File: Economy Bingaman Plan

U.S. Senator

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BINGAMAN UNVEILS COMPREHENSIVE PLAN FOR ECONOMIC ALLIANCES TO HELP AMERICA'S WORKING FAMILIES

Democratic package focuses economy on wages, long-term investment

"Millions of America's working families are scrambling to pay their bills every month, and even though they're working harder, they're going further into debt. Americans are working longer hours for lower wages, paying higher prices for education and health care, and are fearful of being laid off from their jobs.

"The economy in this country has grown too slowly for the past 20 years, and the people doing the work in our economy are sharing less in the benefits from the growth that is occurring.

"These are not new issues to Senate Democrats. One year ago Senate Democratic Leader Tom Daschle (D-SD) asked me to head a working group of Senators to explore policy options to build some powerful allies to help America's working families succeed.

"The 57-page report issued today explores thoughtful and serious responses to working families' concerns:

1. Recommendations to encourage businesses to become better allies for America's working families.

2. Recommendations for making financial markets better allies for America's working families.

3. Recommendations for making government a better ally for America's working families and small businesses.

"It is time that we start rewarding American companies that invest in American workers and American manufacturing operations, equipment and R&D."
- Senator Jeff Bingaman (D-NM)

(more)

BOREN-DANFORTH (Modified)

Adopt Business Activities Tax

* Eliminate the existing preference in the tax law for debt over equity

* Incentivize investment in U.S. rather than overseas

* Apply the tax (as other countries do) on imports but not on exports

* Impose the tax more equitably across all types of firms

* Dramatically simplify the federal corporate tax

* Cut in half payroll tax paid by business

BUSINESS AS ALLY OF AMERICA'S WORKING FAMILIES

One other major advantage of adopting the proposed business activities tax is that it would allow us to give better tax treatment to corporations which invest in their workers and invest in America. We designate such businesses as which become allies of working families as "A-Corps," and suggest that the Business Activities Tax would be imposed at two different rates, one rate for any business with receipts of over $100,000 which does not qualify as an "A-Corp." And a second lower rate for business that do self qualify as "A-Corps."

"A-CORP"

* *Invest in workers*

    - 3% of payroll to pensions
    - 2% of payroll to training and education
    - Half of the cost of health insurance
    - Profit-sharing, gain sharing or employee stock plan

* *Investment in the U.S.*

    - 90% of all plant, equipment and employment dedicated to U.S. market
    - 50% of all R&D

(more)

FINANCIAL MARKETS AS ALLIES OF AMERICA'S WORKING FAMILIES

To help Wall Street become an ally of Main Street, we suggest the creation of an "A-Fund" which would reduce financial market pressure for short-term decision making by corporate managers and reduce short-term speculation in securities. The "A-Fund" would be created by imposing a less than one half of one percent securities transfer excise tax on the sale of securities within two years of purchase. Revenue created by the tax would:

"A-FUND"

* *Fund deductions for higher education and skill training*

* *Fund tax credits for dependent children*

* *Fund programs that accomplish:*

    - workforce training & education goals and standards
    - technology R&D and export promotion

GOVERNMENT AS ALLY OF AMERICA'S WORKING FAMILIES, SMALL BUSINESSES

The government alliance with America's working families and self-employed workers and small businesses would be forged by reducing their taxes:

GOVERNMENT - AIDING WORKERS

* *Reduce the tax burden on working families*

    - cut in half payroll tax paid by employees
    - cut income tax by increasing standard deduction
    - $10,000 deduction for post-secondary education
    - $500 child tax credit

* *Increase efforts to improve education and training*

GOVERNMENT - SMALL BUSINESS

* *Cut in half the self-employment workers OASDI Tax*
  (From 12.4% to 6.2%)

* *Exempt small businesses with less than $100,000 in annual receipts from federal business tax*
  (Reduce number of corporate tax returns by 15 million)

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File:
Economy —
Bingaman plan

Scrambling to Pay the Bills:
Building Allies for America's Working Families

**A Set of Comprehensive, Specific
Democratic Proposals to
Address Wage and Income Stagnation --
to Produce Long-Term, Higher Rates of Economic Growth,
Shared with Working Families,
in the United States**

**Presented by Senator Jeff Bingaman (D-NM)
to the Senate Democratic Leader,
Senator Tom Daschle (D-SD)**

February 28, 1996

Executive Summary

ESTABLISHING THE "A-Corp": HELPING BUSINESSES BECOME ALLIES OF AMERICA'S WORKING FAMILIES

America's businesses are facing enormous pressures from international competition and from Wall Street to produce higher and higher short-term earnings. They are confronted with tough choices in the global market place. For example, should they make their next investment in the United States, or in a particular foreign country that touts lower wage costs, lower labor standards, and lower environmental requirements while at the same time promises to deny access to its market unless the company invests within its own borders? And how does the company daily satisfy its Wall Street investment analysts that it is taking every step imaginable to pump up quarterly earnings at least for the short-term? Too often, without countervailing pressures, America's businesses are compelled to pursue short-term, low-investment, low-wage, cost-cutting strategies. The result? Down-sizing, restructuring, and out-sourcing.

These words -- down-sizing, out-sourcing and the like -- are frightening words for most of America's working families, because so many key components of each family's economic strategy are dependent on provisions made for them by their employers. After all, decisions about pension plans, worker training, health care, and their wage rates are in the hands of their employers. As workers must be partners with their employers in producing world-class goods and services, businesses should necessarily be allies of their employees in helping them execute successful personal economic strategies. We therefore propose a powerful set of incentives to help businesses fulfill this role.

We propose permitting businesses which operate in the United States to self-qualify for status as a "Business Allied with America's Working Families." The attorneys and accountants for such businesses (which might be called "A-Corps") would provide opinions that the business qualifies, according to certain criteria. For every year it qualifies for status as an A-Corp, the business would get the benefit of extremely favorable tax, regulatory, and government contract treatment, as described below.

How would a business self-qualify as an A-Corp? The business (which shall be defined as all of its businesses, subsidiaries, and joint ventures under common control) would have to meet certain tests, about which its attorneys and accountants could give an annual opinion. For example, the business would have to:

- Contribute an amount equal to at least three percent (3%) of payroll to, and offer to its U.S. employees, a multi-employer or multiple employer pension plan (defined contribution or defined benefit, with significant portability), or sponsor a collectively-bargained, single-employer plan.

- ❑ Devote an amount equal to at least two percent (2%) of payroll for U.S. employee training or education which training or education was certified to meet standards set by certain industry groups.

  Note that the National Skills Standards Board, created under the Goals 2000 legislation passed in 1994, is tasked with developing a system of voluntary skills standards. The system will establish a common set of skills needed for a cluster of occupations that workers will need.

- ❑ Offer to all U.S. employees (permanent and temporary employees working for more than 3 months), and pay at least half of the cost of, a health care plan conforming to a basic model health care benefits plan drafted by the National Association of Insurance Commissioners.

- ❑ If a for-profit entity, operate for its U.S. workers either an employee profit-sharing plan, or an employee gain-sharing plan (bonuses tied to employees meeting certain measurable productivity, quality, safety or other objectives), or an employee stock option plan, or an employee stock ownership plan:

  - ✓ in which 50% or more employees participate, where no individual employee owning more than 5% of the stock or receiving over 5% of the benefits is counted toward this requirement;

  - ✓ which is managed by an employee-elected trustee; and

  - ✓ in which all stock is full voting stock.

- ❑ Maintain a compensation plan such that:

  - ✓ the compensation (excluding stock options and purchases meeting the restrictions below) of the highest-paid employee is no greater than 50 times the compensation of the lowest-paid full-time employee; and

  - ✓ such plans shall require gradual, 5-year vesting of options and underlying shares acquired by management executives under all stock option and stock purchase plans; and

  - ✓ a substantial proportion of the compensation received by members of the company's board of directors shall be in the form of stock options which shall require the same vesting requirements as for management executives.

- ❑ Show that in the preceding three-year period:

- ✓ at least 50% of the total of all net new investment in research & development was made in the United States; and

- ✓ at least 90% of the total of all net new investment in plant, equipment, and employment used for the production and delivery of products and services consumed in the United States, occurred in the United States.

- ❑ Maintain above-average or continuously improving occupational safety and environmental compliance records.

- ❑ After December 31, 1998, belong to and pay significant dues to an industry association which shall be certified by the Department of Commerce as:

  - ✓ actively participating in the United States in the setting of education, training, and apprenticeship standards for workers in its industry; and requiring its members to support local school-to-work systems through consultation with local school officials, supporting school to work curricula, or providing work opportunities for students participating in school to work programs;

  - ✓ offering to all of its U.S.-members the opportunity to participate in a managed, multi-employer or multiple employer, portable pension plan similar to those operated by TIAA-CREF, the National Automobile Dealers Association and the Rural Electric Cooperatives, for example;

  - ✓ providing significant assistance to its members with respect to the export of the industry's goods and services from the United States.

A-Corp Tax Benefits and Tax Benefits for all Corporations

Because the current corporate tax system has such severe problems (corporations' tax payments seem unrelated to their true profitability, it provides incentives to invest overseas, biases debt over equity, and promotes a multi-billion dollar industry to avoid it), we would propose elimination of the corporate income tax and the adoption of the Boren-Danforth Business Activities Tax as described in "The Comprehensive Tax Restructuring and Simplification Act of 1994" (hereafter "B-D"), with three major changes. The BD business tax , which is fully border-adjustable (it taxes imports, not exports), applies a fixed tax rate to a tax base resulting from taking all business receipts and subtracting payment to other businesses for goods and services (including the purchase of new equipment, construction of plants, etc.). Neither employee compensation payments nor payments of interest or dividends are included in the subtraction. Two of the changes we propose would:

- ❑ Provide that money spent on the provision of training or education to employees of the workplace, which training or education was certified to meet standards set by certain industry groups in coordination with the National Skills Standards Board, shall not be part of employee compensation and shall be fully subtracted from B-D tax base, just as an investment in a new machine would be; and

- ❑ Provide that research & development expenses incurred in the United States (as defined under the current tax regulations governing the existing temporary r & d credit) shall be fully subtracted from the B-D tax base, just as an investment in a new machine would be.

Adoption of the Boren-Danforth business activities tax with the above two changes accomplishes a number of objectives which will aid all American businesses in improving their performance:

- ✓ In the business tax setting, *it eliminates any preference for debt over equity.* Neither interest payments to lenders nor payments of dividends to shareholders are subtracted from the B-D tax base. This is important because business traditionally finances riskier, long-term, value-added activity (investment in intangible assets such as R&D, workforce training, new products and new markets, supplier relationships, establishment of brand names, and distribution channels) through equity instruments, not debt financing. In contrast, the current tax system, which makes interest payments fully and immediately deductible business expenses while double-taxing dividends on equity and providing no or a partial deduction for the use of retained earnings for longer-term investments, incentivizes debt while discouraging equity.

- ✓ *It incentivizes investment in the United States* in new plant and equipment, research & development, and worker training. Under our modified B-D business tax, all company expenditures for new plant and equipment (built, used, or consumed in the U.S.), and research & development and worker training (conducted in the U.S.) are subtracted from the tax base. And it eliminates the incentives in the current code to invest in, or to license U.S. technology to, foreign countries.

- ✓ *The tax is fully border-adjustable, taxing imports but not exports.* The revenue received from the sale of exported goods and services is not included in the B-D tax base, and the amounts paid for all imported goods are taxed at the applicable rate as they cross the border into the United States.

- ✓ Our business activities tax is *much more fair across types of firms.* It does not vary with the type of business generally, and makes only one big distinction -- between "businesses allied with America's working families" (those that qualify for A-Corp status), and those that choose not to be.

- ✓ *It is simple, not complex, and will eliminate the multi-billion industry of lawyers and accountants* whose entire livelihood depends on playing all the angles in the current complex corporate code.

- ✓ Finally, the revenues generated by uniformity of the tax *allows us to roughly cut in half the cost of the OASDI payroll tax paid by business* -- a reduction of 3.1%, from 6.2% to 3.1%. This change would cut the cost of doing business generally . . . and specifically the marginal cost of adding new employees. Note that the OASDI trust funds would be replenished by receipts from the business tax in the same amounts as would have been paid in under the old payroll tax rates.

But our third modification of B-D would provide an enormous incentive for business to become allied with America's working families. This third change would provide two rates, not one rate, applied to the tax base for the business. Of the two, the significantly higher rate (for example, 18%) would apply to the tax base of all businesses which had not qualified for A-Corp status. Businesses which, in the opinions of their attorneys and accountants, qualify as A-Corps, would pay a significantly lower rate (for example, 11%) on their tax base.

This rate differential finally provides to American businesses an incentive of the scope other countries routinely provide to businesses for corporate decisions they want to encourage. How many times have we seen even American businesses decide to locate their next plant in another country, partly because of the special tax treatment they will be afforded? Under our proposal, American business will finally have a significant incentive to build that next plant right here in the United States, to provide their American workers health care coverage, and to invest in their American workers' training and retirements.

Note also, the B-D business tax would not apply to small businesses with annual gross receipts of less than $100,000, and financial services companies require a slightly modified regime as provided in the draft legislation for the B-D . Finally, there are significant transition issues which would need resolving when the plan is implemented.

A-Corp Regulatory Benefits

As a qualified A-Corp, a business would be required to comply with all applicable federal laws and regulations, but also would be entitled to (1) speedier federal agency review and decision making, (2) participation in voluntary compliance programs, and (3) take advantage of safe-harbor provisions designed for A-Corps from applications of certain regulatory requirements.

A-Corp Government Contract Benefits

Qualified A-Corps shall be entitled to a strong preference (10% cost advantage, set-asides, goal provisions, and the like) in competitions of U.S. government procurement contracts, awards, and other programs in which businesses are allowed to participate.

Other Ways to Help Business Become Allies with American Working Families

We must also respond to the needs of the American corporation which is faced with an easy choice: go where labor is cheaper, labor and environmental laws are weak, and markets are held hostage to investment and technology transfer. For the United States to continue to grow, the welfare of the American corporation must be preserved, but the corporation must be encouraged to invest in itself, its workers, and its research and development, to grow over the long-term. Building the American economy in a healthy manner requires that government, labor, and business come to terms with the economic dimensions of national interest; and that Americans learn to conceptualize, prioritize, and pursue these economic interests both at home and abroad. Certainly today, America's long-term economic vitality must rank as the nation's top national security concern. To these ends, we propose additional detailed recommendations to help businesses become allies with American Working Families, by:

- ✓ *Confronting the Asia-Pacific trade & investment problem*
- ✓ *Upgrading labor and environmental standards*
- ✓ *Fostering U.S.-based joint ventures in critical technologies*
- ✓ *Encouraging greater American exports, and*
- ✓ *Restructuring government to act strategically*

ESTABLISHING THE "A-Fund":
HELPING FINANCIAL MARKETS BECOME ALLIES OF AMERICA'S BUSINESSES AND AMERICA'S WORKING FAMILIES

We have concluded, along with many experts, that our current financial markets exert enormous short-term pressures on America's businesses. That pressure to produce short-term profits inevitably makes it harder for businesses to make the long-term investment in their employees that a true alliance with America's working families requires. We believe that this counter-productive phenomenon must be confronted head-on; at a minimum, we need to create a "speed-bump" against this short-termism. We believe that we must take steps to help "Wall Street become allies with Main Street."

Our bottom line? We propose creating a disincentive to the churning of securities in the form of a less-than-one-half-of-one-percent and declining tax on the sales of securities that occur within two years of purchase, and using the proceeds to pay for a huge education and training tax cut for America's working families.

The transaction tax on short-term speculation on all securities, is described in greater detail below. The proceeds from this tax would be segregated in a "Financial Markets Allied with America's Businesses and Working Families Fund" (the "A-Fund"). And the primary uses of the "A-Fund" would be to pay for tax deductions for post-secondary education and training purchased by American workers, and for tax credits to help cover the expense of raising and educating children of pre-school, elementary, and secondary school age. In other words, we propose a tiny tax on short-term trading to fund a big tax cut for long-term investment.

A-Fund Sources

The tax is imposed on the short-term churning of securities. It is paid in diminishing amounts over the holding period of the security, and <u>is not paid at all</u> if the security is held just two years or more. Remember that one of the purposes of the fund is to encourage well-informed investments in corporate securities followed by sustained support of the securities over some reasonable investment time period.

Our proposal would impose a small and diminishing securities transfer excise tax (STET) on broad-based security sales made less than two years after purchase. The tax would extend to transactions by individuals, corporations, and tax-exempt pension funds and other entities and would apply to stocks, bonds, options, futures, and swaps of currency, interest rates, and other assets. This would include trades on behalf of Americans and American assets on American and foreign exchanges, whether done directly or through an intermediary investment fund. It is important to apply the STET to all securities, to avoid prejudicing investment in one securities vehicle over another. The tax would be paid by the seller (the person on whose behalf the sale was made) at the time of the transaction and would not apply to new issues.

The following chart outlines the STET rates contemplated. Note that all the rates below work out to be *less than one half of one percent of the value* of the security at the time of the sale. (Consider, in contrast, the 10 to 15 times that amount each of us pays in sales tax for every item at the grocery store.) Moreover, no tax is paid if the security is held for just two years.

TAX RATES BASED ON HOLDING PERIOD OF SECURITY					
	< 6 MOS.	**6 - 12 MOS.**	**12 - 18 MOS.**	**18 - 24 MOS.**	**>2 YRS.**
STOCKS	0.0048 x value	0.0036 x value	0.0024 x value	0.0012 x value	No Tax
Priv BONDS	0.0001 x val per remaining year of term	0.000075 x val "	0.00005 x val "	0.000025 x val "	No Tax
TREAS Bills	0.0001 x val per remaining year of term	0.000075 x val "	0.00005 x val "	0.000025 x val "	No Tax
TREAS Bonds	0.0001 x val per remaining year of term	0.000075 x val "	0.00005 x val "	0.000025 x val "	No Tax
Futures	0.0002 x val of underlying commodity per year of term	0.00015 x val "	0.0001 x val of "	0.00005 x val "	No Tax
OPTIONS	0.0002 x val of underlying commodity per year of term	0.00015 x val "	0.0001 x val of "	0.00005 x val "	No Tax
SWAPS of Currency, Int Rates, or Assets	0.0002 x val of underlying commodity per year of term	0.00015 x val "	0.0001 x val of "	0.00005 x val "	No Tax

To minimize any evasion of the tax in global financial markets, the U.S. should take the lead in the G-7 to coordinate a policy preventing STET evasion. At least eight European Economic Community nations (including the UK and France) and four Pacific Rim countries (including Japan, Korea, and Taiwan) have some form of securities transactions tax.

Some Wall Street traders and investors will modify their behavior in response to the tax. But others, unfortunately, will not. So the proceeds from this tax will likely be substantial. Precise estimates of the revenue available for the "A-Fund" are difficult to make, as they depend on guesses as to the extent to which Wall Street will modify its selling behavior. But using 1994 trading numbers, revenue available to the A-Fund would total $27 billion annually if Wall Street experienced a large reduction in short-term trading volume; $43 billion annually, if Wall Street had a medium reduction in short-term trading volume; and $62 billion annually, if Wall Street experienced a small reduction in short-term trading volume:

Assuming...	**REVENUES for the "A-FUND"**
Large Drop in Short-term Trading Volume	$27 billion per year
Medium Drop in Short-term Trading Volume	$43 billion per year
Small Drop in Short-term Trading Volume	$62 billion per year

A-Fund Investments

The primary investments of the A-Fund would be:

- *To Fund Tax Deductions for Higher Education and Work Skill Training.* The President has proposed a deduction for education and training of up to $10,000 for tuition and associated fees paid to institutions and programs eligible for federal assistance. The maximum allowable deduction would be phased-out for taxpayers filing a joint return with adjusted gross incomes (AGIs) between $100,000 and $120,000. (The deduction would phase out for single filers at AGIs between $70,000 and $90,000.) When fully implemented, this deduction would result in a loss of revenue of approximately $7.5 billion a year.

- *To Fund Tax Credits for Dependent Children.* We propose, like the President, a $500 tax credit for each dependent child under 18 years old, which would help working families pay for the education costs of pre-school, elementary, and secondary school children. The credit would be phased out for taxpayers with AGI of between $60,000 and $75,000, but the credit amount and the phase-out would be fully indexed for inflation. When fully implemented, this deduction would result in a loss of revenue of approximately $15.4 billion a year.

The bulk of the remaining dollars in the "A-Fund" investments would go to support federal, state, and local efforts to reform and improve education and training:

✓ *Workforce Training.* The National Skills Standards Board, created under the Goals 2000 legislation passed last year, is tasked with developing a system of voluntary skills standards. The system will establish a common set of skills needed for a cluster of occupations that workers will need. The National Skills Standards Board, which had its first meeting in April of 1995, is currently identifying occupation clusters. The A-Fund would provide federal support for workforce training programs operated by states or government-business partnerships which met the voluntary skills standards.

✓ *School to Work.* The 103rd Congress passed the School to Work Opportunities Act, which provides for *the establishment of apprenticeship systems enabling the three quarters of high school students not proceeding to a four-year college degrees to enter high skill-high wage careers.* The act provides grants to localities and states to set up appropriate systems, with the base requirement that such systems shall include both work-based and school-based learning, and involve local business, labor and education leaders. Both planning and implementation grants have already been made to state and local governments. The A-Fund would provide continuing federal support for this effort.

✓ *National Education Goals and Standards.* The 103rd Congress also passed the Goals 2000: Educate America Act, which calls for the setting of voluntary national content and performance standards in core academic subjects such as math, history, and geography. It also provides funding for school reform efforts and programs to improve student achievement through educational technology. The A-Fund would provide continuing federal support for this effort.

Finally, a smaller, residual amount of "A-Fund" investments would be allocated to support industry-driven, government-industry partnerships in technology research & development and industrial extension and to export promotion:

✓ *Technology Research & Development.* Funds from the A-Fund would be used to fund successful programs like Sematech, the Technology Reinvestment Project, the Advanced Technology Program, and other long-term technology research & development programs which are industry-driven, cost-matching, government-industry partnerships.

✓ *Industrial Extension.* Funds from the A-Fund would be used to fund successful programs like the Manufacturing Extension Program (MEP) in the Department of Commerce and small business development centers (SBDCs). These programs typically focus on small and medium-sized enterprises trying to upgrade their technical and management processes to compete world-wide.

✓ *Export Promotion.* The A-Fund would also be used to fund successful programs now in the Department of Commerce and the Office of USTR to expand the export of American-made products and services, including those run by the Export-Import Bank, OPIC, the U.S. Foreign Commercial Service, and others. Funds would also be used to support new Academic Centers for the Study of Industry.

Other Ways to Help Financial Markets Become Allies with American Businesses and Working Families

... through Securities Regulation Reform

And finally, *we need to significantly reform our securities regulatory structure to promote long-term human resource investment over short-term earnings decisions.* We endorse changes in securities regulations that better align the interests and activities of owners/investors, corporate managers and investment managers. Since educated investors better understand corporate decision-making, the goal of these regulatory reforms should be an investment and management climate where information flows more freely, corporate oversight is enhanced, risks are better understood, and short-term pressures are mitigated. These changes should free all those involved in corporate decisions to choose long-term, productive investments that are crucial to the growth of high wage jobs, without jeopardizing the current efficiency of America's financial markets. These reforms, detailed in the pages that follow, would have as their goals:

✓ *Reducing Barriers to Collective Shareholder Monitoring*

✓ *Reducing Regulatory Impediments to Larger Holdings in Companies by Individual Institutional Investors*

✓ *Encouraging Long-Term Management and Investment Behavior*

✓ *Improving Available Information on Firm's Prospects*

PREPARING THE "A-Check":
MAKING THE UNITED STATES GOVERNMENT AN ALLY OF AMERICA's WORKING FAMILIES

We propose above several concrete steps to encourage businesses to become allies with America's working families by helping them with health care, their pensions, education and training, and by investing more in the United States. We offer a dramatic proposal to use our financial markets to foster long-term investment instead of short-term profits that specifically funds working families' investments in their own education and training. These proposals go a long way in restructuring the incentives in our economy to improve the incomes, benefits, and economic security of America's working families over the longer run.

But the next question is what the United States can do, right now and very directly, to help America's working families execute successfully their strategies for a secure work life and retirement for themselves and a brighter future for their children.

The whole purpose of the comprehensive strategy outlined in our proposal is to increase the incomes of the average working families of the country. The whole point is to put more money into working families' budgets to pay for day-in, day-out expenses and to save for education, training, family emergencies, or retirement -- to "make the bills" each month and still provide for a decent retirement for themselves and a better future for their kids. While consolidating gains in that regard will take time, any improvement on this score should be welcomed as soon as possible.

We propose that the government become an ally of working families by making more money available to them (the "A-Check") to deposit in their checking and savings accounts for their personal economic strategies:

- We propose to *cut in half each employee's OASDI payroll tax (from 6.2% to 3.1%).*

  For example, our proposal would cut taxes for a family with total pay checks of $33,000 per year by over $1,000. Our proposal to replace the current corporate income tax, described above, makes such a tax cut possible. Some portion of revenues derived from that proposal would be transferred to the old-age and survivors insurance and disability insurance trust funds to compensate for the reduction in trust fund revenues caused by the reduction in the payroll tax rates.

- *We propose to cut individual income taxes by tripling the standard deduction for taxpayers who do not itemize deductions.*

The extra standard deduction would be $8,650 for married individuals filing joint returns, $7,600 for heads of household; $5,200 for single individuals, and $4,325 for married individuals filing separate returns. This extra standard deduction would be allowed in addition to the basic standard deduction and the additional standard deduction for the aged and the blind. For a taxpayer claiming both the basic standard deduction and the extra standard deduction, the total standard deduction at 1994 levels would be $15,000 for married individuals filing joint returns, $13,200 for heads of household, $9,000 for single individuals, and $7,500 for married individuals filing separate returns.

The extra standard deduction would be phased out ratably for taxpayers with adjusted gross income (AGI) in the following ranges: $45,000 - $88,250 for married individuals filing joint returns, $37,000 - $75,000 for heads of household, $27,000 - $53,000 for single individuals, and $22,500 - $44,125 for married individuals filing separate returns. The amount of the extra standard deduction and the phaseout ranges are expressed in 1994 dollars and would be indexed for inflation.

This change will entirely remove from the tax rolls approximately 20 million taxpayers. Again, our proposal to replace the current corporate income tax, described above, makes such a tax cut possible.

- ❑ We propose providing *income tax deductions up to $10,000 for individuals' investments in their own post-secondary education and training.*

  The President has proposed a deduction for education and training of up to $10,000 for tuition and associated fees paid to institutions and programs eligible for federal assistance. The maximum allowable deduction would be phased-out for taxpayers filing a joint return with adjusted gross incomes (AGIs) between $100,000 and $120,000. (The deduction would phase out for single filers at AGIs between $70,000 and $90,000.) The tax expenditures for these deductions will be funded from the "A-Fund," described above.

- ❑ We propose providing *income tax credits of $500 for each dependent child under 18 years old, to help working families pay for the education costs of pre-school, elementary, and secondary school children.*

  The credit would be phased out for taxpayers with AGI of between $60,000 and $75,000, but the credit amount and the phase-out would be fully indexed for inflation. The tax expenditures for these deductions will be funded from the "A-Fund," described above.

- ❑ We support *continuing the Earned Income Tax Credit program as it was expanded by the Omnibus Budget Reconciliation Act of 1993.*

- ❑ *We propose to cut income taxes further by providing for refundable tax credit amounts additional to the current Earned Income Tax Credit.*

  Our proposal would cut taxes for lower-middle-income and poor taxpayers up to a maximum of an additional $1,378 for married people filing jointly, for example. The maximum amount of AGI eligible for the credit would be $9,500 for married individuals filing joint returns, $7,900 for heads of household, $5,700 for single individuals, and $4,750 for married individuals filing separate returns. The maximum credit would be $1,378 for married individuals filing joint returns, $1,146 for heads of household, $827 for single individuals, and $689 for married individuals filing separate returns.

  The credit would be phased out at a 20 percent rate for taxpayers with "modified AGI" in the following ranges: $15,000 - $21,888 for married individuals filing joint returns, $13,200 - $18,928 for heads of household, $9,000 - $13,133 for single individuals, and $7,500 - $10,944 for married individuals filing separate returns. Modified AGI would be defined as AGI determined (1) without regard to deductions for individual retirement arrangements (IRAs), simplified employee pension plans (SEPS) or Keogh plans, or to exclusions for foreign income, income from the possessions and educational savings bonds, and (2) by adding in tax-exempt interest and the portion of Social Security benefits not otherwise included in AGI. The AGI limits and the beginnings of the phaseout ranges are expressed in 1994 dollars and would be indexed for inflation. Again, our proposal to replace the current corporate income tax, described above, makes such a tax cut possible.

  An individual would be eligible to receive this increase on an advanced basis similar to that available for the current earned income tax credit. It would be available to any individual who provides an eligibility certificate to his or her employer that (1) certifies he or she is eligible for the credit on the basis of AGI, (2) certifies that he or she does not have an eligibility certificate in effect for that year with another employer, (3) states whether the individuals spouse has an eligibility certificate in effect, (4) estimates the individual's AGI and modified AGI.

- ❑ We support efforts to *raise the minimum wage 90 cents over two years* to restore some of the erosion in buying power in the minimum wage.

Other Ways to Make the U.S. Government an Ally of America's Working Families

... through Increasing the Bargaining Power of American Workers

We can help fortify the bargaining power of America's workers and their families. We are concerned that current prohibitions on discriminatory actions against employees involved in collective bargaining activities may not be adequate to prevent such practices. To provide further incentive to obey current law, we recommend *establishment of a fine for violating the National Labor Relations Act by wrongfully dismissing employees involved in the organization of a workplace*. Such fine shall be equal to triple the amount of wages an employee would have received if that employee had retained employment. Such a fine is anticipated to have a deterrent effect, thus reducing the number of workers facing discrimination while attempting to organize a workplace.

We also concur in the Dunlop Commission recommendation for *streamlining election procedures* through the postponement of legal hearings before the National Labor Relations Board until after a representation election is held. Any disputed ballots would remain sealed until hearing were held.

... through Increased Support for Education Reform

Responsibility for the performance of our education system appropriately lies at the state and local level. But we believe the federal government needs to help our state and local school districts by *providing support for the development of 4 essential elements of reform of our education system*: (1) academic and skill standards for students; (2) professional standards for teachers; (3) new configurations of time for student learning and achievement; and (4) appropriate access and use of education technology.

PREPARING THE "A-Check", Part II:
MAKING THE UNITED STATES GOVERNMENT AN ALLY OF AMERICA'S SELF-EMPLOYED WORKERS and SMALL BUSINESSES

Working families are scrambling to assemble personal economic strategies to "make the bills" each month and provide for a solid retirement for themselves and brighter future for their kids. But several components of that strategy are not found in regular jobs with big or even medium-sized employers. Many workers rely on themselves for a sizeable chunk of family income, as self-employed real estate professionals, for example. Still more are employed by small businesses.

We propose that the government become an ally of these self-employed workers and these small business owners by making more money available to them (the "A-Check," Part II) to deposit in their checking and savings accounts for their personal economic strategies:

- *We propose to cut in half the self-employed worker's OASDI tax, from 12.4% to 6.2%.*

  For example, a self-employed worker making just $33,000 would pay over $2,000 less in taxes each year than she now does. As with an employee's payroll tax, some portion of revenues from our proposed replacement of the current corporate income tax would be transferred to the old-age and survivors insurance and disability insurance trust funds to compensate for the reduction in trust fund revenues caused by the reduction in the payroll tax rates. Our proposal to replace the current corporate income tax, described above, makes such a tax cut possible

- *All small businesses with less than $100,000 in annual receipts would be exempt from federal business taxes.*

  Small businesses, especially those conducted by self-employed individuals would be, at their option, completely exempt from the provisions of our proposed modified Boren-Danforth business tax. Exempting these small businesses from the tax would entirely eliminate over 60% or 15 million businesses from corporate tax rolls.

- *We would maintain and make permanent the provisions of OBRA of 1993 which provided for a 50% capital gains tax cut* for securities held for more than five years *and a 100% capital gains tax cut* for securities held more than 10 years, in a qualified small business.

- In fashioning individual income tax reform, consideration should be given to an *increase in the amount of losses on small company stock that individuals are permitted to offset against ordinary income* (from $50,000 to $100,000), and perhaps increase the size of companies considered "small" for this purpose (from $1 million paid in capital to $5 million paid-in capital).

Other Ways to Make the U.S. Government an Ally of America's Self-Employed Workers and Small Businesses

Since much of business innovation and growth that drives productivity and wage growth occurs in smaller and start-up firms, access problems and high transaction costs are increasingly important issues. We endorse the significant regulatory changes that will improve small business access to equity markets and reduce transaction costs by:

✓ *Allowing the Underwriting of Small Business Issues by Banks*

✓ *Reducing Equity Issuance Transaction Costs*

✓ *Facilitating the Operation of Matching Facilities*

✓ *Facilitating Loan Securitization*

✓ *Improving the Efficiency of Small Business Administration Programs*