TAX FOUNDATION

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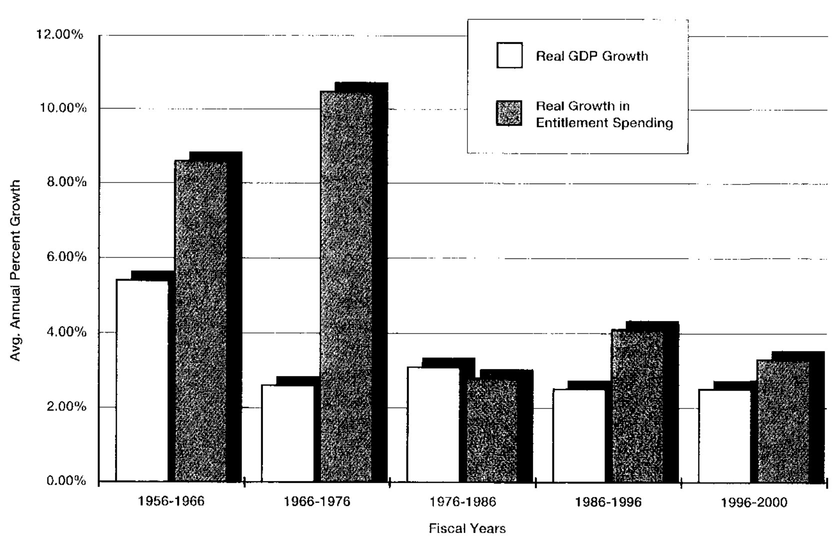
Federal Deficits Projected Well Into 21st Century

Foundation Analysis Shows Areas of Spending Growth

Mandatory federal spending will consume about 71 percent of the federal budget by the year 2000, observes Tax Foundation Senior Economist Arthur Hall in his review of President Clinton's fiscal 1996 budget (see *Chart 3*).

Chart 1: Inflation-Adjusted Growth Rate of U.S. Economy and Federal Entitlement Spending, *1956–2000*



Source: Tax Foundation calculations based on Office of Management and Budget data.

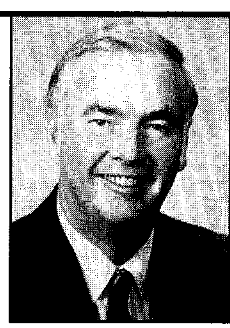
The budget category known as 'mandatory spending' is the driving force behind the perpetual increases in federal government spending and the budget deficits, Dr. Hall stated in his new *Special Report*, "An Overview of the President's FY 1996 Budget." (Mandatory spending primarily consists of so-called entitlement programs and the interest payments on the federal debt.)

The increasing budgetary share of entitlement spending has resulted from its substantial growth rate. Over the past four decades, after adjusting for inflation, spending on the major entitlement programs has grown at an average annual rate of 6.5 percent, compared to a 2.3 percent rate for all other federal spending. Furthermore, entitlement spending over the past four decades has grown almost twice as fast as gross domestic product, which has grown at an inflation-adjusted 3.4 percent average annual rate (see *Chart 1*).

In President Clinton's fiscal 1996 budget, the Department of Treasury ranks as the largest department based on dollars spent. About 94 percent of the Treasury's 1996 spending will be dedicated to interest on the federal government's outstanding debt.

Budget *continued on page 3*

FRONT & CENTER



Why We Still Very Much Need a Balanced Budget Amendment

Sen. Frank H. Murkowski (R-Alaska)

4-5

Three Tax Plans, Three Outcomes

Tax Foundation Senior Economist Arthur P. Hall's analysis of three current tax proposals shows some significant differences. (His comparison uses a four-person family with $50,000 in wage and salary income, $7,500 of current law itemized deductions, and $10,000 of current-law personal exemptions, based on 1995 levels.)

The three proposals—the President's tax plan, the House Republicans' $500-per-child tax credit, and Rep. Dick Armey's flat tax—all would reduce the tax liability of the families. The flat tax, however, takes the biggest bite out of their tax burden.

In the accompanying table, the effects of the tax plans on three kinds of families are examined. The average tax liability under the current law is provided in the first column, the projected liability under each plan is in the second column, the dollar amount of the tax reduction is in the third column, and the percent of this reduction is provided in the fourth column. •

Comparison of Fully Phased-In Tax Reform Proposals: Administration Plan, Contract with America, Armey Flat Tax

Case 1: Both Children 12 or Under

	Current Law Liability	Reform Liability	Tax Reduction	Percent Reduction
Administration	$4,875	$3,875	$1,000	21%
$500-Per-Child Credit	4,875	3,875	1,000	21%
Flat Tax	4,875	2,415	2,460	50%

Case 2: One Child 12 or Under, Other Not, No Education Expense

	Current Law Liability	Reform Liability	Tax Reduction	Percent Reduction
Administration	$4,875	$4,375	$500	10%
$500-Per-Child Credit	4,875	3,875	1,000	21%
Flat Tax	4,875	2,415	2,460	50%

Case 3: One child 12 or under, other child over 12, education expense $10,000 or more

	Current Law Liability	Reform Liability	Tax Reduction	Percent Reduction
Administration	$4,875	$4,275	$600	12%
$500-Per-Child Credit	4,875	3,875	1,000	21%
Flat Tax	4,875	2,415	2,460	50%

Note: 1995 exemptions under Armey flat tax proposal are $25,478 for joint returns and $5,157 per dependent.

Source: Tax Foundation and U.S. Treasury.

Massachusetts Claims Top State Income Tax Ranking

An analysis of state individual income taxes nationwide by the Tax Foundation shows that residents of Massachusetts have the most burdensome income tax system in the country, with a 1993 per capita payment of $889 annually, and residents of Tennessee have the least burdensome system, with a 1993 per capita payment of $19. If the District of Columbia were a state, it would rank at the top. The following table provides a snap shot of the data. •

State	Per Capita Tax Burden	State Rank	State	Per Capita Tax Burden	State Rank
Alabama	$374.67	35	Montana	423.23	27
Alaska	NA	NA	Nebraska	432.55	26
Arizona	408.51	31	Nevada	NA	NA
Arkansas	406.68	33	New Hampshire	63.15	42
California	541.38	13	New Jersey	555.37	11
Colorado	503.89	16	New Mexico	310.74	39
Connecticut	719.53	7	New York	879.01	2
Delaware	748.53	6	North Carolina	578.13	10
Dist. of Col.	1,032.87	—	North Dakota	223.86	40
Florida	NA	NA	Ohio	434.94	25
Georgia	494.45	18	Oklahoma	407.26	32
Hawaii	789.28	4	Oregon	800.91	3
Idaho	486.42	21	Pennsylvania	399.78	34
Illinois	417.69	28	Rhode Island	491.43	19
Indiana	509.13	15	South Carolina	410.79	30
Iowa	535.79	14	South Dakota	NA	NA
Kansas	411.78	29	Tennessee	18.90	43
Kentucky	474.02	22	Texas	NA	NA
Louisiana	212.49	41	Utah	459.90	23
Maine	488.80	20	Vermont	495.14	17
Maryland	620.46	9	Virginia	554.11	12
Massachusetts	889.49	1	Washington	NA	NA
Michigan	361.74	36	West Virginia	350.58	37
Minnesota	776.97	5	Wisconsin	688.87	8
Mississippi	339.54	38	Wyoming	NA	NA
Missouri	445.97	24	Total	$441.85	

Federal Deficits Projected Well Into 21st Century

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Continued from page 1

Following close behind are, respectively, the Social Security Administration (Social Security) and the Department of Health and Human Services (Medicare and Medicaid). The Department of Defense ranks as the fourth largest department, but most of its spending, with the exception of military pensions, is categorized as discretionary—that is, the funds must be reauthorized each year.

In the executive branch, the Departments of Justice and Health and Human Services were the two fastest growing agencies, in terms of spending, between fiscal 1986 and 1996, followed by the Departments of Treasury and Commerce (see *Chart 2*). These four departments remain at or near the top of the spending growth chart for the period 1996 to 2000. The growth in Commerce Department spending is concentrated in the area of science and technology, and the growth in Justice Department spending is primarily accounted for by the new Violent Crime Reduction Trust Fund created as part of crime legislation enacted in 1994.

Chart 4 provides a snapshot of how a federal tax dollar was spent in fiscal 1986 and how it will be spent in fiscal 1996. Over the decade 1986 to 1996, five functional spending categories have absorbed a larger share of each taxpayer dollar: Health/Medical; Education, Training, Employment and Social Services; Net Interest; Welfare; and Social Security. Each of these functions pertain, either in whole or in part, to mandatory spending. Every other spending function shows no change or, like National Defense, is being crowded out by mandatory spending. ●

Chart 2: Average Annual Growth, Selected Federal Departments

Department	Avg. Annual Growth Rate Rate FY86-96	Avg. Annual Growth Rate FY96-2000
Agriculture	0.60%	0.43%
Commerce	7.03	14.72
Defense - Military	-0.60	0.78
Education	5.66	-1.88
HHS	10.43	7.59
HUD	6.39	2.77
Interior	4.37	-2.36
Justice	13.63	7.79
Labor	4.12	2.22
State	6.83	-1.57
Transportation	3.15	-1.29
Treasury	7.97	4.84
Veterans Affairs	3.64	2.31
EPA	3.11	1.24
Social Security Adm.	6.11	5.63
Total	5.21	4.24

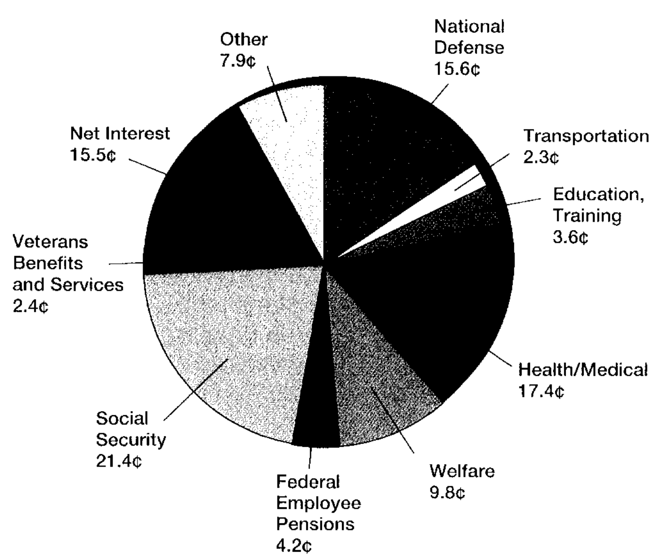
Source: Tax Foundation calculations based on data from Office of Management and Budget.

Chart 3: Spending by Major Budget Category FY1986–2000 (Billions of 1995 Dollars)

	Mandatory*	Non-Defense Discretionary	Defense
1986	$738	$222	$367
1987	$725	$210	$367
1988	$748	$217	$363
1989	$781	$222	$363
1990	$860	$231	$344
1991	$870	$237	$352
1992	$912	$251	$327
1993	$909	$263	$307
1994	$940	$271	$290
1995e	$985	$282	$272
1996e	$1,033	$279	$255
1997e	$1,073	$274	$243
1998e	$1,104	$261	$234
1999e	$1,138	$252	$231
2000e	$1,172	$244	$232

* Includes net interest payments on the debt.
Source: Tax Foundation calculations based on Office of Management and Budget data.

Chart 4: Where the Federal Tax Dollar Goes, By Federal Function (FY1996)



Source: Tax Foundation calculations based on Office of Management and Budget data.

Why We Still Very Much Need a Balanced Budget Amendment

Senator Frank H. Murkowski (R-Alaska)

On Thursday, March 2, 1995, despite having passed the U.S. House of Representatives by a vote of 300 to 112 and despite polling data showing a consistent 75 to 80 percent support, the U.S. Senate failed to pass the Balanced Budget Amendment to the Constitution with enough votes to send it to the states for ratification.

To understand the consequences of this defeat, just consider that you're already $18,700 in debt thanks to previous deficit spending? Whether you are six days or 60 years old, you owe a check for that amount to the federal government, if Uncle Sam is to pay off the $4.8 trillion that the U.S. government owes for our national debt.

According to the Congressional Budget Office (CBO), in every year starting next year, and for the unending future, the deficit is on the rise. In fact, CBO projects that the annual deficit will more than double in less than 10 years from $176 billion to more than $400 billion.

For all of us who worry about car payments or mortgage payments, it is hard to understand just how much $4.8 trillion is. One way to think of it is if you started a business on the day Christ was born 1,995 years, ago and if that business lost $6 million a day, *each* day for the past two millennia, you would still not be approaching the level of our national debt.

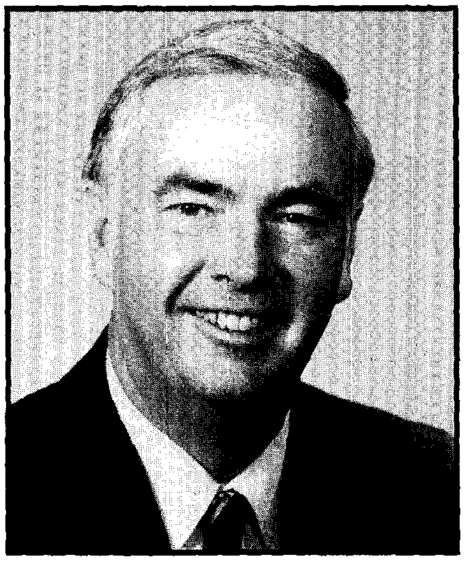
The worst of it is that we have accumulated that debt under administrations of both parties largely in only the past 35 years, having run annual budget deficits in 34 of those 35 years. This Administration has made much of the fact that the deficit has declined for three consecutive years. A big part of that decline, however, is a direct result of the growth in the economy that began in the late stages of the Bush Presidency. The remaining deficit decline can be attributed to President Clinton's record tax increase in 1993, which temporarily increased federal tax revenues.

But the fact is that the decline in the annual budget deficit is but a temporary phenomenon. According to the Congressional Budget Office (CBO), in every year starting next year, and for the unending future, the deficit is on the rise. In fact, CBO projects that the annual deficit will more than double in less than 10 years from $176 billion to more than $400 billion.

This unending string of annual budget deficits has caused us to accumulate a national debt that could easily exceed $7 trillion before the end of the century. The accumulation of this debt has today brought us to the point where, for the first time in our history, we are forced to borrow from the credit markets for the sole purpose of paying interest on the debt—our interest owed each year is now more than our annual deficit.

It may surprise you to know that over the next 10 years we would be running a surplus in the federal budget in every year if we did not have to pay the $200 billion to $400 billion annual interest bill that has resulted from our past inability to bring revenue and spending into balance. We could finance defense spending, Medicare, Social Security and all other government functions over this period and still reduce the national debt by $360 billion if we were not saddled by this extraordinary debt.

In 1994, our annual budget deficit was $203 billion, precisely the amount of interest we had to pay on the accumulated debt. Without that



The truth is that this country is broke! We are borrowing just to cover our interest costs. We are subject to the shifting winds of international investment flows where a minor change of economic policy in Bonn or London . . . has a direct effect on what the U.S. government has to pay to service this unending sea of debt.

debt service burden, we would not have had to auction a single Treasury note or bond. In 1995, we would be running a surplus of $59 billion if we did not have to service the debt.

The interest cost projections I have cited assume that the interest rates stay within the projections assumed by the CBO. What if, as in the past year, interest rates rise? In this past year alone, long-term interest rates on federal borrowing rose 1.3 percent higher than CBO projected a year ago. As a result, our borrowing costs over the next five years are $143 billion higher, and if you were to assume that interest rates will rise by 5 percent over current estimates, our interest bill over the next five years would climb by $885 billion. Just recall that the prime rate in December of 1980 reached 20.5 percent.

To imagine how large that is, note that all "discretionary" spending by the government for defense, educations, highways, criminal justice, etc. is projected to cost $585 billion in 2000, barely $25 billion more that the projected interest bill in that year if rates spike.

The truth is that this country is broke! We are borrowing just to cover our interest costs. We are subject to the shifting winds of international investment flows where a minor change of economic policy in Bonn or London, an earthquake in Japan, or a collapsing bank in Singapore has a direct effect on what the U.S. government has to pay to service this unending sea of debt.

Can anyone imagine what would happen if the owners of our debt — 19 percent of which is held by foreigners — would call it in? If debt holders called in just $500 billion of our debt, we couldn't pay unless we inflated our dollars to the point that what a dollar buys today would actually be worth 50 cents or less.

Recently Mexico provided a warning signal of what can happen when debt gets out of hand. I opposed the President's decision to bail out Mexico because the plan did nothing to solve Mexico's underlying debt problem. Now there are danger signals from Canada, where the costs of their government-run health care program are requiring them to pay 30 percent of their budget for interest on their debt. Canadians already are taxed at the highest rates in the Western Hemisphere.

The truth, though, is that we must solve our growing debt problem. Why do we continue to accumulate debt? The answer is simply that no one wants their favorite spending program cut. Members of Congress naturally don't want to vote to cut worthwhile programs of benefit to people and their states, and while everyone supports fiscal responsibility in the abstract, nearly everyone sees someone else's program as fat, while viewing their own program as vital. We need some means to create and force fiscal discipline, not just on Congress, but on all of us.

That's why I'm convinced the only way to get out from under this sea of red ink is to adopt the balanced budget amendment. The public knows that no family or business— or government—can survive for long when year in and year out the principal of its debt grows and all of its borrowing is dedicated to paying off the debt holders.

The balanced budget amendment would have certainly produced some pain, especially for the Washington bureaucracy. But Congress has shown that there is not the political will to solve our deficit crisis without legal pressure being applied to make Congress swallow tough medicine to reduce federal spending. But the pain will be far greater in a few years because we failed to pass this amendment. Our failure this year means that we are just putting off the inevitable day of reckoning when all federal spending will have to be addresses.

The failure of the amendment means that by the end of this century every man, woman and child in America will owe close to $25,000 by the new century. And that's a debt load that could prove terminal to the economic health of our nation. •

The views expressed in Front & Center are not necessarily those of the Tax Foundation.

Congress All Ears for Foundation Analysis

Executive Director Averages Testimony Per Week in January

The arrival of a new Congress with new ideas has increased the need for objective information on tax policy, and as a result the Tax Foundation has found itself testifying at four tax committee hearings in the first four weeks of the new session.

At a January 11 House Ways & Means Committee hearing on the "Contract with America and Tax Reform," Tax Foundation Executive Director and Chief Economist J.D. Foster told members that congressional efforts to change tax policy must address the long-term needs of the country rather than focusing only on short-term goals.

Dr. Foster proposed a five-point checklist for choosing among the tax cuts currently under consideration:

- Tax cuts should not increase the budget deficit.
- Tax cuts for individuals should not be paid for by raising taxes on businesses.
- Tax cuts for low- and middle-income taxpayers, however defined, should not be paid for by raising taxes on the rest of citizens.
- Whatever tax cuts are enacted, they should not make the tax system more complicated than it already is.
- Whatever tax cuts are enacted should be chosen to address the needs of a long-term policy consistent with sustained economic growth.

Dr. Foster added that, as the Ways & Means Committee considers the various tax options before it, it would make sense to consider the direction tax reform is likely to follow in the near future. If congressmen favor lower marginal tax rates and a simpler income tax system, then some elements of the Contract with America — such as capital gains relief, neutral cost recovery, and an improved individual retirement account — are more likely to be consistent with future tax reform.

Dynamic Scoring

Two weeks later, at the first official Senate Finance Committee hearing of 1995, Dr. Foster outlined the prospects for improving congressional revenue estimates through "dynamic" scoring. (Dynamic scoring is the process of trying to estimate more comprehensively the impact that tax increases and decreases will have on individual behavior and thus on tax revenues.)

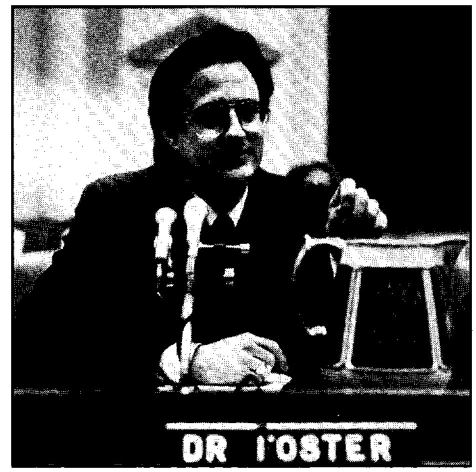
In his testimony, Dr. Foster sought to explain to senators the advantages of dynamic revenue estimating over the current system employed by analysts in Congress, a system he called "nearly static" scoring. While the current system takes into account the most immediate reaction of taxpayers in a market subject to a tax change, it does not attempt to understand the consequences of those reactions.

"The goal is to produce the most accurate (revenue) estimates possible," he said. "Dynamic scoring, done with circumspection, can produce significantly more accurate estimates than are currently available." Dr. Foster used the 1990 tax on luxury boats as an example of the problems associated with nearly static scoring. While the Joint Tax Committee assumed that the tax would lower the number and value of luxury boats purchased, it did not assume that the job losses and business closures would lead to lower income tax payments or payroll tax collections.

"To argue about whether or not the tax raised as much revenue as projected misses the point," he said. "We must look at tax proposals comprehensively, looking at the big picture." Dynamic scoring recognizes that jobs, wages, and profits are affected by tax policy, and attempts to measure these effects in terms of federal receipts.

FCC Tax Certificates

On January 27, at an Oversight Subcommittee hearing on Section 1071 of the Internal Revenue Code, Dr. Foster explored the economic justification of the FCC tax certificate program, which allows the FCC to grant tax relief with respect to the sales of radio, television, and other properties under certain circumstances. His conclusion: Officials may consider it desirable as social policy, but as economic policy the Federal Communications Commission (FCC) tax certificate program to expand minority ownership of broadcast facilities is indistinguishable from industry-based subsidies.



J.D. Foster testifies at a January 11 Ways and Means Committee hearing on the "Contract with America."

Gift and Estate Tax

And on February 1, Dr. Foster presented testimony before the House Ways & Means on the topic of "The Gift and Estate Tax and Economic Performance."

"For those who have inherited wealth or who have sold their businesses after building them up, the estate tax creates a powerful incentive to consume this wealth since much of it will otherwise be lost to the federal government," he told committee members.

Dr. Foster observed that estate tax reform might take several forms. "If estate tax relief is targeted specifically to reduce the disincentives facing entrepreneurs, then the relief should include as few limitations and constraints as possible because these limitations also limit the effect of the relief. If the relief is intended to allow for businesses to remain in the family, then Congress will need to be careful in deciding between a policy of allowing the business to remain in the family versus a policy of requiring that it remain in the family to qualify for estate tax relief." •

Foundation Renews State Seminar Series

The Tax Foundation hits the road again this year with its annual series of state tax and budget seminars. Dramatic changes occurred at the state and local level nationwide in the November elections, which should lead to some exciting debates about state tax and budget issues this year. With this in mind, the Tax Foundation has organized three conferences this spring, to be held in Dallas, Raleigh, and Atlanta. The goal is to hold bipartisan events which examine the current political and economic situation in Texas, North Carolina, and Georgia, and offer guidance for the future. Each seminar will feature two panels, one examining "A Tax Prescription for the State Economy" and the other exploring state spending and the potential for cuts.

The Dallas seminar, scheduled for March 15, will be co-sponsored with Texas Citizens for a Sound Economy and the Texas Research League. Mayor Steve Bartlett (R) of Dallas will provide the keynote address for the event, and the panels will include State Rep. Robert Junell (D), Chairman of the Texas House Ways & Means Committee, State Rep. Nancy Moffat (R), and Bill Hamilton, Deputy Controller of Public Accounts for Texas.

The Raleigh conference, scheduled for March 23, will be co-sponsored with the John Locke Foundation, the Greater Raleigh Chamber of Commerce, and the North Carolina Office of the National Federation of Independent Business. State Treasurer Harlan Boyles (D) will keynote the event, and State Rep. Leo Daughtry (R), Majority Leader of the North Carolina House, will provide the luncheon address.

The Atlanta seminar, scheduled for April 5, will be co-sponsored with the Georgia Public Policy Foundation. The keynote address will be provide by Amos McMullian, Chairman and Chief Executive Officer of Flower Industries, while Dr. Dwight Lee, Ramsey Professor at the University of Georgia, will provide the closing address. The panels will include State Sen. Johnny Isakson (R), Shiela Tschinkel of the Federal Reserve Bank in Atlanta. •

FOUNDATION MESSAGE

A No-Balance-No-Pay Law

The Balanced Budget Amendment (BBA) may never pass the U.S. Senate with the 67 votes required under the Constitution, and it may never be ratified by the requisite 35 states. Which means we may need a back-up plan. As it happens, there is such a plan which may work even better than the BBA itself because it speaks more directly to congressional self-interest.

But first, do we this? The BBA says that the budget must be balanced by fiscal year 2002. Forget the talk about courage, tough decisions, and who's ducking the real issues, and consider this simple question: Will the budget be balanced in 2002, or 2012 for that matter, without the BBA or something even stronger? Of course not. That is probably why the BBA passed the House by a margin of 300 to 112, and is now debated in the U.S. Senate.

J.D. Foster
Executive Director and Chief Economist

In an ideal world, we wouldn't need this kind of super-rule. Unfortunately, the Congress and the President have shown little disposition or courage to do what's right for over 20 years.

The BBA has a few legitimate weaknesses. For example, it's not all that clear how it would be enforced. Another problem is we don't know if 35 states will ratify the amendment, and in the meantime the deficits and the debt continue to pile up. So, we could pass the BBA only to find it's unenforceable or, even more likely, it's never ratified, and another decade goes by one deficit year at a time.

After protecting the Constitution and providing for the common defense, the most important job of the Congress and the Executive is to manage the government's finances responsibly. Perpetual budget deficits mean the government's senior management isn't getting the job done. If they're not getting the job done, then they shouldn't get paid.

Under a "No-Balance-No-Pay" law, if the budget isn't balanced in any year after, say, FY2000, then the President, the Vice-President, all Senate-confirmed Executive employees, all Members of Congress and their staffs would forfeit their wages and salaries until the budget is brought into balance.

Such a law would invoke enlightened self-interest to get the Congress to do the right thing. Such a law would also be self-enforcing since paymasters would be prohibited from issuing paychecks; such a law would not require ratification by the states so it could go into effect that much sooner and with certainty; and, such a law would not require amending the Constitution, which makes many people uncomfortable. Unlike the BBA, such a law would only require simple majorities to pass both the House and the Senate.

The No-Balance-No-Pay law would also be much stronger than previous budget rules such as the Gramm-Rudman-Hollings spending limits because they would be the law of the land and not just a rule the Congress imposed on itself. And, once enacted, the law could not merely be waived by a subsequent budget bill but would require a new statute that would have to get through both the House and Senate and past the President's veto pen.

If the BBA doesn't pass the Senate, then a No-Balance-No-Pay law might be just the ticket. But, even if the BBA does pass, such a law might be good insurance against the BBA falling a few votes short on ratification. This much is certain: given the public's general feelings about the Congress and the Executive Branch, there certainly would be strong support for imposing on the government's management the same rules the rest of us have to live by—if you don't do your job, then you don't get paid.

Baker & Hostetler, Tax Foundation Host Third Annual Tax & Budget Conference

TAX FEATURES

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Two hundred tax and budget specialists gathered in Washington, D.C., February 13 for what has become one of the most popular public policy forums in Washington—the annual Baker & Hostetler-Tax Foundation seminar on "The Direction of Federal Tax and Budget Policy in the 1990s." It was the third annual tax and budget event that Baker & Hostetler and the Tax Foundation have co-sponsored.

This year's all-star lineup featured Ken Kies, Chief of Staff of the Joint Tax Committee; Rep. Bill Archer (R-Texas), Chairman of the House Ways and Means Committee; Rep. William Thomas (R-Calif.), Chairman of the Subcommittee on Health of the Ways and Means Committee; Rep. Jim Leach (R-Iowa), Chairman of the House Committee on Banking, Finance and Urban Affairs; and two panels of current and former senior government staff from the Congress, the Treasury, and the Internal Revenue Service.

Mr. Kies opened the conference with a review of the debate over dynamic versus static revenue scoring, and then an overview of the tax issues Congress is likely to address in 1995. He noted, in particular, that fundamental tax reform is already gaining interest in both congressional tax writing committees.

Later in the day, Rep. Archer provided the keynote address, discussing the Contract With America's provisions and making it clear that he intends to pass the elements of the Contract that fall within the jurisdiction of his committee, but that the provisions are open to improvement and refinement. The congressman was careful to point out, however, that flexibility does not mean scaling back the provisions. He then discussed the need for and goals of fundamental tax reform, in particular his desire to see the IRS removed from taxpayer's lives, and he cited the need to create a tax system that protects existing saving from tax and that encourages Americans to save more.

J.D. Foster (right), Tax Foundation Executive Director and Chief Economist, chats with Keynote Speaker Bill Archer, Chairman of the House Ways and Means Committee.

Floyd Williams, Treasury Senior Tax Advisor for Public and Legislative Affairs and former Tax Counsel to the Tax Foundation, discussed the forthcoming IRS regulations business plan. He also said that President Clinton continues to support the expiring tax provisions, even though his budget did not provide funding for their extension. •

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