



BIPARTISAN POLICY CENTER

SIDE BY SIDE COMPARISON

BOWLES-SIMPSON DRAFT AND BPC DEBT REDUCTION TASK FORCE PLAN\*

November 17, 2010

<b>POLICY</b>	<b>BOWLES-SIMPSON OPTION PAPER</b>	<b>BPC TASK FORCE PLAN</b>
<i>Economic Recovery</i>	<ul style="list-style-type: none"> <li>• Starts policies in 2012.</li> </ul>	<ul style="list-style-type: none"> <li>• Provides 1-year payroll tax holiday for approximately 125 million workers in 2011. Cost: \$640 billion. CBO projects it will create 2.5 to 7 million jobs.</li> <li>• Starts slowly phasing-in debt-reduction policies in 2012, providing net stimulus in first year (2012).</li> </ul>
<i>Tax Expenditures</i>	<ul style="list-style-type: none"> <li>• Presents a few different options – one that eliminates nearly every tax expenditure, another that eliminates most tax expenditures, and a third that imposes an across-the-board “haircut” on tax expenditures.</li> </ul>	<ul style="list-style-type: none"> <li>• Eliminates most tax deductions, credits and expenditures – turns EITC, child credit, charitable, mortgage, and savings deductions into refundable credits.</li> <li>• \$1.9 trillion cumulative savings through 2020.</li> <li>• Ensures that half of American households would no longer have to file tax returns.</li> </ul>
<i>Revenues</i>	<ul style="list-style-type: none"> <li>• Presents three different approaches to tax reform (all include eliminating the AMT).</li> <li>• Proposes to cap revenues at 21% of GDP (a policy that precludes realistic deficit reduction and guarantees that deficit and debt problems will reappear in the coming years).</li> <li>• Raises federal gas tax by 15 cents.</li> </ul>	<ul style="list-style-type: none"> <li>• Cuts individual income tax rates; creates just 2 brackets of 15% and 27%.</li> <li>• Cuts corporate rate to 27% (OECD average).</li> <li>• Imposes Debt Reduction Sales Tax of 6.5%.</li> <li>• Eliminates the AMT.</li> </ul>
<i>Domestic Discretionary</i>	<ul style="list-style-type: none"> <li>• Proposes 4 years of cuts, then 5 years held at inflation.</li> </ul>	<ul style="list-style-type: none"> <li>• Freezes domestic discretionary spending for 4 years, then limits growth to GDP growth</li> <li>• Savings: \$1 trillion through 2020.</li> </ul>
<i>Defense</i>	<ul style="list-style-type: none"> <li>• Proposes 4 years of cuts, then 5 years held at inflation.</li> <li>• Reduces weapon systems, reforms compensation, cuts force structure cuts, applies Gates’ savings.</li> </ul>	<ul style="list-style-type: none"> <li>• Freezes defense discretionary spending for 5 years, then limits growth to GDP growth.</li> <li>• Reduces weapon systems, reforms compensation, cuts force structure, applies Gates’ savings.</li> <li>• Savings: \$1.1 trillion through 2020.</li> </ul>

\*Colors represent differing policies

<p><i>Health</i></p>	<ul style="list-style-type: none"> <li>• Expands managed care for dual eligibles.</li> <li>• Institutes tort reform.</li> <li>• Raises Medicare premiums.</li> <li>• <b>Strengthens IPAB (and assumes it achieves savings).</b></li> <li>• <b>Provides illustrative option of premium support.</b></li> <li>• <b>Provides illustrative option of robust public option for exchanges (not scored).</b></li> <li>• <b>Does not indicate how Medicaid costs are limited.</b></li> <li>• <b>Reduces provider payments.</b></li> </ul>	<ul style="list-style-type: none"> <li>• Expands managed care for dual eligibles</li> <li>• Institutes tort reform.</li> <li>• Raises Medicare premiums.</li> <li>• <b>Transforms Medicare to premium-support model, but maintains traditional Medicare as default option.</b></li> <li>• <b>Caps and phases out health insurance tax exclusion.</b></li> <li>• <b>Ends federal matching payments in Medicaid by decoupling the system.</b></li> <li>• <b>Savings: \$6.8 trillion cumulative savings through 2030 (\$760 billion through 2020).</b></li> </ul>
<p><i>Social Security</i></p>	<ul style="list-style-type: none"> <li>• <b>Raises retirement ages slowly over time.</b></li> <li>• Switches to Chained CPI.</li> <li>• Includes state and local workers.</li> <li>• Raises the minimum benefit and creates old-age bump.</li> <li>• Raises the cap on payroll taxes to the 90% level.</li> <li>• <b>Makes a significant progressive benefit adjustment, protecting the bottom 50% of beneficiaries.</b></li> </ul>	<ul style="list-style-type: none"> <li>• <b>Adjusts benefit formula to account for increases in longevity (but does not raise the retirement age).</b></li> <li>• Switches to Chained CPI.</li> <li>• Includes state and local workers.</li> <li>• Raises the minimum benefit and creates old-age bump.</li> <li>• Raises the cap on payroll taxes to the 90% level.</li> <li>• <b>Makes a more modest progressive benefit adjustment, protecting the bottom 75% of beneficiaries.</b></li> <li>• <b>Benefits from side effects from health policy to cap and phase-out of the health-benefit exclusion, which allow lower benefit reductions.</b></li> </ul>
<p><i>Other Spending</i></p>	<ul style="list-style-type: none"> <li>• Reforms farm programs.</li> <li>• Reforms military retirement.</li> <li>• Reforms civilian retirement.</li> <li>• Imposes COLA change across government.</li> </ul>	<ul style="list-style-type: none"> <li>• Reforms farm programs.</li> <li>• Reforms military retirement.</li> <li>• Reforms civilian retirement.</li> <li>• Imposes COLA change across government.</li> <li>• Savings: \$89 billion through 2020.</li> </ul>