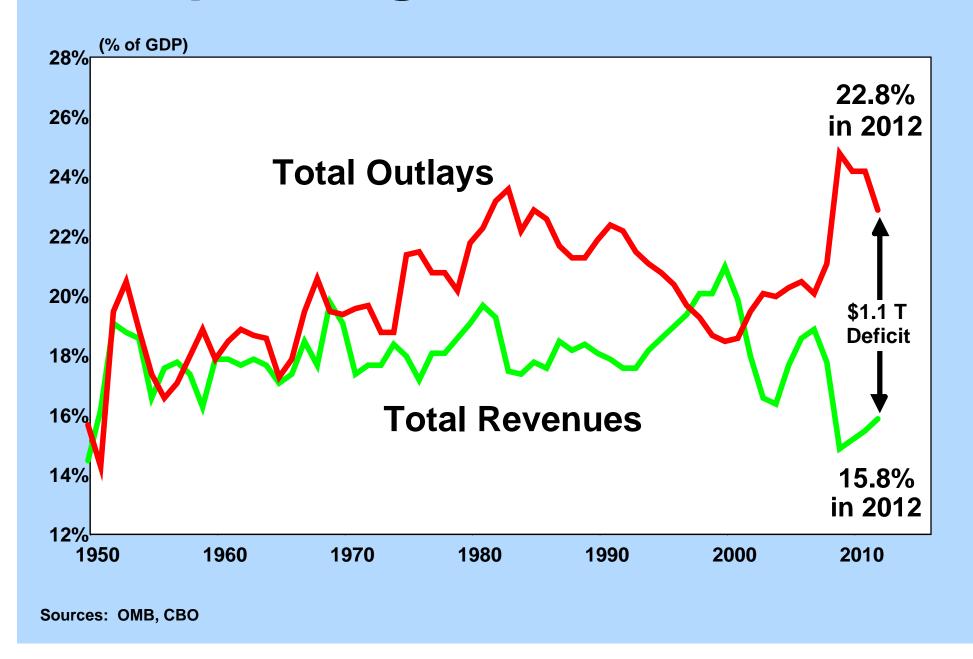
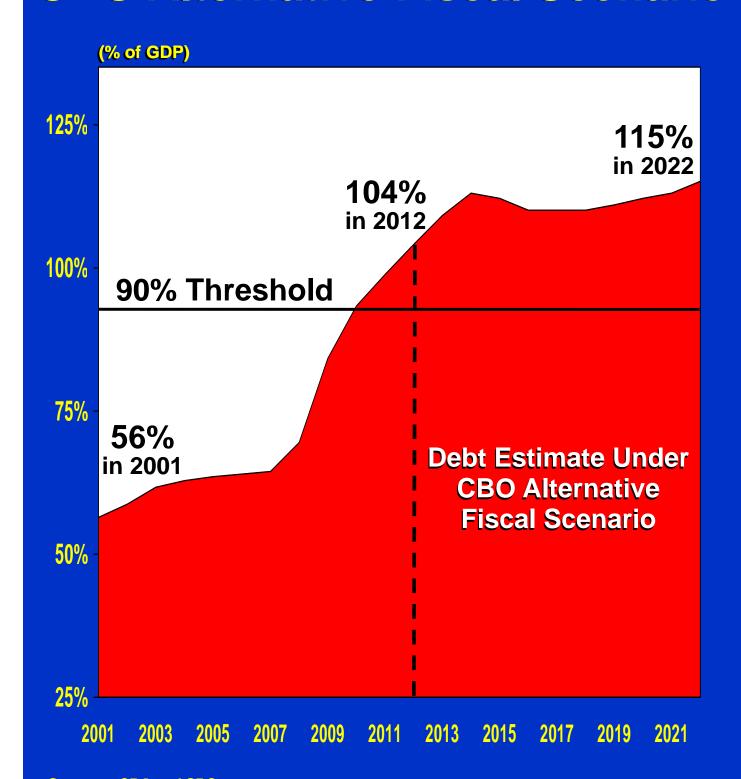
U.S. Is Borrowing 31 Cents of Every Dollar It Spends



Spending and Revenues



Gross Debt as % of GDP Under CBO Alternative Fiscal Scenario



Sources: CBO and SBC

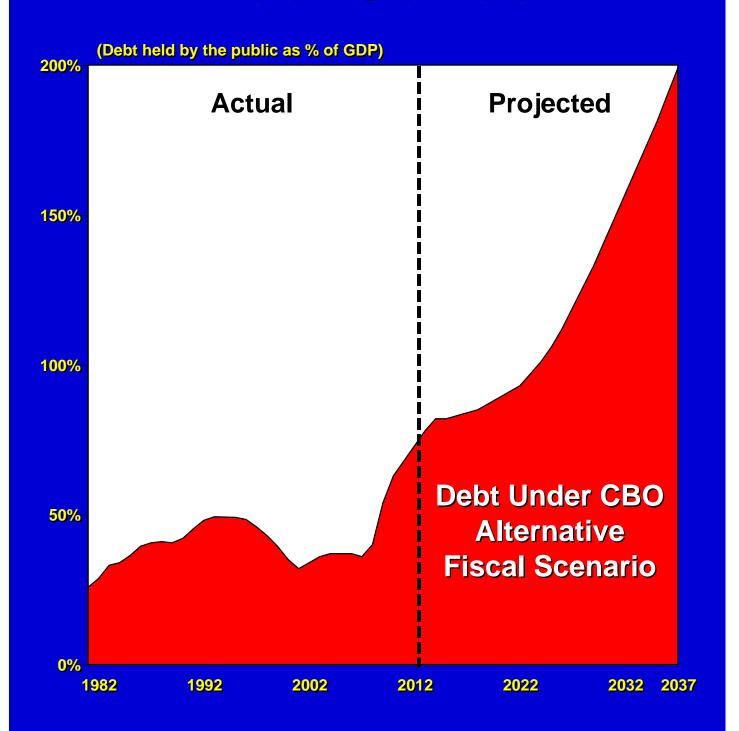
Note: CBO's August 2012 baseline, adjusted to reflect its alternative fiscal scenario: extension of 2001 and 2003 tax cuts, tax extenders, AMT reform, SGR reform, and reversal of automatic spending reductions required by Budget Control Act.

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

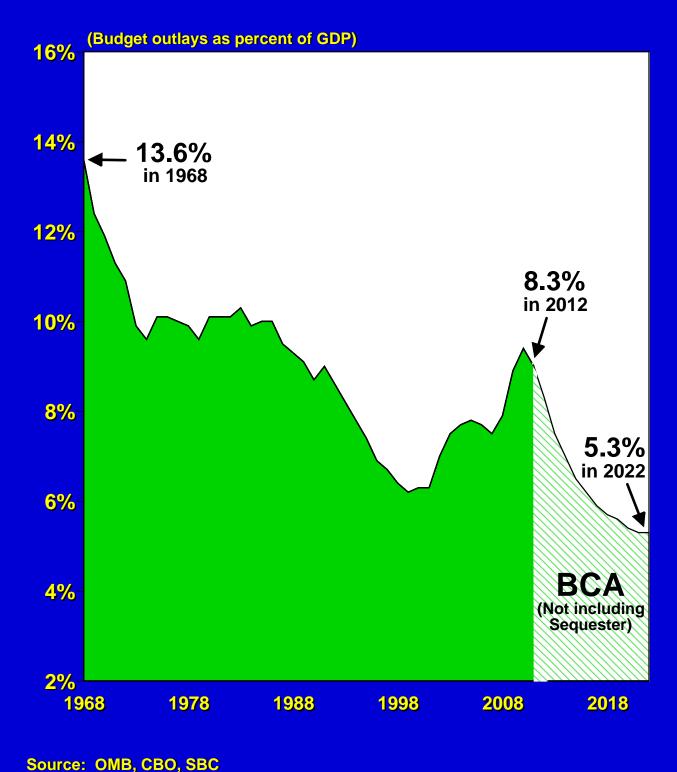
CBO Long-Term Debt Outlook



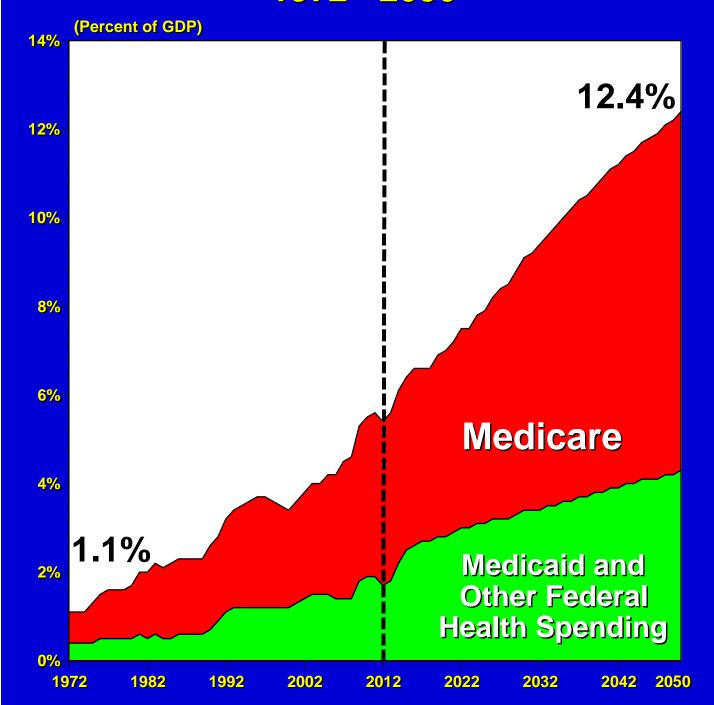
Source: CBO Long-Term Budget Outlook, June 2012

Note: CBO alternative fiscal scenario.

Budget Control Act Drops Discretionary Spending to Historic Low



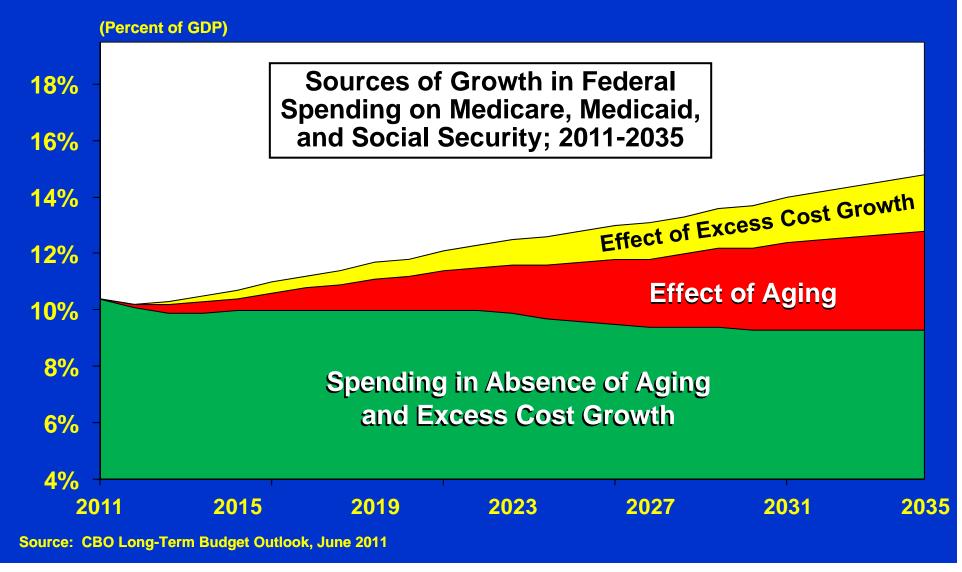




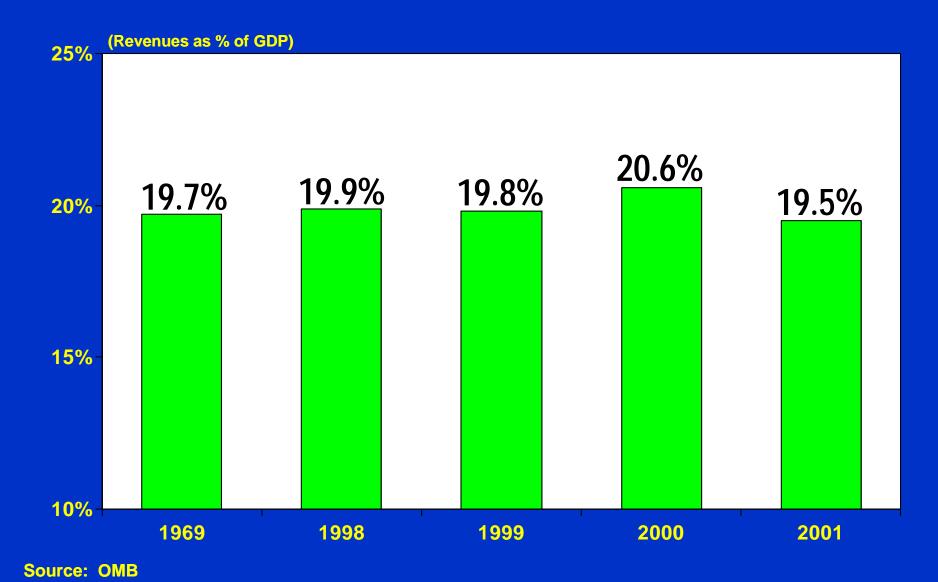
Source: CBO

Note: 2012-2050 data from CBO Long-Term Budget Outlook, June 2012. CBO alternative fiscal scenario; reflects gross spending on Medicare, Medicaid, CHIP, and outlays for health insurance subsidies through exchanges.

Aging Population is Primary Driver of Medicare, Medicaid, and Social Security Cost Growth



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



The Need for Tax Reform

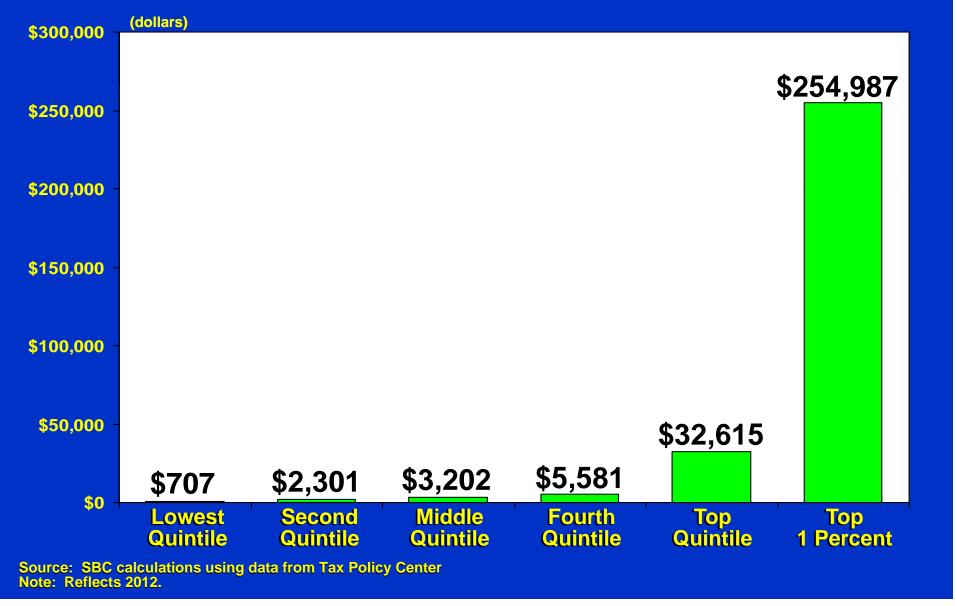
- Tax code out-of-date, inefficient, hurting U.S. global competitiveness
- Complexity imposes significant burden on individuals and businesses
- Expiring provisions create uncertainty and confusion
- Hemorrhaging revenue to tax gap, tax havens, abusive shelters
- Need to restore fairness current system contributing to growing income inequality
- Long-term fiscal imbalance must be addressed – revenue must be part of solution

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 risktaking. It would also increase overall economic efficiency by removing incentives that distort private spending decisions. And eliminating or consolidating the large number of overlapping taxbased 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

Increase in After-Tax Income from Tax Expenditures





THE NATIONAL COMMISSION ON FISCAL RESPONSIBILITY AND REFORM

The Moment of Truth

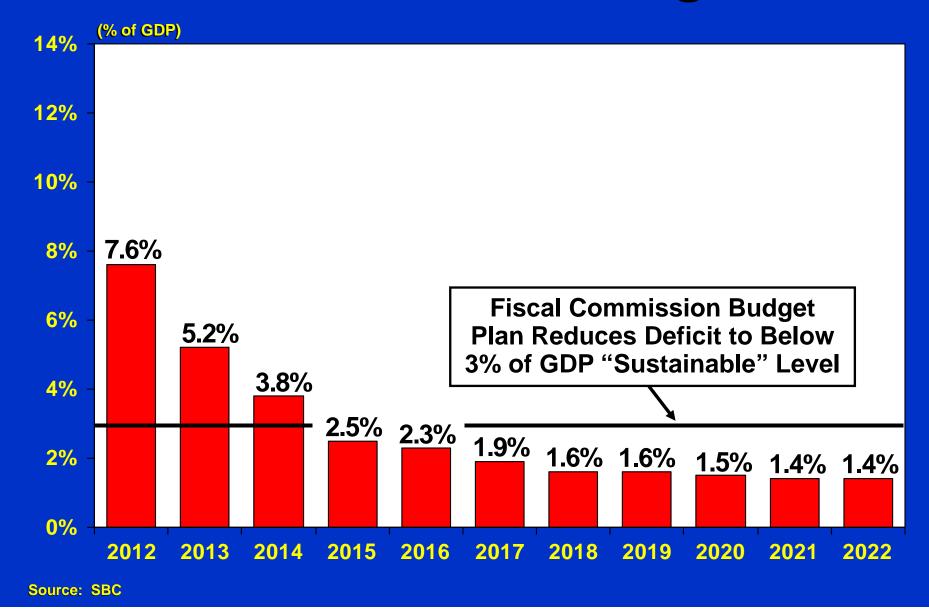
DECEMBER 2010



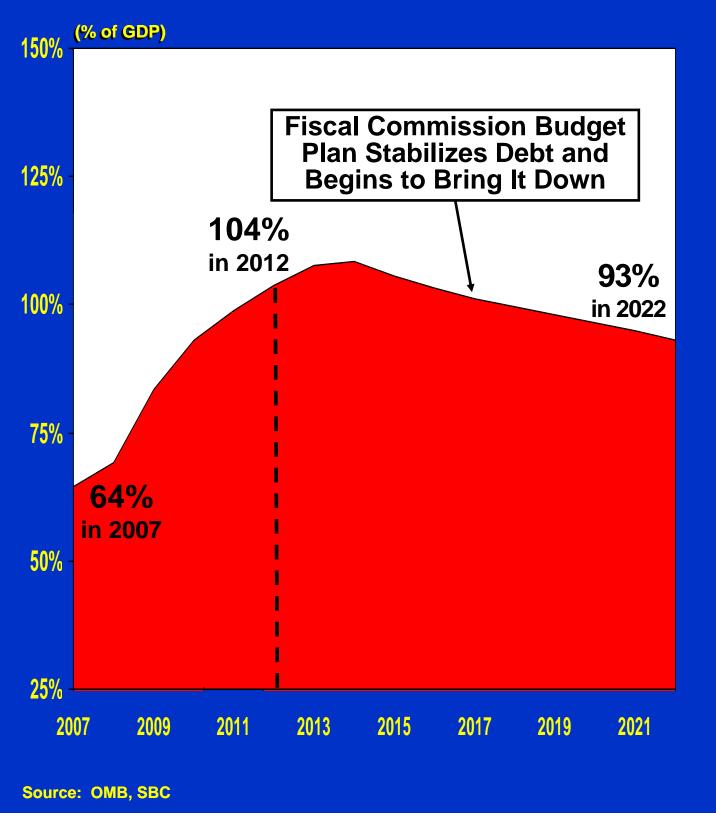
Overview of Fiscal Commission Budget Plan

- \$5.4 T in deficit reduction
- Lowers deficit to 1.4% of GDP in 2022
- Stabilizes gross debt by 2015
- Reduces discretionary spending to 4.8% of GDP by 2022
- Builds on health reform savings
- Calls for Social Security reform savings to be used only to extend solvency
- Includes fundamental tax reform that raises revenue

Deficit as Percent of GDP Under Fiscal Commission Budget Plan



Gross Debt as % of GDP Under Fiscal Commission Budget Plan



Overview of Fiscal Cliff Plan

Revenue

Top Individual Rate Increases from 35% to 39.6% (\$400K / \$450K)

Capital Gains & Dividend Rate Increases from 15% to 20% (\$400K / \$450K)

PEP / Pease Reinstated

Estate Tax Increased to 40% above \$5M

AMT Permanent Fix

Extend Other Expiring Provisions

Spending

Doc Fix (1 year)

Turn Off Sequester (2 months)

Unemployment Extension (1 year)

Farm Bill Extension (1 year)

Deficit Impact of Fiscal Cliff Plan

Total Revenue Loss Total New Spending

\$3.64 T

\$332 B

Total Impact on Deficit

\$4 T

Source: CBO

Note: Budget effects measured against current law baseline. Outlay effects of tax policies are reflected in spending totals. Excludes interest costs of approximately \$650 billion over ten years.