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THE STATE-BY-STATE IMPACT OF THE WHITE HOUSE TAX MEMO

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Recently leaked budget documents, prepared for the President by his top budget aide, Office of Management and Budget Director Alice Rivlin, reveal that last year's record tax increase was a complete failure in curbing future deficits. The Administration now admits that the budget deficit will climb in eight out of the next ten years, rising to almost $300 billion after the end of the decade. This grim fiscal outlook—higher taxes followed by higher deficits, should come as no surprise. The same thing happened after Washington politicians imposed a large tax increase in 1990.

Acknowledging this deteriorating fiscal condition, Budget Director Rivlin earlier this month presented the President with a confidential memorandum outlining an extensive list of deficit reduction options. The preponderance of tax increases in this document indicates that the Clinton Administration has failed to learn the lessons of history. Experience demonstrates that higher taxes simply encourage more spending and reduce economic growth, the combination of which results in higher budget deficits. The "illustrative tax-related options" in the Rivlin memorandum include:

	Five Year Impact
✗ Limit mortgage deductions for second homes.	$3 billion
✗ Limit mortgage interest deductions for primary residence.	$32 billion
✗ Enact carryover basis for inherited capital assets.	$9 billion
✗ Tax capital gains at death.	$35 billion
✗ Tax high-cost employer-provided health benefits.	$100 billion
✗ Eliminate deduction of state and local taxes.	$191 billion
✗ Limit value of itemized deductions to 15 percent.	$274 billion
✗ Repeal bracket indexing.	$130 billion
✗ Suspend bracket indexing for one year.	$46 billion
✗ Correct for mismeasurement of inflation.	N/A
✗ 2.5 percent Value-Added Tax.	$160 billion
✗ Tax all entitlement benefits.	$250 billion
✗ Increase monthly Part B Medicare tax.	$6-$10 billion

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