

CALM ACT - Cliff Alleviation at Last Minute Act
Introduced by Senator Joe Manchin III

Section I: Taxes

Subsection A: Bush Tax Cuts

The intent is to smooth out the tax transition to the Clinton parameters for income, and raise capital gains and dividend taxes, over three years. In other words, income taxes at the low end go from 10% to roughly 11.6% the first year – and then to around 13.3% the second and back to 15% in the third year. Taxes among the richest Americans would go from 35% to roughly 36.5% in year one; then to around 38% in second year and finally 39.6% in year three. We smooth out the slope over three years. This would also gradually phase out the 10% bracket and return to the five-bracket system previously in place during the Clinton years. The transition will be similar for the additional rates and credits scheduled to expire at the end of 2012. Please see Figure I for an illustrative income tax rate breakdown.

Subsection B: Estate Tax

Implement modified estate tax policies permanently at \$3.5 million exemption (indexed after 2013) and 45% top rate.

Section II: Spending Cuts

The Office of Management and Budget will recommend how to cut the \$109 billion a year that is required by the Budget Control Act over nine years across different programs and accounts. In other words, rather than cutting the same percentage in all programs and agencies, we would allow OMB to recommend where the cuts should come from. All we require is that half of the cuts come from defense and half come from non-defense. If OMB is unable to make a recommendation, we issue the cuts as the BCA calls for in the sequester. In addition, OMB's recommendation can be overridden by joint resolution of disapproval.

Section III: Entitlement Reform

We would require the Secretary of Health and Human Services to cut \$400 billion over 10 years (\$40 billion a year) from Medicare from providers.

Section IV: Comprehensive Tax Reform

This resolution expresses the sense of the Senate that Congress should address comprehensive tax reform in the 113th Congress.

Figure I: Illustrative Phase-out of Bush-era Income Tax Rates (Married Joint Filers)

Income Tax Rate	Approximate 2013 Income Threshold	2013	2014	2015
35%	Over \$398,000	36.5%	38.0%	39.6%
33%	\$398,000	34.0%	35.0%	36.0%
28%	\$223,000	29.0%	30.0%	31.0%
25%	\$146,000	26.0%	27.0%	28.0%
15%	\$72,000	15.0%	15.0%	15.0%
10%	\$18,000	11.6%	13.3%	15.0%

Figure II: Ten Year Savings Estimate of CALM Act

Cliff Alleviation at the Last Minute Act <i>Savings Estimates for the 2013 - 2022 Budget Period</i>		
Policy Proposal	Revenue	Spending Reduction
Three-Year Phase-out of Bush Tax Policies	\$2.24 trillion	
Modified Estate Tax Policies	(\$289 billion)	
Payroll Tax Cut Expiration (One Year)	\$95 billion	
Emergency UI Expiration (One Year)	\$30 billion	
Sequestration (includes interest savings)		\$1.20 trillion
BCA Spending Caps		\$917 billion
Overseas Contingency Operations		\$848 billion
Medicare Reform		\$400 billion
Interest Savings		\$400 billion
Total	\$2.076 trillion	\$3.765 trillion
Ten-Year Grand Total	\$5.841 trillion	