1st Draft
10/5/75

4 Good Evening:

I have asked for this opportunity to talk with you tonight because it is important that all of us begin facing up to a fundamental decision about our future.

Each of you can speak from experience about the economic struggles of recent months. You know what it means to pay more and more of your income just to feed and clothe your family, to get to work, and to maintain a decent home. You know the fear that strikes the human heart when a friend or member of your family is laid off work. And you know the anxiety that comes when these forces seem beyond your own control.

None of us wants to repeat the experiences of the past year. We want steady prices. We want steady jobs. And above all, we want to have a chance to get ahead again, to know that our destiny lies in our own hands and not in

5

Washington or some other far away place.

Fortunately, there are encouraging signs that we have weathered the worst of this storm. The recovery that began this spring is now gathering momentum. If we act wisely, it will continue on an upward path.

Yet we should not be deceived. All of us must recognize that just beneath the surface there are still deep-seated problems in our economy -- problems that have been building up over the years and will not quickly disappear.

If you had a car that needed major repairs and you asked the local garage to make only minor adjustments, the car might run better for a while but eventually it could give you serious trouble. The same thing is true of our economy. If we make only minor repairs now but fail to attack the underlying causes of our economic problems, we may seem better off for a while, but we will be risking far more trouble down the road.

6 We must find answers that serve us not only this year but in the years to come.

Here in Washington, we have the power to help. I know that because it is here in Washington that much of America's vitality and prosperity have been drained away. It is here that one big spending program after another has been piled on the Federal pyramid, taking a larger share of your personal income and creating record budget deficits. Here the printing presses have ~~churned~~ TURNED out more and more money that is worth less and less. Here a massive, overzealous bureaucracy has been erected that has become too involved in trying to run too much of our daily life.

Over the years, these excesses have played a major role in driving up prices, driving up interest rates, and holding down jobs. We do not have to look far for our underlying

M

problems. It can fairly be said that much of our inflation AND MUCH OF ~~as well as~~ our unemployment should bear a label: "Made in Washington, D.C."

As we emerge from this recession, our nation faces a basic choice. We can continue in the direction of recent years -- a path that is certain to lead to more inflation, to more unemployment, and to more governmental domination over our personal lives. Or we can take a new direction -- bringing a halt to the EXCESSIVE ~~momentous~~ growth of government, allowing each of you a greater voice in determining your own future, and returning the nation to the high road of GREATER PERSONAL freedom and economic growth. We cannot do both. ~~we cannot go down both roads at the same time.~~ To put it simply, we must decide now whether we shall surrender more and more of our freedom and our earnings to the government, or whether we shall keep more of our freedom and our earnings in our own hands. That is the choice.

And my choice is to keep our freedom and our earnings in our own hands -

Tonight I want to set forth two major proposals that represent the ~~answer~~ choice I believe we must make. Taken together, these proposals represent one central idea: that America belongs to you, the people, nad not to your government. And let me be clear from the outset: as your President, I want these proposals acted upon together in the Congress. It would be dangerous and irresponsible to adopt one without the other, and I will not accept ~~that as an answer for our future~~. one without the other.

First, I propose that we enact into permanent law tax reductions totaling $_____ billion -- the biggest single tax cut in our history. Earlier this year the Congress passed and I signed a temporary tax cut covering calendar year 1975. That temporary law will expire at the end of this year and unless we act now, your taxes will go up again in January. I am proposing that we sweep away that temporary law and replace it, effective January 1, with a permanent Federal income tax cut that will be both larger and more equitable.

Three quarters of this permanent reduction will be for individual taxpayers. And the chief benefits will be concentrated where they belong: among middle and lower income Americans. The average families in this country are hard-working and industrious -- the backbone of the nation -- but we cannot continue asking them to bear too much of the tax burden. Under my proposal, a family of four earning a total of $_____ a year -- now the average income in the United States -- would be entitled to a permanent tax reduction of $_____ a year below the rate otherwise scheduled to take effect this January.

The other quarter of the reduction will be directed at business in a way that creates more jobs. If companies and plants are to regain their footing and to hire more employees in the future, they must have greater incentives for investment and they must be allowed to retain more of their earnings. The tax cuts that I am proposing -- including a permanent increase in the investment tax credit and a two percent reduction in the corporate tax rate -- are specifically designed for that purpose.

But let us recognize that cutting taxes can be only half the answer. If we cut only taxes but do not restrain the growth of government spending, our budget deficits will continue to mushroom, we will have more inflation, and ultimately we will have more unemployment. Substantial cuts in our taxes must be tied to substantial cuts in the growth of government spending.

Anyone who has followed the upward leap in Federal spending can only shake his head in astonishment. Back in 1962, the Federal budget for the first time in our history ran over $100 billion. In only eight years, however, the budget doubled in size. And now in the coming fiscal year, unless we act, it will double again.

9 One of the reasons for this horrendous growth is that much of the increase in each year's budget is required by PROGRAMS ~~laws~~ already on the books. Many of these programs were first enacted years ago, and while they might have been manageable then, they are almost out of control now. They are like a freight train whose lights were first seen far off in the night. That train has been coming closer and closer, and now it is roaring down upon us. If we don't slow it down, Federal spending next year could easily jump to $_____ billion -- and that is without a single new Federal program.

Therefore, I propose tonight that we halt this alarming growth by holding spending in the coming year to $_____ billion. That means a cut of $_____ billion below what we will spend if we just stand still and let the train run over us. More importantly, it means a dollar-for-dollar cut in taxes and spending: for every dollar that we return to the American taxpayer, we must also cut our projected spending by the same amount. By taking this step now, we can bring the overall Federal budget into balance within three years. And ~~if I am President~~, I pledge to you that objective: The Federal budget to be balanced in three years.

10 If we allow "politics as usual" to prevail in Washington, there will be a temptation to take the easy way out, approving the tax cuts and taking no action on the spending cuts. That must not happen, and I intend to stop it. I want to make it clear that I will go forward with the tax cuts that I am proposing only if there is a clear, affirmative signal from your representatives in the House and the Senate that they will also hold spending next year to $____ billion. I will not hesitate to veto any measure passed by the Congress which violates the spirit of that understanding.

In January, I will present to the Congress a request

7

that no new spending programs be enacted and that many of our current programs be held below their projected levels. When I do, you will hear immediate protests from one group or another contending that Washington should keep up an endless flow of benefits and subsidies. But we have to face hard realities: our resources are limited. We must learn to live within our means.

Spending discipline by the Federal Government must be applied across the board. It cannot be isolated to one area such as social programs nor can we completely insulate any area such as defense. All must be restrained. I believe that your Congressmen should stop trying so hard to find new ways of spending your money, and get to work figuring out how to make the old ways work better. And in the process, we can begin cutting back the Federal bureaucracy; I firmly believe that we do not need almost 3 million people on the Federal payroll to deliver better services to you, the taxpayer.

\\ Let me emphasize that my budget requests will not lead to widespread cutbacks in social security, welfare or veterans benefits. We do not intend to cure the ills of this economy at the expense of the elderly, the poor, or the men and women who have borne our nation's arms. Similarly, I will not permit reductions in any part of our defense budget that would jeopardize our national security. We must maintain a strong national defense and a strong economy.

Sometimes when fancy new spending programs reach my desk, promising something for almost nothing and carrying appealing and often deceptive labels, I wonder who the supporters think they're kidding. From my visits with the

12

American people, I find most of them believe that what the government puts in your front pocket, it slips out of your back pocket through taxes and inflation. They are figuring out that they are not getting their money's worth from their taxes. They believe that the politics of Federal spending has become too much of a shell game. And to be honest, I agree with them.

13 America's greatness was not built by taxing people to their limits but by letting them exercise their freedom and their ingenuity to their limits. Freedom and prosperity go hand in hand. The proof is there to see across the globe. Only by releasing the full energies of our people -- only by getting the government off your back and out of your pocket -- will we achieve our goals of stable prices and more jobs.

14 It has been apparent for years that America was nearing a crossroads. Today we are there.

Down one fork lies the wreckage of many great nations of the past. Indeed, the biggest city in our own country is dangerously close to a financial precipice. None of us wants to see it go over the edge; all of us care deeply about the people of that city. But as they work to get back on the right path, let us never forget what led them to the brink; and let us vow that these United States will never reach the same predicament.

15 Let us choose instead the other fork -- the road that we know to be tested, the road that will work.

As your President, I cannot take this journey alone. I need the help of you, the American people, to persuade your Congressmen and your Senators that you want your taxes cut and the growth in spending cut. I need the help of the farmer in Iowa, the housewife in California, the retired couple in Florida, the small businessman in New Jersey, the student in Texas -- all of you. This must be a national effort. I deeply believe that America should not belong to the politicians but to the people; and now you must help in deciding upon your future.

Thank you and good evening.

Rie Taf [Oct 1975]

QUESTIONS & ANSWERS

WHEN

Q. Your speech doesn't indicate when Congress is expected to put into effect the full tax cut or when or how Congress is to signal its agreement with the expenditure limit. What do you expect?

A. I expect Congress to enact my tax proposal and adopt the limit now, before they recess again, so that the American people can have the benefit of the tax reductions effective January 1.

TOO SHORT NOTICE?

Q. Isn't it totally unrealistic to expect Congress to agree to an expenditure ceiling on such short notice?

A. Not at all. The Congressional Budget Office and the two Budget Committees have been at work for months on the second concurrent budget resolution covering FY 1976 and I'm sure they also have data on FY 1977.

SHORT NOTICE?

Q. They may have some FY 1977 data but surely they can't be expected to put together an FY 1977 budget on such short notice. After all, under their new statutory budget procedures, they aren't expected to have even a first resolution on FY 1977 until May of next year -- after you have come up with a 1977 Current Services budget in November and a 1977 Presidential budget in January.

A. I recognize that it would speed up their timetable, but bear in mind we are not asking Congress to make decisions now on what the FY 1977 budget should look like. All Congress has to do is come up with an expenditure ceiling -- the $395 billion. Congress can do it, and they should do it to give the American people the tax cut January 1 that such a pledge now to moderate federal spending growth would permit.

DO YOU KNOW WHERE TO CUT?

Q. But do you in the Executive Branch even know what would have to be cut to hold to the $395 billion?

A. We have identified ways of doing it. Of course, the exact package will be presented only after extensive work by the Departments and Agencies and the President has finalized his budget. But we know it can be done and in our view it must be done. It's time that we slow down the growth of government and give our people the tax cut this would permit.

WHICH PROGRAMS CUT?

Q. What programs will be cut?

A. The programs to be cut and the specific amounts will be worked out in the budget process that is just getting underway. At the outset, one point should be clear: we are talking about slowing down the rate of spending. Our proposal, while stringent, would still provide for $25 billion more spending in FY 77 than our current estimates for FY 76. The first step in achieving our goal is for the Congress to resist adding any more to this year's budget.

Without any restraint, the big increases would occur in Feder pay and retirement benefits; Social Security, medicare, medicaid, food stamps and the other big income assistance programs. Clearly, these areas will have to be restrained from the levels they would otherwise reach.

We're going to have to ferret out programs that have outlived their usefulness in all departments and agencies. We also must take steps to moderate the growth in expenditures for many other programs.

In addition, we are going to have to ask agencies to do their job with the same number or fewer people than they have this year, even where the workload has increased. The answer to more workload will have to be greater productivity not more people or dollars.

WORK WITH BUDGET COMMITTEES

Q. Are you willing to share with the budget committees the cuts you presently have in mind?

A. I think we can talk with them about the general kinds of things we should look at.

WHY SET CEILING SO EARLY?

Q. How can you set an expenditure ceiling so early? After all, you are asking Congress to determine what kinds of expenditures and deficit are right for the economy almost a full year before FY 1977 even begins.

A. Let's make this clear. The purpose of the President's proposals is not stimulus but rather long term braking of expenditures. If additional stimulus turns out to be needed, it should be by tax cuts, not increases in expenditures over the $395 billion.

EXPENDITURE LEVELS

Q. Does the Administration accept the $370 billion 1976 expenditure level as an accepted fact?

A. We do not. If the Congress were to restrict its actions, spending in 1976 could still be held below $365 billion.

(See attached sheet for the range of possibilities.)

October 6, 1975

1976 Budget Outlays
Changes Since May 30
(In billions)

May 30 estimate..............................	358.9
Congressional action and inaction:	
Appropriations action:	
Continuing resolution (Job Opportunities program, older Americans, etc.)................................	.5
Education (overturn of veto)..........	.4
Other appropriation action completed.	.5
Possible further appropriation action	-1.5 to 0
Continuing inaction on pending reduction proposals..........................	2.8 to 6.5
Overturn of rescissions and deferrals....	.5
Other completed actions..................	.3
Possible further Congressional action....	0 to 8.2
Total Congressional action and inaction	3.5 to 16.9
Other changes:	
Unemployment assistance..................	2.5 to 3.5
Interest on the public debt..............	.75 to 1.75
Veterans GI bill benefits................	0.5 to .75
Medicare and Medicaid....................	.8
Earned income credit.....................	1.2
Removal of energy equalization payments (energy program affects receipts and outlays in approximately equal amounts).	-5.8
Other....................................	.4 to .8
Total	362.4 to 378.8

Mid-point of ranges is approximately........ 370

October 6, 1975

Budget Outlays
1977 Compared with 1976
(In billions)

	1976	1977	Diff.
Pay increases:			
Civilian agencies	---	2	2
Defense	---	4	4
Total	---	6	6

Under present law, salaries for Federal civilian personnel are made comparable with salaries of similar employees in the private sector unless the President proposes an alternative plan and the Congress does not overturn the plan. Military personnel salaries are adjusted in direct relationship to civilian salaries. In October, 1976 classified salaries will rise an estimated 11.5% unless an alternative plan is proposed. This increase includes a catchup of 3.66% representing the difference from comparability applied in October 1975.

	1976	1977	Diff.
Federal retirement benefits:			
Military retirees	7-1/4	8-1/2	
Civilian retirees	8-1/2	10-1/2	
Total	15-3/4	19	3

Retirement payment increases are based on increases in the consumer price index. (Retirement benefits rise if the CPI rises 3% over the last base period and the rise is sustained for three months. The increase also includes a 1% "kicker.") Estimates assume increases will occur about as follows:

April 1976	5-3/4%
January 1977	4-3/4%

	1976	1977	Diff.
Social security and railroad retirement:			
Social security benefits	73-1/2	85-1/2	
Railroad retirement benefits	3-1/2	3-1/2	
Total	77	89	12

These benefits are tied directly to CPI increases occurring between the first quarter of each calendar year and the first quarter of the next calendar year. The increases are made in July of each year. The following increases are assumed:

July 1976 .... 7%
July 1977 .... 5%

	1976	1977	Diff.
Medicare and Medicaid:			
Medicare	17-1/2	21-1/2	
Medicaid	7-1/2	9	
Total	25	30-1/2	5

Health costs are expected to continue to rise faster than the CPI. For the Medicare program, it is assumed that hospital costs will rise 15.2% and physicians' reimbursement costs will rise 10.8%. Participation in the Medicare program is expected to increase from 24.2 million persons to 24.9 million. In the Medicaid program, participation is expected to go from 25.6 million to 26.1 million.

	1976	1977	Diff.
Public assistance and related and Housing payments:			
Coal miner benefits	1.0	1.0	
Public assistance (cash payments)	6.3	6.8	
Housing payments	2.3	3.1	
Food stamps	5.8	5.9	
Supplemental Security Income	5.1	5.9	
Total	20-1/2	22-1/2	2

The food stamp program is tied to the CPI. Increases of around 4% are expected in January 1976 and again in July 1976. Increases of around 3% are expected in January and July, 1977. The SSI program is tied to the CPI on the same schedule as social security (see above).

	1976	1977	Diff.
Interest on the public debt	37-1/2	46-1/2	9

Based upon an interest rate for 91 day bills of approximately 6-1/2%.

	1976	1977	Diff.
Wastewater treatment plant construction	2	4	2

Of an $18 billion program, contracts for about $7 billion have been awarded. The remaining $11 billion has been made available for future construction contracts.

Defense

The increase shown reflects necessary increases resulting from prior contracts and other commitments for military procurement, research and development and maintenance of bases. This amount is exclusive of increases of $4 billion for military and civilian pay increases and $1 billion for retired pay noted above. The figure does not include amounts for any policy changes.

	1976	1977	Diff.
ERDA, transportation and Export-Import Bank:			
Energy research and development	4	5	+1
Transportation programs (DOT) -- largely mass transit and highways	12-1/2	13-1/2	+1
Export-Import Bank -- By law, the Export-Import Bank has been included in the budget totals after having been off budget for several years	---	1-3/4	+1-3/4
Total	16-1/2	20-1/4	3-3/4

Other net changes:

Includes the effect of a large number of net changes. Increases are relatively small but affect a very large number of agencies and programs. Decreases include an expected drop of more than a billion in programs affected by the unemployment rate since the rate is expected to drop.

The figures include nearly $1 billion for expected inaction on budget reductions proposed by the President not affecting programs listed above. Over $2 billion in increases is included for Congressional initiatives like the need to cover the possible overturn of the veto of Child Nutrition Act now threatened. Also included are add-ons that have already occurred like the half a billion increase for education programs resulting from the overturn of the veto of the Education appropriation.

DEFICIT LEVELS

Q. Does the Administration accept as a fact that the 1976 deficit will be $70 billion?

A. We do not. With restraint by Congress, the deficit could still be below $65 billion.

EXPENDITURE LEVEL COMPARISON

Q. How does the $370 billion expenditure level compare with the estimates being developed for the current services budget?

A. The current services budget applies to fiscal year 1977, rather than 1976. It is still too early to know what the figures will be, but they are sure to be higher than the proposed $395 billion ceiling.

WHEN PRESENT BALANCED BUDGET

Q. When will you present a balanced budget?

A. A balanced budget is possible in fiscal year 1979 if (1) the Congress limits 1977 spending and continues spending restraint thereafter and (2) the economy continues to move upward as we expect.

MIDDLE EAST EXPENDITURES

Q. Why doesn't your table on expenditure increases include expenditures for the Middle East agreement?

A. Outlays related to the Middle East settlement have not yet been determined. The agencies involved are still deciding on the kinds of equipment that would be provided and how it should be provided. It will not be possible to determine the expenditure effect until I make a decision on the appropriation request.

DEFENSE EXPENDITURES

Q. What portion of the $52 billion of increases from 1976 to 1977 are for the Defense Department?

A. At least $8 billion is for the Defense Department including Military assistance. This includes over $4 billion in pay increases, $1 billion for military retirees, and $3 billion for other purposes.

ENERGY PROGRAM

Q. What assumptions are you making regarding an energy program?

A. The estimates for outlays in 1976 and in 1977 do not include any amounts for energy equalization payments. These payments were previously assumed as one of the ways additional taxes received as a result of my energy program would be distributed. The deficit estimates assume that any new taxes for energy purposes would be redistributed in their entirety.

EIA FUNDING

Q. What assumptions have you made for funding of the President's $100 billion energy initiative? Are you proposing that the Energy Independence Authority plan not be reflected in the budget?

A. The EIA proposal assumes that the Treasury borrowing of the authority would affect the budget in the conventional manner. No amounts are included in the present figures. It is unlikely that the proposal would have a significant effect on budget outlays through fiscal year 1977.

SERVICES BUDGET

Q. How does the $395 billion ceiling compare with the current services budget?

A. The current services budget cannot take into account pending or contemplated legislation. Therefore, while it is too early to know precisely what the current services total will be, it is sure to be above the proposed $395 billion ceiling.

PERSONAL TAX CUTS

Q & A

Withholding

Question - Why would withholding rates rise on 1 January 1976 if the 1975 temporary personal income tax reductions were merely extended?

Answer - The $8 billion in temporary reductions was with reference to 1975 liabilities. The entire annual effect had to be reflected in only 8 months of 1975 following enactment of the 1975 Act. The same $8 billion of relief extended over 1976 would require higher withholding rates than those in effect during the last 8 months of 1975.

Present Withholding at Annual Rate

Question - How much of the proposed tax reduction merely assures that withholding rates will not be higher in 1976 than in the last 8 months of 1975?

Answer- $4 billion. Added to the continuation of the 1975 Act tax relief, the total reduction in 1976 liabilities that assures that personal disposable incomes will not be lower in 1976 than in 1975 is $12 billion.

New Withholding Cuts

Question - Would withholding rates be reduced on January 1, 1976 under these proposals?

Answer - For most taxpayers, withholding rates will be reduced to reflect the additional $8.6 billion personal tax cut beyond extending and annualizing the 1975 cuts.

Aged and Blind Exemptions

Question - Will the additional personal exemptions for taxpayers who are over 65 or who are blind also be increased to $1,000?

Answer - Yes.

Replacing $30 Exemption Credit

Question - Since the $30 tax credit per taxpayer and dependent in the 1975 Act was intended primarily to extend tax relief to taxpayers who itemize deductions, how do the present proposals continue that tax relief?

Answer - Itemizers will benefit from the higher personal exemption. Raising the personal exemption is an alternative to continuing the $30 tax credit. Itemizers will also benefit by rate reductions.

Reduced Tax Burdens for All

Question - The President's proposal increases some marginal tax rates. Does this mean that some families will have a tax increase?

Answer - The marginal tax rate changes interact with the other features of the package--the increased personal exemption and standard deduction--so that all taxpayers will have their tax liabilities decreased in comparison with the 1974 law and practically every taxpayer will have his tax liability reduced in comparison with 1975 law.

Increased Tax Bracket Rates

QUESTION - Why are some personal income tax bracket rates increased?

ANSWER - The decision to raise a few bracket rates was made in the light of all other changes proposed and is intended to assure equitable distribution of tax relief. Under the changes proposed, no taxpayer will pay a higher total tax.

Standard Deductions vs Itemizers

QUESTION - What will be the principal differences between those who use the standard deduction and those who itemize?

ANSWER - Both groups of taxpayers will benefit by the increase in the amount of personal exemption and the general lowering of tax rates. In addition, those households claiming the standard deduction will be allowed an increased deduction in most cases. There are also some itemizers who will benefit by the increase in the size of the standard deduction if their itemized deductions are greater than deductions under the old law but less than deductions under the current proposal.

MORE USE OF STANDARD DEDUCTION

QUESTION - The President's proposal replaces the low income allowance and the percentage standard deduction with a flat deduction of $2,500 for joint returns and $1,800 for single individuals. How many taxpayers will switch to itemizing and how many to the new flat deduction?

ANSWER - Compared to 1975 law:

900,000 returns switch to itemizing, and 3.9 million returns switch to the standard deduction.

Net there will be 3 million more returns using the standard deduction.

MORE USE OF STANDARD DEDUCTION

QUESTION - Will a greater proportion of taxpayers be expected to use the standard deduction, rather than itemize deductions, under these proposals?

ANSWER - Yes. Currently, under 1975 law, 31.3 percent of tax returns must itemize their deductions. Under these proposals the proportion can be expected to decrease to 27.8 percent.

SIMPLIFICATION

Question - Will this proposal simplify tax returns?

Answer - Yes, in three ways:

First, more taxpayers will be able to use the standard deduction, rather than itemize their deductions. Presently, under 1975 law, 27 million returns are expected to itemize, while under this proposal, only 24 million will have to itemize.

Second, the standard deduction and personal exemptions are much simpler than under 1975 law. This will also help make the withholding tables easier.

Third, 2.2 million returns which owe tax under 1975 law will owe no tax under this proposal. This is the ultimate simplification.

TAX-EXEMPT INCOME LEVELS

Question - For families of different sizes, what are the levels of tax-exempt income implied by the President's proposal?

Answer -

Type of taxpayer	Proposed Maximum Tax-free Earned Income for Taxpayers Not Eligible for Earned Income Credit (Rounded to nearest $10)
Single, no dependents	$2,800
Married, joint return	
No dependents	$4,500
1 dependent	$5,500
2 dependents	$6,500
3 dependents	$7,500
4 dependents	$8,500
Single over 65 no dependents	$3,800
Married, joint returns, both over 65	$6,500

NOT TAXING FAMILIES BELOW POVERTY LINE

QUESTION - Will any families with incomes at or below the poverty level have any tax liabilities under the President's proposals?

ANSWER - No. Given the probable increases in the Consumer Price Index no families with incomes below poverty levels will have any Federal income tax liability.

TAXPAYERS MADE NONTAXABLE

QUESTION - As compared to 1975 law, how many taxpayers are made nontaxable?

ANSWER - 2.2 million.

EARNED INCOME CREDIT

Question - Does the proposal include extension of the 10 percent earned income credit?

Answer - No recommendation is made with respect to the earned income credit. This is an item the Congress should consider when it reviews outlay programs in light of these tax proposals.

TAX-FREE INCOME LEVELS AND THE EARNED INCOME CREDIT

QUESTION: What would be the level of tax-free earned income for taxpayers eligible for the earned income credit, assuming that the earned income credit is retained in its current form?

ANSWER: Married, joint return

1 dependent	$6,625
2 dependents	$7,182
3 dependents	$7,727
4 dependents	$8,500
5 dependents	$9,500

SOCIAL SECURITY BENEFITS

Question - The Tax Reduction Act of 1975 included a $50 payment to all social security and supplemental income security beneficiaries. Is a similar provision being proposed for 1976?

Answer - No. Social Security benefits will be increased in 1976 to reflect increases in the Consumer Price Index. Moreover, Social Security beneficiaries with taxable income will have lower taxes from the increase in the personal exemption.

HOME PURCHASE CREDIT

Question - Does the proposal include extension of the 5 percent tax credit for purchase of new homes?

Answer - No.

CORPORATE TAX CUTS

Q & A

Investment Tax Credit

Question - What does the tax cut provide for the investment tax credit?

Answer - The Tax Reduction Act of 1975 increased the investment tax credit to 10 percent for both 1975 and 1976. This new tax cut would make permanent the increase to 10 percent for all years after 1976.

Investment Tax Credit

Question - Will the extension of the investment tax credit affect business tax liabilities for 1976?

Answer - No. The investment tax credit was scheduled to continue through 1976 under the Tax Reduction Act of 1975. The President's proposals which recommends that the 10 percent investment tax credit be made permanent will affect business tax liabilities after 1976. If the 10 percent investment tax credit is made permanent, there will be no artificial boom (and subsequent bust) in investment in order to beat the expiration rate.

Investment Tax Credit

Question - Will the temporary increase in the used property dollar limit that qualifies for the investment tax credit be changed?

Answer - No. The limit was increased by the Tax Reduction Act of 1975 to $100,000 for calendar years 1975 and 1976 (and fiscal years 1975-1976 and 1976-1977) but will revert to $50,000 after that time.

Investment Tax Credit

Question - Does the proposal include extension of the additional 1 percent investment tax credit where that additional credit is used in conjunction with an Employee Stock Ownership Plan (ESOP)?

Answer - No.

Investment Tax Credit

Question - How would these proposals affect the reduced limitations on investment tax credit for public utilities which were in the Reduction Act of 1975?

Answer - The same schedule of percent-of-income limitations would apply as in the 1975 Act. The higher tax credit may still not exceed 100 percent of income in 1975-76. This percentage is reduced by 10 percent each year until it reverts permanently to the 50 percent level in 1981.

Public Utilities

QUESTION - How does the proposal to make the 10 percent investment tax credit permanent relate to the proposals regarding electric utilities that the Administration presented to the Ways and Means Committee on July 8, 1975?

ANSWER - The Administration proposals for electric utilities are included in these proposals. The electric utility proposals include a 12 percent investment tax credit for investments in qualified electric utility property.

Utilities

Question - What would the proposals for utilities do to help reduce dependence on foreign oil?

Answer - Several incentives are provided to encourage investment in generating facilities not fueled by petroleum and to encourage conversion of present petroleum-fueled facilities to other energy sources. Investments in petroleum-fueled facilities would be ineligible for the 12 percent tax credit rate. Rapid 5-year amortization is allowed in lieu of normal depreciation and the investment tax credit for investments to convert or replace petroleum-fueled facilities in favor of facilities not fueled by petroleum.

Corporate Surtax Exemption

Question - How will the surtax exemption be effected?

Answer - The surtax exemption revisions made in the Tax Reduction Act of 1975 will become permanent. These rates are 20 percent on the first $25,000 of taxable income and 22 percent on the next $25,000. The decrease in the corporate surtax rates means that all income above $50,000 will be taxed at 46 percent--but this change does not effect the surtax exemption per se.

Integration

QUESTION: How does this proposal relate to the proposal for integration of the personal and corporate income taxes made on July 31, 1975?

ANSWER: The proposal for integration raised many fundamental and complex questions of tax policy which the Congress has indicated, appropriately, that it wishes to study over a considerable period of time. The integration proposal has not been incorporated into this proposal for immediate action. The Administration still supports the basic concept of integration.

Permanent Reductions

Question - Are the 1976 tax reductions meant to be temporary (as in 1975) or permanent?

Answer - The reductions are to be made permanent.

Timetable for Enactment

Question - When would this proposal have to be enacted in order to prevent withholding rates from increasing in January?

Answer - By mid-November. About six weeks are required to revise withholding tables.