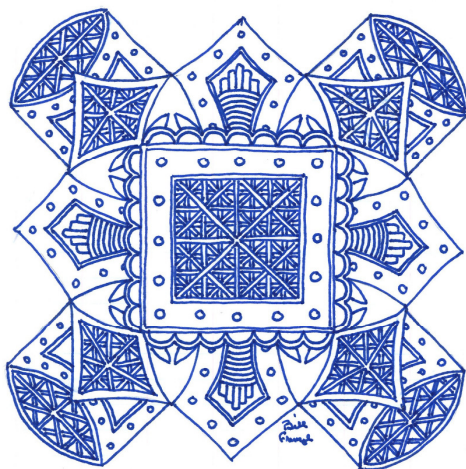




Committee for a Responsible Federal Budget

**Promises, Promises:
A Fiscal Voter Guide to the 2008 Election**



US Budget Watch

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US Budget Watch is a project created to increase awareness of the important fiscal issues facing the country through and beyond the election. The project seeks to bring attention to the presidential candidates' tax and spending policies, to help the public become informed about these issues, and to track the new president's fiscal policies after the election. This guide is not intended to recommend voting for or against any particular candidate, nor does it reflect an assessment of the overall merits of any specific policy proposal.

US Budget Watch is a project of the Committee for a Responsible Federal Budget, which is a non-profit organization committed to educating the public about issues that have a significant fiscal policy impact. The Committee is a bipartisan group of leading budget experts including many of the past chairmen of the House and Senate Budget Committees, directors of the Congressional Budget Office and Office of Management and Budget, and members of the Federal Reserve Board.

This project is supported by the Pew Charitable Trusts. Neither the Committee for a Responsible Federal Budget nor the Pew Charitable Trusts supports or opposes any particular candidate for public office.

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Cover artwork by the Honorable Bill Frenzel



SUMMARY

Promises, Promises: A Fiscal Voter Guide to the 2008 Election presents a summary of the major policy proposals and the costs of the policies forwarded by Senator McCain and Senator Obama's presidential campaigns. Each candidate's policies are broken into four categories: tax, health care, energy, and other spending/savings. Policies that would enlarge the deficit (or reduce the surplus) are shown as negative numbers, and those that would reduce the deficit (or increase the surplus) are shown as positive numbers. The guide is not intended to express a view for or against either candidate or any specific policy proposal.

Summary: Deficit Impact in 2013

	Senator McCain	Senator Obama
Tax Policy	-\$417 billion to -\$485 billion	-\$360 billion
Health Care Policy	-\$54 billion to -\$65 billion	-\$65 billion
Energy Policy	\$0	\$0
Other Spending/Savings	+\$183 billion to +\$196 billion	+\$38 billion



PROMISES, PROMISES: A FISCAL VOTER GUIDE TO THE 2008 ELECTION

US Budget Watch is focused on making the details of public policies that have a significant impact on the federal budget transparent and available to the public. US Budget Watch is a project of the Committee for a Responsible Federal Budget, which takes no position on the specific policies in this report and does not support or oppose any candidate for office.

The United States faces serious fiscal challenges. Large budget deficits have returned, and shifting demographics along with growing health care costs are putting intense pressure on the long-term federal budget outlook. Over time, sustained deficits will weaken the economy and adversely affect the American standard of living.

The two major political parties' presidential candidates are campaigning on a lengthy list of policy initiatives, most of which would have significant impact on the federal budget. While not all of these proposals will become law, they do reflect the candidates' values and priorities, and the policies each candidate is likely to pursue once in office. In addition to these new initiatives, a number of outstanding tax and budget issues exist that will need to be addressed, such as which of the 2001 and 2003 tax cuts should be made permanent, how to fix the Alternative Minimum Tax, what to do about growing entitlement spending, how to control health care cost growth, and how to pay for the wars in Iraq and Afghanistan. The next president will face difficult fiscal challenges. It is therefore critical that voters understand the potential budgetary impacts of the candidates' plans.

US Budget Watch's report, *Promises, Promises: A Fiscal Voter Guide to the 2008 Election*, will help voters find their way through the thicket of policy proposals put forward by the likely Republican candidate for president, Senator John McCain, and Democratic candidate for president, Senator Barack Obama. It presents a capsule summary of the candidates' major policy proposals and includes an estimate of the likely fiscal impact of each proposal. The guide is not intended to express a view for or against either candidate or any specific policy proposal. This report will be followed by other more detailed reports on the candidates' tax and spending proposals.

Methodology

This Voter Guide provides an overview of the major policies supported by Senator John McCain and Senator Barack Obama. Each candidate's policies are broken into four categories: tax, health care, energy, and other spending/savings.

We define major policies as those with a clear budgetary impact of at least \$2 billion a year. Policies are generally taken from the official campaign websites (www.barackobama.com, www.johnmccain.com), but occasionally come from other credible sources. Policy details come from a variety of sources including the campaign websites, press accounts, outside analyses, direct discussions with the campaigns, and on occasion, our own assumptions.

Single-year cost and savings estimates for the year 2013 are provided for each of the candidate's policies to show their impact on the deficit by the end of the next president's first term. Policies that would enlarge the deficit (or reduce the surplus) are shown as negative numbers, and those that would reduce the deficit (or increase the surplus) are shown as positive numbers.

We use the Congressional Budget Office's "current law" baseline, which projects a budget surplus of \$70 billion in 2013. (This projection will change when the Congressional Budget Office releases its next baseline on September 9, 2008.) The baseline assumes that the major tax cuts of 2001 and 2003 will expire at the end of the decade and that the Alternative Minimum Tax will not be patched in the future as it has been in the past. Although these policies are likely to be altered, we measure policy costs and savings relative to the standard baseline for simplicity's sake and because changing these policies would require action by Congress and the President.

Unlike the Congressional Budget Office, both campaigns use a "current policy" baseline that assumes tax and spending policies will continue as they are today. To reconcile these two baselines, we charge the candidates for the full costs of renewing the 2001 and 2003 tax cuts, and credit them with "savings" when they choose to alter some of those policies.

When a campaign provided us with estimates, we included those numbers or used them for guidance. If outside estimates for the same policy differed dramatically, we also included those estimates. Estimates from credible, nonpartisan sources such as the Congressional Budget Office, the Urban-Brookings Tax Policy Center¹, and Congress' Joint Committee on Taxation, are used throughout the report. In some instances, we cite more than one estimate to give the greatest level of detail about the potential cost of a policy. Some proposals will not be fully phased in by 2013, or are affected by timing issues.

¹ We rely heavily on the work of the Urban-Brookings Tax Policy Center for the tax sections of this report and thank them for the incredible contributions they have made with their analyses. All of the Tax Policy Center's reports can be found at: <http://www.taxpolicycenter.org/>.

In such cases, this is noted in the policy description. We include unspecified savings numbers provided by the campaigns. The level of detail for these policies—those that would save money—is far less than for many of the tax cut and spending policies that would cost money. We leave it to the reader to make their own determinations about how to evaluate these numbers.

In some instances, 2013 cost estimates for a policy are not available. In these cases, our analysis relies on estimates from nearby years, on “per year” estimates, or uses the one-year average from a five- or ten-year estimate. If no credible estimate exists for a policy, we turn to estimates of similar policies proposed in the past. In some cases, the candidates do not provide enough details about a particular policy to make it possible to discern its costs. In these situations, we make assumptions on the basis of revenue and offset targets stated by the campaigns. When a candidate claims a non-specific policy will be fully offset by a policy for which details are known, for example, we assume their costs will sum to zero. Any calculations are explained in the endnotes.

The cost and savings estimates presented here are not strictly additive in all instances because of potential interactions between policies. That said, in most instances, we provide estimates in each section that assume many or all policies are implemented and thus, any interactions are accounted for. When possible, we also rely on realistic dynamic estimates, which take into account certain behavioral changes caused by certain tax policies. Interest costs—the cost of the government borrowing to pay for these initiatives—are not included.

This guide is not meant to project the actual deficit in 2013, or to suggest that one candidate is more fiscally responsible than the other. Rather, it attempts to offer voters a “best guess” of the costs of proposed policies if enacted as the candidates describe them. In all likelihood, the cost of the candidates’ policies will differ if enacted into law due to economic and political realities, and the imperfect nature of any estimate.

US Budget Watch does not support any candidate for office, nor does it advocate for any single specific fiscal goal or take a position on any of the proposed policies. The estimates presented here are designed to inform the national debate by exposing the inherent trade-offs in policymaking and offering voters an understanding of the fiscal implications of the policies supported by the major presidential candidates.

* * *

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Summary of Senator McCain's Fiscal Policies

Senator McCain: Tax Policy	2013
Renew the 2001 and 2003 Tax Cuts	-\$294 billion
Reinstate a Smaller Estate Tax	+\$10 billion
Reform the Alternative Minimum Tax	-\$107 billion
Double the Personal Exemption for Dependents	-\$30 billion / -\$15 billion
Reduce the Federal Corporate Income Tax Rate	-\$68 billion / -\$55 billion
Allow Expensing	+\$25 billion / -\$15 billion
Reform the Research and Experimentation Tax Credit	-\$13 billion
Eliminate Preferential Tax Treatment for Oil Companies	+\$2 billion
Close Corporate Tax Loopholes	+\$30 billion
Create an Alternative Individual Income Tax System	\$0
TOTAL	-\$417 billion to -\$485 billion
Senator McCain: Health Care Policy	
Create a Refundable Health Insurance Tax Credit	-\$288 billion / -\$364 billion
Eliminate Tax Exclusion for Employer Provided Health Insurance	+201 billion / +\$274 billion
Expand Health Savings Accounts	-\$1 billion / -\$9 billion
Establish a "Guaranteed Access Plan"	-\$8 billion
Impose Higher Medicare Premiums for the Wealthy	+\$2 billion
Reduce Overall Health Care Costs	+\$40 billion
TOTAL	-\$54 billion to -\$65 billion
Senator McCain: Energy Policy	
Implement a Cap-and-Trade System	+\$5 billion
Invest in Green Technology	-\$5 billion
TOTAL	\$0
Senator McCain: Other Spending/Savings	
Offer Targeted Assistance to Older Workers	-\$4 billion
Eliminate Earmarks	+\$35 billion
Freeze Domestic Discretionary Spending	+\$21 billion
Fully Fund No Child Left Behind	\$0 billion / -\$13 billion
Increase the Size of the Military	-\$10 billion
Gradually Reduce the Troop Presence in Iraq	-\$5 billion
Implement Unspecified Cuts to Balance the Budget	+\$159 billion
TOTAL	+\$183 billion to +\$196 billion

Summary of Senator Obama's Fiscal Policies

Senator Obama: Tax Policy	2013
Extend Most of the 2001 and 2003 Tax Cuts	-\$294 billion
Increase Income Taxes on Higher Earners	+\$48 billion
Raise Capital Gains and Dividends Taxes	+\$28 billion
Reinstate a Smaller Estate Tax	+\$44 billion
Patch the Alternative Minimum Tax	-\$106 billion
Make the R&E Tax Credit Permanent	-\$10 billion
Create a Universal Refundable Mortgage Credit	-\$13 billion
Create a "Making Work Pay" Tax Credit	-\$72 billion
Eliminate Income Taxes for Many Seniors	-\$7 billion
Expand the Earned Income Tax Credit	-\$5 billion
Modify the Saver's Credit and Implement Auto-Saving	-\$21 billion
Create a New College Tax Credit	-\$13 billion
Expand the Child and Dependent Care Tax Credit	-\$3 billion
Tax Carried Interest as Earned Income	+\$2 billion
Close Tax Loopholes and Shelters	+\$75 billion
Cut Corporate Taxes	-\$13 billion
Increase the Future Payroll Tax on High Earners	+0
TOTAL	-\$360 billion
Senator Obama: Health Care Policy	
Expand Health Care Coverage and Reduce Costs	-\$65 billion
Close the "Doughnut Hole" in Medicare Part D	-\$43 billion
Reduce Medicare Costs	+\$43 billion
TOTAL	-\$65 billion
Senator Obama: Energy Policy	
Implement a Cap-and-Trade System	+\$100 billion
Provide Tax Rebates and Transition Assistance	-\$85 billion
Invest in Green Technology	-\$15 billion
TOTAL	\$0
Senator Obama: Other Spending/Savings	
Increase Pre-K - 12 Education Spending	-\$18 billion
Create Infrastructure Reinvestment Bank	-\$6 billion
Increase Spending on Basic Research	-\$15 billion
Expand Support for Higher Education	-\$9 billion
Reduce Erroneous Payments and Use Purchasing Cards	+\$6 billion
Reform Government Spending	+\$17 billion
Eliminate the Federal Education Loan Program	+\$3 billion
Double Foreign Aid	-\$25 billion
Increase the Size of the Military	-\$20 billion
Initiate a Phased Withdraw from Iraq	+\$55 billion
Implement Unspecified Cuts to Slow Spending	+\$50 billion
TOTAL	+\$38 billion

SENATOR JOHN MCCAIN

TAX POLICY

Budget Effect in 2013

Renew the 2001 and 2003 Tax Cuts¹ -\$294 billion²

Senator McCain supports renewing and making most of the major tax cuts enacted in 2001 and 2003 permanent, which will otherwise expire at the end of 2010. The cuts include lower individual income tax rates, the expanded child tax credit, reduced tax rates for capital gains and dividends, reduced marriage penalties, the elimination of the estate tax (which Senator McCain would restore in part), and various other provisions. This estimate is the cost of making all of the tax cuts permanent.

Reinstate a Smaller Estate Tax³ +\$10 billion⁴

Under current law the estate tax will disappear completely in 2010 and then reemerge at 2001 levels in 2011, taxing estates worth over \$1 million at a top rate of 55 percent. Senator McCain supports supplanting this policy with a permanent estate tax with a top rate of 15 percent and a \$5 million exemption (\$10 million per family).

Reform the Alternative Minimum Tax⁵ -\$107 billion⁶

Senator McCain would reform the Alternative Minimum Tax by extending the current patch, indexing the exemption amount for inflation through 2013, and indexing it by inflation plus five percent thereafter until it reaches \$143,000. Over time, the AMT would be significantly reduced, though not eliminated, under this policy.

Double the Personal Exemption for Dependents⁷ -\$30 billion⁸ / -\$15 billion⁹

Rather than allowing the dependent exemption to grow with inflation, as provided by current law, Senator McCain would increase the \$3,500 exemption by \$500 per year until it reaches \$7,000, and thereafter index it for inflation. He would immediately double the exemption for families making under \$50,000 a year, rather than phase in his change. The personal exemption would remain \$3,500 and indexed by inflation, as under current law.

Reduce the Federal Corporate Income Tax Rate¹⁰ -\$68 billion¹¹ / -\$55 billion¹²

Senator McCain would lower the top corporate income tax rate from 35 percent to 25 percent. This would be phased in, with the top rate reduced to 30 percent in 2010 and 2011, to 28 percent in 2012 and 2013, to 26 percent in 2014, and to 25 percent thereafter. Senator McCain would also repeal the domestic production activities deduction, which would no longer be necessary under his proposal.

Allow Expensing¹³ +\$25 billion¹⁴ / -\$15 billion¹⁵

Senator McCain would temporarily allow corporations to immediately deduct the cost of three- and five-year investments in equipment, rather than depreciating the costs over a

Eliminate Tax Exclusion for

Employer Provided Health Insurance²⁷

+\$201 billion²⁸ / **+\$274 billion**²⁹

Senator McCain’s health insurance tax credit would replace the current exclusion that allows companies to offer health care benefits to employees free from taxation. Under the McCain plan, employer-provided health insurance benefits would be taxed as normal income for individual income tax purposes. Health insurance would not be subject to the payroll tax, however; and employers would continue to deduct health insurance coverage costs.

Expand Health Savings Accounts³⁰

-\$1 billion³¹ / **-\$9 billion**³²

Senator McCain supports expanding health savings accounts, which allow people to save money, tax free, to finance health care costs.

Establish a “Guaranteed Access Plan”³³

-\$8 billion³⁴

Senator McCain has said he would work with states to create institutions that would expand insurance access to high-risk or traditionally uninsurable individuals. Under this plan, state governments and nonprofit institutions would pool individuals who want coverage and contract with insurers for them, while offering limits on premiums.

Impose Higher Medicare Premiums for the Wealthy³⁵

+\$2 billion³⁶

Senator McCain supports charging higher premiums for wealthy individuals enrolled in the Medicare prescription drug program (Medicare Part D).

Reduce Overall Health Care Costs³⁷

+\$40 billion³⁸

Senator McCain has proposed a number of measures to slow the growth of health care costs, including the promotion of information technology in health care and the facilitation of national standards for measuring and recording treatments and outcomes. He would encourage more transparency within the health care system and more coordinated care and disease management. Additionally, among other measures, McCain supports legalizing prescription drug re-importation, reforming the medical malpractice liability system, and encouraging states to experiment with cost-cutting tools. He would also reform the Medicare and Medicaid payment systems to ensure that the programs do not pay for preventable medical errors or mismanagement, and he would reduce Medicare fraud.

Total Budget Effect of Health Care Policies in 2013

-\$54 billion to -\$65 billion

Implement a Cap-and-Trade System³⁹**+\$5 billion**⁴⁰

Senator McCain supports the creation of a cap-and-trade system to limit greenhouse gas emissions. Some permits would be auctioned while others would be distributed freely to market actors. According to the Congressional Budget Office, if all permits were auctioned they could be worth between \$50 billion and \$300 billion annually by 2020. However, only a small portion of these permits is likely to be auctioned and we assume they would raise \$5 billion. Whatever the revenue amount, according to the campaign, all revenues would be spent funding energy-related policies.

Invest in Green Technology⁴¹**-\$5 billion**⁴²

Senator McCain supports a number of initiatives to increase energy independence and expand clean energy technology. These include “clean coal technology,” tax credits and prizes for the use and development of clean transportation technology, and the creation of 45 new nuclear power plants by 2030.

Total Budget Effect of Energy Policies in 2013**\$0****Offer Targeted Assistance to Older Workers**⁴³**-\$4 billion**⁴⁴

As part of a comprehensive reform that would add private Lost Earnings Buffer (LEB) accounts to the current unemployment system, Senator McCain would offer Lost Earnings Supplements for older workers who take lower-paying jobs. Workers over 55 years old would be eligible for the supplement and would be paid up to 50 percent of their lost earnings (up to \$10,000) for two years.

Eliminate Earmarks⁴⁵**+\$35 billion**⁴⁶

Senator McCain has promised to end earmarking, the practice that allows members of Congress to direct funds to a specific (and often local) project during the legislative process. He has promised to veto bills with earmarks in them, and to cut spending from earmarks already enacted.

Freeze Domestic Discretionary Spending⁴⁷**+\$21 billion**⁴⁸

Senator McCain has proposed a one-year period during which all discretionary spending, except for certain military and veterans programs, would be held constant. During this year, the effectiveness of all government programs would be reviewed.

Fully Fund No Child**Left Behind⁴⁹ \$0 billion (current levels)⁵⁰ / -\$13 billion (fully funded)⁵¹**

Senator McCain has called for full funding of No Child Left Behind. There has been disagreement within the campaign about whether the program would be funded at current levels, which would not increase the budget beyond the baseline, or whether the maximum amount of funds authorized for the program would be requested.

Increase the Size of the Military⁵² -\$10 billion⁵³

Senator McCain has proposed increasing the size of the Army and the Marine Corps. We assume that he would continue to add the 65,000 soldiers and 27,000 Marines, currently being implemented.

Reduce the Troop Presence in Iraq⁵⁴ -\$5 billion⁵⁵

Senator McCain has suggested that the United States will be able to withdraw some of its troops from Iraq by 2013. We assume that he would reduce the total number of troops in Iraq and Afghanistan to 75,000 by 2013. This policy would cost money compared to the current baseline assumptions which do not fully fund the war.

Implement Unspecified Cuts to Balance the Budget⁵⁶ +\$159 billion⁵⁷

The campaign has said a McCain administration would reduce spending by enough to balance the budget by 2013. Although the campaign has not announced many specifics, it has stated that McCain would slow discretionary spending by cutting or ending non-defense and Pentagon procurements such as the airborne laser, Globemaster, Future Combat System and reduce mandatory spending from cutting agricultural and ethanol subsidies and enacting other reforms. They would also conduct a review of government programs and propose a plan to modernize, streamline, consolidate, reprioritize or terminate those programs found to be redundant or underperforming.

Total Budget Effect of Other Spending/Savings Policies in 2013	+\$183 billion to +\$196 billion
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SENATOR BARACK OBAMA

TAX POLICY

Budget Effect in 2013

Extend Some of the 2001 and 2003 Tax Cuts⁵⁸ **-\$294 billion**⁵⁹

Senator Obama supports renewing and making all of the major tax cuts enacted in 2001 and 2003 permanent for families making less than \$250,000, which will otherwise expire at the end of 2010. The cuts include the four lowest marginal income tax rates, the expanded child tax credit, reduced marriage penalties, and various other provisions. In developing its proposals, the Obama campaign assumed for the purposes of its baseline that the rest of the 2001 and 2003 tax cuts would be renewed and then proposed reversing several of the cuts in order to pay for other proposals. This estimate is the cost of making all of the tax cuts permanent.

Increase Income Taxes on Higher Earners⁶⁰ **+\$48 billion**⁶¹

To pay for his health care plan, Senator Obama would allow the top two tax brackets of the individual income tax—currently 33 percent and 35 percent—to return to their pre-2001 levels of 36 percent and 39.6 percent, respectively. He also would allow Pease and PEP rules to be re-instated for those making over \$250,000 a year, which would phase out certain tax benefits for these earners.

Raise Capital Gains and Dividends Taxes on Higher Earners⁶² **+\$28 billion**⁶³

Senator Obama would maintain the current capital gains rates and dividends rate of 0 and 15 percent on capital gains for families making \$250,000 or less and create a new higher 20 percent bracket for those making more than \$250,000.

Reinstate a Smaller Estate Tax⁶⁴ **+\$44 billion**⁶⁵

Under current law, the estate tax will disappear completely in 2010 and reemerge in 2011 for all estates worth over \$1 million with a top rate of 55 percent. Senator Obama would instead freeze the estate tax at its 2009 levels. This would create a permanent estate tax with a top rate of 45 percent and a \$3.5 million exemption (\$7 million per family).

Patch the Alternative Minimum Tax⁶⁶ **-\$106 billion**⁶⁷

Senator Obama has not specified a plan to address the Alternative Minimum Tax, although he has supported efforts to fix the AMT in a “fiscally responsible manner” in the past. We assume that he would support continuing the current policy of providing annual patches to prevent middle class taxpayers from having to pay this tax.

Make the Research and Experimentation Tax Credit Permanent⁶⁸ **-\$10 billion**⁶⁹

The Research and Experimentation Tax Credit (commonly referred to as the R&E or R&D credit), which provided a 20 percent tax credit for qualified research expenses,

expired on December 31, 2007. Senator Obama would renew the credit and make it permanent.

Create a Universal Refundable Mortgage Credit⁷⁰ **-\$13 billion**⁷¹

Senator Obama would create a universal mortgage credit equal to 10 percent of interest payments for homeowners who do not itemize and therefore can't take advantage of the current mortgage interest tax deduction. We assume the credit would be capped at \$800 a year.

Create a "Making Work Pay" Tax Credit⁷² **-\$72 billion**⁷³

Senator Obama supports providing workers with a refundable tax credit equal to their share of the Social Security payroll tax (6.2 percent of payroll) on their first \$8,100 of earnings. The credit would offer a maximum benefit of \$500 per worker (\$1,000 per family), would be indexed for inflation, and would be phased out for singles starting at \$75,000 and for married couples starting at \$150,000.

Eliminate Income Taxes for Many Seniors⁷⁴ **-\$7 billion**⁷⁵

Senator Obama would exempt senior citizens making less than \$50,000 from paying income taxes. The policy would be phased out above \$50,000.

Expand the Earned Income Tax Credit⁷⁶ **-\$5 billion**⁷⁷

Senator Obama supports increasing the number of individuals eligible for the EITC, as well as increasing the size of EITC benefits. He would change the rules so more working parents could receive the credit, increase benefits for parents who fulfill their child support obligations, increase benefits for families with three or more children, and reduce the EITC marriage penalty by increasing the phase-out threshold for joint filers.

Modify the Saver's Credit and Implement Auto-Saving⁷⁸ **-\$21 billion**⁷⁹

Senator Obama would make the Saver's Credit refundable and increase it to cover 50 percent of qualified savings up to \$500 for individuals (\$1,000 for families making less than \$75,000.) The credit would be automatically deposited in an individual's savings account. Senator Obama would also require that employers automatically enroll workers in company pension plans or IRAs, although employees could choose not to participate.

Create a New College Tax Credit⁸⁰ **-\$13 billion**⁸¹

Senator Obama would create a new "American Opportunity Tax Credit" and would integrate the HOPE and Lifetime Learning Credits so that individuals could not claim both credits simultaneously. The new credit would be refundable and offer a maximum benefit of \$4,000. The American Opportunity Tax Credit would be contingent upon students completing 100 hours of community service.

Expand the Child and Dependent Care Tax Credit⁸² -\$3 billion⁸³

Senator Obama would make the CDCTC refundable and increase it to cover up to 50 percent of the first \$3,000 of child or dependent care expenses (\$6,000 for multiple children) rather than up to 35 percent as under current law. According to the Tax Policy Center, he would also double the threshold for qualifying for the maximum credit from \$15,000 a year to \$30,000 a year.

Tax Carried Interest as Earned Income⁸⁴ +\$2 billion⁸⁵

Senator Obama would tax the income earned by partners for performing investment management services at normal income tax rates, instead of the current practice of taxing them at the long-term capital gains rate (typically 15 percent).

Close Tax Loopholes and Shelters⁸⁶ +\$75 billion⁸⁷

Senator Obama would seek to reduce tax shelter abuses, close the tax gap between taxes owed and taxes paid, and eliminate many corporate loopholes and tax breaks for certain industries or special interests. In particular, he would eliminate tax breaks for gas and oil companies; close the so-called CEO pay loophole that allows companies to avoid taxation on stock options offered to highly paid executives; require better capital gains reporting; and go after income being sheltered overseas by putting pressure on tax haven countries and companies involved in tax sheltering, while altering certain multinational tax deductions. Additionally, the campaign has said that an Obama administration would look for other sources of new revenue.

Cut Corporate Taxes⁸⁸ -\$13 billion⁸⁹

Senator Obama would use some of the revenue raised from closing corporate tax loopholes and increasing the capital gains rate to cut corporate taxes. Specifically, Senator Obama would eliminate capital gains taxation on investment in small and start-up firms. Additionally, he would lower corporate income tax rates for businesses that start or expand operations within the United States.

Increase the Future Payroll Tax on High Earners⁹⁰ +0⁹¹

To bring additional revenue into the Social Security system, Senator Obama supports creating a new tax on workers earning more than \$250,000 a year. This tax would take effect in 2018 or later with a rate of between two and four percent of payroll (split between employer and employee). It would supplement the current 12.4 percent Social Security payroll tax that is levied on the first \$102,000 in wages.

Total Budget Effect of Tax Policies in 2013	-\$360 billion
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Expand Health Care Coverage⁹² -\$65 billion (net of savings)⁹³

Senator Obama's health care plan would require large employers to offer insurance or to pay a tax and would separately mandate that all children be insured. Individuals would have the option of keeping their employer coverage, purchasing insurance from a national health insurance exchange, or opting into a public plan similar to Medicare. Medicaid and SCHIP would be expanded while individuals who did not qualify for these programs would receive an income-related federal subsidy to purchase insurance. Additionally, small businesses would receive tax credits to provide health insurance to their employees.

Reduce Overall Health Care Costs⁹⁴ \$0 (savings included in costs)⁹⁵

Senator Obama has proposed a number of measures to slow the growth of health care costs, including health care information technology, research on the comparative effectiveness of treatments, more transparency within the health care system, and the use of more coordinated care and disease management. He also supports a performance-based payment system, reforming medical malpractice insurance, and reforming Medicare including by eliminating subsidies to private Medicare Advantage plans. By expanding health insurance coverage, the campaign says they will be able to cut disproportionate share hospital (DSH) payments which currently go to hospitals that treat large numbers of uninsured individuals. All savings are included in the estimate of the coverage program.

Close the "Doughnut Hole" in Medicare Part D⁹⁶ -\$43 billion⁹⁷

Under the standard Medicare prescription drug program, the government covers 75 percent of the cost of prescription drugs up to \$2,510, does not cover any costs until total prescription drug spending reaches \$5,726, and then covers 95 percent of costs. Senator Obama would close this coverage gap as part of a spending neutral-reform of Medicare (see below). If they were unable to raise the necessary savings, the Obama campaign has said they would only partially close the doughnut hole to ensure spending-neutrality.

Reduce Medicare Costs⁹⁸ +\$43 billion⁹⁹

To finance the closing of the doughnut hole, Senator Obama would legalize the re-importation of certain prescription drugs and allow the federal government to negotiate Medicare Part D drug prices directly with pharmaceutical companies. He would also ban drug companies from paying generic producers to refrain from entering drug markets, while increasing the use of generics in public programs. The campaign has said they would undertake additional measures as necessary to fully pay for any expansions to Medicare Part D.

Total Budget Effect of Health Care Policies in 2013	-\$65 billion
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Implement a Cap-and-Trade System¹⁰⁰ **+\$100 billion**¹⁰¹

Senator Obama supports the creation of a cap-and-trade system to limit greenhouse gas emissions. All companies that emit greenhouse gases would be required to obtain permits auctioned by the government. According to the Congressional Budget Office, the permits could be worth between \$50 billion and \$300 billion annually by 2020. We assume \$100 billion in revenues. Under the Obama plan, all revenues would be spent on energy-related initiatives or on rebates to individuals.

Provide Tax Rebates and Transition Assistance¹⁰² **-\$85 billion**¹⁰³

The majority of revenue raised under Senator Obama's cap-and-trade system would be used for tax rebates and other transition relief initiatives designed to assuage the impact of higher energy prices on individual communities and consumers.

Invest in Green Technology¹⁰⁴ **-\$15 billion**¹⁰⁵

Senator Obama would invest \$150 billion over 10 years in the development and commercialization of clean energy technology. This money would be used on programs to double clean energy research, extend the production tax credit for five years and create a clean tech venture capital fund that would pair with existing investment funds to encourage the creation and development of clean energy solutions and bolster financial support for environmental innovation.

Total Budget Effect of Energy Policies in 2013	\$0
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Increase Pre-K – 12 Education Spending¹⁰⁶ **-\$18 billion**¹⁰⁷

Senator Obama supports a number of policy proposals related to education. They include investing \$10 billion per year in developmental programs for children under the age of five, reforming No Child Left Behind, helping future teachers finance their education, and offering financial incentives to teachers who spend time mentoring students.

Create Infrastructure Reinvestment Bank¹⁰⁸ **-\$6 billion**¹⁰⁹

Senator Obama has called for the creation of a national infrastructure reinvestment bank that would invest \$60 billion over 10 years in highways, technology, and other infrastructure projects. Funds would go primarily to projects related to homeland security, improving the environment, and economic growth.

Increase Spending on Basic Research¹¹⁰ **-\$15 billion**¹¹¹

Senator Obama has proposed to increase funding for basic research in physical and life sciences, mathematics, and engineering at a rate that would double basic research budgets over the next decade. He would also invest \$50 billion over five years in information technology.

Expand Support for Higher Education¹¹² **-\$9 billion**¹¹³

Senator Obama supports creating a Community College Partnership Program, increasing funds for college readiness programs and expanding Pell Grants. Senator Obama would increase the maximum size of the Pell Grant for low-income students by ensuring the grant keeps pace with inflation.

Reduce Erroneous Payments and Use Purchasing Cards¹¹⁴ **+\$6 billion**¹¹⁵

Senator Obama would reduce the number of improper payments made by the federal government in programs such as Medicare, Medicaid, Earned Income Tax Credit, and Social Security. He would also expand the use of purchasing cards to standardize government purchasing while increasing the government's negotiating power.

Reform Government Spending¹¹⁶ **+\$17 billion**¹¹⁷

In order to finance his education plan, Senator Obama would reduce the practice of earmarking, which allows members of Congress to direct funds to a specific (and often local) project during the legislative process. Additionally, he would reform federal contracting procedures, reduce federal energy consumption, and would auction off surplus federal property.

Eliminate the Federal Education Loan Program¹¹⁸ **+\$3 billion**¹¹⁹

Senator Obama would eliminate current subsidies and guarantees to private banks and lenders who offer student loans and increase funding to the current direct loan program. The savings would be used to fund his college tax credit.

Double Foreign Aid¹²⁰ **-\$25 billion**¹²¹

To reach the Millennium Development Goal of cutting extreme worldwide poverty in half by 2015, Senator Obama has proposed doubling the current U.S. foreign aid budget from \$25 billion a year to \$50 billion a year.

Increase the Size of the Military¹²² **-\$20 billion**¹²³

Senator Obama has proposed increasing the size of the Army and Marine Corps. More specifically, he has declared his support for the current policy of adding the 65,000 soldiers and 27,000 Marines. He would also strengthen the National Guard and Military Reserves, build up special operations forces capacity, and invest in military infrastructure.

Initiate a Phased Withdraw from Iraq¹²⁴ **+\$55 billion**¹²⁵

Senator Obama has said that he would begin bringing troops home immediately with the ultimate goal of having all combat troops out of Iraq within 16 months of his taking office. He has also said that he would keep some noncombatant troops in and near Iraq to protect U.S. embassies and diplomats, while carrying out targeted strikes on al-Qaeda. We assume that Obama would reduce the number of troops in Iraq and Afghanistan to 30,000 by 2010.

Implement Unspecified Cuts to Slow Spending¹²⁶ **+\$50 billion**¹²⁷

The campaign has said an Obama administration would reduce wasteful spending and eliminate obsolete programs in all areas of the budget, while directing agencies to wasteful and inefficient programs for a total of \$50 billion in savings. Although the campaign has not announced many specifics, it has stated that Obama would achieve the savings by identifying redundant and lower-priority programs and slowing their growth.

Total Budget Effect of Other Spending/Savings Policies in 2013	+\$ 38 billion
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ENDNOTES

¹ Official McCain campaign website (hereafter, McCain campaign), <http://www.johnmccain.com/Issues/JobsforAmerica/taxes.htm>.

² Tax Policy Center (hereafter, TPC), <http://www.taxpolicycenter.org/numbers/displayatab.cfm?DocID=1875&topic2ID=40&topic3ID=&DocTypeID=5>; Joint Committee on Taxation (hereafter, JCT), <http://www.house.gov/jct/s-1-08.pdf>, p. 311. In order to produce a dynamic estimate, we assume \$217 billion for renewing all income tax cuts and \$77 billion for permanently repealing the estate tax for a total of \$294 billion.

³ McCain campaign, <http://www.johnmccain.com/Issues/JobsforAmerica/smallbusiness.htm>.

⁴ TPC, <http://www.taxpolicycenter.org/numbers/displayatab.cfm?DocID=1875&topic2ID=40&topic3ID=&DocTypeID=5>; JCT, <http://www.house.gov/jct/s-1-08.pdf>, p. 311. Repealing the estate tax would cost \$77 billion relative to the CBO baseline; freezing it at 2009 levels would cost \$67 billion. Because we assume policies relative to a current policy-extended baseline, we assume this policy would raise the difference between the two—\$10 billion in revenue.

⁵ McCain campaign, <http://www.johnmccain.com/Issues/JobsforAmerica/taxes.htm>.

⁶ TPC, <http://www.taxpolicycenter.org/numbers/displayatab.cfm?DocID=1875&topic2ID=40&topic3ID=&DocTypeID=5>.

⁷ McCain campaign memo, <http://www.washingtonpost.com/wp-dyn/content/article/2008/07/13/AR2008071301643.html>.

⁸ Estimate provided directly by the McCain campaign (hereafter, McCain campaign number).

⁹ TPC, <http://www.taxpolicycenter.org/numbers/displayatab.cfm?DocID=1875&topic2ID=40&topic3ID=&DocTypeID=5>.

¹⁰ McCain campaign, <http://www.johnmccain.com/Issues/JobsforAmerica/taxes.htm>, <http://www.washingtonpost.com/wp-dyn/content/article/2008/07/13/AR2008071301643.html>.

¹¹ McCain campaign number.

¹² TPC, <http://www.taxpolicycenter.org/numbers/displayatab.cfm?DocID=1875&topic2ID=40&topic3ID=&DocTypeID=5>. The -\$55 billion is net of the \$10 billion for repealing the domestic production activities deduction.

¹³ McCain campaign, <http://www.johnmccain.com/Issues/JobsforAmerica/taxes.htm>.

¹⁴ McCain campaign number.

¹⁵ TPC, <http://www.taxpolicycenter.org/numbers/displayatab.cfm?DocID=1875&topic2ID=40&topic3ID=&DocTypeID=5>.

¹⁶ McCain campaign, <http://www.johnmccain.com/Issues/JobsforAmerica/taxes.htm>.

¹⁷ TPC, <http://www.taxpolicycenter.org/numbers/displayatab.cfm?DocID=1875&topic2ID=40&topic3ID=&DocTypeID=5>.

¹⁸ McCain campaign memo, http://www.washingtonpost.com/wp-dyn/content/article/2008/07/13/AR2008071301643_pf.html.

¹⁹ Congressional Research Service, <http://www.ncseonline.org/NLE/CRSreports/07March/RL33763.pdf>, 20 (FY2006 number).

²⁰ McCain campaign memo, <http://www.washingtonpost.com/wp-dyn/content/article/2008/07/13/AR2008071301643.html>.

²¹ McCain campaign number.

²² McCain campaign memo, <http://www.washingtonpost.com/wp-dyn/content/article/2008/07/13/AR2008071301643.html>.

²³ Ibid. Note: While the McCain campaign says this policy would be made to be revenue neutral, other experts do not believe the cost could be zero since under an optional system, most taxpayers would choose the system that cost them less, and thus, raised less money for the government. The Tax Policy Center puts the cost at \$115 billion. To do this calculation, they assume rates of 15 percent and 25 percent and that the alternative tax base would equal AGI plus tax-exempt interest, untaxed Social Security, and the deductions for educator expenses, health saving accounts (HSAs), retirement savings, student loan interest, tuition and fees. The alternative tax would have a standard deduction of \$10,000 (\$20,000 for married couples) and personal exemptions of \$4,000. The 15 percent rate would apply to income up to \$50,000 (\$100,000 for couples) and the 25 percent rate would apply to income above that level. The alternative system would retain reduced rates for capital gains and dividends. To account for the fact that choosing the alternative tax could lock the taxpayer into that system in future years, they assume that taxpayers will choose the alternative system only if it reduces their current tax liability by at least 10 percent.
<http://www.taxpolicycenter.org/numbers/displayatab.cfm?DocID=1876&topic2ID=40&topic3ID=&DocTypeID=5>. We do not include this estimate because the campaign says that a McCain administration would not implement the policy unless a revenue neutral tax can be designed.

²⁴ McCain campaign, <http://www.johnmccain.com/Informing/Issues/19ba2f1c-c03f4ac2-8cd5-5cf2edb527cf.htm>.

²⁵ The Lewin Group. Unreleased estimates by the Lewin Group for Senator Coburn's plan, which provides tax credits of \$2,000 per adult and \$500 per child (a family of four would receive \$5,000). The costs of this estimate should be linked to the savings in endnote 28.

²⁶ JCT, <http://www.house.gov/jct/x-17-07.pdf>. Estimate for President Bush's plan to create a \$7,500 standard deduction for anyone with health insurance (\$15,000 for families), which would be roughly equal to a \$2000 per person credit. The costs of this estimate should be linked to the savings in endnote 29.

²⁷ *New York Times*,

http://www.nytimes.com/2008/05/01/us/politics/01mccain.html?_r=1&partner=rssnyt&oref=slogin.

²⁸ The Lewin Group. Unreleased estimates by the Lewin Group. This policy would also generate an additional \$42 billion in revenue for the states.

²⁹ OMB, <http://www.whitehouse.gov/omb/budget/fy2009/pdf/spec.pdf>, p. 290. Estimate includes elimination of employer exclusion, self-employed health deduction, and deductibility of medical expenses.

³⁰ McCain campaign, <http://www.johnmccain.com/Informing/Issues/19ba2f1c-c03f4ac2-8cd5-5cf2edb527cf.htm>.

³¹ Office of Management and Budget (hereafter OMB),

<http://www.whitehouse.gov/omb/budget/fy2009/summarytables.html>, table S7. The campaign has not released specifics of this policy but HSA proposals made by President Bush have ranged from \$1 billion to \$9 billion.

³² OMB, <http://www.whitehouse.gov/omb/budget/fy2007/tables.html>, table S7. See above note.

³³ McCain campaign, <http://www.johnmccain.com/Informing/Issues/19ba2f1c-c03f4ac2-8cd5-5cf2edb527cf.htm>.

³⁴ McCain campaign number and *Bloomberg*,

http://www.bloomberg.com/apps/news?pid=20601109&refer=home&sid=a4BEIi_OauQ.

³⁵ *Bloomberg*, http://www.bloomberg.com/apps/news?pid=20601070&sid=a72L7_AJ5P9c&refer=home.

³⁶ *New York Times*, <http://thecaucus.blogs.nytimes.com/2008/04/14/mccain-to-propose-changes-in-medicare-drug-program/>.

³⁷ McCain campaign, <http://www.johnmccain.com/Informing/Issues/19ba2f1c-c03f4ac2-8cd5-5cf2edb527cf.htm>.

³⁸ Various estimates. Health IT = \$4 billion, National Standards = \$14 billion, Patient Decision Making = \$1 billion, Coordinated Care = \$16, with \$1 billion lost to rounding (http://www.commonwealthfund.org/publications/publications_show.htm?doc_id=620087, Exhibit E-2); Drug Re-importation = \$1 billion (<http://www.cbo.gov/ftpdocs/87xx/doc8729/hr380Ltr.pdf>); Tort Reform = \$3 billion (<http://www.cbo.gov/ftpdocs/40xx/doc4098/hr5ec.pdf>, 2); Medicare/Medicaid Payment

Reform = \$2 billion (assumes 10 percent cut in erroneous payments

<http://www.cnsnews.com/public/Content/Article.aspx?rsrclid=24125>).

³⁹ McCain campaign, <http://www.johnmccain.com/Informing/Issues/da151a1c-733a-4dc1-9cd3-f9ca5caba1de.htm>; and

<http://www.johnmccain.com/Informing/News/Speeches/d0964a71-079a-4a31-b13f-d0aa7f5732d4.htm>

⁴⁰ McCain campaign number.

⁴¹ McCain campaign, <http://www.johnmccain.com/Informing/Issues/17671aa4-2fe8-4008-859f-0ef1468e96f4.htm>.

⁴² Authors' calculations. Assumes revenue from cap-and-trade used for clean technology initiatives.

⁴³ McCain campaign, <http://www.johnmccain.com/informing/news/PressReleases/169de714-b6f0-4ea9-947e-383b5f4e7f14.htm>.

⁴⁴ Brookings Institution, www.brookings.edu/press/books/abstracts/TradeForum/200513.pdf.

⁴⁵ McCain campaign, <http://www.johnmccain.com/Informing/Issues/cb15a056-ac87-485d-a64d-82989bdc948c.htm>.

⁴⁶ McCain campaign number.

⁴⁷ Bloomberg, http://www.bloomberg.com/apps/news?pid=20601070&sid=a72L7_AJ5P9c&refer=home.

⁴⁸ McCain campaign number.

⁴⁹ MSNBC, <http://firstread.msnbc.msn.com/archive/2008/07/16/1202333.aspx>.

⁵⁰ McCain campaign number.

⁵¹ Congressional Budget Office (hereafter, CBO), <http://www.cbo.gov/ftpdocs/78xx/doc7821/500.htm>, Chart 500-4.

⁵² McCain campaign, <http://www.johnmccain.com/Informing/Issues/054184f4-6b51-40dd-8964-54fcf66a1e68.htm>.

⁵³ Washington Post, <http://www.washingtonpost.com/wp-dyn/content/article/2007/01/11/AR2007011102146.html>.

⁵⁴ McCain campaign, <http://www.johnmccain.com/Informing/Issues/fdeb03a7-30b0-4ece-8e34-4c7ea83f11d8.htm>.

⁵⁵ Authors' calculations using campaign numbers and CBO baseline.

⁵⁶ McCain campaign, <http://www.johnmccain.com/Issues/JobforAmerica/reform.htm>.

⁵⁷ McCain campaign number.

⁵⁸ Estimate from the official Obama campaign website (hereafter, Obama campaign), <http://www.barackobama.com/issues/fiscal/> (full repeal is assumed for baseline purposes, http://www.barackobama.com/pdf/Obama08_HealthcareFAQ.pdf).

⁵⁹ TPC,

<http://www.taxpolicycenter.org/numbers/displayatab.cfm?DocID=1875&topic2ID=40&topic3ID=&DocTypeID=5>; JCT, <http://www.house.gov/jct/s-1-08.pdf>, p. 311. In order to produce a dynamic estimate, we assume \$217 billion for renewing all income tax cuts and \$77 billion for permanently repealing the estate tax for a total of \$294 billion.

⁶⁰ Obama campaign, http://www.barackobama.com/pdf/taxes/Factsheet_Tax_Plan_FINAL.pdf, p. 1.

⁶¹ Modeling by the Tax Policy Center.

⁶² Obama campaign, http://www.barackobama.com/pdf/taxes/Factsheet_Tax_Plan_FINAL.pdf, p. 5.

⁶³ Modeling by the Tax Policy Center.

⁶⁴ Obama campaign, http://www.barackobama.com/pdf/taxes/Factsheet_Tax_Plan_FINAL.pdf, p. 5.

⁶⁵ TPC, <http://www.taxpolicycenter.org/numbers/displayatab.cfm?DocID=1956>; JCT, <http://www.house.gov/jct/s-1-08.pdf>, p. 316 Repealing the estate tax would cost \$77 billion relative to the CBO baseline, while freezing it at 2009 levels would cost \$33 billion. Because we assume policies relative to a current policy-extended baseline, we assume this policy would raise the difference between the two—\$44 billion in revenue.

⁶⁶ CNN, http://money.cnn.com/2008/02/22/news/economy/candidates_deficit/?postversion=2008022215; Obama campaign, http://obama.senate.gov/issues/tax_reform/.

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- ⁶⁷ TPC, <http://www.taxpolicycenter.org/numbers/displayatab.cfm?DocID=1956>.
- ⁶⁸ Obama campaign, <http://www.barackobama.com/issues/economy/>.
- ⁶⁹ CBO, <http://www.cbo.gov/ftpdocs/90xx/doc9040/ExpiringProvisions.pdf>.
- ⁷⁰ Obama campaign, http://www.barackobama.com/pdf/taxes/Factsheet_Tax_Plan_FINAL.pdf, p. 2.
- ⁷¹ TPC, <http://www.taxpolicycenter.org/numbers/displayatab.cfm?DocID=1956>.
- ⁷² Obama campaign, http://www.barackobama.com/pdf/taxes/Factsheet_Tax_Plan_FINAL.pdf, p. 2.
- ⁷³ TPC, <http://www.taxpolicycenter.org/numbers/displayatab.cfm?DocID=1956>.
- ⁷⁴ Obama campaign, http://www.barackobama.com/pdf/taxes/Factsheet_Tax_Plan_FINAL.pdf, p. 2.
- ⁷⁵ TPC, <http://www.taxpolicycenter.org/numbers/displayatab.cfm?DocID=1956>.
- ⁷⁶ Obama campaign, http://www.barackobama.com/pdf/taxes/Factsheet_Tax_Plan_FINAL.pdf, p. 2.
- ⁷⁷ TPC, <http://www.taxpolicycenter.org/numbers/displayatab.cfm?DocID=1956>.
- ⁷⁸ Obama campaign, http://www.barackobama.com/pdf/taxes/Factsheet_Tax_Plan_FINAL.pdf, p. 2.
- ⁷⁹ TPC, <http://www.taxpolicycenter.org/numbers/displayatab.cfm?DocID=1956>.
- ⁸⁰ Obama campaign, http://www.barackobama.com/pdf/taxes/Factsheet_Tax_Plan_FINAL.pdf, p. 2.
- ⁸¹ Estimates modeled by Paul Weinstein, Senior Fellow, the Progressive Policy Institute.
- ⁸² Obama campaign, http://www.barackobama.com/pdf/taxes/Factsheet_Tax_Plan_FINAL.pdf, p. 2.
- ⁸³ TPC, <http://www.taxpolicycenter.org/numbers/displayatab.cfm?DocID=1956>.
- ⁸⁴ Obama campaign, http://www.barackobama.com/pdf/taxes/Factsheet_Tax_Plan_FINAL.pdf
- ⁸⁵ JCT, <http://www.house.gov/jct/x-105-07.pdf>.
- ⁸⁶ Obama campaign and TPC, http://www.barackobama.com/pdf/taxes/Factsheet_Tax_Plan_FINAL.pdf; http://www.taxpolicycenter.org/UploadedPDF/411749_update_candidates.pdf, p. 13.
- ⁸⁷ TPC, <http://www.taxpolicycenter.org/numbers/displayatab.cfm?DocID=1956>. Carried interest (\$2 billion) and windfall profit tax (\$15 billion) subtracted.
- ⁸⁸ Obama campaign, http://www.barackobama.com/pdf/taxes/Factsheet_Tax_Plan_FINAL.pdf, 3.
- ⁸⁹ Authors' calculations. This estimate is based on the Obama campaign's assertion that the cost of the universal mortgage credit (\$13 billion), the Making Work Pay credit (\$72 billion), and the tax cut for seniors (\$7 billion) would be covered by the revenue from raising capital gains and dividends taxes (\$28 billion), taxing carried interest as normal income (\$2 billion), and closing corporate loopholes (\$75 billion), and that the remaining revenue would be used for eliminating capital gains on start-up businesses and cutting corporate tax rates. With sound estimates for the first six of these provisions, we calculated a rough estimate of the savings that would be available for Obama's corporate and capital gains tax cuts (\$13 billion).
- ⁹⁰ *Wall Street Journal*, http://online.wsj.com/article_print/SB121867201724238901.html.
- ⁹¹ Because the policy would not begin until after 2018, it would not affect the budget in the year 2013.
- ⁹² Obama campaign, <http://www.barackobama.com/issues/healthcare/#coverage-for-all>.
- ⁹³ Obama campaign, http://www.barackobama.com/pdf/Obama08_HealthcareFAQ.pdf. The campaign assumes net costs of \$50 billion - \$65 billion when fully phased in. See savings description under Healthcare Plan Offsets.
- ⁹⁴ Obama campaign, http://www.barackobama.com/pdf/Obama08_HealthcareFAQ.pdf.
- ⁹⁵ *Ibid*.
- ⁹⁶ Obama campaign, <http://www.barackobama.com/issues/socialsecurity/#retirement-savings>.
- ⁹⁷ CBO, <http://www.cbo.gov/ftpdocs/60xx/doc6075/02-15-BudgetOptions.pdf>.
- ⁹⁸ Obama Campaign, <http://www.barackobama.com/issues/healthcare/>; and <http://www.barackobama.com/issues/socialsecurity/>.
- ⁹⁹ Obama campaign number.
- ¹⁰⁰ Obama campaign, <http://www.barackobama.com/issues/energy/#reduce-carbon-emissions>.
- ¹⁰¹ CBO, <http://www.cbo.gov/ftpdocs/87xx/doc8769/11-01-CO2Emissions.pdf>; *Wall Street Journal*, <http://online.wsj.com/article/SB120415201049297519.html>.
- ¹⁰² Obama campaign, http://www.barackobama.com/pdf/factsheet_energy_speech_080308.pdf, p. 3.
- ¹⁰³ Obama campaign, http://www.barackobama.com/pdf/factsheet_energy_speech_080308.pdf. We assume that the cap-and-trade auction will raise \$100 billion. The Obama campaign has stated that all but \$15 billion

of the revenue from their cap-and-trade system will be used for tax rebates and transition assistance. We therefore assume that \$85 billion would be used for these purposes.

¹⁰⁴ Obama campaign, <http://www.barackobama.com/issues/energy/#invest-in-a-clean>.

¹⁰⁵ Obama campaign, http://www.barackobama.com/pdf/factsheet_energy_speech_080308.pdf and <http://www.barackobama.com/issues/energy/>.

¹⁰⁶ Obama campaign, <http://www.barackobama.com/issues/pdf/PreK-12EducationFactSheet.pdf>.

¹⁰⁷ Ibid.

¹⁰⁸ *USA Today*, <http://blogs.usatoday.com/onpolitics/2008/02/obama-to-call-f.html>.

¹⁰⁹ Ibid.

¹¹⁰ Obama campaign, <http://www.barackobama.com/issues/technology/#improve-competitiveness>.

¹¹¹ Obama campaign number.

¹¹² Obama campaign, <http://origin.barackobama.com/issues/pdf/CollegeAffordabilityFactSheet.pdf>; and http://www.barackobama.com/2008/02/16/obama_outlines_plan_to_strengt.php.

¹¹³ CBO, <http://www.cbo.gov/ftpdocs/88xx/doc8815/s1642.pdf>, based on past legislation co-sponsored by Senator Obama.

¹¹⁴ Obama campaign, <http://www.barackobama.com/issues/pdf/PreK-12EducationFactSheet.pdf>, p. 15.

¹¹⁵ Government Accountability Office, <http://www.gao.gov/new.items/d08377r.pdf> and <http://www.gao.gov/new.items/d04717t.pdf>. Assumes 10% reduction in erroneous payments plus roughly half a billion for using purchasing cards.

¹¹⁶ Obama campaign, <http://www.barackobama.com/issues/pdf/PreK-12EducationFactSheet.pdf>, p. 15.

¹¹⁷ Obama campaign, <http://www.barackobama.com/issues/pdf/PreK-12EducationFactSheet.pdf> and http://www.barackobama.com/pdf/factsheet_energy_speech_080308.pdf; Progressive Policy Institute, http://www.ppionline.org/ppi_ci.cfm?knlgAreaID=125&subsecid=162&contentid=254284; Committee Against Government Wastes. Assumes \$1.5 billion from reduced energy consumption, \$9.4 billion in reduced earmarks, \$5.4 billion from contracting reform, and \$500 million from auctioning surplus government property.

¹¹⁸ Obama campaign, <http://www.barackobama.com/issues/pdf/CollegeAffordabilityFactSheet.pdf>.

¹¹⁹ Obama campaign number.

¹²⁰ Obama campaign, <http://www.barackobama.com/issues/foreignpolicy/>.

¹²¹ Ibid.

¹²² Obama campaign, <http://www.barackobama.com/issues/defense/#invest-century-military> and http://www.barackobama.com/pdf/Defense_Fact_Sheet_FINAL.pdf.

¹²³ *Washington Post*, <http://www.washingtonpost.com/wp-dyn/content/article/2007/01/11/AR2007011102146.html> and Obama campaign number.

¹²⁴ Obama campaign, <http://www.barackobama.com/issues/iraq/#phased-withdrawal>.

¹²⁵ CBO, http://www.cbo.gov/ftpdocs/90xx/doc9096/04-04-2008-Outlook_Table1-5.pdf. The baseline against which savings are scored assumes only partial funding of the wars in Iraq and Afghanistan, since the CBO projects spending based on appropriations passed when the baseline is created—and neither conflict had been fully funded at that point. Specifically, the CBO assumes direct defense spending for Iraq and Afghanistan of \$88 billion a year (indexed for inflation), which comprises less than half of that total likely spending for 2008. Estimating savings compared to a fully funded baseline produces dramatically larger savings.

¹²⁶ Obama campaign, <http://www.barackobama.com/issues/fiscal/#restore-discipline>.

¹²⁷ Obama campaign number.