Effect												
6. Pension plan reporting simplification [6]	1/1/01	Negligible Revenue Effect												
7. Improvement to Employee Plans Compliance Resolution System [6]	DOE	Negligible Revenue Effect												
8. Substantial owner benefits in terminated plans [2]	DOE	Negligible Revenue Effect												
9. Clarification of exclusion for employer-provided transit passes	tyba 12/31/00	---	-6	-10	-13	-14	-15	-15	-16	-16	-16	-16	-58	-137
10. Repeal of multiple use test	yba 12/31/00	Considered in Other Provisions												
11. Flexibility in nondiscrimination and line of business rules	DOE	Negligible Revenue Effect												

Provision	Effective	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2000-05	2000-10
12. Extension to international organization of moratorium on application of certain nondiscrimination rules applicable to State and local government plans	yba 12/31/00	*Negligible Revenue Effect*												
13. Notice and consent period regarding distributions	yba 12/31/00	*No Revenue Effect*												
14. Annual report dissemination	rf yba 12/31/98	*No Revenue Effect*												
15. Excess benefit plans	yba 12/31/99	*Negligible Revenue Effect*												
16. Benefit suspension notice	pyba 12/31/99	*No Revenue Effect*												
17. Clarification of church welfare plan status under State insurance law	DOE	*No Revenue Effect*												
Subtotal of Provisions for Reducing Regulatory Burdens		---	-27	-57	-72	-78	-81	-84	-89	-91	-94	-97	-314	-769
F. Provisions Relating to Plan Amendments	DOE	*No Revenue Effect*												
Total of Pension Provisions		—	-548	-1,116	-1,331	-1,488	-1,674	-1,890	-2,127	-2,369	-2,632	-2,906	-6,158	-18,078
IV. Extension of Expiring Provisions														
1. Work opportunity tax credit; credit cannot be claimed until after 9/30/00 (through 12/31/01)	---	*Previously Enacted*												
2. Welfare-to-work tax credit; credit cannot be claimed until after 9/30/00 (through 12/31/01)	---	*Previously Enacted*												
Total of Extension of Expiring Provisions		—	—	—	—	—	—	—	—	—	—	—	—	—
V. Estate and Gift Tax Relief Provisions														
1. Reduction in estate, gift, and generation-skipping transfer taxes: beginning in 2001, convert the unified credit into a true exemption, repeal the 5% "bubble" (which phases out the lower rates); repeal rates in excess of 53%; in 2002, repeal rates in excess of 50%; in 2003 through 2004, reduce all rates by 1 percentage point a year; proportionately reduce State tax credit rates	dda & gma 12/31/00	---	---	-4,738	-6,358	-7,247	-8,465	-9,134	-9,674	-10,173	-10,916	-11,635	-26,808	-78,340
2. Provide deemed allocation of GST exemption	ta 12/31/99	---	-1	-3	-4	-4	-4	-4	-4	-4	-4	-4	-16	-36
3. Provide retroactive allocation of GST for unnatural orders of death	generally ea 12/31/99	---	-4	-5	-6	-6	-6	-6	-6	-6	-6	-6	-27	-57
4. Allow severances of trusts holding property having an inclusion ratio of greater than zero	---	*Included in Estate and Gift Item 3.*												
5. Modify certain valuation rates	---	*Included in Estate and Gift Item 3.*												
6. Provide relief from late elections	---	*Included in Estate and Gift Item 3.*												
7. Provide rule of substantial compliance	---	*Included in Estate and Gift Item 3.*												
8. Expand estate tax rule for conservation easements - increase the 25 mile limit to 50 miles; increase 10-mile limit to 25 miles, and clarify that the date for determining easement compliance	dda 12/31/99 & dda 12/31/97	---	-11	-15	-21	-22	-23	-24	-25	-26	-29	-31	-92	-227
Total of Estate and Gift Tax Relief Provisions		—	-16	-4,761	-6,389	-7,279	-8,498	-9,168	-9,709	-10,209	-10,955	-11,676	-26,943	-78,660

Provision	Effective	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2000-05	2000-10
VI. Distressed Communities and Industries Provisions														
A. "American Community Renewal Act of 1999"														
1. Designate 15 renewal communities within 36 months; provide various incentives (zero capital gains tax on certain 5-year investments; special deduction for real estate revitalization expenditures; special expensing for certain business property; work opportunity tax credit; environmental remediation expenses; family development accounts) beginning 1/1/01 and ending 12/31/07	DOE	---	-102	-197	-202	-201	-220	-247	-325	-141	-35	-76	-922	-1,745
B. Timber Incentives														
1. Increase maximum reforestation expenses qualifying for amortization and credit from $10,000 to $25,000; remove cap on amortization of reforestation costs in 2001 through 2003	tyba 12/31/00	---	-5	-15	-22	-27	-29	-32	-34	-33	-29	-25	-98	-250
Total of Distressed Communities and Industries Provisions		—	-107	-212	-224	-228	-249	-279	-359	-174	-64	-101	-1,020	-1,995
VII. Real Estate Provisions														
A. Improvements in the Low-Income Housing Credit - increase per capita credit by $0.10 per year through 2004; thereafter COLA; $2 million small State minimum beginning in 2001; COLA beginning in 2005; modify stacking rules and credit allocation rules; certain Native American housing assistance disregarded in determining whether building is Federally subsidized for purposes of the low-income housing credit	tyba 12/31/00	---	-4	-24	-68	-140	-234	-345	-467	-601	-750	-913	-470	-3,545
B. Real Estate Investment Trust (REIT) Provisions														
1. Impose 10% vote or value test	---	Previously Enacted												
2. Treatment of income and services provided by taxable REIT subsidiaries	---	Previously Enacted												
3. Personal property treatment for determining rents from real property for REITs	---	Previously Enacted												
4. Special foreclosure rule for health care REITs	---	Previously Enacted												
5. Conformity with RIC 90% distribution rules	---	Previously Enacted												
6. Clarification of definition of independent operators for REITs	---	Previously Enacted												
7. Modification of earnings and profits rules	---	Previously Enacted												
C. Accelerate 5-Year Phasein of Private Activity Bond Volume Cap	cyba 12/31/00	---	-10	-41	-83	-127	-163	-179	-179	-174	-167	-159	-425	-1,284
D. Exclusion from Gross Income for Certain Forgiven Mortgage Obligations	doia 12/31/00	---	-2	-6	-6	-6	-7	-7	-7	-7	-8	-8	-27	-64
Total of Real Estate Provisions		—	-16	-71	-157	-273	-404	-531	-653	-782	-925	-1,080	-922	-4,893
NET TOTAL		—	-1,696	-8,810	-10,379	-10,724	-12,312	-13,382	-14,414	-15,166	-16,266	-17,524	-43,923	-120,670

Joint Committee on Taxation

NOTE: Details may not add to totals due to rounding.

[Legend and Footnotes for Table #00-1 034 appear on the following page]

Legend and Footnotes for Table #00-1 034:

Legend for "Effective" column:

aaocpo/a = any action or claim pending on or after
aiii TRA'97 = as if included in the Taxpayer Relief Act of 1997
cyba = calendar years beginning after
da = distributions after
doia = discharges of indebtedness after
dda = decedents dying after
dma = distributions made after
DOE = date of enactment
ea = events after
gma = gifts made after
lma = loans made after
pateo/a = plan amendments taking effect on or after
pea = plans established after
pyba = plan years beginning after
rf = reports for
rma = requests made after
ta = transfers after
tdapma = transfers, distributions, and payments made after
tyba = taxable years beginning after
voo/a = violations occurring on or after
yba = years beginning after

[1] Provision includes interaction with other provisions in Provisions for Expanding Coverage.
[2] Estimate provided by the Congressional Budget Office.
[3] Loss of less than $5 million.
[4] Effective for distributions from terminating plans that occur after the PBGC has adopted final regulations implementing provision.
[5] Department of Labor penalties.
[6] Directs the Secretary of the Treasury to modify rules through regulations.

1-Mar-00 9:12AM

#00-1 034
VERY PRELIMINARY
1-Mar-00

ESTIMATED BUDGET EFFECTS OF H.R. 3081,
THE "WAGE AND EMPLOYMENT GROWTH ACT OF 1999,"
AS REPORTED BY THE COMMITTEE ON WAYS AND MEANS

Fiscal Years 2000 - 2010

[Millions of Dollars]

Provision	Effective	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2000-05	2000-
I. Amendments to the Fair Labor Standards Act of 1938		*No Revenue Effect*												
II. Small Business Provisions														
1. Accelerate 100% self-employed health insurance deduction and extend eligibility to those who choose not to participate in employer-subsidized health plans	tyba 12/31/00	---	-287	-1,093	-697	---	---	---	---	---	---	---	-2,077	-2,0
2. Increase section 179 expensing to $30,000	tyba 12/31/00	---	-359	-616	-350	-187	-176	-160	-167	-188	-197	-202	-1,688	-2,6
3. Increase business meals deduction (excluding entertainment expenses) to 55% in 2001 and 60% in 2002 and thereafter	tyba 12/31/00	---	-259	-794	-1,090	-1,137	-1,186	-1,239	-1,294	-1,351	-1,412	-1,477	-4,466	-11,2
4. 80% business meals deduction for workers subject to DOT hours of service limitation	tyba 12/31/00	---	-39	-70	-64	-55	-47	-37	-26	-13	---	---	-276	-3
5. Provide that Federal farm production payments are taxable in the year of receipt (ignore election to take the payments in an earlier year unless exercised)	---	*Previously Enacted*												
6. Coordinate farmer income averaging and the AMT and provide the same income averaging relief to commercial fishermen	tyba 12/31/00	---	-1	-2	-2	-2	-3	-3	-4	-5	-6	-7	-9	
7. Repeal the occupational taxes relating to distilled spirits, wine, and beer	7/1/01	---	-64	-75	-75	-75	-75	-75	-75	-75	-75	-75	-364	-7
Total of Small Business Provisions		**---**	**-1,009**	**-2,650**	**-2,278**	**-1,456**	**-1,487**	**-1,514**	**-1,566**	**-1,632**	**-1,690**	**-1,761**	**-8,880**	**-17,0**
III. Pension Provisions														
A. Provisions for Expanding Coverage														
1. Increase contribution and benefit limits:														
a. Increase limitation on exclusion for elective deferrals to $11,000 in 2001, $12,000 in 2002, $13,000 in 2003, $14,000 in 2004; index in $500 increments thereafter [1]	yba 12/31/00	---	-131	-317	-468	-578	-640	-687	-735	-783	-832	-879	-2,135	-6,0
b. Increase limitation on SIMPLE elective contributions to $7,000 in 2001, $8,000 in 2002, $9,000 in 2003, $10,000 in 2004; index in $500 increments thereafter [1]	yba 12/31/00	---	-5	-14	-22	-27	-29	-29	-30	-32	-33	-35	-96	-
c. Increase defined benefit dollar limit to $160,000	yba 12/31/00	---	-18	-31	-40	-45	-48	-50	-53	-55	-57	-59	-182	-
d. Lower early retirement age to 62; lower normal retirement age to 65	yba 12/31/00	---	-3	-4	-4	-4	-5	-5	-5	-5	-5	-5	-21	

Provision	Effective	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2000-05	2000-1
e. Increase annual addition limitation for defined contribution plans to $40,000 [1]	yba 12/31/00	---	-6	-12	-14	-15	-16	-17	-19	-20	-21	-23	-63	-1
f. Increase qualified plan compensation limit to $200,000 [1]	yba 12/31/00	---	-43	-74	-84	-91	-99	-107	-115	-122	-131	-139	-391	-1,0
g. Increase limits on deferrals under deferred compensation plans of State and local governments and tax-exempt organizations to $11,000 in 2001, $12,000 in 2002, $13,000 in 2003, and $14,000 in 2004 [1]	yba 12/31/00	---	-53	-93	-108	-119	-128	-136	-145	-153	-162	-170	-500	-1,2
2. Plan loans for subchapter S owners, partners, and sole proprietors	lma 12/31/00	---	-18	-30	-33	-35	-37	-39	-42	-44	-47	-49	-153	-3
3. Modification of top-heavy rules	pyba 12/31/00	---	-4	-9	-11	-12	-14	-16	-17	-19	-21	-23	-50	-1
4. Elective deferrals not taken into account for purposes of deduction limits	yba 12/31/00	---	-40	-75	-87	-94	-101	-108	-115	-122	-129	-135	-396	-1,0
5. Repeal of coordination requirements for deferred compensation plans of State and local governments and tax-exempt organizations	yba 12/31/00	---	-16	-22	-22	-22	-22	-23	-24	-25	-26	-27	-104	-2
6. Elimination of user fee for certain requests regarding employer pension plans; waiver applies only for request made during first 5 plan years [2]	rma 12/31/00	---	-9	-5	-5	---	---	---	---	---	---	---	-19	-
7. Definition of compensation for purposes of deduction limits [1]	yba 12/31/00	---	-1	-2	-3	-3	-3	-3	-3	-3	-3	-3	-12	-
8. Option to treat elective deferrals as after-tax contributions	tyba 12/31/00	---	50	100	131	144	89	-2	-104	-218	-345	-485	514	-6
9. Reduce PBGC premium for new plans of small employers [2]	pea 12/31/00	---	---	[3]	[3]	[3]	[3]	[3]	[3]	[3]	[3]	[3]	-2	
10. Phase-in of additional PBGC premium for new plans; include additional variable premium relief for small employers [2]	pea 12/31/00 & pyba 12/31/00	---	---	[3]	[3]	[3]	[3]	[3]	[3]	[3]	[3]	[3]	-12	-
Subtotal of Provisions for Expanding Coverage		---	-297	-591	-773	-904	-1,056	-1,225	-1,410	-1,604	-1,815	-2,035	-3,622	-11,7
B. Provisions for Enhancing Fairness for Women														
1. Additional catch-up contributions for individuals age 50 and above - increase in maximum contribution limits for pension plans by 10% annually beginning in 2001, not to exceed 40%	yba 12/31/00	---	-74	-152	-131	-99	-95	-97	-100	-101	-103	-103	-550	-1,0
2. Equitable treatment for contributions of employees to defined contribution plans [1]	yba 12/31/00	---	-51	-78	-84	-91	-97	-104	-111	-118	-124	-131	-401	-9
3. Faster vesting of certain employer matching contributions	pyba 12/31/00	Negligible Revenue Effect												
4. Simplify and update the minimum distribution rules by modifying post-death distribution rules, reducing (to 10%) the excise tax on failures to make minimum distributions, and directing the Treasury to simplify and finalize regulations relating to the minimum distribution rules	yba 12/31/00	---	-118	-212	-239	-268	-297	-330	-366	-402	-441	-484	-1,135	-3,1
5. Clarification of tax treatment of division of section 457 plan benefits upon divorce	tdapma 12/31/00	Negligible Revenue Effect												
6. Modification of safe harbor relief for hardship withdrawals from 401(k) plans	yba 12/31/00	Negligible Revenue Effect												
Subtotal of Provisions for Enhancing Fairness for Women		---	-243	-442	-454	-458	-489	-531	-577	-621	-668	-718	-2,086	-5,2

Provision	Effective	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2000-05	2000-1
C. Provisions for Increasing Portability for Participants														
1. Rollovers allowed among governmental section 457 plans, section 403(b) plans, and qualified plans	dma 12/31/00	---	26	-5	-5	-5	-5	-5	-5	-6	-6	-6	6	[illegible]
2. Rollovers of IRAs to workplace retirement plans	dma 12/31/00							*Negligible Revenue Effect*						
3. Rollovers of after-tax retirement plan contributions	dma 12/31/00							*Negligible Revenue Effect*						
4. Waiver of 60-day rule	dma 12/31/00							*Negligible Revenue Effect*						
5. Treatment of forms of qualified plan distributions	yba 12/31/00							*Negligible Revenue Effect*						
6. Rationalization of restrictions on distributions	da 12/31/00							*Negligible Revenue Effect*						
7. Purchase of service credit in governmental defined benefit plans	ta 12/31/00							*Negligible Revenue Effect*						
8. Employers may disregard rollovers for cash-out amounts	da 12/31/00							*Negligible Revenue Effect*						
9. Minimum distribution and inclusion requirements for section 457 plans	dma 12/31/00							*Considered in Other Provisions*						
Subtotal of Provisions for Increasing Portability for Participants		---	26	-5	-5	-5	-5	-5	-5	-6	-6	-6	6	[illegible]
D. Provisions for Strengthening Pension Security and Enforcement														
1. Phase-in repeal of 150% of current liability funding limit; extend maximum deduction rule	yba 12/31/00	---	-3	-14	-20	-36	-36	-38	-38	-39	-41	-42	-109	[illegible]
2. Missing plan participants	[4]							*Negligible Revenue Effect*						
3. Periodic pension benefits statements	pyba 12/31/00							*No Revenue Effect*						
4. Civil penalties for breach of fiduciary responsibility [5]	voo/a DOE							*No Revenue Effect*						
5. Excise tax relief for sound pension funding	yba 12/31/00	---	-2	-3	-3	-3	-3	-3	-3	-3	-3	-3	-14	[illegible]
6. Notice of significant reduction in plan benefit accruals	pateo/a DOE							*Negligible Revenue Effect*						
7. Investment of employee contributions to 401(k) plans	aiii TRA'97							*Negligible Revenue Effect*						
8. Repeal 100% of compensation limit for multiemployer plans	yba 12/31/00	---	-2	-4	-4	-4	-4	-4	-5	-5	-5	-5	-19	[illegible]
9. Technical correction to Saver Act	DOE							*No Revenue Effect*						
10. Model spousal consent language and qualified domestic relations order	DOE							*No Revenue Effect*						
11. Elimination of ERISA double jeopardy	aaocpo/a DOE							*Negligible Revenue Effect*						
Subtotal of Provisions for Strengthening Pension Security and Enforcement		---	-7	-21	-27	-43	-43	-45	-46	-47	-49	-50	-142	[illegible]
E. Provisions for Reducing Regulatory Burdens														
1. Modification of timing of plan valuations	pyba 12/31/00							*Negligible Revenue Effect*						
2. ESOP dividends may be reinvested without loss of dividend deduction	tyba 12/31/00	---	-19	-44	-56	-61	-63	-66	-69	-71	-74	-77	-243	[illegible]
3. Repeal transition rule relating to certain highly compensated employees	pyba 12/31/00	---	-2	-3	-3	-3	-3	-3	-4	-4	-4	-4	-13	[illegible]
4. Employees of tax-exempt entities [6]	DOE							*Negligible Revenue Effect*						
5. Treatment of employer-provided retirement advice	yba 12/31/00							*Negligible Revenue Effect*						
6. Pension plan reporting simplification [6]	1/1/01							*Negligible Revenue Effect*						
7. Improvement to Employee Plans Compliance Resolution System [6]	DOE							*Negligible Revenue Effect*						
8. Substantial owner benefits in terminated plans [2]	DOE							*Negligible Revenue Effect*						
9. Clarification of exclusion for employer-provided transit passes	tyba 12/31/00	---	-6	-10	-13	-14	-15	-15	-16	-16	-16	-16	-58	[illegible]
10. Repeal of multiple use test	yba 12/31/00							*Considered in Other Provisions*						
11. Flexibility in nondiscrimination and line of business rules [6]	DOE							*Negligible Revenue Effect*						

Provision	Effective	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2000-05	2000-[illegible]
12. Extension to international organization of moratorium on application of certain nondiscrimination rules applicable to State and local government plans	yba 12/31/00	Negligible Revenue Effect												
13. Notice and consent period regarding distributions	yba 12/31/00	No Revenue Effect												
14. Annual report dissemination	rf yba 12/31/98	No Revenue Effect												
15. Excess benefit plans	yba 12/31/99	Negligible Revenue Effect												
16. Benefit suspension notice	pyba 12/31/99	No Revenue Effect												
17. Clarification of church welfare plan status under State insurance law	DOE	No Revenue Effect												
Subtotal of Provisions for Reducing Regulatory Burdens		---	-27	-57	-72	-78	-81	-84	-89	-91	-94	-97	-314	-7[illegible]
F. Provisions Relating to Plan Amendments	DOE	No Revenue Effect												
Total of Pension Provisions		**---**	**-548**	**-1,116**	**-1,331**	**-1,488**	**-1,674**	**-1,890**	**-2,127**	**-2,369**	**-2,632**	**-2,906**	**-6,158**	**-18,0[illegible]**
IV. Extension of Expiring Provisions														
1. Work opportunity tax credit; credit cannot be claimed until after 9/30/00 (through 12/31/01)	---	Previously Enacted												
2. Welfare-to-work tax credit; credit cannot be claimed until after 9/30/00 (through 12/31/01)	---	Previously Enacted												
Total of Extension of Expiring Provisions		---	---	---	---	---	---	---	---	---	---	---	---	
V. Estate and Gift Tax Relief Provisions														
1. Reduction in estate, gift, and generation-skipping transfer taxes: beginning in 2001, convert the unified credit into a true exemption, repeal the 5% "bubble" (which phases out the lower rates); repeal rates in excess of 53%; in 2002, repeal rates in excess of 50%; in 2003 through 2004, reduce all rates by 1 percentage point a year; proportionately reduce State tax credit rates	dda & gma 12/31/00	---	---	-4,738	-6,358	-7,247	-8,465	-9,134	-9,674	-10,173	-10,916	-11,635	-26,808	-78,3[illegible]
2. Provide deemed allocation of GST exemption	ta 12/31/99	---	-1	-3	-4	-4	-4	-4	-4	-4	-4	-4	-16	[illegible]
3. Provide retroactive allocation of GST for unnatural orders of death	generally ea 12/31/99	---	-4	-5	-6	-6	-6	-6	-6	-6	-6	-6	-27	[illegible]
4. Allow severances of trusts holding property having an inclusion ratio of greater than zero	---	Included in Estate and Gift Item 3.												
5. Modify certain valuation rates	---	Included in Estate and Gift Item 3.												
6. Provide relief from late elections	---	Included in Estate and Gift Item 3.												
7. Provide rule of substantial compliance	---	Included in Estate and Gift Item 3.												
8. Expand estate tax rule for conservation easements - increase the 25-mile limit to 50 miles; increase 10-mile limit to 25 miles, and clarify that the date for determining easement compliance	dda 12/31/99 & dda 12/31/97	---	-11	-15	-21	-22	-23	-24	-25	-26	-29	-31	-92	-2[illegible]
Total of Estate and Gift Tax Relief Provisions		**---**	**-16**	**-4,761**	**-6,389**	**-7,279**	**-8,498**	**-9,168**	**-9,709**	**-10,209**	**-10,955**	**-11,676**	**-26,943**	**-78,6[illegible]**

Provision	Effective	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2000-05	2000-1
VI. Distressed Communities and Industries Provisions														
A. "American Community Renewal Act of 1999"														
1. Designate 15 renewal communities within 36 months; provide various incentives (zero capital gains tax on certain 5-year investments; special deduction for real estate revitalization expenditures; special expensing for certain business property; work opportunity tax credit; environmental remediation expenses; family development accounts) beginning 1/1/01 and ending 12/31/07	DOE	---	-102	-197	-202	-201	-220	-247	-325	-141	-35	-76	-922	-1,7
B. Timber Incentives														
1. Increase maximum reforestation expenses qualifying for amortization and credit from $10,000 to $25,000; remove cap on amortization of reforestation costs in 2001 through 2003	tyba 12/31/00	---	-5	-15	-22	-27	-29	-32	-34	-33	-29	-25	-98	-2
Total of Distressed Communities and Industries Provisions		**---**	**-107**	**-212**	**-224**	**-228**	**-249**	**-279**	**-359**	**-174**	**-64**	**-101**	**-1,020**	**-1,9**
VII. Real Estate Provisions														
A. Improvements in the Low-Income Housing Credit - increase per capita credit by $0.10 per year through 2004; thereafter COLA; $2 million small State minimum beginning in 2001; COLA beginning in 2005; modify stacking rules and credit allocation rules; certain Native American housing assistance disregarded in determining whether building is Federally subsidized for purposes of the low-income housing credit	tyba 12/31/00	---	-4	-24	-68	-140	-234	-345	-467	-601	-750	-913	-470	-3,5
B. Real Estate Investment Trust (REIT) Provisions														
1. Impose 10% vote or value test	---							*Previously Enacted*						
2. Treatment of income and services provided by taxable REIT subsidiaries	---							*Previously Enacted*						
3. Personal property treatment for determining rents from real property for REITs	---							*Previously Enacted*						
4. Special foreclosure rule for health care REITs	---							*Previously Enacted*						
5. Conformity with RIC 90% distribution rules	---							*Previously Enacted*						
6. Clarification of definition of independent operators for REITs	---							*Previously Enacted*						
7. Modification of earnings and profits rules	---							*Previously Enacted*						
C. Accelerate 5-Year Phasein of Private Activity Bond Volume Cap	cyba 12/31/00	---	-10	-41	-83	-127	-163	-179	-179	-174	-167	-159	-425	-1,2
D. Exclusion from Gross Income for Certain Forgiven Mortgage Obligations	doia 12/31/00	---	-2	-6	-6	-6	-7	-7	-7	-7	-8	-8	-27	[illegible]
Total of Real Estate Provisions		**---**	**-16**	**-71**	**-157**	**-273**	**-404**	**-531**	**-653**	**-782**	**-925**	**-1,080**	**-922**	**-4,8**
NET TOTAL		**---**	**-1,696**	**-8,810**	**-10,379**	**-10,724**	**-12,312**	**-13,382**	**-14,414**	**-15,166**	**-16,266**	**-17,524**	**-43,923**	**-120,**

Joint Committee on Taxation

NOTE: Details may not add to totals due to rounding.

[Legend and Footnotes for Table #00-1 034 appear on the following page]

Legend and Footnotes for Table #00-1 034:

Legend for "Effective" column:

aaocpo/a = any action or claim pending on or after
aiii TRA'97 = as if included in the Taxpayer Relief Act of 1997
cyba = calendar years beginning after
da = distributions after
doia = discharges of indebtedness after
dda = decedents dying after
dma = distributions made after
DOE = date of enactment
ea = events after
gma = gifts made after
lma = loans made after
pateo/a = plan amendments taking effect on or after
pea = plans established after
pyba = plan years beginning after
rf = reports for
rma = requests made after
ta = transfers after
tdapma = transfers, distributions, and payments made after
tyba = taxable years beginning after
voo/a = violations occurring on or after
yba = years beginning after

[1] Provision includes interaction with other provisions in Provisions for Expanding Coverage.
[2] Estimate provided by the Congressional Budget Office.
[3] Loss of less than $5 million.
[4] Effective for distributions from terminating plans that occur after the PBGC has adopted final regulations implementing provision.
[5] Department of Labor penalties.
[6] Directs the Secretary of the Treasury to modify rules through regulations.

November 1, 1999

MEMORANDUM FOR GENE SPERLING

FROM **BILL DAUSTER**

RE **SENATE DEMOCRATIC MINIMUM WAGE TAX PACKAGE**

Jon Talisman and I met with staff for Senators Daschle and Moynihan this morning to discuss tax strategy. They shared with us the attached confidential draft package that they have assembled for their minimum wage amendment. Its contents are still fluid, as is whether they intend to use it.

Negotiations continue today on a unanimous consent agreement for consideration of the bankruptcy bill. The parties are considering three amendments per side, and it is not clear whether second-degree amendments will be allowed. If the consent agreement does not allow for second-degree amendments, then the incentives increase to include a tax package in the Democratic amendment. Chuck Marr thought that the Leaders might propose a unanimous consent agreement as soon as later today.

We are also hearing that Senator Nickles may be assembling a relatively narrow (for a Republican) small business tax package. There was agreement at our meeting this morning that if the Republicans were not including the estate tax, then Democrats need not include it either. This argued for holding back on the Democratic alternative until seeing the Republican alternative.

Note that the attached Senate Democratic staff package includes gross tax cuts of roughly $11 billion over 5 years and $27 billion over 10 years. It is paid for in 2000, over 5 years, and over 10 years, although it runs a small deficit in 2001 and 2008. It includes the New Markets tax credit (at the bottom of the first page). It also includes Qualified Zone Academy Bonds (QZABs), and we discussed whether it might include more school construction funding.

Attachment
Copies without attachment to Natasha Bilimoria
Jason Furman
Lisa Green
Carl Haacke
Brian Kennedy
Sarah Rosen Wartell

#99-2 225 R
VERY PRELIMINARY
27-Oct-99

- Committee on Finance -
ESTIMATED REVENUE EFFECTS OF A MODIFIED DEMOCRATIC ALTERNATIVE TO THE MINIMUM WAGE/SMALL BUSINESS TAX BILL

Fiscal Years 2000 - 2009

[Millions of Dollars]

Provision	Effective	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2000-04	2000-09
Enabling Small Businesses to Provide Child Care, Health, and Retirement Benefits													
1. 100% self-employed health insurance deduction beginning in 2000	tyba 12/31/99	-245	-1,007	-1,040	-657	---	---	---	---	---	---	-2,949	-2,949
2. Worksite Child Care Facilities Credit - 25% credit up to $90,000 for child care facility start-up expenses, operating expenses, or reimbursements for "off-site" child care	tyba 12/31/00	---	-44	-85	-97	-110	-122	-130	-136	-142	-149	-336	-1,014
3. Plan loans for subchapter S owners, partners, and sole proprietors	yba 12/31/00	---	-20	-30	-32	-35	-37	-39	-41	-44	-46	-117	-325
4. Contributions to IRAs through payroll deductions	tyba 12/31/00	---	-7	-10	-1	-1	-1	-1	-1	-1	-1	-19	-24
5. Modification of top-heavy rules	tyba 12/31/00	---	-8	-16	-20	-23	-27	-30	-33	-36	-40	-68	-234
6. Tax credit for small employer pension plan contributions and start-up costs; 50% credit on employer contributions for the first 5 taxable years for employers with 25 or fewer employees; 50% tax credit for the first 3 years on start-up costs for employers with 100 or fewer employees	pea 12/31/00	---	-124	-265	-386	-481	-536	-567	-587	-599	-620	-1,255	-4,163
7. Elective deferrals not taken into account for purposes of deduction limits	yba 12/31/00	---	-38	-71	-81	-85	-89	-93	-97	-101	-104	-275	-759
8. Faster vesting of certain employer matching contributions	tyba 12/31/00	*Negligible Revenue Effect*											
9. Reduce PBGC premium for new plans of small employers [1]	pea 12/31/00	---	---	[2]	[2]	[2]	[2]	[2]	[2]	[2]	[2]	-1	-3
10. Phase-in of additional PBGC premium for new plans [1]	pea 12/31/00	---	---	-1	-1	-1	-2	-2	-2	-2	-2	-4	-12
11. Elimination of user fee for determination requests regarding small employer pension plans [3]	rma 12/31/00	---	-17	-8	-8	---	---	---	---	---	---	-33	-33
12. Definition of compensation for purposes of deduction limits [4]	yba 12/31/00	---	-1	-2	-3	-3	-3	-3	-3	-3	-3	-9	-24
Total of Enabling Small Businesses to Provide Child Care, Health, and Retirement Benefits		**-245**	**-1,266**	**-1,528**	**-1,286**	**-739**	**-817**	**-865**	**-900**	**-928**	**-965**	**-5,066**	**-9,540**
Promoting Technological and Economic Development													
1. Accelerate increase in section 179 expensing to $25,000	tyba 12/31/99	-490	-413	115	147	195	141	82	40	30	30	-446	-123
2. Tax credit for investments in "new markets" community development (total investments over 10 years is $3.75 billion)	imo/a 1/1/01	---	---	-6	-43	-96	-146	-190	-203	-165	-100	-145	-949

Provision	Effective	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2000-04	2000-09
3. Wage credits for Empowerment Zones	tyba 12/31/99	-81	-87	-95	-107	-120	-115	-89	-58	-26	-8	-490	-786
4. Tax credit for information technology training expenses (S. 456)	tyba 12/31/00	---	-64	-172	-263	-310	-322	-324	-325	-334	-349	-809	-2,463
5. Low-income housing credit - phase in increase in per capita amount of low-income housing tax credit from $1.25 to $1.75 by $0.05 per year beginning in 2000	tyba 12/31/99	-2	-10	-29	-62	-110	-172	-249	-340	-447	-570	-213	-1,991
Total for Promoting Technological and Economic Development		**-573**	**-574**	**-187**	**-328**	**-441**	**-614**	**-770**	**-886**	**-942**	**-997**	**-2,103**	**-6,312**
Expanding Economic Opportunities													
1. Extension of work opportunity tax credit (through 6/30/04)	wpoifibwa 6/30/99	-229	-321	-397	-430	-391	-254	-114	-40	-11	-2	-1,767	-2,188
2. Extension of welfare-to-work tax credit (through 6/30/04)	wpoifibwa 6/30/99	-49	-77	-101	-112	-105	-74	-37	-14	-4	-1	-445	-575
3. Modify economic activity credit by removing the limitation for newly established business operations and removing the base period cap which, beginning in 2002, limits the size of the credit for existing claimants (sunsets taxable years beginning after 12/31/02)	tyba 12/31/98	-119	-125	-135	-315	---	---	---	---	---	---	-694	-694
4. Qualified Zone Academy Bonds - extend $400 million in bonding authority (through 12/31/00)	tyba 12/31/99	-3	-8	-13	-16	-16	-16	-16	-16	-16	-16	-56	-136
Total for Expanding Economic Opportunities		**-400**	**-531**	**-646**	**-873**	**-512**	**-344**	**-167**	**-70**	**-31**	**-19**	**-2,962**	**-3,593**
Promoting Family-Owned Farms and Businesses													
1. Increase the qualified family-owned business interest deduction from $1.3 million to $1.75 million in 2003 and thereafter	dda 12/31/02	---	---	---	---	-461	-569	-680	-861	-1,116	-1,549	-461	-5,237
2. Prevent farm income averaging from increasing AMT liability (S. 1207)	tyba 12/31/00	---	[5]	-1	-1	-2	-2	-2	-3	-4	-5	-5	-21
3. 10-year carryback of farm net operating losses generated in 2001 and 2002	NOLgi tyba 12/31/00 & tybb 1/1/03	---	---	-72	-65	15	14	12	11	10	8	-122	-67
4. Small business meals deduction, phased in as follows: 52% for 2001 through 2004, 56% for 2005 through 2008, and 60% for 2009	tyba 12/31/00	---	-45	-83	-86	-90	-206	-303	-317	-331	-484	-304	-1,945
Total for Promoting Family-Owned Farms and Businesses		**---**	**-45**	**-156**	**-152**	**-538**	**-763**	**-973**	**-1,170**	**-1,441**	**-2,030**	**-892**	**-7,270**
Providing Administrative Relief - combined Federal-State employment tax reporting	**DOE**	*No Revenue Effect*											
Revenue Offset Provisions													
1. Exclusion of like-kind exchange property from nonrecognition treatment on the sale of a personal residence	soeopra DOE	3	7	8	9	10	11	12	13	14	15	37	102
2. Restore phase-out of unified credit for large estates	dda DOE	---	74	75	83	87	118	144	170	178	187	319	1,116
3. Repeal lower-of-cost-or-market inventory accounting method	tyba DOE	162	365	354	350	284	111	64	68	72	78	1,515	1,908

Provision	Effective	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2000-04	2000-09
4. Modify treatment of start-up and organizational expenditures	[6]	-71	-68	78	224	371	430	403	376	349	322	534	2,414
5. Reinstate environmental tax imposed on corporate taxable income and deposited in the Hazardous Substance Superfund	[7]	333	559	571	584	602	631	663	690	716	739	2,650	6,089
6. Reinstate excise taxes deposited in the Hazardous Substance Superfund	[8]	701	708	715	721	724	730	738	748	754	761	3,570	7,300
7. Disallowance of noneconomic tax attributes	dofca	552	750	890	958	1,011	1,069	1,126	1,184	1,245	1,308	4,161	10,093
Total of Revenue Offset Provisions		**1,680**	**2,395**	**2,691**	**2,929**	**3,089**	**3,100**	**3,150**	**3,249**	**3,328**	**3,410**	**12,786**	**29,022**
NET TOTAL		**462**	**-21**	**174**	**290**	**859**	**562**	**375**	**223**	**-14**	**-601**	**1,763**	**2,307**

Joint Committee on Taxation

NOTE: Details may not add to totals due to rounding.

Legend for "Effective" column:

dda = decedents dying after
DOE = date of enactment
dofca = date of first committee action
imo/a = investments made on or after
NOLgi = net operating losses generated in
pea = plans established after
rma = requests made after
soeopra = sales or exchanges of personal residences after
tyba = taxable years beginning after
tybb = taxable years beginning before
wpoifibwa = wages paid or incurred for individuals beginning work after
yba = years beginning after

[1] Estimate provided by the Congressional Budget Office.
[2] Loss of less than $5 million.
[3] Department of Labor penalties.
[4] Provision includes interaction with Enabling Small Businesses to Provide Child Care, Health, and Retirement Benefits, item 8.
[5] Loss of less than $500,000.
[6] Generally effective for start-up and organizational expenditures incurred after the date of enactment .
[7] The corporate environmental income tax would be reinstated for taxable years beginning after 12/31/99.
[8] The three Superfund excise taxes would be reinstated for the period after the date of enactment.