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President's Budget: Revenue Proposals

by Senate Budget Committee Republican Staff

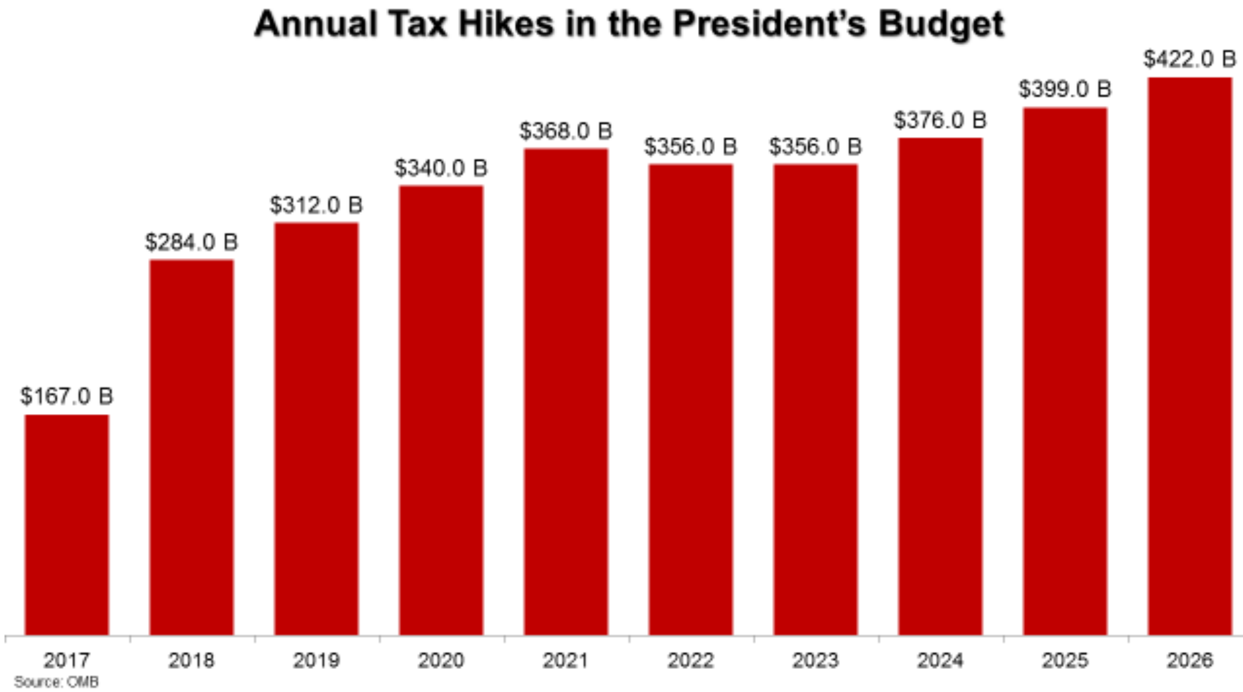
EDITOR'S NOTE: All years are fiscal years unless otherwise stated. Figures may include outlay effects consistent with president's budget display.

President Barack Obama's 2017 budget plan includes $3.4 trillion in new tax increases; annual tax collections would increase by $2.3 trillion in 10 years. Receipts in 2017 would be 18.9 percent of gross domestic product (GDP) and increase to 20 percent by the end of the 10-year budget window. The increase in revenues includes approximately $1.26 trillion in additional individual income taxes, $936 billion in additional corporate income taxes, and $592 billion in additional excise taxes. It also includes an additional $75 million in social insurance and retirement receipts and an allocation for $420 billion in new revenues from immigration reform.

As in recent years, the administration has proposed business tax reform, to include the U.S. international tax system. The proposal limits itemized tax deductions for high-income earners and raises investment tax rates. It targets changes to the financial industry, with a new fee on banks and on fossil fuel production, eliminating credits and deductions while adding a new oil fee.

New proposals for 2017 include the phased-in per barrel oil fee, a community college partnership tax credit, changes to the excise tax on high-cost, employer-sponsored health care, rationalizing Net Investment Income and Self-Employment Contributions Act taxes, allowing unaffiliated employers to maintain a single multi-employer defined contribution plan, and improving disclosure for child-support enforcement.

Federal revenues are comprised of taxes and other collections from the public that result from the government's sovereign powers to impose levies under Article I, Section 8, Clause I of the U.S. Constitution. Federal revenues include individual and corporate incomes taxes, social insurance taxes, excise taxes, estate and gift taxes, customs duties, and miscellaneous receipts.



President Obama's proposed revenue policy changes include:

Proposals that increase revenues.

- Reform International Tax System. The president proposes reforms to the international tax system, including a tax credit for insourcing jobs, a minimum tax on foreign income, and limiting the ability of domestic entities to expatriate. These policies would raise $484 billion from 2017 to 2026.

- Fossil Fuel Taxes. The president proposes eliminating fossil fuel tax provisions, including repealing expensing of intangible drilling costs, repealing the domestic manufacturing deduction for production, eliminating percentage depletion for wells and hard mineral fossil fuels, and repealing the enhanced oil recovery credit. These policies would raise $38.2 billion from 2017 to 2026.

- Financial and Insurance Industry Products. The president proposes reforms to the treatment of financial and insurance industry products, including requiring that derivative contracts be marked to market, expanding the pro-rata interest expense disallowance for corporate-owned life insurance, and modifying proration rules for life insurance company accounts. These policies would raise $34.7 billion from 2017 to 2026.

- Business Revenue Changes. The president proposes business revenue changes, including repealing last-in, first-out (LIFO) accounting, modifying like-kind exchange rules, and repealing the Federal Insurance Contributions Act (FICA) tip credit. These policies would raise $153.1 billion from 2017 to 2026.

- Foreign Income. The president proposes a 14 percent one-time tax on previously untaxed foreign income. This policy would raise $299.4 billion from 2017 to 2026.

- Financial and Individual Taxes. The president proposes reforms to financial and individual taxes, including imposing a financial fee, increasing taxation of capital income, implementing the fair share tax, and reducing the value of tax expenditures for high-income earners. These policies would raise $1.03 trillion from 2017 to 2026.

- Tax Benefit Modification. The president proposes modifications to tax benefits, including rationalizing net investment income and self-employed contribution taxes, limiting the total accrual of tax-favored retirement benefits, and taxing carried interest as ordinary income. These policies would raise $345.3 billion from 2017 to 2026.

- Estate and Gift Tax. The president proposes changes in the estate and gift tax, including restoring the higher rates, modifying transfer tax rules, and changing gift tax exclusions. These policies would raise $226.3 billion from 2017 to 2026.

- Other Revenue Raisers. The president proposes new revenue raisers, including a $10.25 per barrel tax on domestic oil production and imported petroleum products, changes to unemployment taxes and an increase in the tobacco tax. These policies would raise $520.6 billion from 2017 to 2026.

- Tax Enforcement. The president proposes changes to tax enforcement provisions, including expanding information reporting, improving business compliance and a tax enforcement program integrity cap adjustment. These policies would raise $82.2 billion from 2017 to 2026.

- Inland Waterways User Fee. The president proposes a new user fee for the Inland Waterways Trust Fund to be paid by commercial navigation users. This policy would raise $1.3 billion from 2017 to 2026.

- Immigration Reform. The president proposes comprehensive immigration reform modeled on S. 744, which passed the Senate in 2013 with bipartisan support. This policy would raise $420 billion from 2017 to 2026.

Proposals that decrease revenues.

- Small Business Tax Reform. The president proposes tax reforms for small businesses, including simplified accounting and expanding expensing. These policies would cost $47.5 billion from 2017 to 2026.

- Business Research and Manufacturing Incentives. The president proposes incentives for businesses, including enhanced research incentives, modifying the renewable energy production and investment tax credits, providing new community college partnership and manufacturing communities tax credits, and creating "Designate Promise Zones," which would cost $89.1 billion from 2017 to 2026.

- Regional Growth Incentives. The president proposes regional growth incentives, including permanently extending the new markets tax credit and expanding the low-income housing tax credit. This policy would cost $14.9 billion from 2017 to 2026.

- Infrastructure Incentives. The president proposes infrastructure investment incentives, including increasing the national limit for qualified highway or surface freight transfer facility bonds, providing a qualified public infrastructure bond category for private activity bonds, and modifying the treatment of banks investing in tax-exempt bonds. These policies would cost $9.3 billion from 2017 to 2026.

- Individual Tax Incentives. The president proposes changes to individual tax incentives, including expanding the earned income tax credit, providing a second-earner tax credit, reforming child care tax incentives, and simplifying tax benefits for education. These policies would cost $245.6 billion from 2017 to 2026.

- Retirement and Health Benefits. The president proposes reforms to retirement and health benefits, including automatic enrollment in IRAs, penalty-free retirement withdrawals for long-term unemployed, multiemployer defined contribution plans, and reforms to the excise tax on high cost employer-sponsored health care. These policies would cost $21.4 billion from 2017 to 2026.

- Simplify Tax System. The president proposes changes to simplify the tax system, including consolidating contribution limitations for charitable deductions and extending the carryforward period for excess deduction amounts. These policies would cost $11.8 billion from 2017 to 2026.

- Trans-Pacific Partnership. The president proposes enactment of the Trans-Pacific Partnership Trade Agreement, including changes to tariff rates. These policies would cost $28.1 billion from 2017 to 2026.