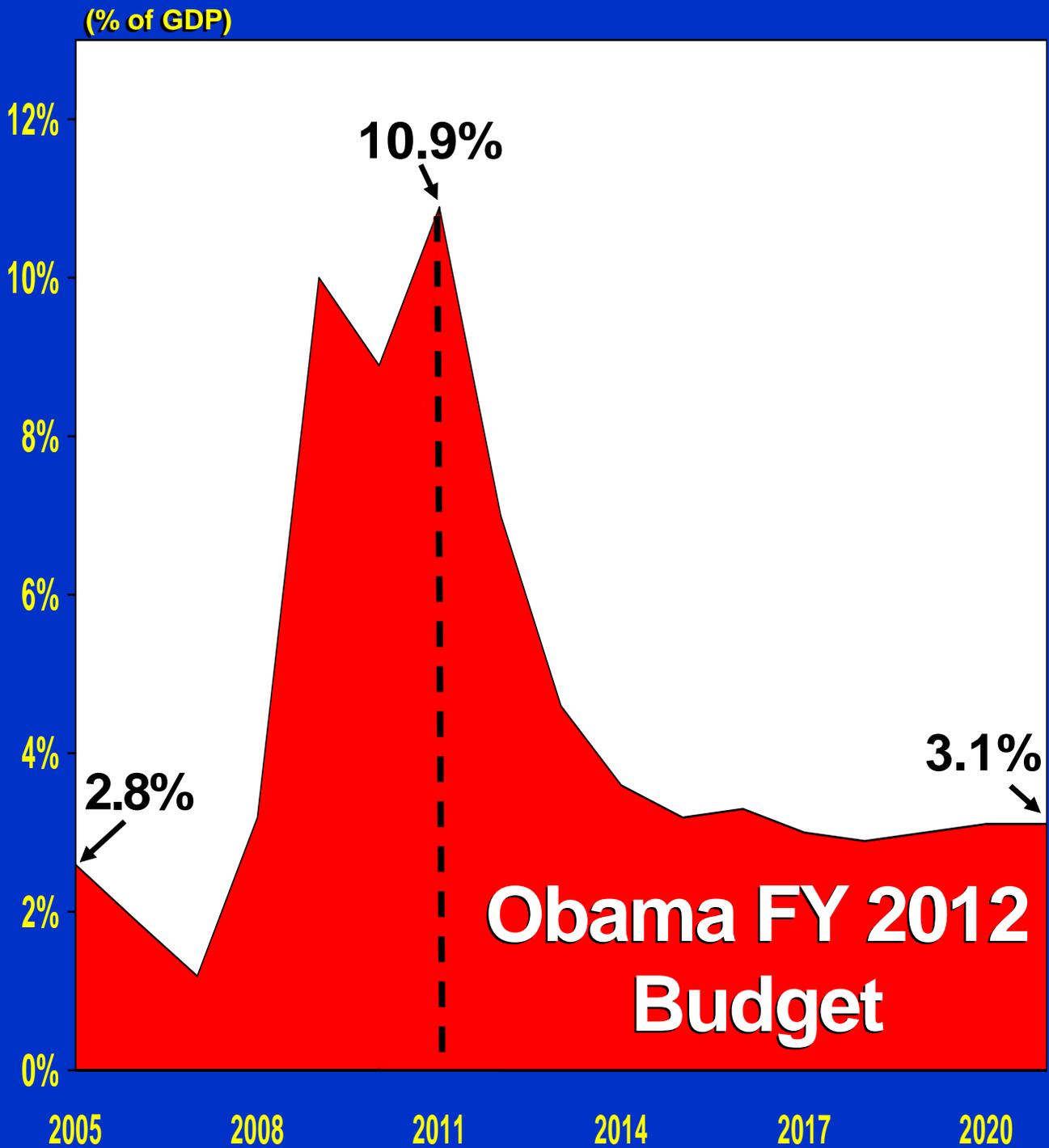
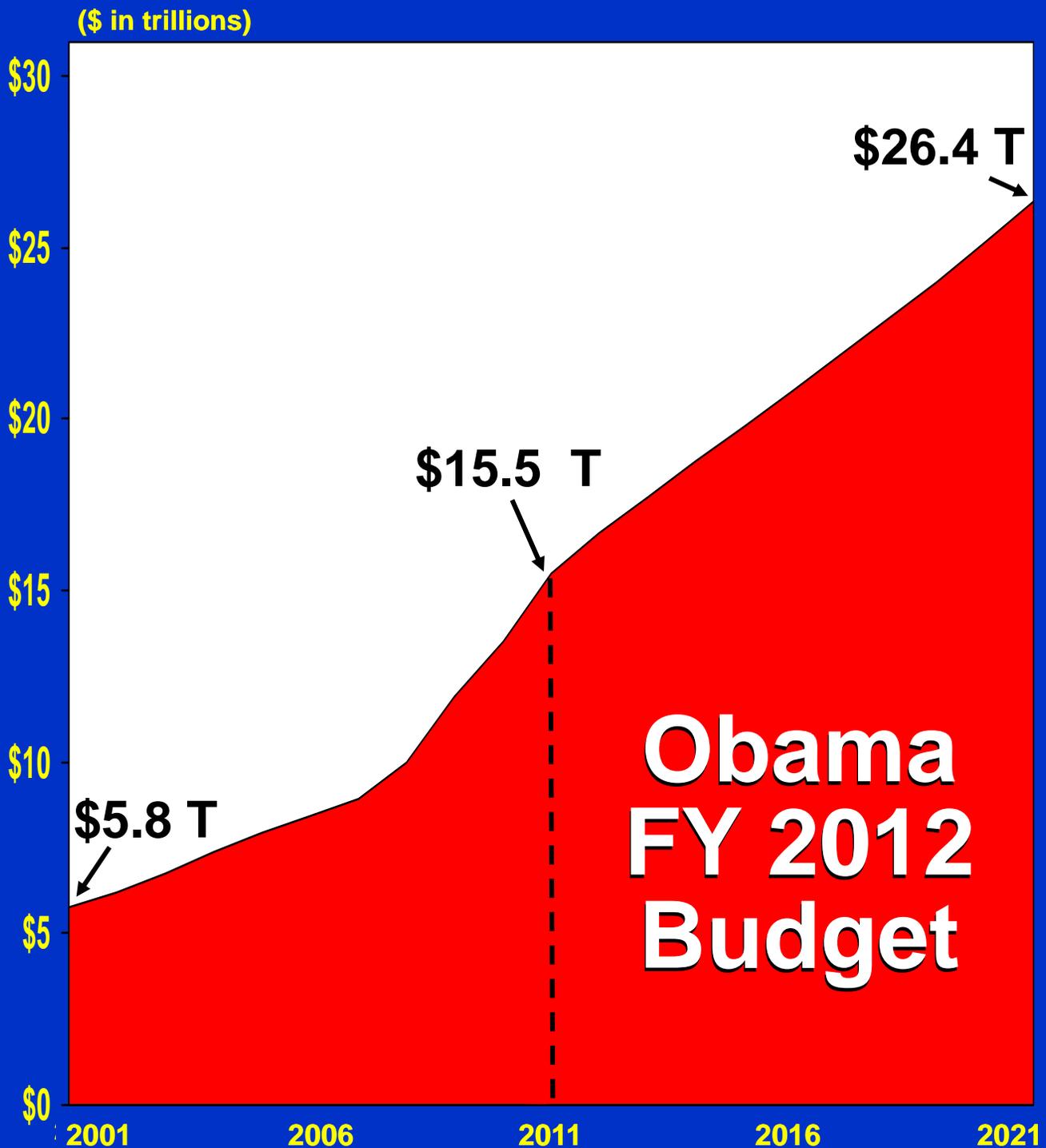


# Deficit as Percent of GDP Under Obama Budget



Source: OMB

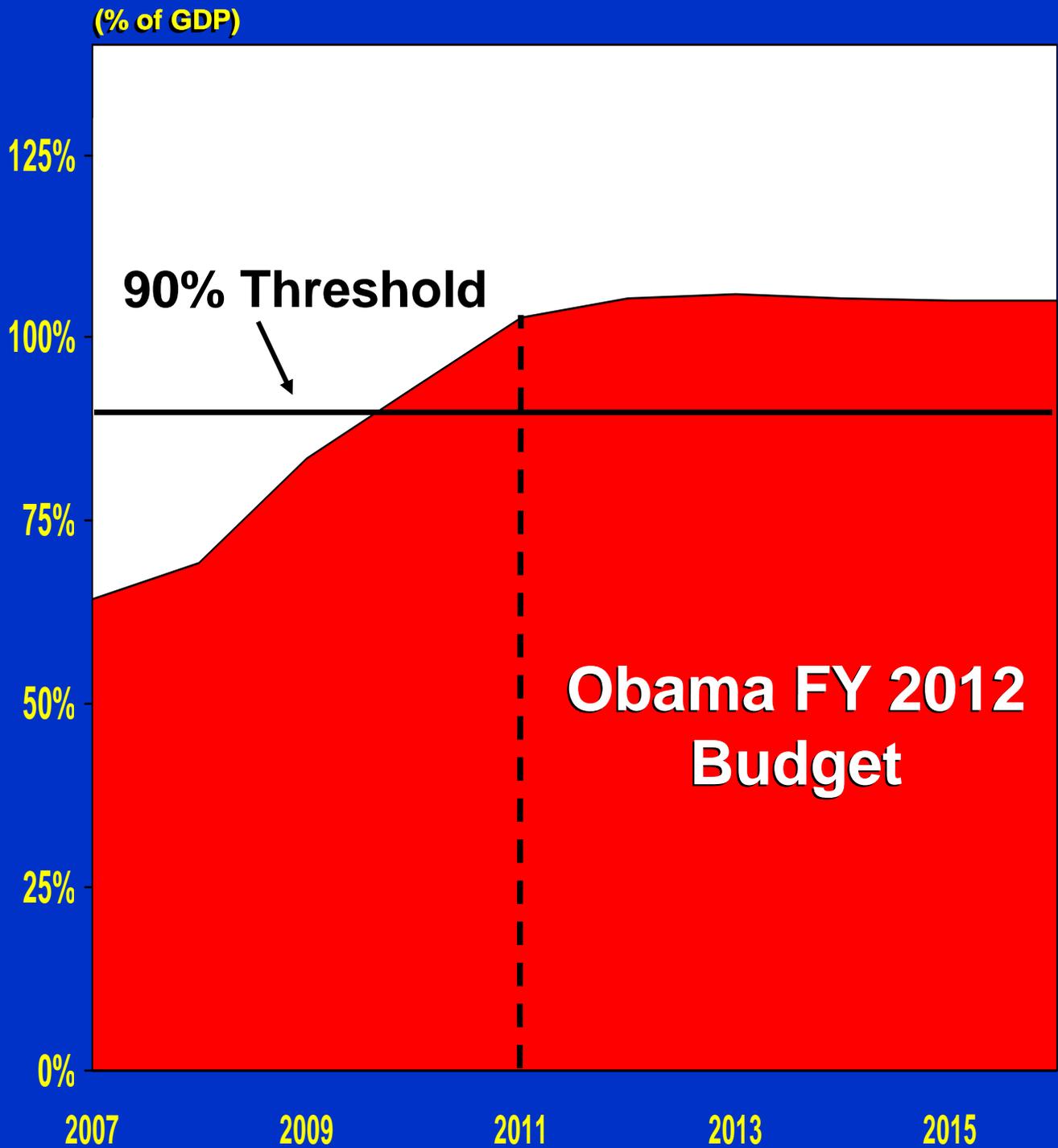
# Gross Debt Under Obama Budget



Source: OMB

Note: Includes debt collateralized with financial assets.

# Gross Debt as Percent of GDP Under Obama Budget



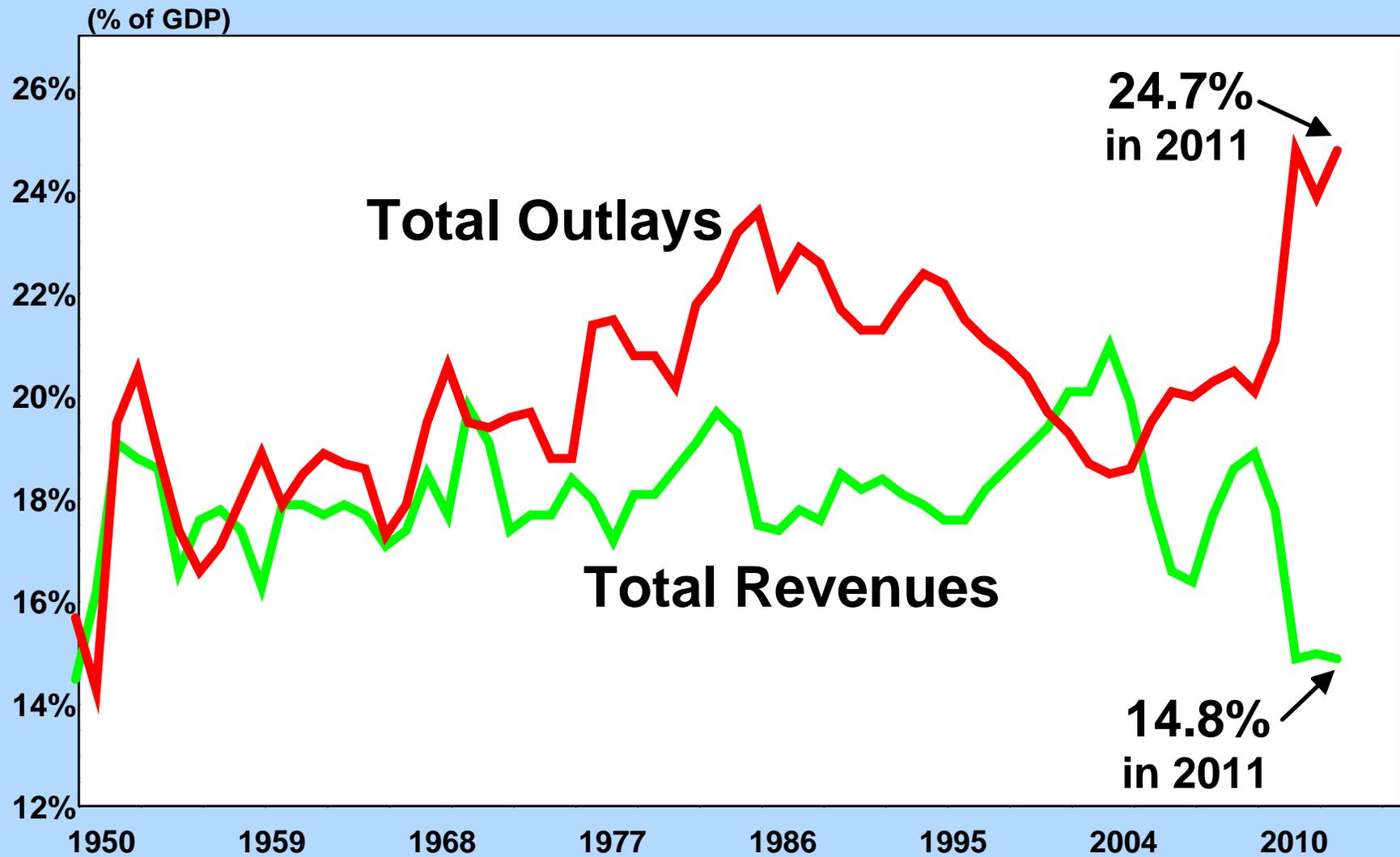
Source: OMB

# **Economists Reinhart and Rogoff on Danger of Gross Debt Above 90 Percent of GDP Threshold**

**“We examine the experience of 44 countries spanning up to two centuries of data on central government debt, inflation and growth. Our main finding is that across both advanced countries and emerging markets, high debt / GDP levels (90 percent and above) are associated with notably lower growth outcomes.”**

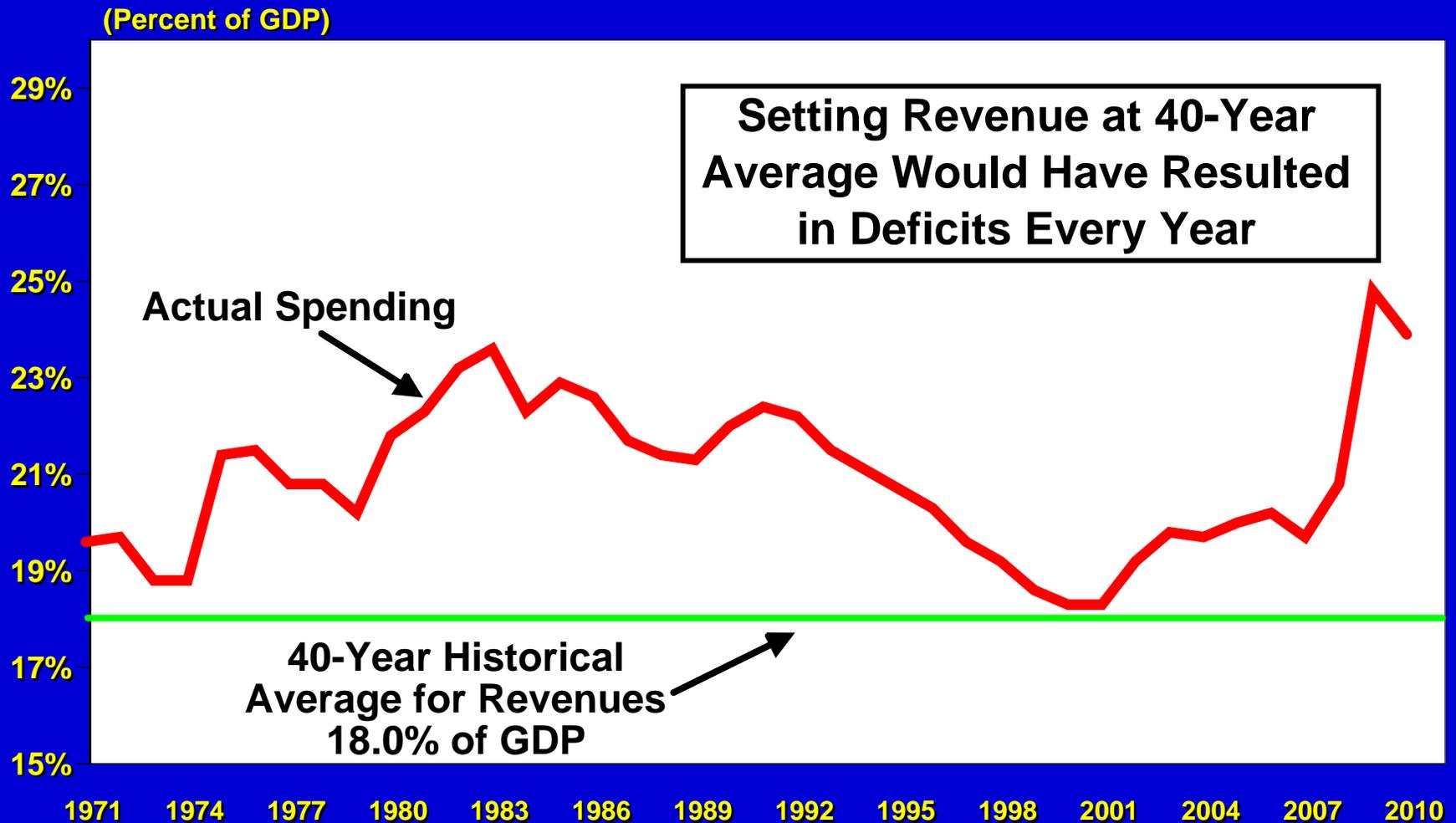
**– Carmen M. Reinhart and Kenneth S. Rogoff  
“Growth in a Time of Debt,” American  
Economic Review: Papers & Proceedings  
May 2010**

# Spending and Revenues



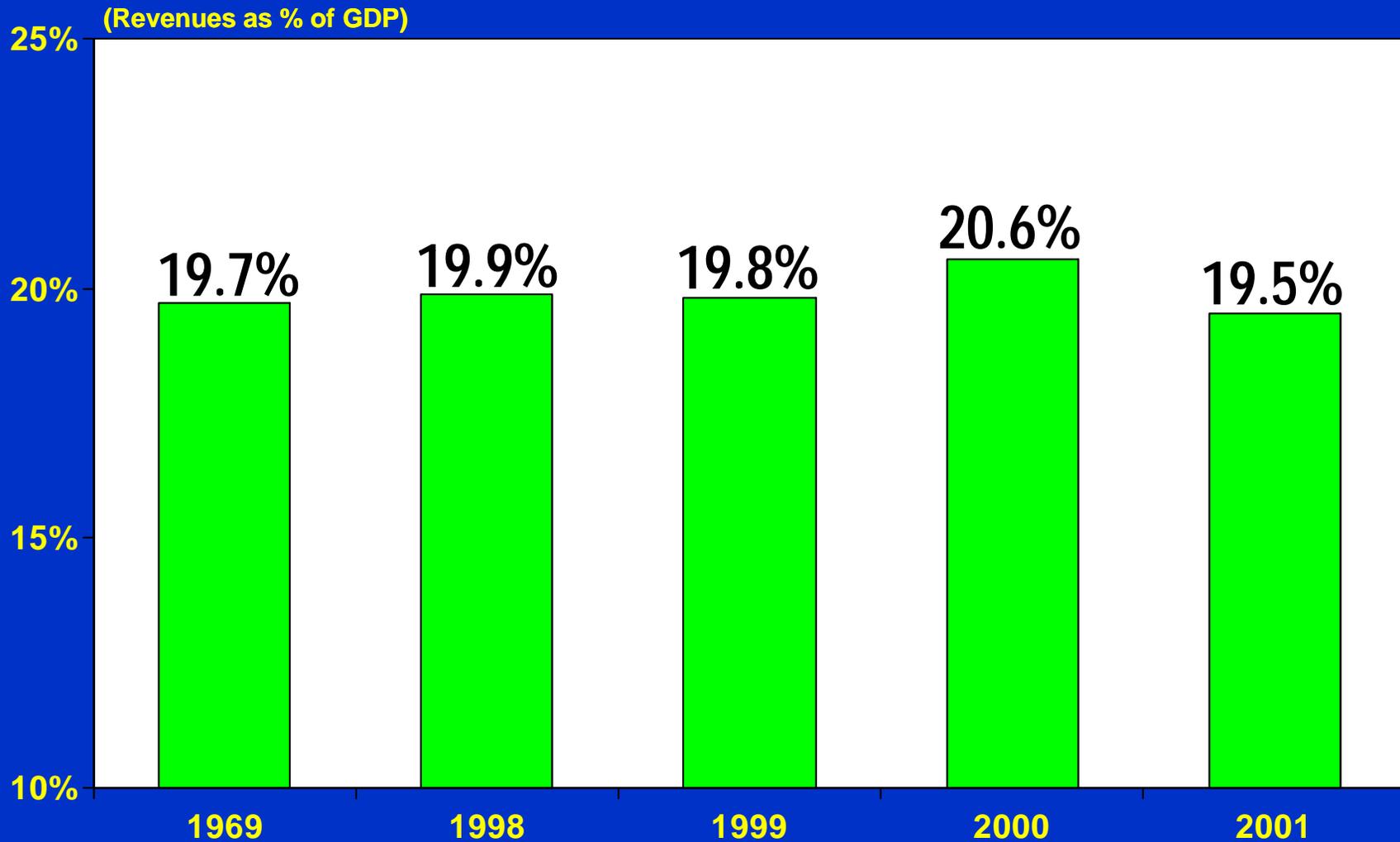
Sources: OMB, CBO

# 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- Tax system out of date and hurting U.S. competitiveness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

# 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