

Key Tax Reform/Deficit Reduction Proposals
(as of August 1, 2012)

Commission/Task Force	Purpose	Key Tax Code Reforms	Treatment of Bonds
Obama Administration FY 2013 Budget Proposal	Plan represents Administration budget plan that is submitted to Congress each year. Each plan must address a ten-year budget cycle.	Plan focuses on increases in taxes on the wealthy. Proposes a net deficit reduction of \$3.2 Trillion.	Recommends limiting the value of the exemption for interest on municipal debt to 28 percent. Unclear whether grandfathering of current bonds would be allowed. Makes permanent the Build America Bonds program with a lower subsidy rate.
Romney Tax Reform Proposal	Revenue-neutral tax plan proposal released by Romney campaign in July 2012.	Plan focuses on maintaining revenues, insuring revenue neutrality, and lowering marginal tax rates.	Although specific details are not provided, the plan likely makes no changes to the tax-exempt status of municipal bonds as tax breaks for savings and investment are largely maintained.
National Commission on Fiscal Responsibility and Reform (i.e., Bowles-Simpson)	Bi-partisan commission created by President Obama with the task of identifying policies to improve the fiscal situation in the medium term and to achieve fiscal sustainability over the long run. Released its final report in December 2010 but failed to reach achieve a supermajority vote of its members to formally endorse the blueprint.	Achieves nearly \$4 trillion in deficit reduction by 2020. Reduces tax rates, abolishes the AMT, and removes many tax expenditures (including the mortgage interest deduction) from the tax code. Proposes major overhaul of Social Security to insure its solvency.	Eliminates tax-exempt interest treatment for all new municipal bonds and replaces tax-exempt bonds with direct subsidy bonds.

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Domenici-Rivlin	A privately sponsored bi-partisan task force on debt reduction co-chaired by former Budget Committee Chairman Pete Domenici and former OMB Chair Alice Rivlin. The task force issued their final report in November 2010.	Enforces nearly \$6 trillion in debt reduction. Reduces the current six individual income tax rates to two (15% and 27%). The corporate tax rate would be reduced to 27%. Most tax expenditures would be eliminated with the exception of the mortgage interest deduction and charitable deductions. Implements a national sales tax .	Recommends eliminating new issuances of tax-exempt bonds and replacing them with direct subsidy bonds.
Legislative Proposals	Wyden (D-OR)-Coats (R-IN): S. 727, the <u>Bi-partisan Tax Fairness and Simplification Act of 2011</u>		Eliminates tax-exempt bonds and replaces them with tax-credit bonds that provide a tax credit to bondholders equal to 25 percent of the interest earned. Legislation also eliminates advance refundings.
	Tierney (D-MA): HR 2495, The <u>Tax Equity and Middle Class Fairness Act of 2011</u>		Requires all new bonds to be taxable direct-pay bonds with a subsidy of 25%.