INTRODUCTION

CURRENT SITUATION

Historical Development of Federal Debt held by the Public as a Percentage of GDP

Source: CBO
INTRODUCTION

POLICY MEASURES

- Immigration Reform
- Federal Estate and Capital Gains Tax
- Corporate Tax
- Motor Fuel Tax
- Increase Retirement Age

69% DEBT/GDP IN 2040
INTRODUCTION
PREDICTED OUTCOMES

Debt/GDP ratio in 2040 (Baseline scenario: 103%)

Lower federal debt in 2040

Higher GDP in 2040

Projected Debt/GDP ratio with and without proposed reform packages

Sources: Own calculations based on CBO projections
INTRODUCTION

POLICY MEASURES

- Immigration Reform
- Federal Estate and Capital Gains Tax
- Motor Fuel Tax
- Corporate Tax
- Increase Retirement Age

69% DEBT/GDP IN 2040
CORPORATE TAX REFORM
CURRENT SITUATION

**39.1 PERCENT**
Average corporate tax rate (Highest among all OECD countries)

**2.1 TRILLION USD**
Mostly untaxed offshore retained earnings by US multinationals

**167 BILLION USD**
Annual federal revenue loss due to profit shifting by multinationals in 2014

Sources:
1. OECD database
2. Bloomberg
3. Kimberly Clausing
CORPORATE TAX REFORM
POLICY MEASURES

STEP 1
Lower Federal Corporate Tax Rate to 25%

STEP 2
Switch from global to territorial system of taxation

STEP 3
Introduction of hard Controlled Foreign Company rules

Stimulate Domestic Growth
Level playing field for US firms abroad
Crack down on tax evaders/avoiders
CORPORATE TAX REFORM
PREDICTED OUTCOMES

1-2 PERCENT
Additional annual growth in GDP

575 BILLION
USD lower federal debt in 2040

13 PERCENT
Lower Debt/GDP ratio in 2040

Sources: Own calculations based on CBO projections

Projected Debt-GDP Ratio with and without proposed Corporate Tax Reform

CBO Baseline Projection
Baseline including Corporate Tax Reform

Sources: Own calculations based on CBO projections
IMMIGRATION REFORM
CURRENT SITUATION

Unauthorized immigrants currently living in the US: 11 MILLION\(^1\)
Share of unauthorized immigrants that do not pay taxes: 63 PERCENT\(^2\)
Daily federal revenue loss due to the inaction on immigration reform: 37 MILLION USD\(^3\)

Sources:
1. Migration Policy Institute
2. Pew Research Center
3. Center for American Progress

Team 105
IMMIGRATION REFORM
POLICY MEASURES

STEP 1
Improve Border Control

STEP 2
Legalize unauthorized immigrants

STEP 3
Reform visa system

Control future immigration inflows

Increase in labor force and labor productivity, boost economic growth, balance aging US population
IMMIGRATION REFORM ANALYSIS WITH SOLOW MODEL

Predicted Effects

- Increase in labor force
  - 2016-2026: 10 million
  - 2027-2036: 6 million

- Increase in labor productivity

→ Growth in real GDP

Sources: Own calculations based on CBO estimate for Senate Bill S. 744
IMMIGRATION REFORM
PREDICTED OUTCOMES

8.8 PERCENT
Lower Debt/GDP in 2040

4.6 PERCENT
Higher GDP in 2040

1.4 TRILLION USD
Higher spending by 2040

2.5 TRILLION USD
Higher revenues by 2040

Sources: Own calculations based on CBO projections
ESTATE AND CAPITAL GAINS TAX
CURRENT SITUATION

Tax revenue generated from the Federal Estate Tax 2000-2014 (0.2% of GDP)

359.4 BILLION USD\(^1\)

The Percentage of Estates taxed upon inheritance

0.2 PERCENT\(^2\)

The current Estate Tax exemption limit (double for married couples)

5.45 MILLION USD\(^1\)

Sources:
1. Tax Foundation
2. Center on Budget and Policy Priorities
ESTATE AND CAPITAL GAINS TAX
POLICY MEASURES

Estate Tax:
Return to the 2009 Federal Estate Tax Exemption limit and tax rate

45%

Capital Gains Tax:
Introduction of an additional Capital Gains Tax on bequeathed financial assets exceeding 500,000 USD
Return to the Level of 2009:

- 3,500,000 USD exemption limit
- 45% tax rate

- 60 billion USD Generated revenue per year\(^1\)

Sources: Own calculations based on Data from Internal Revenue Service and Tax Foundation
ESTATE AND CAPITAL GAINS TAX

- Close loophole by introducing a new Capital Gains Tax on bequeathed financial assets
- Exemption limit 500,000 USD
- 20% Tax rate

**10 billion USD**
Generated revenue per year\(^1\)

Sources: Own calculations based on Data from IRS /TaxFoundation, Graph: Gabriel Zucman (UC Berkeley)
ESTATE AND CAPITAL GAINS TAX
PREDICTED OUTCOMES

**Additional annual Revenue**
- 50 BILLION USD

**Lower federal debt in 2040**
- 1.7 TRILLION USD

**Lower Debt/GDP ratio in 2040**
- 5 PERCENT

Sources: Own calculations based on CBO projections

Projected Debt/GDP ratio with and without proposed reform of Estate and Capital Gains Tax

CBO Baseline Projections
Baseline Including Estate and Capital Gains Reform
MOTOR FUEL TAX
PREDICTED OUTCOMES

• Introduce a Motor Fuel Tax charging 40 cents per gallon
• Gradual Introduction:
  increase by 10 cents every half year starting in 2016

• 48.81 billion USD
  Additional average revenue p.a.¹

Sources: Own calculations based on data from the Energy Information Administration

1.2 TRILLION USD
Additional Revenue by 2040

1.6 TRILLION USD
Lower federal debt in 2040

5 PERCENT
Lower Debt/GDP ratio in 2040
FRA FOR SOCIAL SECURITY
PREDICTED OUTCOMES

- Raise full retirement Age for Social Security by one year
- Applies to all workers born after 1965

- **42 billion USD**
  Lower federal deficit in the first year applied (2023)

- **21 billion USD**
  Additional annual Revenue

- **42 billion USD**
  Average annual savings in Social Security Payments

- **4 percent**
  Lower Debt/GDP ratio in 2040

Sources: Own calculations based data from CBO and US Census Bureau
SUMMARY
PREDICTED OUTCOMES

Debt/GDP ratio in 2040 (Baseline scenario: 103%)

Lower federal debt in 2040

Higher GDP in 2040

Sources: Own calculations based on CBO projections

Projected Debt/GDP ratio with and without proposed reform packages

Team 105
SUMMARY
PREDICTED OUTCOMES

Debt/GDP ratio in 2040 (Baseline scenario: 103%)

Lower federal debt in 2040

Higher GDP in 2040

Projected Debt/GDP ratio with and without proposed reform packages

Positive effects beyond budgetary concerns

Sources: Own calculations based on CBO projections

Team 105
POLICY MEASURES

Team 105
CORPORATE TAX REFORM
LOWER CORPORATE TAX RATE TO 25%

- Benefits small and medium size businesses
- Increases investment and hiring
- Lowers incentive for profit shifting
- Lowers federal tax revenues

- **1-2%** additional annual GDP growth\(^1\)
- **68 billion USD** lower federal revenue p.a.\(^2\)

Sources:
1. RATE coalition
2. Joint Committee on Taxation
CORPORATE TAX REFORM
TERRITORIAL SYSTEM

• Abolition of global system of corporate taxation
• Creates a level playing field for US firms operating in foreign markets
• Lowers federal tax revenues

• **24.63 billion USD**
  Loss in federal revenue in 2016 (growing)\(^1\)

Sources:
1. Own calculations based on Credit Suisse Data
CORPORATE TAX REFORM
INTRODUCTION CFC RULES

- Exclusion of special classes of income from the territorial system
- Only very limited allowances
- Crack down on tax evaders/avoiders

- **3 trillion USD**
  of additional federal revenue over the next 25 years\(^1\)

Sources:
1. Own calculations based on data from Kimberly Clausing, World Bank, Tax Foundation

2014 Corporate Tax (billions of USD)

- Revenue collected through Corporate Income Tax
- Tax evaded through Profit Shifting
IMMIGRATION REFORM
REFORMING VISA SYSTEM

Merit-Based Immigration (Track 1):
• Based on a point system (education, English skills, relatives in the US, origin from countries with little immigration the US)

Merit-Based Immigration (Track 2):
• Eliminating backlog of family- and employment-based visa requests
IMMIGRATION REFORM
REFORMING VISA SYSTEM

• Increase annual cap for H-1B visa for highly skilled immigrants
• New visa categories for non-agricultural workers and their dependents (valid for 3 years, renewable multiple times)
• New visa categories for agricultural workers with a written contract or with an offer (valid for 3 years, renewable once)
Option 1:

• Immigrants that lived in the US since December 2011 apply for RPI\(^1\) (valid for 5 years, renewable)

• Adjust to LPR\(^2\) status after 10 years in RPI if they can prove enrolment in an educational institution or continuous employment

---

1 Registered Provisional Immigrant
2 Lawful Permanent Resident
IMMIGRATION REFORM
LEGALIZATION OF UNAUTHORIZED

Option 2:

- Immigrants that arrived in the US under the age of 16 apply for RPI\(^1\)
- Adjust to LPR\(^2\) status after 5 years in RPI if they can meet educational requirements
- Naturalize after enlisting in the military

1 Registered Provisional immigrant  2 Lawful Permanent Resident
IMMIGRATION REFORM
LEGALIZATION OF UNAUTHORIZED

Option 3:

• Immigrants that can proof past employment in the agricultural sector apply for the “blue card” (valid 8 years, not renewable)

• Adjust to LPR\(^2\) status after 5 years with “blue card” if they meet employment requirements

1 Registered Provisional immigrant  2 Lawful Permanent Resident
MOTOR FUEL TAX
CURRENT SITUATION

1 PERCENT\(^1\)

Current effective tax rate on motor fuel

3.3 BILLION BARRELS\(^2\)

Annual Supply of finished motor gasoline in the US

1.62 USD\(^3\)

Drop in gasoline prices between September 2014 and February 2016

Sources:
1. OECD
2. Energy Information Administration
3. Energy Information Administration
MOTOR FUEL TAX POLICY MEASURES

• Introduce a Motor Fuel Tax charging 40 cents per gallon
• Gradual Introduction of an increase by 10 cents every half year starting in 2016

• **48.81 billion USD**
  Additional average revenue p.a.¹

Sources:
1. Own calculations based on Data from the Energy Information Administration
MOTOR FUEL TAX

Road fuel prices per country for 1990 and 2011 (OECD comparison)

• Source: 1. OECD
MOTOR FUEL TAX

Effective tax rates on Fuels by country (OECD comparison)

• Source: 1. OECD
Crude Oil Prices 1986-2016 in Dollars per Barrel

• Source
  1. US. Energy Information Administration
MOTOR FUEL TAX

U.S. Product Supplied of Finished Motor Gasoline (in Thousand Barrel)

• Source
  1. US Energy Information Administration
RAISING FULL RETIREMENT AGE
CURRENT SITUATION

Population's share of age 65 and older: 15 PERCENT
Social Security as a share of GDP: 4.9 PERCENT
Until the exhaustion of the Social Security trust fund: 17 YEARS

Sources:
1. CBO
RAISING FULL RETIREMENT AGE
POLICY MEASURES

Raise full retirement age by one year for people born after 1965

Reduce Social Security spending, increase revenues, relief for Social Security trust fund.
RAISING FULL RETIREMENT AGE
PREDICTED OUTCOMES

- 4.3 PERCENT Lower Debt/GDP in 2040
- 757 BILLION USD Savings until 2040
- 381 BILLION USD Higher revenues by 2040
- 1.3 TRILLION USD Overall reduction in deficit by 2040

Sources:
1. Own calculations and CBO projections
CALCULATIONS AND DETAILED ANALYSIS

Team 105
CORPORATE TAX
TERRITORIAL SYSTEM

\[ L = R \times (\tau_{US} - \tau_{OECD}) \]

<table>
<thead>
<tr>
<th></th>
<th>Average of repatriated earnings p.a. (2005-2014)</th>
<th>264.5 billion</th>
</tr>
</thead>
<tbody>
<tr>
<td>R</td>
<td>Average of repatriated earnings p.a. (2005-2014)</td>
<td>264.5 billion</td>
</tr>
<tr>
<td>( \tau_{US} )</td>
<td>US Corporate Tax Rate</td>
<td>35%</td>
</tr>
<tr>
<td>( \tau_{OECD} )</td>
<td>Average OECD Corporate Tax Rate</td>
<td>25.68%</td>
</tr>
</tbody>
</table>

- **24.63 billion USD**
  Loss in federal revenue in 2016

Sources: OECD and Credit Suisse

International pre-tax and repatriated earnings by S&P500 companies (in billions of USD)
**CORPORATE TAX**

**CFC RULES**

\[ R = \frac{L}{\tau_{old}} \times \tau_{new} \times S \]

<p>| | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>L</td>
<td>Losses in federal revenue due to Profit shifting in 2016</td>
<td>264.5 billion</td>
</tr>
<tr>
<td>τ</td>
<td>US Corporate Tax Rate</td>
<td>35%</td>
</tr>
<tr>
<td>τ</td>
<td>Suggested US Corporate Tax</td>
<td>25.68%</td>
</tr>
<tr>
<td>S</td>
<td>Newly taxed Share of formerly shifted profits</td>
<td>0.65</td>
</tr>
</tbody>
</table>

- **85 billion USD** Additional federal revenue in 2016

Sources: Tax Foundation and Kimberly Clausing (Reed College)
IMMIGRATION REFORM
SOLOW MODEL

Output equation

\[ Y_{it} = K_{it}^\alpha \cdot (h_tL_{it})^{1-\alpha} \quad \text{with} \quad 0 < \alpha < 1 \]

with capital (K), labor (L), human capital per worker (h) and capital share of income (\(\alpha\))
Evolution of capital stock over time

\[ K_{it} = \gamma_i Y_{it} - \delta K_{it} \quad with \quad 0 < \gamma_i < 1 \quad and \quad 0 < \delta < 1 \]

depends on the depreciation rate of capital (\(\delta\)) and the investment rate (\(s\))
IMMIGRATION REFORM
SOLOW MODEL

Year to year change in per capita stock of capital

\[
\frac{k_{it+1} - k_{it}}{k_{it}} = s_i \cdot \left( \frac{h_t}{y_{it}} \right)^{\frac{1-\alpha}{\alpha}} - (\delta + n_i)
\]

with population growth rate (n)
IMMIGRATION REFORM
SOLOW MODEL

Steady state (equilibrium)

• Capital accumulates until investments and depreciations are equal
  • Growth in per capita capital stock occurs only due to increases in labor productivity $h$

$$\frac{y_{it+1} - y_{it}}{y_{it}} = \alpha \left( \gamma_i \cdot \left( \frac{h_t}{y_{it}} \right)^{\frac{1-\alpha}{\alpha}} - (\delta + n_i) \right) + (1 - \alpha) \cdot g$$
### Solow Model Inputs

<table>
<thead>
<tr>
<th>Variable</th>
<th>Value</th>
<th>Explanation</th>
<th>Source</th>
</tr>
</thead>
<tbody>
<tr>
<td>y (2015)</td>
<td>56,000</td>
<td>GDP per Capita</td>
<td>CBO Long Term Projections (GDP/Population)</td>
</tr>
<tr>
<td>α</td>
<td>0.38</td>
<td>Capital share of income</td>
<td>Jared Bernstein, NY Times article</td>
</tr>
<tr>
<td>δ</td>
<td>6%</td>
<td>Depreciation rate</td>
<td>Nadiri and Prucha (1991)</td>
</tr>
<tr>
<td>g</td>
<td>1.40%</td>
<td>Growth of labor productivity</td>
<td>CBO macro inputs (Long Term Projections)</td>
</tr>
<tr>
<td>s</td>
<td>22.00%</td>
<td>Investment rate</td>
<td>PennWorld tables (average 1991-2010)</td>
</tr>
<tr>
<td>n</td>
<td>1.18%</td>
<td>2016-26 pop growth rate</td>
<td>Average rate calculated with CBO projections</td>
</tr>
<tr>
<td></td>
<td>0.81%</td>
<td>2027-36 pop growth rate</td>
<td></td>
</tr>
<tr>
<td></td>
<td>0.77%</td>
<td>2037-40 pop growth rate</td>
<td></td>
</tr>
</tbody>
</table>
IMMIGRATION REFORM
SOLOW MODEL

Predicted Effects\(^1\)

- **Labor force:**
  - 2016-2026: 10 million
  - 2027-2036: 6 million

- Increase in **labor productivity**

Translation into Economic Model

- **Population growth rates:**
  - 2016-2026: 1.18%
  - 2027-2036: 0.81%
  - 2036-2040: 0.77% (baseline value\(^2\))

- **Growth of labor productivity:**
  - 2016-2040: 1.4%
  (0.1% points higher than under baseline\(^2\))

Sources:
1. CBO cost estimate for Senate Bill S. 744
2. Baseline values from CBO
Effects on real GDP compared to baseline estimations

- 2025: 2.6% higher
- 2040: 4.6% higher

Sources:
1. Baseline values from CBO Long Term Projections
Assumptions underlying our calculations

• Constant additional revenues of 150 billion USD per year after 2026
• Constant additional spending of 70 billion USD per year after 2026
### IMMIGRATION REFORM BUDGET OUTCOMES

<table>
<thead>
<tr>
<th>Years</th>
<th>Additional revenues</th>
<th>Additional spending</th>
<th>Reduction in deficit</th>
<th>Reduction in Debt/GDP</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017-2026¹</td>
<td>459</td>
<td>283.93</td>
<td>175</td>
<td>3%</td>
</tr>
<tr>
<td>2027-2036¹</td>
<td>1500</td>
<td>800</td>
<td>700</td>
<td>5%</td>
</tr>
<tr>
<td>2036-2040²</td>
<td>600</td>
<td>320</td>
<td>280</td>
<td>0.8%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>2559</strong></td>
<td><strong>1403.93</strong></td>
<td><strong>1155</strong></td>
<td><strong>8.8%</strong></td>
</tr>
</tbody>
</table>

*Note: Values are in billions of USD. For real GDP we used its new values derived from the Solow Model.*

**Sources:**
1. CBO cost estimate for Senate Bill S. 744
2. Own calculations based on CBO projections
## IMMIGRATION REFORM REVENUE EFFECTS

<table>
<thead>
<tr>
<th>Source Description</th>
<th>2017-2021</th>
<th>2017-2026</th>
</tr>
</thead>
<tbody>
<tr>
<td>Income and Social Insurance Taxes</td>
<td>122.4</td>
<td>450.7</td>
</tr>
<tr>
<td>Unemployment Insurance</td>
<td>2.5</td>
<td>6.3</td>
</tr>
<tr>
<td>Travel Promotion Fees</td>
<td>0.3</td>
<td>0.8</td>
</tr>
<tr>
<td>Visa Fees and Penalties</td>
<td>0.4</td>
<td>1.1</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>125.7</strong></td>
<td><strong>458.9</strong></td>
</tr>
</tbody>
</table>

*Note: Values are in billions of USD.*

**Sources:** CBO cost estimate for Senate Bill S. 744
## IMMIGRATION REFORM

### DIRECT SPENDING EFFECTS

<table>
<thead>
<tr>
<th>Program</th>
<th>2017-2021</th>
<th>2017-2026</th>
</tr>
</thead>
<tbody>
<tr>
<td>Health Insurance Subsidies</td>
<td>16.9</td>
<td>82.3</td>
</tr>
<tr>
<td>Medicaid, Medicare, CHIP</td>
<td>7.3</td>
<td>30.1</td>
</tr>
<tr>
<td>SNAP</td>
<td>1.2</td>
<td>6.0</td>
</tr>
<tr>
<td>Child Nutrition Program</td>
<td>0.4</td>
<td>1.1</td>
</tr>
<tr>
<td>Unemployment Insurance</td>
<td>2.3</td>
<td>5.1</td>
</tr>
<tr>
<td>Social Security</td>
<td>0.6</td>
<td>4.8</td>
</tr>
<tr>
<td>Refundable Tax Credits</td>
<td>35</td>
<td>126.8</td>
</tr>
<tr>
<td>Others</td>
<td>5.6</td>
<td>3.3</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>69.8</strong></td>
<td><strong>261.8</strong></td>
</tr>
</tbody>
</table>

*Note: Values are in billions of USD.*

*Sources: CBO cost estimate for Senate Bill S. 744*
## IMMIGRATION REFORM
### CHANGES IN LABOR FORCE

<table>
<thead>
<tr>
<th>Category</th>
<th>2017-2026</th>
<th>2017-2036</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Lawful Permanent Residents (LPR)</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Family-Based Immigration</td>
<td>1.2</td>
<td>1.7</td>
</tr>
<tr>
<td>Employment-Based Immigration</td>
<td>2.4</td>
<td>5.1</td>
</tr>
<tr>
<td>Merit-Based Immigration</td>
<td>7.1</td>
<td>9.6</td>
</tr>
<tr>
<td>Diversity Program and Other</td>
<td>-0.4</td>
<td>-0.8</td>
</tr>
<tr>
<td><strong>Non-immigrants (e.g. temporary workers)</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>1.6</td>
<td>2.9</td>
</tr>
<tr>
<td><strong>Legalization Programs</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Registered Provisional Immigrants</td>
<td>5.1</td>
<td>4.3</td>
</tr>
<tr>
<td>Agricultural Workers (Blue Card)</td>
<td>1.4</td>
<td>1.4</td>
</tr>
<tr>
<td><strong>Net change in unauthorized residents</strong></td>
<td>-8.1</td>
<td>-7.9</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>10.4</strong></td>
<td><strong>16.2</strong></td>
</tr>
</tbody>
</table>

*Note: Numbers are in millions of people.*

Sources: CBO cost estimate for Senate Bill S. 744
## IMMIGRATION REFORM
### DISCRETIONARY SPENDING

<table>
<thead>
<tr>
<th>Program</th>
<th>2017-2021</th>
<th>2017-2026</th>
</tr>
</thead>
<tbody>
<tr>
<td>State Criminal Alien Assistance Program</td>
<td>1.9</td>
<td>1.9</td>
</tr>
<tr>
<td>System for Verifying Employment Eligibility</td>
<td>1.4</td>
<td>1.4</td>
</tr>
<tr>
<td>Border Security Measures</td>
<td>9.2</td>
<td>15.2</td>
</tr>
<tr>
<td>Improved Border Communications</td>
<td>0.9</td>
<td>1.2</td>
</tr>
<tr>
<td>Immigration Courts</td>
<td>0.8</td>
<td>1.7</td>
</tr>
<tr>
<td>Other DHS Programs</td>
<td>0.5</td>
<td>0.9</td>
</tr>
<tr>
<td>Discretionary Fees</td>
<td>-4.2</td>
<td>-8.8</td>
</tr>
<tr>
<td>Others</td>
<td>3.4</td>
<td>9.4</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>11.94</strong></td>
<td><strong>22.13</strong></td>
</tr>
</tbody>
</table>

*Note: Values are in billions of USD.*

Sources: CBO cost estimate for Senate Bill S. 744
# IMMIGRATION REFORM
## LONG-TERM BUDGET OUTCOMES

<table>
<thead>
<tr>
<th>Direct spending</th>
<th>2017-2026</th>
<th>2027-2036</th>
</tr>
</thead>
<tbody>
<tr>
<td>Low-Income Health Programs</td>
<td>112</td>
<td>400</td>
</tr>
<tr>
<td>OASDI and Medicare</td>
<td>4</td>
<td>70</td>
</tr>
<tr>
<td>Refundable Tax Credits</td>
<td>127</td>
<td>270</td>
</tr>
<tr>
<td>SNAP</td>
<td>6</td>
<td>40</td>
</tr>
<tr>
<td>Others</td>
<td>14</td>
<td>30</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>262</strong></td>
<td><strong>810</strong></td>
</tr>
<tr>
<td>Revenues</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>459</strong></td>
<td><strong>1,500</strong></td>
</tr>
<tr>
<td><strong>Impact on deficit</strong></td>
<td><strong>-197</strong></td>
<td><strong>-690</strong></td>
</tr>
</tbody>
</table>

**Note:** Values are in billions of USD.

Sources: CBO cost estimate for Senate Bill S. 744
ESTATE TAX CALCULATION

Annual Tax Revenue per person = \left( \left( \frac{M}{n} - L \right) \times \tau \times \frac{1}{y} \right)

<table>
<thead>
<tr>
<th>M</th>
<th>Total amount of Net Worth</th>
<th>12.1 trillion USD in 2007</th>
</tr>
</thead>
<tbody>
<tr>
<td>n</td>
<td>Number of Wealth holders</td>
<td>2,290,000</td>
</tr>
<tr>
<td>L</td>
<td>Tax exemption limit</td>
<td>3,500,000 USD</td>
</tr>
<tr>
<td>\tau</td>
<td>Tax Rate</td>
<td>45%</td>
</tr>
<tr>
<td>y</td>
<td>Number of years before a property is passed on</td>
<td>30</td>
</tr>
</tbody>
</table>

- 61.275 billion USD annually

Sources:
1. IRS
**CAPITAL GAINS TAX CALCULATION**

Estimated Annual Tax Revenue = \((N - nL) \times r \times \frac{\tau}{1 + y}\)

<table>
<thead>
<tr>
<th>Symbol</th>
<th>Description</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>N</td>
<td>Total Stock Value</td>
<td>4.132 trillion USD</td>
</tr>
<tr>
<td>n</td>
<td>Number of Wealth holders</td>
<td>2,290,000</td>
</tr>
<tr>
<td>L</td>
<td>Tax exemption limit</td>
<td>500,000 USD</td>
</tr>
<tr>
<td>r</td>
<td>Percentage value increase in the past 10 years (S&amp;P500)</td>
<td>49.85%</td>
</tr>
<tr>
<td>(\tau)</td>
<td>Tax Rate</td>
<td>20%</td>
</tr>
<tr>
<td>y</td>
<td>Number of years before a property is passed on</td>
<td>30</td>
</tr>
</tbody>
</table>

• **10.974 billion USD annually**

Sources: 1. IRS
## Retirement Calculation

### Revenue:

\[ N \times w \times \tau \]

<table>
<thead>
<tr>
<th>Symbol</th>
<th>Description</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>( N )</td>
<td>Active workforce (Members of age cohort * Participation rate)</td>
<td>3.4 million</td>
</tr>
<tr>
<td>( w )</td>
<td>Average Wage in 2014</td>
<td>57,139 USD</td>
</tr>
<tr>
<td>( \tau )</td>
<td>Social Security Portion of wages</td>
<td>12.4%</td>
</tr>
</tbody>
</table>

- **381 billion USD**

### Savings:

- **\( S_{2023-2030} \)**: Estimated annual Social Security Savings 2023-2030
  - \( 0.001 \times GDP \)

- **\( S_{2023-2030} \)**: Estimated annual Social Security Savings 2031-2040
  - \( 0.001 \times GDP \)

- **753 billion USD**