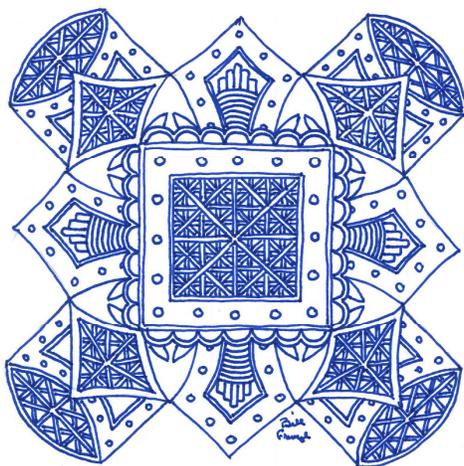




Committee for a Responsible Federal Budget

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



US Budget Watch

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With Expanded Health Care Section*

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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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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	- \$413 billion to - \$481 billion	- \$354 billion
Health Care Policy	- \$43 billion to - \$223 billion	- \$52 billion to - \$106 billion
Energy Policy	\$0	\$0
Other Spending/Savings	+\$227 billion to +\$304 billion	+\$144 billion
TOTAL	- \$229 billion to - \$400 billion	- \$262 billion to - \$316 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 Republican candidate for president, Senator John McCain, and the 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 currently projects a budget deficit of \$147 billion in 2013. 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, the Lewin Group, 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. 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	-\$15 billion / -\$30 billion
Reduce the Federal Corporate Income Tax Rate	-\$65 billion / -\$78 billion
Allow Expensing	+\$25 billion / -\$15 billion
Reform the Research and Experimentation Tax Credit	-\$13 billion
Eliminate Preferential Tax Treatment for Oil Companies	+\$6 billion
Close Corporate Tax Loopholes	+\$40 billion
Create an Alternative Individual Income Tax System	\$0
TOTAL	-\$413 billion to -\$481 billion
Senator McCain: Health Care Policy	
Create a Refundable Health Insurance Tax Credit	-\$336 billion / -\$416 billion
Eliminate Tax Exclusion for Employer Provided Health Insurance	+200 billion
Expand Health Savings Accounts	\$0 / -\$9 billion
Establish a "Guaranteed Access Plan"	-\$8 billion / -\$22 billion
Reduce Overall Health Care Costs	+\$41 billion / +\$18 billion
Cut Medicare and Medicaid Costs	+\$12 billion / +\$6 billion
Find Savings to Finance Health Plan	+\$48 billion / \$0
TOTAL	-\$43 billion to -\$223 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	-\$13 billion
Fully Fund Individuals with Disabilities Education Act	-\$15 billion
Increase the Size of the Military	-\$15 billion
Gradually Reduce the Troop Presence in Iraq	+\$103 billion
Implement Unspecified Spending Cuts	+\$115 billion / +\$192 billion
TOTAL	+\$227 billion to +\$304 billion
GRAND TOTAL	-\$229 billion to -\$400 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	+\$49 billion
Patch the Alternative Minimum Tax	-\$106 billion
Make the R&E Tax Credit Permanent	-\$9 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
Close Tax Loopholes and Shelters	+\$77 billion
Cut Corporate Taxes	-\$13 billion
Increase the Future Payroll Tax on High Earners	\$0
TOTAL	-\$354 billion
Senator Obama: Health Care Policy	
Expand Health Care Coverage	-\$115 billion / -\$144 billion
Close "Doughnut Hole" in Medicare Part D	-\$43 billion
Find Savings to Finance Part D Reform	+\$43 billion
Reduce Overall Health Care Costs	+\$41 billion / +\$24 billion
Cut Medicare and Medicaid Costs	+\$22 billion / +\$14 billion
TOTAL	-\$52 billion to -\$106 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 and Reform Government Contracting	+\$40 billion
Reform Government Spending	+\$17 billion
Eliminate the Federal Education Loan Program	+\$4 billion
Double Foreign Aid	-\$25 billion
Increase the Size of the Military	-\$20 billion
Initiate a Phased Withdraw from Iraq	+\$156 billion
Reduce Wasteful Spending	+\$20 billion
TOTAL	+\$144 billion
GRAND TOTAL	-\$262 billion to -\$316 billion

SENATOR JOHN MCCAIN

TAX POLICY

Budget Effect in 2013

Renew the 2001 and 2003 Tax Cuts² **-\$294 billion³**

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 Tax⁴ **+\$10 billion⁵**

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 Tax⁶ **-\$107 billion⁷**

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 Dependents⁸ **-\$15 billion⁹ / -\$30 billion¹⁰**

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 Rate¹¹ **-\$65 billion¹² / -\$78 billion¹³**

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.

Allow Expensing¹⁴ **+\$25 billion¹⁵ / -\$15 billion¹⁶**

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

longer time period. He would also disallow the interest deduction on expensed equipment. The policy would expire in 2013.

Reform the Research and Experimentation Tax Credit¹⁷ -\$13 billion¹⁸

The Research and Experimentation Tax Credit (commonly referred to as the R&E or R&D credit), is a temporary credit which provides a 20 percent tax credit for qualified expenses. Senator McCain has proposed replacing it with a permanent tax credit worth 10 percent of all wages spent on research and development.

Eliminate Preferential Tax Treatment for Oil Companies¹⁹ +\$6 billion²⁰

Senator McCain has called for the repeal and reform of a number of tax preferences for oil companies. Specifically, he would repeal special expensing rules for oil and gas companies, eliminate the foreign tax credit for oil companies, disallow expensing of exploration and development costs, encourage an increase in royalty rates for drilling on public land, subject working interests in oil and gas to the passive loss rules, eliminate 15 percent tax credit for enhanced oil recovery costs for tertiary wells, and eliminate special depreciable lifetimes for certain assets used by oil companies.

Close Corporate Tax Loopholes²¹ +\$40 billion²²

Senator McCain has proposed cutting “corporate welfare,” namely the preferential tax treatment of certain industries. As part of these cuts, Senator McCain would repeal the domestic production activities deduction, which reduces the effective corporate tax rate for many domestic companies, but would no longer be necessary under his corporate tax proposal. He would also repeal Last In, First Out (LIFO) accounting rules. Additionally, the McCain campaign has pointed to tax breaks for life insurance companies, credit unions, and exporters as possible areas for cutting.

Create an Optional/Alternative Individual Income Tax System²³ \$0²⁴

Senator McCain has proposed an optional, alternative tax system with two rates and a single large standard deduction to replace most existing deductions, exclusions, and credits. According to the McCain campaign, this alternative system would be designed to ensure revenue neutrality. On the other hand, outside experts think that because most taxpayers will choose the system in which they pay lower taxes, significant revenue would be lost.

Total Budget Effect of Tax Policies in 2013	-\$413 billion to -\$481 billion
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Create a Refundable Health Insurance Tax Credit²⁵ -\$336 billion²⁶ / -\$416 billion²⁷

Senator McCain would offer a \$2,500 tax credit for individuals (\$5,000 for families) with health insurance. The credit would be refundable, so people could receive the credit regardless of their income tax liability. The money would be sent directly to insurance providers; however, those who pay less for health insurance than the size of the credit could deposit the remainder into a Health Savings Account. The credit would likely be indexed to inflation, so that it would grow far more slowly than overall health care costs. As a result, the net costs of the policy (cost of the new refundable credit minus savings from eliminating the tax exclusion for employer provided health insurance) would decline over time.

Eliminate Tax Exclusion for Employer Provided Health Insurance²⁸ +\$200 billion²⁹

Senator McCain would reform the current tax treatment of employer-provided health insurance. Under current law, compensation received in the form of health insurance is not taxed. This exclusion cost the federal government over \$100 billion last year in lost income tax revenues and the losses will grow considerably over time.

Senator McCain would eliminate this exclusion and replace it with a tax credit (described above). Employer provided health insurance would be counted as income for purposes of the individual income tax. As under current law, this compensation would not be subject to the payroll tax. At the same time, employers would continue to be allowed to deduct the costs of providing health care.

Expand Health Savings Accounts³⁰ \$0³¹/ -\$9 billion³²

Senator McCain would expand Health Savings Accounts (HSAs), which allow individuals who purchase high deductible health insurance plans to save tax-free for medical expenses. Under current law, people with individual health insurance plans that have deductibles of at least \$1,100 (indexed for inflation) and total out-of-pocket expenses (deductibles and co-payments) of less than \$5,600 are eligible for HSAs. Individuals (or their employers) can contribute up to \$2,900 (indexed for inflation) and can deduct this money from their taxable income. Money from the accounts can then be used to pay for qualified medical expenses tax free or withdrawn from the account upon death or retirement. It is unclear how Senator McCain would expand HSAs, besides allowing individuals to deposit money from McCain's health care tax credit into these accounts. He might also increase the amount of money that can be contributed to HSAs and/or ease the eligibility standards for enrolling.

Establish a "Guaranteed Access Plan"³³ -\$8 billion³⁴ / -\$22 billion³⁵

To address the problem of some individuals being unable to obtain coverage on the individual market, Senator McCain has proposed expanding and strengthening high-risk

Find Savings to Finance Health Plan⁴²

+\$48 billion⁴³ / \$0⁴⁴

Senator McCain's campaign has said he would find additional savings in order to make his health care tax credit budget neutral. Given the considerable upfront costs of his tax credit, it is highly improbable that this could occur by 2013. Because Senator McCain's health care tax credit would grow slower than health care costs (and therefore the employer exclusion), though, it could be made revenue neutral over time.

Were he to pursue this goal, there are a number of areas where plausible savings could be achieved. In the past, Senator McCain has supported allowing the government to negotiate Medicare Part D drug prices directly with drug companies rather than having private insurance companies negotiate on their own. Additionally, Senator McCain's campaign has suggested that he might support cutting excess subsidies to Medicare's private plan, Medicare Advantage.⁴⁵ Lastly, by eliminating the employer exclusion, Senator McCain's plan would generate considerable revenue for state and local governments. This might allow him to reduce Medicaid payments to states without hurting Medicaid recipients.

Total Budget Effect of Health Care Policies in 2013

-\$43 billion to -\$223 billion

Implement a Cap-and-Trade System⁴⁶**+\$5 billion**⁴⁷

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 Technology⁴⁸**-\$5 billion**⁴⁹

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
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Offer Targeted Assistance to Older Workers⁵⁰ **-\$4 billion⁵¹**

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 Earmarks⁵² **+\$35 billion⁵³**

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 Spending⁵⁴ **+\$21 billion⁵⁵**

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 Behind⁵⁶ **-\$13 billion⁵⁷**

Senator McCain has called for full funding of No Child Left Behind, a 2001 education reform law which authorized an increase in federal funding for education. 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.

Fully Fund Individuals with Disabilities Education Act **-\$15 billion⁵⁸**

Senator McCain would reform and fully-fund the Individuals with Disabilities Education Act (IDEA), raising funding from its current level of \$11 billion a year to \$26 billion a year after five years. Under McCain's plan, states would be allowed to develop programs that helped parents of disabled children to send them to a public or private school of their choosing. Additionally, some funding would be refocused on parents with children ages 0-3, instead of only school-age children.

Increase the Size of the Military⁵⁹ **-\$15 billion⁶⁰**

Senator McCain has proposed increasing the size of the Army and the Marine Corps from a 750,000 to 900,000.

Gradually Reduce the Troop Presence in Iraq⁶¹ **+\$103 billion**⁶²
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.

Implement Unspecified Spending Cuts⁶³ **+\$115 billion / +\$192 billion**⁶⁴
In order to reduce spending by enough to balance the budget, Senator McCain would cut spending considerably. 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 by 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. The amount of unspecified spending cuts enacted would depend on the amount of savings achieved from Senator McCain's health care plan, and thus has a considerable range.

Total Budget Effect of Other Spending/Savings Policies in 2013	+\$227 billion to +\$304 billion
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SENATOR BARACK OBAMA

TAX POLICY

Budget Effect in 2013

Extend Most of the 2001 and 2003 Tax Cuts⁶⁵ -\$294 billion⁶⁶

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 Earners⁶⁷ +\$48 billion⁶⁸

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 Earners⁶⁹ +\$28 billion⁷⁰

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 Tax⁷¹ +\$49 billion⁷²

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 Tax⁷³ -\$106 billion⁷⁴

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 Permanent⁷⁵ **-\$9 billion**⁷⁶

The Research and Experimentation Tax Credit (commonly referred to as the R&E or R&D credit), is a temporary provisions which provides a 20 percent tax credit for qualified research expenses. Senator Obama would renew the credit and make it permanent.

Create a Universal Refundable Mortgage Credit⁷⁷ **-\$13 billion**⁷⁸

Senator Obama would create a universal mortgage credit equal to 10 percent of interest payments for working 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 Credit⁷⁹ **-\$72 billion**⁸⁰

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 Seniors⁸¹ **-\$7 billion**⁸²

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 Credit⁸³ **-\$5 billion**⁸⁴

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-Saving⁸⁵ **-\$21 billion**⁸⁶

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 Credit⁸⁷ **-\$13 billion**⁸⁸

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 Credit⁸⁹ -\$3 billion⁹⁰

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.

Close Tax Loopholes and Shelters⁹¹ +\$77 billion⁹²

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 close the so-called “carried interest” loophole, 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 Taxes⁹³ -\$13 billion⁹⁴

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 Earners⁹⁵ \$0⁹⁶

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	-\$354 billion
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Expand Health Care Coverage⁹⁷**-\$115 billion**⁹⁸ to **-\$144 billion**⁹⁹

Senator Obama has proposed a number of measures designed to expand health care coverage. First, he would require all large employers to either “offer meaningful coverage or make a meaningful contribution to the cost of quality health care for their employees,” or else pay a payroll tax that the government could then use to expand coverage.

Senator Obama would also subsidize health plans for the payment of “catastrophic costs.” This “re-insurance” plan would remove some costs from the insurance companies and/or self-insured employers and place them on the government –roughly four percent of costs – according to estimates from the campaign. Additionally, re-insurance reduces the risk faced by insurers because they would no longer be liable for the full cost of an individual with unexpectedly high medical costs. This could further reduce insurance rates.

Small businesses would receive a refundable tax credit worth half the value of the premiums paid by the employer (on behalf of employees) as long as the business offers a “quality health plan to all of their employees” and covers a “meaningful share” of the cost of the premiums to help subsidize coverage.

For those individuals without employer coverage, Senator Obama would create a National Health Insurance Exchange. The exchange would include a number of private insurers who agree to offer plans similar to the Federal Employees Health Benefits Program (FEHBP), charge “fair premiums” and minimal co-pays for preventative care, and cover Americans with pre-existing conditions. It would also include a new public plan that the campaign has said would be similar to Medicare, though few details have been offered. Many of those purchasing insurance from the exchange would receive an income-based sliding scale tax credit to help pay for premiums.

Finally, Senator Obama would require that all children under age 18 have some type of health care coverage. In order to make this more tenable, and to expand adult coverage, Senator Obama would expand eligibility for Medicaid and the State Children’s Health Insurance Program (SCHIP).

Close the “Doughnut Hole” in Medicare Part D¹⁰⁰**-\$43 billion**¹⁰¹

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. Closing the gap completely, by offering a 75 percent subsidy for costs between \$2,510 and \$5,726, would cost roughly \$43 billion per year. Senator Obama would close this coverage gap as part of a spending neutral-reform of Medicare (see below). To the extent these savings could not be found, he would scale back his plan and only partially close the gap.

Find Savings to Finance Part D Reform

+\$43 billion¹⁰²

In order to finance his plan to close the “doughnut hole,” Senator Obama would pass a number of measures to reduce prescription drugs prices and otherwise reduce Medicare costs. First, he would repeal regulations that do not allow Americans to import cheaper drugs from other countries even when they were produced in the United States, and allow these drugs to be re-imported as long as they were certified as safe. Secondly, he would allow the government to use its buying power to negotiation Medicare Part D drug prices directly, rather than having individual insurers negotiate prices. These two provisions, taken together, would save the government between \$3 billion and \$8 billion.¹⁰³ Senator Obama would also encourage the use of generic drugs and prohibit large drug companies from keeping generics out of markets. Additionally, he would seek other sources of savings within Medicare. To the extent these savings could not be found, Senator Obama would scale back his plan and only partially close the “doughnut hole.”

Reduce Overall Health Care Costs¹⁰⁴

+\$41 billion¹⁰⁵ / +\$24 billion¹⁰⁶

Senator Obama has proposed a number of measures to slow the growth of health care costs. First, he would invest \$10 billion a year for five years (paid for as part of his plan to increase government spending on basic research) on electronic health information systems and other health information technology. He would promote coordinated care and diseases management, especially through a medical home-type model. Senator Obama would also develop national effectiveness standards to improve the efficient delivery of health care. Additionally, he would increase transparency by requiring hospitals and providers to report data on cost and quality. And he would strengthen antitrust laws to prevent medical malpractice insurers from overcharging physicians. Finally, Senator Obama would increase competition among insurance companies through his National Health Insurance Exchange.

Cut Medicare and Medicaid Costs¹⁰⁷

+\$22 billion¹⁰⁸ / +14 billion¹⁰⁹

In addition to proposing several measures that would reduce the economy-wide cost of health care, Senator Obama would enact policies specifically designed to reduce the costs of Medicare and Medicaid. First, he would eliminate excess subsidies for Medicare Advantage, whereby Medicare’s private plans receive more funding per person than does traditional Medicare. Secondly, Senator Obama would reform the Medicare and Medicaid payments systems – as well as that of other public and semi-public plans – so that medical providers are paid in part based on performance rather than strictly volume of service. Finally, Senator Obama expects that his health care plan would yield considerable savings from Disproportionate Share Hospital (DSH) payments, which currently subsidizes hospitals that serve a disproportionate number of low-income patients with special needs.

Total Budget Effect of Health Care Policies in 2013

-\$52 billion to -\$106 billion

Implement a Cap-and-Trade System¹¹⁰ +\$100 billion¹¹¹

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 Assistance¹¹² -\$85 billion¹¹³

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 Technology¹¹⁴ -\$15 billion¹¹⁵

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 Spending¹¹⁶ **-\$18 billion**¹¹⁷

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 Bank¹¹⁸ **-\$6 billion**¹¹⁹

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 Research¹²⁰ **-\$15 billion**¹²¹

Senator Obama has proposed an increase in funding for basic research in the 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 Education¹²² **-\$9 billion**¹²³

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 and Reform Government Contracting¹²⁴ **+\$40 billion**¹²⁵

Senator Obama has criticized the growth in federal contracting, especially in the departments of defense, energy, and homeland security. The campaign has called for cutting spending on these contractors by at least 10 percent. They have also said they would increase oversight of administered contracts, reduce no-bid and cost-plus contracts, and prohibit contracts from going to tax-delinquent companies.

Reform Government Spending¹²⁶ **+\$17 billion**¹²⁷

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 reduce improper payments made by the federal government, expand the use of purchasing cards to standardize government purchasing, reduce federal energy consumption, and auction off surplus federal property.

Eliminate the Federal Education Loan Program¹²⁸ **+\$4 billion**¹²⁹

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 Aid¹³⁰ **-\$25 billion**¹³¹

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 Military¹³² **-\$20 billion**¹³³

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 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 Iraq¹³⁴ **+\$156 billion**¹³⁵

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.

Reduce Wasteful Spending¹³⁶ **+\$20 billion**¹³⁷

Senator Obama would reduce wasteful spending and eliminate obsolete programs by conducting an “exhaustive line-by-line review of the federal budget.” Obama has proposed establishing a Performance Team to increase the efficiency of government programs. He has also proposed reducing bureaucracy within government agencies, and eliminating redundant government functions. Specifically, the campaign has pointed to payments to wealthy farmers, the “Reading First” initiative, the Economic Development Administration, the Export-Import Bank, and corporate welfare as areas ripe for cutting.

Total Budget Effect of Other Spending/Savings Policies in 2013	+\$144 billion
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ENDNOTES

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/>.

² Official McCain campaign website (hereafter, McCain campaign), <http://www.johnmccain.com/Issues/JobsforAmerica/taxes.htm>.

³ 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.

⁴ McCain campaign, <http://www.johnmccain.com/Issues/JobsforAmerica/smallbusiness.htm>.

⁵ 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.

⁶ McCain campaign, <http://www.johnmccain.com/Issues/JobsforAmerica/taxes.htm>.

⁷ TPC, <http://www.taxpolicycenter.org/numbers/displayatab.cfm?DocID=1875&topic2ID=40&topic3ID=&DocTypeID=5>.

⁸ McCain campaign memo, <http://www.washingtonpost.com/wp-dyn/content/article/2008/07/13/AR2008071301643.html>.

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

¹⁰ Estimate provided directly by the McCain campaign (hereafter, McCain campaign number).

¹¹ McCain campaign, <http://www.johnmccain.com/Issues/JobsforAmerica/taxes.htm>, <http://www.washingtonpost.com/wp-dyn/content/article/2008/07/13/AR2008071301643.html>.

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 number.

¹⁴ McCain campaign, <http://www.johnmccain.com/Issues/JobsforAmerica/taxes.htm>.

¹⁵ McCain campaign number.

¹⁶ TPC, <http://www.taxpolicycenter.org/numbers/displayatab.cfm?DocID=1875&topic2ID=40&topic3ID=&DocTypeID=5>.

¹⁷ McCain campaign, <http://www.johnmccain.com/Issues/JobsforAmerica/taxes.htm>.

¹⁸ TPC, <http://www.taxpolicycenter.org/numbers/displayatab.cfm?DocID=1875&topic2ID=40&topic3ID=&DocTypeID=5>.

¹⁹ McCain campaign memo, http://www.washingtonpost.com/wp-dyn/content/article/2008/07/13/AR2008071301643_pf.html.

²⁰ US Budget Watch, <http://www.usbudgetwatch.org/files/crfb/USBW%20Tax%20Guide.pdf>.

²¹ McCain campaign memo, <http://www.washingtonpost.com/wp-dyn/content/article/2008/07/13/AR2008071301643.html>.

²² McCain campaign number.

²³ McCain campaign memo, <http://www.washingtonpost.com/wp-dyn/content/article/2008/07/13/AR2008071301643.html>.

²⁴ 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.

²⁵ McCain campaign, <http://www.johnmccain.com/Informing/Issues/19ba2f1c-c03f4ac2-8cd5-5cf2edb527cf.htm>.

²⁶ US Budget Watch calculations from Tax Policy Center and Lewin Group (<http://www.taxpolicycenter.org/publications/url.cfm?ID=411749> and http://www.lewin.com/dyn/healthpolicies_3, p 23).

²⁷ The Lewin Group, http://www.lewin.com/dyn/healthpolicies_3, p 23.

²⁸ *New York Times*,

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

²⁹ The Lewin Group, http://www.lewin.com/dyn/healthpolicies_3, p 23.

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

³¹ Assumes expansion comes in the form of allowing the deposit of excess money from the health care tax credit.

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

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

³⁴ McCain campaign number.

³⁵ The Lewin Group, http://www.lewin.com/dyn/healthpolicies_3, p 23.

³⁶ McCain campaign, <http://www.johnmccain.com/Informing/Issues/19ba2f1c-c03f4ac2-8cd5-5cf2edb527cf.htm>.

³⁷ US Budget Watch calculations from Lewin Group, Commonwealth Fund, and Congressional Budget Office, (http://www.commonwealthfund.org/publications/publications_show.htm?doc_id=620087, Exhibit E-2, http://www.lewin.com/dyn/healthpolicies_3, p 23, <http://www.cbo.gov/ftpdocs/87xx/doc8729/hr380Ltr.pdf>, and <http://www.cbo.gov/ftpdocs/40xx/doc4098/hr5ec.pdf>, 2).

³⁸ The Lewin Group, http://www.lewin.com/dyn/healthpolicies_3, p 23.

³⁹ US Budget Watch calculations from New York Times, Office of Management and Budget, Centers for Medicare and Medicaid Services, and Commonwealth Fund, <http://www.whitehouse.gov/omb/budget/fy2009/pdf/savings.pdf>, p. 153 and 159 and <http://thecaucus.blogs.nytimes.com/2008/04/14/mccain-to-propose-changes-in-medicare-drug-program/> and

http://www.cms.hhs.gov/actuarialstudies/03_medicarereport.asp?
http://www.commonwealthfund.org/publications/publications_show.htm?doc_id=620087, Exhibit E-2.

⁴⁰ US Budget Watch calculations from New York Times, and Office of Management and Budget, <http://thecaucus.blogs.nytimes.com/2008/04/14/mccain-to-propose-changes-in-medicare-drug-program/>, and <http://www.whitehouse.gov/omb/budget/fy2009/pdf/savings.pdf>, p. 153 and 159.

⁴¹ <http://online.wsj.com/article/SB122315505846605217.html#printMode>;
<http://www.cnsnews.com/public/Content/Article.aspx?rsrcid=24125>;

⁴² Wall Street Journal, <http://online.wsj.com/article/SB122315505846605217.html>.

⁴³ US Budget Watch calculations from Commonwealth Fund and Lewin
http://www.commonwealthfund.org/publications/publications_show.htm?doc_id=620087, Exhibit E-2 and
http://www.lewin.com/dyn/healthpolicies_3, p 23-25 and p.28.

⁴⁴ Assumes McCain pursues no unspecified Medicare or Medicaid savings.

⁴⁵ New York Times and Office of Senator McCain,
<http://www.nytimes.com/2008/10/19/us/politics/19health.html?ref=health> and
http://mccain.senate.gov/public/index.cfm?FuseAction=PressOffice.PressReleases&ContentRecord_id=980980e5-c3c5-441d-a909-ff3b10e03b96&Region_id=&Issue_id=766fba58-c762-4e68-bf3d-99163108bb35.

⁴⁶ 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>

⁴⁷ McCain campaign number.

⁴⁸ McCain campaign, <http://www.johnmccain.com/Informing/Issues/17671aa4-2fe8-4008-859f-0ef1468e96f4.htm>.

⁴⁹ US Budget Watch calculations. Assumes revenue from cap-and-trade used for clean technology initiatives.

⁵⁰ McCain campaign, <http://www.johnmccain.com/informing/news/PressReleases/169de714-b6f0-4ea9-947e-383b5f4e7f14.htm>.

⁵¹ Brookings Institution, www.brookings.edu/press/books/abstracts/TradeForum/200513.pdf.

⁵² McCain campaign, <http://www.johnmccain.com/Informing/Issues/cb15a056-ac87-485d-a64d-82989bdc948c.htm>.

⁵³ McCain campaign number.

⁵⁴ *Bloomberg*, http://www.bloomberg.com/apps/news?pid=20601070&sid=a72L7_AJ5P9c&refer=home.

⁵⁵ McCain campaign number.

⁵⁶ MSNBC, <http://firstread.msnbc.msn.com/archive/2008/07/16/1202333.aspx>.

⁵⁷ Congressional Budget Office (hereafter, CBO), <http://www.cbo.gov/ftpdocs/78xx/doc7821/500.htm>, Chart 500-4.

⁵⁸ McCain campaign, <http://www.johnmccain.com/informing/news/PressReleases/949cd3e5-b5a8-4b29-8e4a-591bba44f33e.htm>.

⁵⁹ McCain campaign, <http://www.johnmccain.com/Informing/Issues/054184f4-6b51-40dd-8964-54fcf66a1e68.htm>.

⁶⁰ Senator McCain,
http://www.realclearpolitics.com/articles/2007/07/address_to_the_concord_chamber.html.

⁶¹ McCain campaign, <http://www.johnmccain.com/Informing/Issues/fdeb03a7-30b0-4ece-8e34-4c7ea83f11d8.htm>.

⁶² CBO, <http://www.cbo.gov/ftpdocs/97xx/doc9706/09-08-Update.pdf>, table 1-8.

⁶³ McCain campaign, <http://www.johnmccain.com/Issues/JobforAmerica/reform.htm>.

⁶⁴ US Budget Watch calculations from McCain campaign numbers.

⁶⁵ 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).

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- ⁶⁶ 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.
- ⁶⁷ Obama campaign, http://www.barackobama.com/pdf/taxes/Factsheet_Tax_Plan_FINAL.pdf, p. 1.
- ⁶⁸ Modeling by the Tax Policy Center.
- ⁶⁹ Obama campaign, http://www.barackobama.com/pdf/taxes/Factsheet_Tax_Plan_FINAL.pdf, p. 5.
- ⁷⁰ Modeling by the Tax Policy Center.
- ⁷¹ Obama campaign, http://www.barackobama.com/pdf/taxes/Factsheet_Tax_Plan_FINAL.pdf, p. 5.
- ⁷² US Budget Watch calculations from TPC and JCT, <http://www.taxpolicycenter.org/numbers/displayatab.cfm?DocID=1956> and <http://www.house.gov/jct/s-1-08.pdf>, p. 316.
- ⁷³ CNN, http://money.cnn.com/2008/02/22/news/economy/candidates_deficit/?postversion=2008022215; Obama campaign, http://obama.senate.gov/issues/tax_reform/.
- ⁷⁴ TPC, <http://www.taxpolicycenter.org/numbers/displayatab.cfm?DocID=1956>.
- ⁷⁵ Obama campaign, <http://www.barackobama.com/issues/economy/>.
- ⁷⁶ US Budget Watch, <http://www.usbudgetwatch.org/files/crfb/USBW%20Tax%20Guide.pdf>
- ⁷⁷ Obama campaign, http://www.barackobama.com/pdf/taxes/Factsheet_Tax_Plan_FINAL.pdf, p. 2.
- ⁷⁸ TPC, <http://www.taxpolicycenter.org/numbers/displayatab.cfm?DocID=1956>.
- ⁷⁹ Obama campaign, http://www.barackobama.com/pdf/taxes/Factsheet_Tax_Plan_FINAL.pdf, p. 2.
- ⁸⁰ TPC, <http://www.taxpolicycenter.org/numbers/displayatab.cfm?DocID=1956>.
- ⁸¹ Obama campaign, http://www.barackobama.com/pdf/taxes/Factsheet_Tax_Plan_FINAL.pdf, p. 2.
- ⁸² TPC, <http://www.taxpolicycenter.org/numbers/displayatab.cfm?DocID=1956>.
- ⁸³ Obama campaign, http://www.barackobama.com/pdf/taxes/Factsheet_Tax_Plan_FINAL.pdf, p. 2.
- ⁸⁴ TPC, <http://www.taxpolicycenter.org/numbers/displayatab.cfm?DocID=1956>.
- ⁸⁵ Obama campaign, http://www.barackobama.com/pdf/taxes/Factsheet_Tax_Plan_FINAL.pdf, p. 2.
- ⁸⁶ TPC, <http://www.taxpolicycenter.org/numbers/displayatab.cfm?DocID=1956>.
- ⁸⁷ Obama campaign, http://www.barackobama.com/pdf/taxes/Factsheet_Tax_Plan_FINAL.pdf, p. 2.
- ⁸⁸ Estimates modeled by Paul Weinstein, Senior Fellow, the Progressive Policy Institute.
- ⁸⁹ Obama campaign, http://www.barackobama.com/pdf/taxes/Factsheet_Tax_Plan_FINAL.pdf, p. 2.
- ⁹⁰ TPC, <http://www.taxpolicycenter.org/numbers/displayatab.cfm?DocID=1956>.
- ⁹¹ 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.
- ⁹² TPC, <http://www.taxpolicycenter.org/numbers/displayatab.cfm?DocID=1956>. Windfall profit tax (\$15 billion) subtracted.
- ⁹³ Obama campaign, http://www.barackobama.com/pdf/taxes/Factsheet_Tax_Plan_FINAL.pdf, 3.
- ⁹⁴ US Budget Watch 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).
- ⁹⁵ *Wall Street Journal*, http://online.wsj.com/article_print/SB121867201724238901.html.
- ⁹⁶ Because the policy would not begin until after 2018, it would not affect the budget in the year 2013.
- ⁹⁷ Obama campaign, <http://www.barackobama.com/pdf/issues/HealthCareFullPlan.pdf>.
- ⁹⁸ Obama campaign number
- ⁹⁹ Lewin Group, http://www.lewin.com/dyn/healthpolicies_3, p 25.

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- ¹⁰⁰ Obama campaign number based on principle of revenue neutrality.
- ¹⁰¹ CBO, <http://www.cbo.gov/ftpdocs/60xx/doc6075/02-15-BudgetOptions.pdf>.
- ¹⁰² Based on campaign pledge of spending-neutrality.
- ¹⁰³ US Budget Watch calculations from CBO and Commonwealth Fund, <http://www.cbo.gov/ftpdocs/87xx/doc8729/hr380Ltr.pdf> and http://www.commonwealthfund.org/publications/publications_show.htm?doc_id=620087, Exhibit E-2.
- ¹⁰⁴ Obama campaign, http://www.barackobama.com/pdf/Obama08_HealthcareFAQ.pdf.
- ¹⁰⁵ US Budget Watch calculations from Commonwealth Fund and Lewin Group (http://www.commonwealthfund.org/publications/publications_show.htm?doc_id=620087, Exhibit E-2, http://www.lewin.com/dyn/healthpolicies_3, p 25).
- ¹⁰⁶ Lewin Group, http://www.lewin.com/dyn/healthpolicies_3, p 25.
- ¹⁰⁷ Obama Campaign, <http://www.barackobama.com/issues/healthcare/>; and <http://www.barackobama.com/issues/socialsecurity/>.
- ¹⁰⁸ US Budget Watch calculations from Commonwealth Fund, Lewin, and Center for Medicare and Medicaid Services. http://www.commonwealthfund.org/publications/publications_show.htm?doc_id=620087, Exhibit E-2, http://www.lewin.com/dyn/healthpolicies_3, p 25, and http://www.cms.hhs.gov/actuarialstudies/03_medicaidreport.asp
- ¹⁰⁹ Lewin Group, http://www.lewin.com/dyn/healthpolicies_3, p 25.
- ¹¹⁰ Obama campaign, <http://www.barackobama.com/issues/energy/#reduce-carbon-emissions>.
- ¹¹¹ CBO, <http://www.cbo.gov/ftpdocs/87xx/doc8769/11-01-CO2Emissions.pdf>; *Wall Street Journal*, <http://online.wsj.com/article/SB120415201049297519.html>.
- ¹¹² Obama campaign, http://www.barackobama.com/pdf/factsheet_energy_speech_080308.pdf, p. 3.
- ¹¹³ 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.
- ¹¹⁴ Obama campaign, <http://www.barackobama.com/issues/energy/#invest-in-a-clean>.
- ¹¹⁵ Obama campaign, http://www.barackobama.com/pdf/factsheet_energy_speech_080308.pdf and <http://www.barackobama.com/issues/energy/>.
- ¹¹⁶ Obama campaign, <http://www.barackobama.com/issues/pdf/PreK-12EducationFactSheet.pdf>.
- ¹¹⁷ Ibid.
- ¹¹⁸ *USA Today*, <http://blogs.usatoday.com/onpolitics/2008/02/obama-to-call-f.html>.
- ¹¹⁹ Ibid.
- ¹²⁰ Obama campaign, <http://www.barackobama.com/issues/technology/#improve-competitiveness>.
- ¹²¹ Obama campaign number.
- ¹²² Obama campaign, <http://origin.barackobama.com/issues/pdf/CollegeAffordabilityFactSheet.pdf>; and http://www.barackobama.com/2008/02/16/obama_outlines_plan_to_strengt.php.
- ¹²³ CBO, <http://www.cbo.gov/ftpdocs/88xx/doc8815/s1642.pdf>, based on past legislation co-sponsored by Senator Obama.
- ¹²⁴ Obama campaign, http://obama.3cdn.net/0080cc578614b42284_2a0mvyxpz.pdf, p. 9.
- ¹²⁵ Obama campaign, http://obama.3cdn.net/0080cc578614b42284_2a0mvyxpz.pdf, p. 9.
- ¹²⁶ Obama campaign, <http://www.barackobama.com/issues/pdf/PreK-12EducationFactSheet.pdf>, p. 15.
- ¹²⁷ 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; Government Accountability Office, <http://www.gao.gov/new.items/d08377r.pdf> and <http://www.gao.gov/new.items/d04717t.pdf>. Assumes \$1.5 billion from reduced energy consumption, \$9.4 billion in reduced earmarks, \$500 million from

auctioning surplus government property, \$5 billion from reducing erroneous payments, and \$500 million from using purchasing cards.

¹²⁸ Obama campaign, <http://www.barackobama.com/issues/pdf/CollegeAffordabilityFactSheet.pdf>.

¹²⁹ Obama campaign, http://obama.3cdn.net/0080cc578614b42284_2a0mvyxpz.pdf.

¹³⁰ Obama campaign, <http://www.barackobama.com/issues/foreignpolicy/>.

¹³¹ Ibid.

¹³² Obama campaign, <http://www.barackobama.com/issues/defense/#invest-century-military> and http://www.barackobama.com/pdf/Defense_Fact_Sheet_FINAL.pdf.

¹³³ *Washington Post*, <http://www.washingtonpost.com/wp-dyn/content/article/2007/01/11/AR2007011102146.html> and Obama campaign number.

¹³⁴ Obama campaign, <http://www.barackobama.com/issues/iraq/#phased-withdrawal>.

¹³⁵ CBO, <http://www.cbo.gov/ftpdocs/97xx/doc9706/09-08-Update.pdf>, table 1-8.

¹³⁶ Obama campaign, <http://www.barackobama.com/issues/fiscal/#restore-discipline> and http://obama.3cdn.net/0080cc578614b42284_2a0mvyxpz.pdf.

¹³⁷ Obama campaign number.