



# THE ASPEN INSTITUTE INITIATIVE ON FINANCIAL SECURITY

## Composition of Various Deficit Reduction Proposals

	Current Law	Fiscal Commission Co-Chairs Proposal (Bowles-Simpson)	"Restoring America's Future" (Domenici-Rivlin)	"Investing in America's Economy" (EPI-Demos-Century)	The 21st Century Plan for America's Leadership (Stern)	"The Future is Now" (MacGuineas-Galston)	"A Roadmap for America's Future" (Rep. Ryan)	"Report and Recommendations of the Citizens' Commission" (Institute for America's Future)
<b>Debt, % of GDP</b>	87% by 2020*	60% by 2024	Below 60% by 2020	83% in 2020, stabilize at 90% in 2025	N/A	60% by 2020	60% by 2020	70% by 2020
<b>Deficit, % of GDP</b>	4.6% in 2015*; 6.6% in 2020*	2.2% by 2015	1.5% by 2020	11.0% in 2011; 3.7% in 2020	Comparable to Bowles-Simpson	0.7% by 2020	3.8% by 2020	3% by no later than 2020
<b>Discretionary spending (including defense)</b>	N/A	•3% cut by 2015, then increase indexed to inflation	•4 year freeze on domestic spending then cap at GDP •5 year freeze on defense spending then cap at GDP	•7.2% of GDP in 2020	Similar to Bowles-Simpson	•Freeze for 3 years then limit growth to inflation through 2020 •Cover all war costs beyond 2015 with war surtax	•Freeze non-defense, non-stimulus at 2009 levels until 2020 •Starting in 2020 limit spending growth to CPI + 0.7%	N/A
<b>Social Security</b>	<ul style="list-style-type: none"> <li>•Normal retirement age 66, rising to 67 in 2022</li> <li>•Currently tax 86% of earnings, will tax 82.5% by 2020</li> </ul>	<ul style="list-style-type: none"> <li>•Index retirement age to increase in longevity, normal retirement age 69 by 2075</li> <li>•Higher minimum benefit for low-wage workers</li> <li>•Reduce benefits for top 50% earners</li> <li>•Use chained CPI for COLA</li> <li>•Tax 90% of earnings by 2050</li> <li>•Include all state and local government workers</li> </ul>	<ul style="list-style-type: none"> <li>•Raise payroll tax to 90% of earnings gradually over next 38 years</li> <li>•Index benefit formula for longevity beginning in 2023</li> <li>•Reduce growth in benefits for top 25% of earners</li> <li>•Increase minimum benefits</li> <li>•Use chained CPI for COLA</li> <li>•Include state and local government workers beginning in 2020</li> </ul>	<ul style="list-style-type: none"> <li>•Tax employees on 90% of earnings and employers on 100% of earnings</li> </ul>	<ul style="list-style-type: none"> <li>•Use chained CPI for COLA</li> <li>•Tax 90% of earnings (employee and employer) by 2030</li> <li>•Tax 100% of employer earnings after 2030</li> <li>•Reduce benefits for highest earners</li> <li>•Add mandatory supplemental savings account (2% employer and employee)</li> <li>•Adopt benefit increases in Domenici-Rivlin plan</li> <li>•Include state and local government workers beginning in 2020</li> </ul>	<ul style="list-style-type: none"> <li>•Speed up increase in normal retirement age to 67</li> <li>•Index early and normal retirement ages to longevity</li> <li>•Slow benefit growth for high and medium-income workers</li> <li>•Use chained CPI for COLA</li> <li>•Add mandatory supplemental savings accounts (2% government and employee)</li> <li>•Include state and local government workers</li> <li>•Dedicate some carbon tax revenue to decrease payroll tax</li> </ul>	<ul style="list-style-type: none"> <li>•Preserve existing program for those 55 and older</li> <li>•Offer workers under 55 a choice to invest a portion of their payroll taxes into investment funds managed by the federal government</li> <li>•Raise retirement age 1 month every 2 years</li> <li>•Slow benefit growth for high and medium-income workers</li> <li>•Create new minimum benefit</li> </ul>	<ul style="list-style-type: none"> <li>•Tax 100% of wages</li> <li>•Additional revenues from estate tax, stock transfer tax, bank speculation tax, or more investment flexibility</li> </ul>
<b>Health Care</b>	<ul style="list-style-type: none"> <li>•Growing 1.7% faster than GDP</li> </ul>	<ul style="list-style-type: none"> <li>•Limit spending growth to GDP + 1% after 2020</li> <li>•Create cap for Medicaid/Medicare growth</li> <li>•Increase Medicare cost sharing</li> <li>•Tort reform</li> </ul>	<ul style="list-style-type: none"> <li>•Limit spending growth for Medicare and Medicaid to GDP + 1% beginning in 2018</li> <li>•Increase Medicare cost sharing</li> <li>•New premium (vouchers) program for Medicare beginning in 2018</li> <li>•Tort reform</li> </ul>	<ul style="list-style-type: none"> <li>•1.6% reduction in excess health care cost growth after 2025</li> <li>•Implement public option</li> </ul>	<ul style="list-style-type: none"> <li>•Limit spending growth to GDP + 1% in 2020</li> </ul>	<ul style="list-style-type: none"> <li>•Increase Medicare co-pays and premiums</li> <li>•Index Medicare eligibility age to 67 beginning in 2014</li> <li>•Tort reform</li> </ul>	<ul style="list-style-type: none"> <li>•Preserve Medicare for those 55+</li> <li>•1% reduction in Medicare provider payments if 45% or more of funding is from general revenue (2020)</li> <li>•Increase Medicare cost sharing</li> <li>•Create new vouchers system to replace Medicare and Medicaid</li> <li>•Tort reform</li> <li>•Expand Medical Savings Accounts</li> <li>•Allows for interstate purchasing</li> </ul>	<ul style="list-style-type: none"> <li>•Set cost containing targets for both private and public spending</li> <li>•Implement public option</li> </ul>

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<b>Tax Reform</b>	<ul style="list-style-type: none"> <li>•Top personal tax rate 35% (39.6% if Bush tax cuts expire)</li> <li>•Capital gains and dividends taxed at 15% max</li> <li>•Corporate tax rate 35%</li> </ul>	<ul style="list-style-type: none"> <li>•Top personal tax rate 23-28%</li> <li>•Tax capital gains and dividends as ordinary income</li> <li>•Corporate tax rate 26-28%</li> <li>•3 alternative plans eliminating all or most tax expenditures and deductions</li> <li>•Gradually increase gas tax from 18.4 cents to 33.4 cents a gallon</li> </ul>	<ul style="list-style-type: none"> <li>•Top personal tax rate 27%</li> <li>•Tax capital gains and dividends as ordinary income</li> <li>•Corporate tax rate 27%</li> <li>•Eliminate most tax expenditures</li> <li>•Eliminate most deductions replacing mortgage interest deductions and charitable deductions with refundable credits</li> <li>•Repeal AMT</li> <li>•Add 6.5% debt reduction sales tax</li> </ul>	<ul style="list-style-type: none"> <li>•Top personal tax rate 39.6%</li> <li>•Tax capital gains and dividends as ordinary income</li> <li>•Corporate tax rate 35%</li> <li>•Cap benefit on itemized deductions at 15%</li> <li>•Convert mortgage interest deduction into refundable credit</li> <li>•Increase EITC</li> <li>•Make child tax credit refundable</li> <li>•Extend Making Work Pay tax credit</li> <li>•Add "financial crisis responsibility fee" for largest financial institutions</li> <li>•Add financial speculation tax</li> <li>•Add cap and trade or carbon tax</li> </ul>	<ul style="list-style-type: none"> <li>•Adopts Bowles-Simpson options 1 and 2</li> <li>•Adds new option 3: cap spending deductions at 15%, tax capital gains and dividends as ordinary income, reform tax expenditures</li> <li>•Corporate tax rate 26%</li> <li>•Fund Transportation Trust Fund through increased gas tax beginning in 2013</li> <li>•Fund Invest in America Trust Fund through short-term financial stock transfer fee, tax on internet gaming, and a new top earner tax bracket</li> <li>•Add VAT as proposed in Michael Graetz's plan</li> </ul>	<ul style="list-style-type: none"> <li>•Use revenue from tax expenditure reform to decrease personal tax rates</li> <li>•Revenue-neutral corporate income tax reform</li> <li>•Broad-based carbon tax phased in starting at \$23/ton of CO2, increasing at 5.8% per year</li> <li>•Cut tax expenditure budget by 10% and limit growth going forward</li> <li>•Phase down home mortgage deduction</li> <li>•Implement strict PAYGO for tax expenditures</li> </ul>	<ul style="list-style-type: none"> <li>•Taxpayers can choose to pay income taxes through existing law or through simplified tax system</li> <li>•Simplified tax system with top personal tax rate 25%</li> <li>•Eliminate most tax expenditures</li> <li>•Eliminate AMT</li> <li>•Eliminate tax on capital gains and dividends</li> <li>•Eliminate estate tax</li> <li>•Cap total revenue at 19% GDP</li> <li>•Replace corporate income tax with border adjustable business consumption tax of 8.5%</li> </ul>	<ul style="list-style-type: none"> <li>•Top personal tax rate 39.6%</li> <li>•Tax capital gains and dividends as ordinary income</li> <li>•Surcharge on top earners</li> <li>•Cap and trade or carbon tax</li> <li>•Increase gas tax</li> <li>•Add financial speculation tax</li> <li>•Cap itemized deductions at 15%</li> <li>•Expand EITC</li> <li>•Make child tax credit refundable</li> <li>•Make Making Work Pay tax credit permanent</li> </ul>
<b>Percentage from spending cuts**</b>	N/A	90%	70%	-228%	N/A	105	N/A	28%***
<b>Percentage from revenue increases**</b>	N/A	10%	30%	328%	N/A	-5	N/A	72%***

\*Based on Congressional Budget Office projections assuming current policies remain in place

\*\*Calculations from Center for American Progress chart comparing deficit reduction plans in 2015 to the President's 2010 budget

\*\*\*Aspen Institute Initiative on Financial Security calculations comparing plan in 2015 to the President's 2010 budget

Sources: National Commission on Fiscal Responsibility and Reform; Bipartisan Policy Center; Our Fiscal Security; The 21st Century Plan for America's Leadership; The Committee for a Responsible Federal Budget; Center for American Progress; A Roadmap for America's Future; Institute for America's Future