Current Outlook: Debt to GDP Ratio

Federal Debt Held by the Public

Percentage of Gross Domestic Product

Source: Congressional Budget Office. For details about the sources of data used for past debt held by the public, see Congressional Budget Office, Historical Data on Federal Debt Held by the Public (July 2010), www.cbo.gov/publication/21728.
Education

- 2012-13 public school spending per student: $12,296
- Costs rising yet stagnant growth
- Pell Grant reduction

Source: National Center for Educational Statistics
2016 pilot showed statistically significant gains in Math, English, Language Arts, and all 6 measured ACT skills.

Skills last beyond into Spring of the following year.

Hands-on experience in the work force.

Source: The State of Summer Study- Boston After School and Beyond
High insurance premiums pose the greatest barrier to obtaining health insurance

Confusing system for the common civilian
Eliminating itemized deduction system

$2.531 trillion saved

HOW?

- Replace itemized deductions with larger standard deduction of $11,000/$22,000
- 25% non-refundable credit for charitable giving above $500/$1000
- 15% non-refundable credit for interest on mortgages below $500,000
- Make Child Tax Credit fully refundable, retain EITC and ACA tax credits as they are but make all others non-refundable
### Income Tax Reform: Increased Marginal Rates

#### Married Filers

<table>
<thead>
<tr>
<th>Rate</th>
<th>Taxable Income Bracket</th>
</tr>
</thead>
<tbody>
<tr>
<td>11%</td>
<td>$0 - $18,650</td>
</tr>
<tr>
<td>16%</td>
<td>$18,650 - $75,900</td>
</tr>
<tr>
<td>26%</td>
<td>$75,900 - $153,100</td>
</tr>
<tr>
<td>29%</td>
<td>$153,100 - $233,350</td>
</tr>
<tr>
<td>34%</td>
<td>$233,350 - $416,700</td>
</tr>
<tr>
<td>36%</td>
<td>$416,700 - $470,700</td>
</tr>
<tr>
<td>40.60%</td>
<td>$470,700 - $500,000</td>
</tr>
<tr>
<td>43%</td>
<td>$500,000 +</td>
</tr>
</tbody>
</table>

#### Single Filers

<table>
<thead>
<tr>
<th>Rate</th>
<th>Taxable Income Bracket</th>
</tr>
</thead>
<tbody>
<tr>
<td>11%</td>
<td>$0 - $9,325</td>
</tr>
<tr>
<td>16%</td>
<td>$9,325 - $37,950</td>
</tr>
<tr>
<td>26%</td>
<td>$37,950 - $91,900</td>
</tr>
<tr>
<td>29%</td>
<td>$91,900 - $191,650</td>
</tr>
<tr>
<td>34%</td>
<td>$191,650 - $416,700</td>
</tr>
<tr>
<td>36%</td>
<td>$416,700 - $418,400</td>
</tr>
<tr>
<td>40.60%</td>
<td>$418,400 - $444,444</td>
</tr>
<tr>
<td>43%</td>
<td>$444,444 +</td>
</tr>
</tbody>
</table>

- Raising rates by 1% Raises $734.2 billion over ten years
- Eliminating Head of Household Status Raises $116 billion over ten years
Income Tax Reform: Capital Gains

- Top 0.1% of earners realize 47% of all capital gains
- Different capital gains rates encourages manipulation of income

The Top 1 Percent Earns A Lot From Capital Gains
Percentage of income coming from capital gains, 2011

<table>
<thead>
<tr>
<th>BREAKDOWN OF HIGHEST INCOME QUINTILE</th>
<th>Average of highest income quintile</th>
</tr>
</thead>
<tbody>
<tr>
<td>Top 1</td>
<td>36%</td>
</tr>
<tr>
<td>96th to 99th</td>
<td>10</td>
</tr>
<tr>
<td>91st to 95th</td>
<td>5</td>
</tr>
<tr>
<td>81st to 90th</td>
<td>4</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>QUINTILE INCOME AVERAGES</th>
</tr>
</thead>
<tbody>
<tr>
<td>Highest</td>
</tr>
<tr>
<td>Fourth</td>
</tr>
<tr>
<td>Middle</td>
</tr>
<tr>
<td>Second</td>
</tr>
<tr>
<td>Lowest</td>
</tr>
</tbody>
</table>

Income Tax Reform: Capital Gains & Carried Interest

$348.9 billion saved over next 10 years

HOW?

- Raising the highest bracket from 23.8% to 28% for long-term (6+ years) capital gains realized by high-income filers
- Taxing capital gains upon death or transfer if those gains are above a certain threshold
- Taxing capital gains at 47.4% if realized within 2 years of acquiring asset, whereafter rate will decrease by 4% every year until 6th year
- Tax carried interest as normal income
Fossil fuel subsidy

- Lowers cost of fossil fuel energy production
- Raises the price received by energy producers
- Lowers the price paid by energy consumers
Environment

Distribution of annual average air temperatures since the early 20th century

Rate of temperature change (°F per century):

Gray interval: -0.1 to 0.1°F
$1.2\ \text{trillion} \text{ added to GDP}

\textbf{HOW?}

- $20\ \text{per ton of CO2}$
- Carbon tax sets price and lets market determine the environmental outcome
- Will affect consumer/household consumption by incentivizing the purchase of less energy-intensive goods
Social Security: Future Viability

- Fund Income vs. Benefits
- Trust Fund exhaustion by 2034
- 79% of scheduled benefits
Two Pronged Plan

Equity Investing for the Social Security Trust Fund

- 40% of Trust fund assets
- Independent Investment Board
- 15 year phase-in
- Intergenerational Risk Sharing
- Higher Returns

Elimination of the Payroll Tax Cap

- 17% of income currently exempted
- 6% of population affected by change
- Increased tax revenue
Social Security: Mixed Portfolio Returns VS. Bond-Only Returns

Figure 2. Projected Trust Fund Ratio, Under Different Portfolios, 2016-2090

Note: The percentiles of the simulations are determined by the rank of outcomes in 2090. The paths follow the movement of these simulations along the 75-year projection horizon. For simulations in which the Trust Fund is exhausted, the simulation is halted at the point of exhaustion.

Source: Authors’ calculations.
Appendix: Capping Health Benefits Exemption

Rationale: Unlimited exemption for health benefits incentivizes employers to compensate workers with expensive health care coverage rather than taxable wages, and incentivizes insurers to offer excessively expensive plans. Additionally, higher-income filers benefit more from this exemption as they are more likely to have more expensive health insurance so it is regressive.

Revenue Raised: $264 billion over ten years (Urban Institute)
Appendix: Eliminating Itemized Deductions, Mortgage Interest

Rationale: The Mortgage Interest Deduction has been shown to be responsible for a 10.9-18.4% increase in the size of the homes individuals purchase, but has had no demonstrable effect on homeownership rates (Hanson 25). The Tax Foundation found that in 2003, the average mortgage interest deduction per return for households with a gross income of below $20,000 had been only $278 while for households with a gross income of over $200,000 the average deduction was $14,374. This deduction is regressive and does not effectively increase homeownership.

Revenue Raised: $200 billion in first ten years (Center on Budget and Policy Priorities)
Appendix: Eliminating Itemized Deductions, State and Local Taxes

Rationale: The State and Local Taxes deduction provides a de facto subsidy to state and local governments which encourages state and local governments to raise taxes without bearing the full cost. Plus, 30 percent of the state and local tax deduction goes to the top 1% according to CFRB.

Revenue Raised: $1.088 trillion over ten years (Congressional Budget Office)

Source: CRFB
Appendix: Eliminating the AMT

Rationale: The AMT was implemented for political reasons after the public found out that some wealthy Americans were paying no federal income tax. However, the goal of ensuring wealthy filers still pay a fair share of taxes can and should be achieved through changes to the normal tax code that close loopholes and raise tax rates on the wealthiest. The AMT is an unnecessary complication better replaced by our increases in marginal rates and elimination of deductions.

Revenue Raised: -$354 billion over ten years, static basis (Tax Foundation)
Appendix: Eliminating Head of Household status

Rationale: The Head of Household option was designed to aid low-income single parents but “in 2011, a household earning in the 25th percentile of the income distribution saved $23 annually by filing as head of household...[while] the annual tax savings from HHFS were $1,573 for a household earning in the 75th percentile of the income distribution” (Goldin & Liscow, 2016, p. 5). Thus it is not meaningfully benefitting low-income families.

Revenue Raised: $116 billion over ten years, static basis (Tax Foundation)