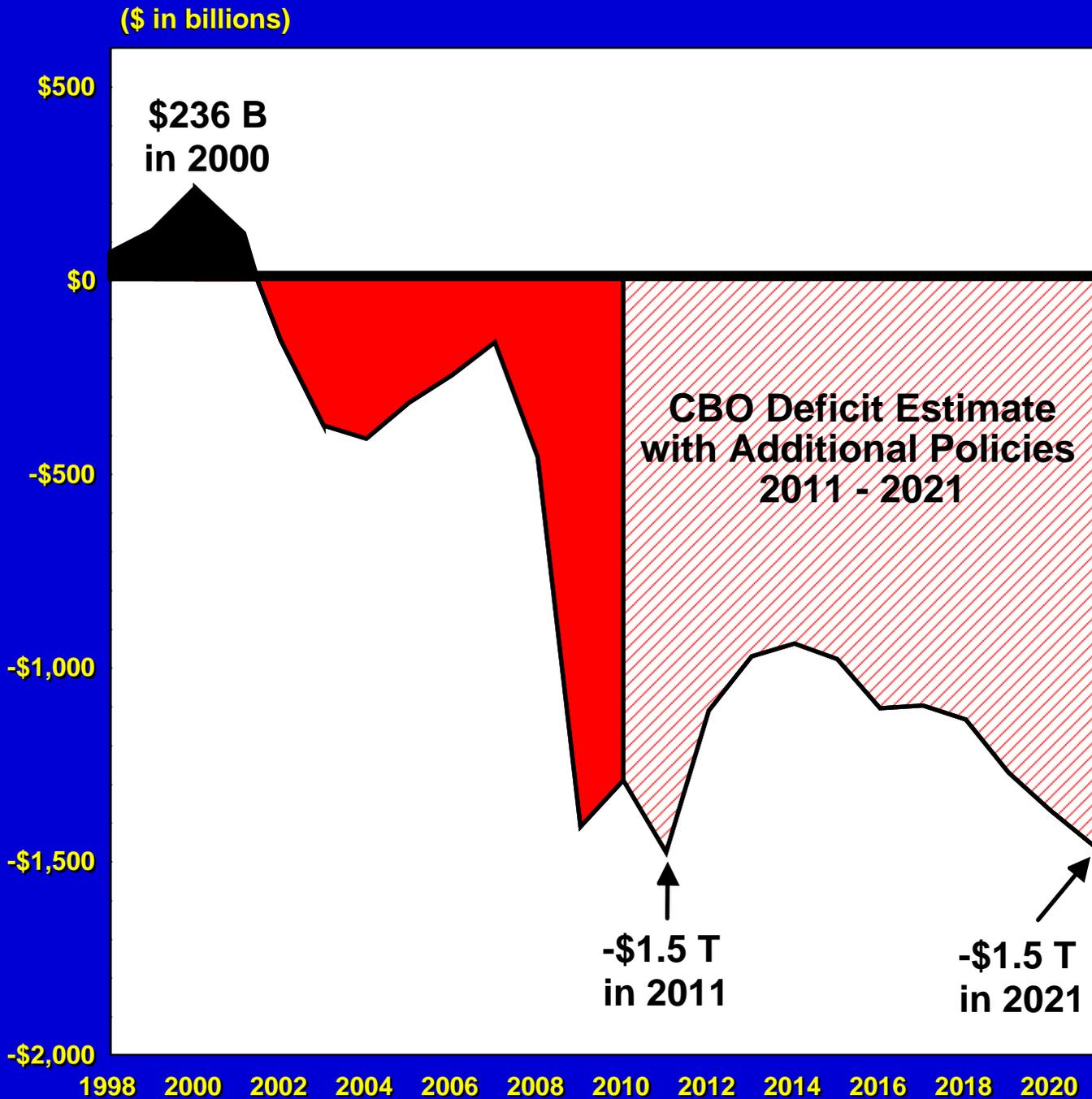


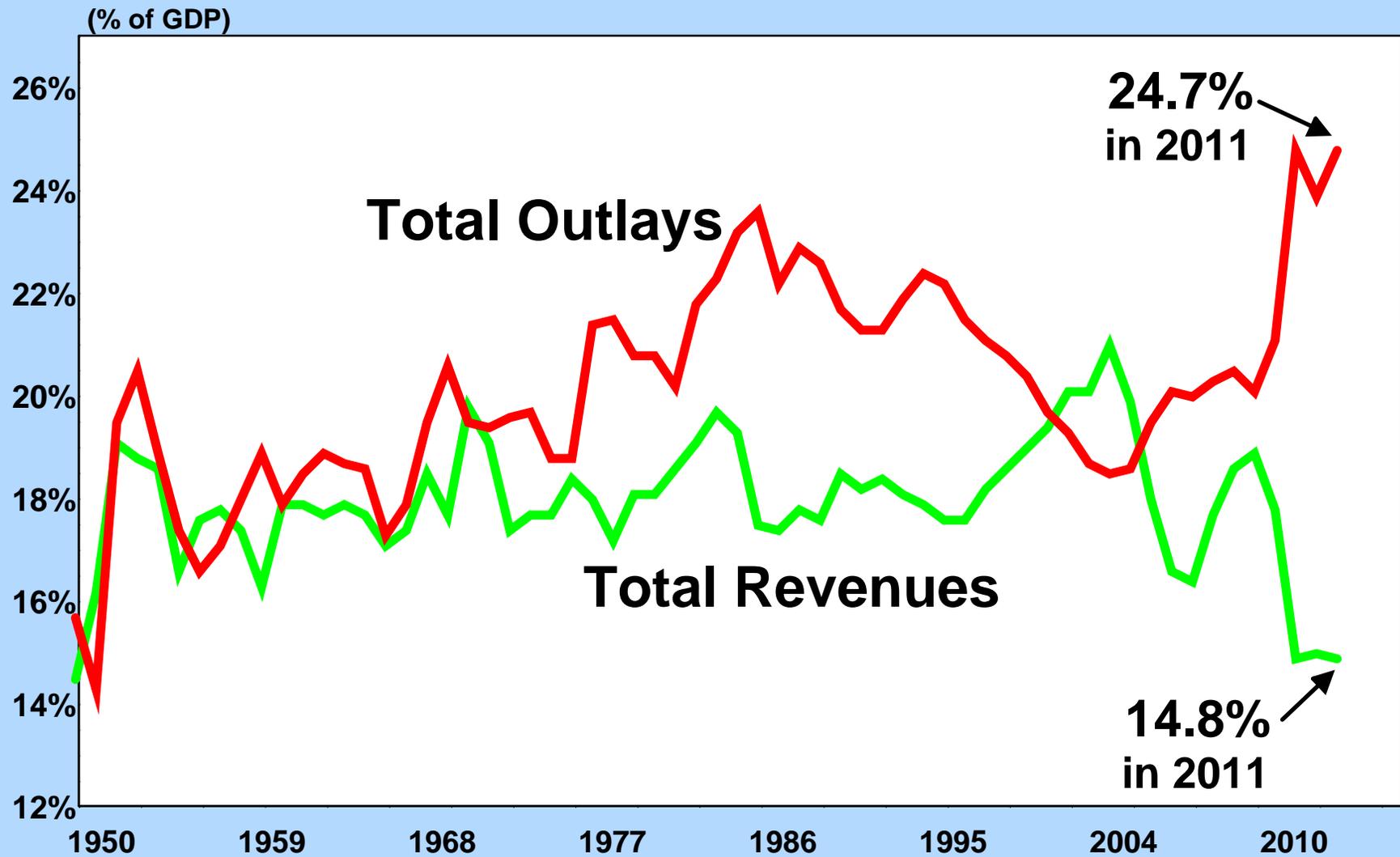
Ten-Year Budget Outlook



Sources: CBO and SBC

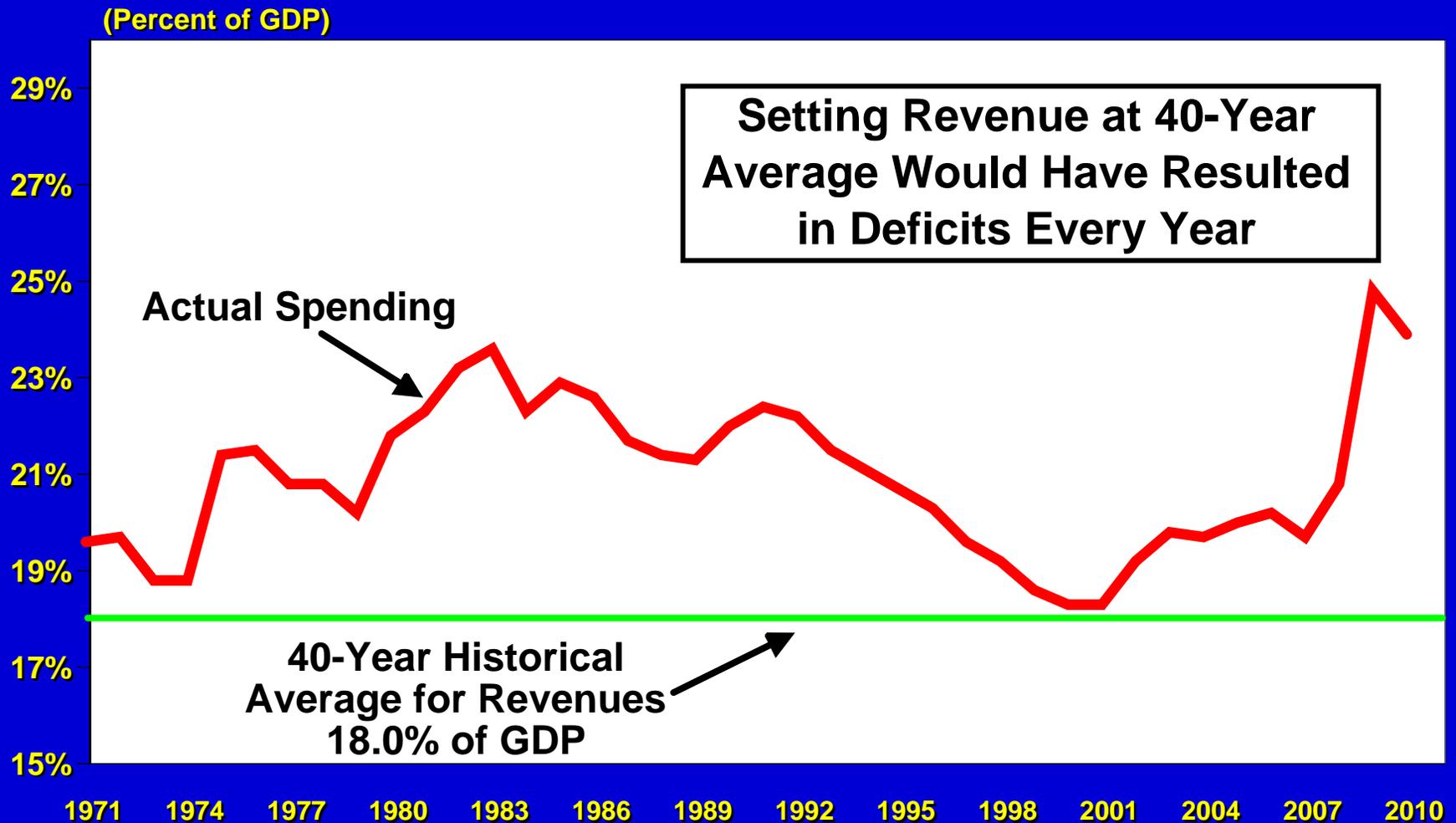
Note: CBO's "The Budget and Economic Outlook: Fiscal Years 2011 to 2021," adjusted for alternative policies: extension of 2001 and 2003 tax cuts, traditional tax extenders, AMT reform, SGR reform, and ongoing overseas military operations.

Spending and Revenues



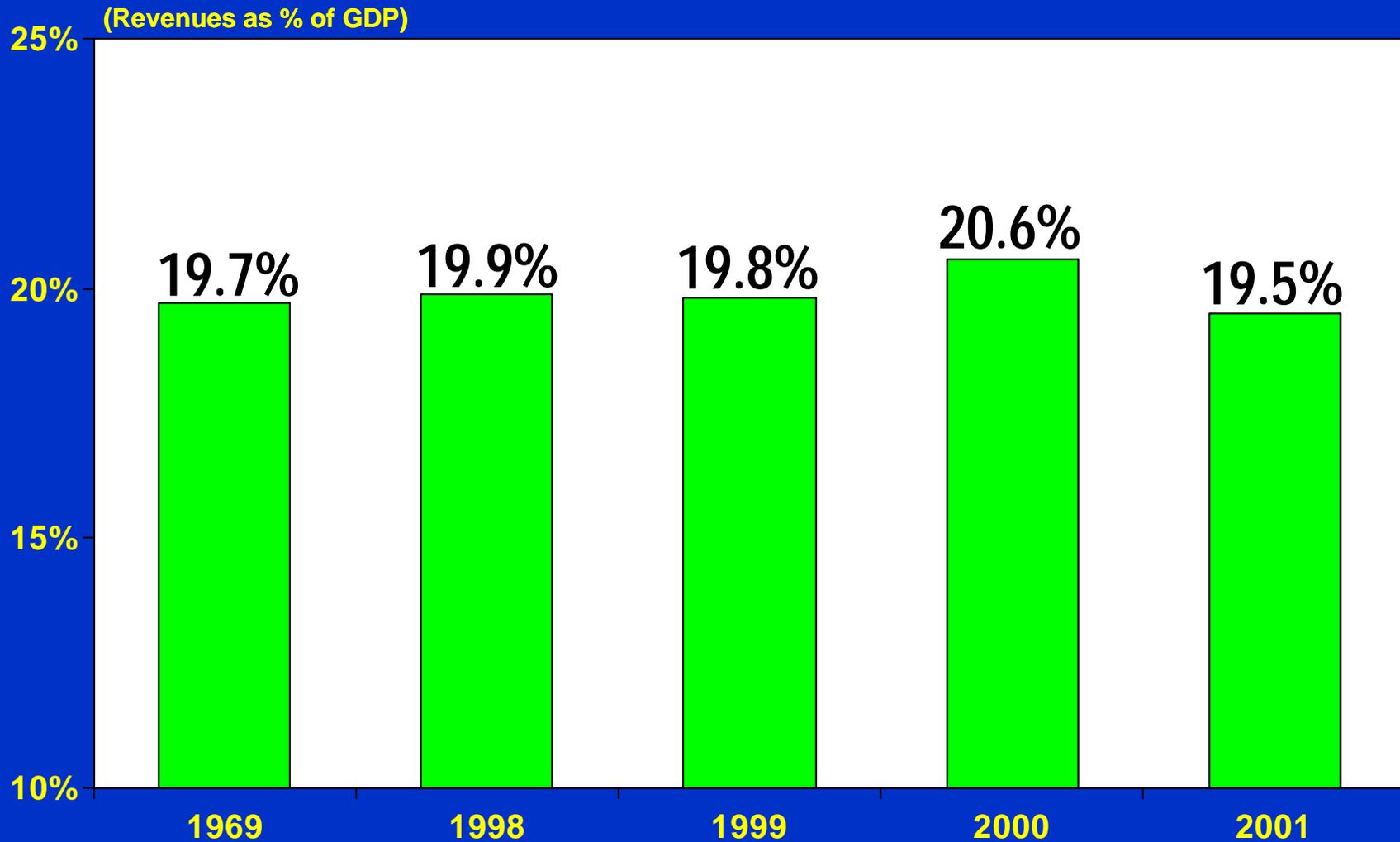
Sources: OMB, CBO

Historical Average for Revenues is Not a Useful Benchmark



Source: CBO

Last Five Times Budget in Surplus, Revenues Near 20% of GDP



Source: OMB

The Need for Tax Reform

- Tax system out of date and hurting U.S. competitiveness
- Hemorrhaging revenue – tax gap, tax havens, abusive shelters
- Expiring provisions create uncertainty
- Simplification and reform keep rates low
- Long-term imbalance must be addressed

Economist Feldstein on Need to Reduce Tax Expenditures

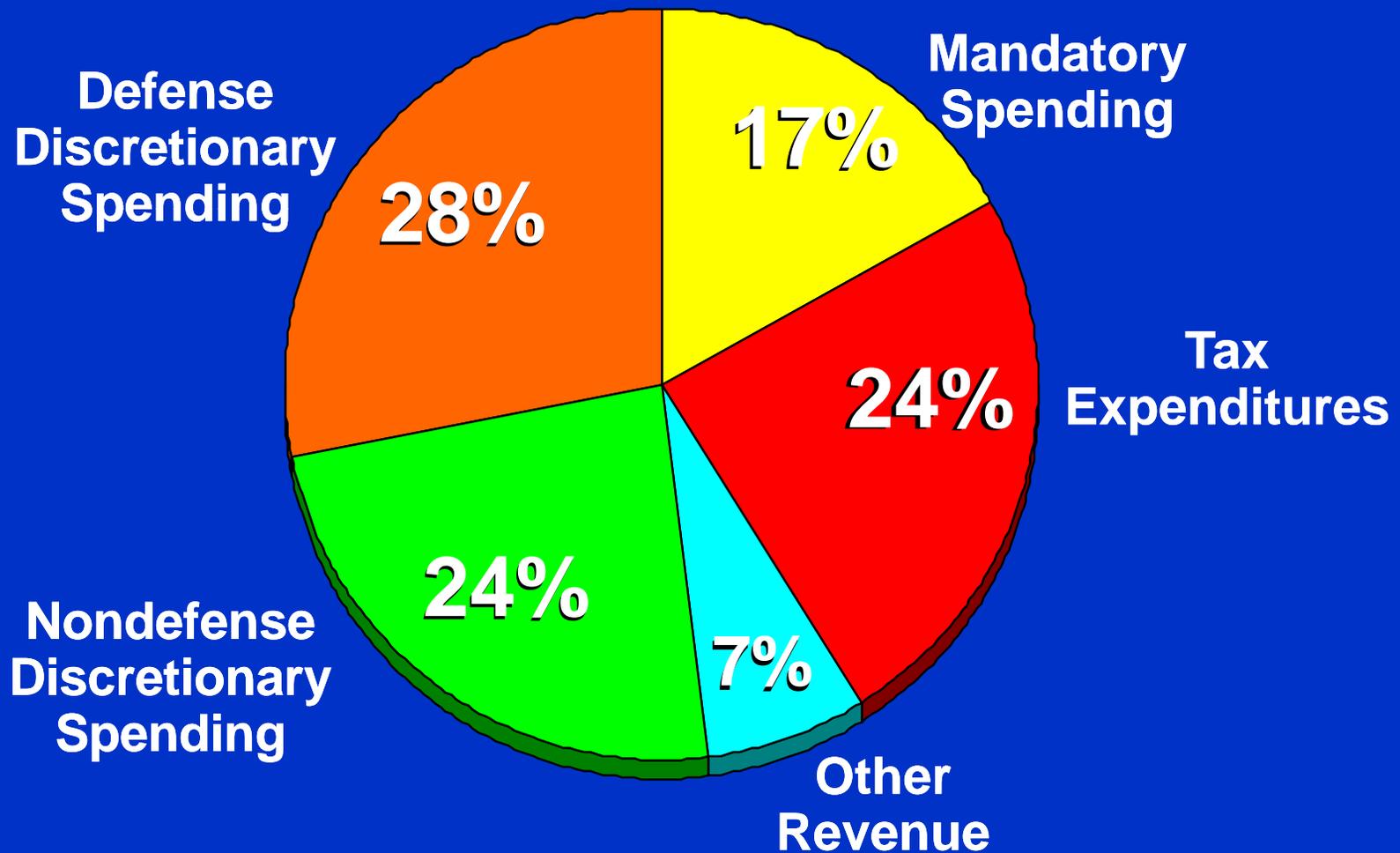
“Cutting tax expenditures is really the best way to reduce government spending.... [E]liminating tax expenditures does not increase marginal tax rates or reduce the reward for saving, investment or risk-taking. It would also increase overall economic efficiency by removing incentives that distort private spending decisions. And eliminating or consolidating the large number of overlapping tax-based subsidies would also greatly simplify tax filing. In short, cutting tax expenditures is not at all like other ways of raising revenue.”

**– Martin Feldstein
Professor of Economics at Harvard University
Chairman of Council of Economic Advisers under President Reagan
“The ‘Tax Expenditure’ Solution for Our National Debt,”
Wall Street Journal
July 20, 2010**

Tax Reform in Fiscal Commission Plan

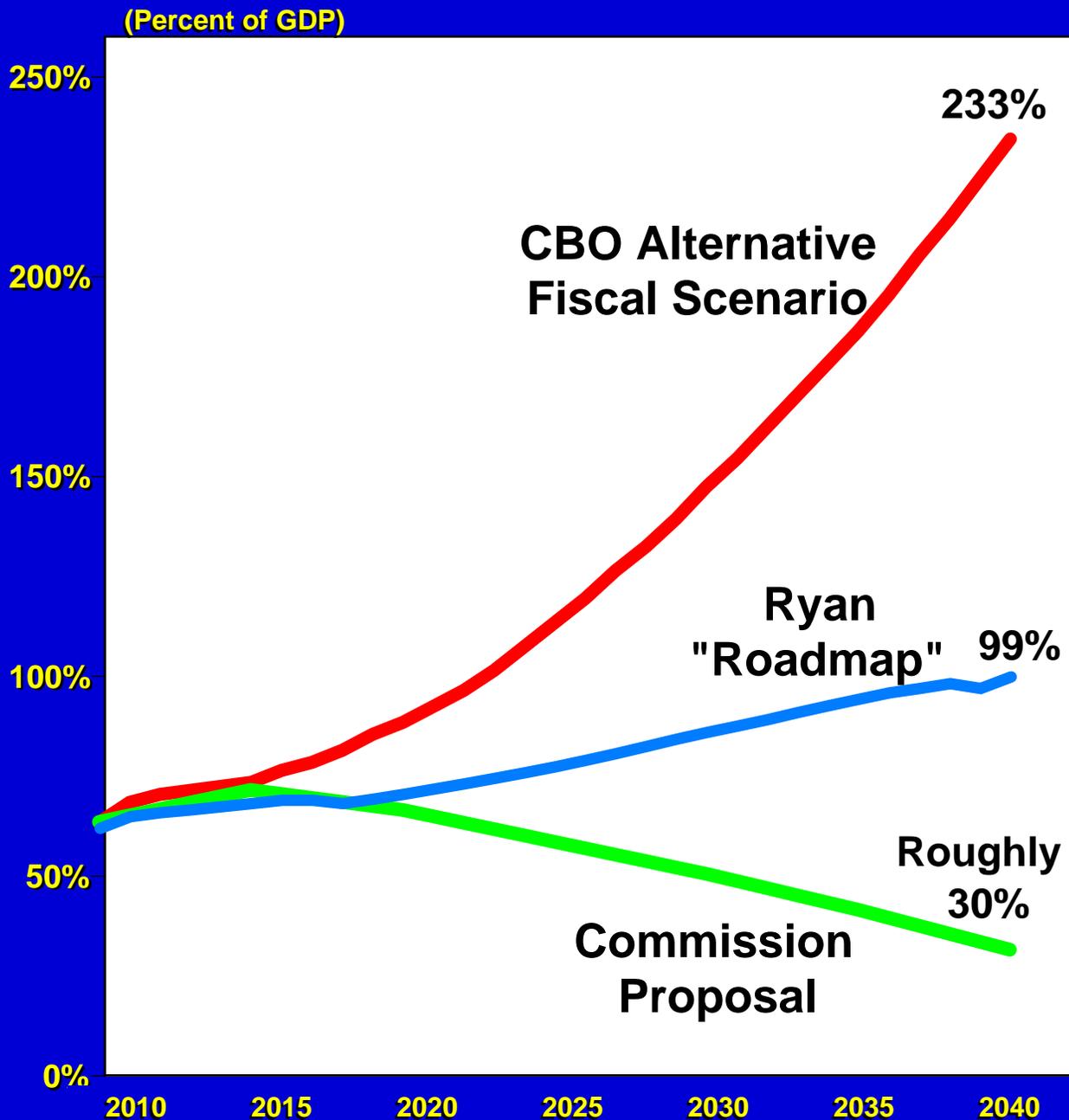
- Eliminates or scales back tax expenditures, and *lowers* rates
- Promotes economic growth and improves America's global competitiveness
- Makes tax code more progressive
- “Illustrative” tax reform plan:
 - Three rates for individuals - 12%, 22%, 28%; corporate rate of 28%
 - Capital gains / dividends taxed as ordinary income
 - Reforms mortgage interest and charitable deductions
 - Preserves Child Tax Credit and EITC
 - Repeals AMT
- Revenues grow to 21% of GDP by 2022

Where Do Savings Come From Under Commission Proposal 2012 - 2020



Source: National Commission on Fiscal Responsibility and Reform
Note: Rates do not include interest savings.

Debt as Percent of GDP Under Commission and Ryan Proposals



Sources: CBO Long-Term Budget Outlook, June 2010; CBO January 2010 analysis of Congressman Ryan's "Roadmap for America's Future;" Report of the National Commission on Fiscal Responsibility and Reform, December 2010