

Priorities for Congress and the Administration in 2013

In addition to asking the Solutions Initiative II groups to address the long-term fiscal outlook and the fiscal cliff, we also asked each to identify top priorities for the new Congress and the Administration in 2013. Key themes emerge:

Fundamental Tax Reform

- The American Action Forum (AAF) recommends instituting a new progressive consumption tax that would replace both the individual and corporate income tax codes.
- The Center for American Progress (CAP) also lists tax reform as its top priority, but CAP puts the emphasis on raising adequate revenue and improving progressivity.

Health Care

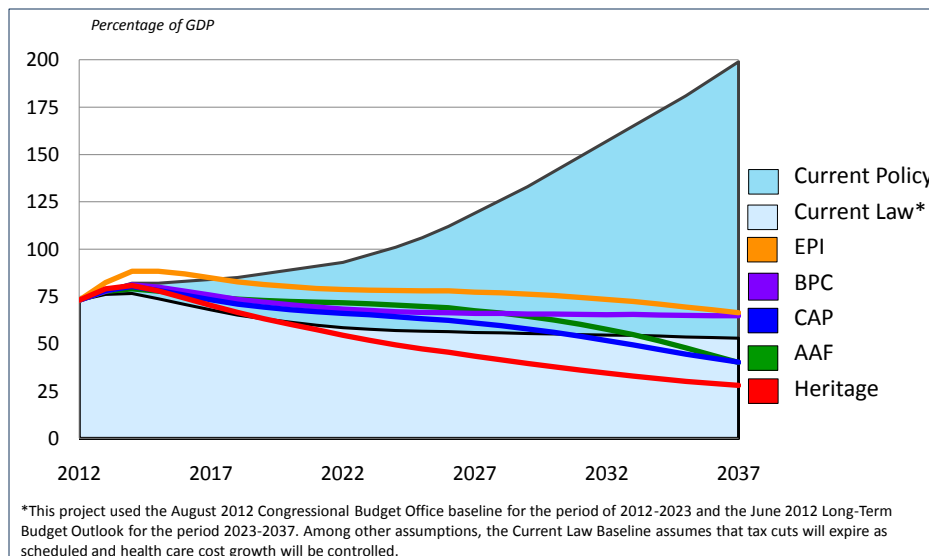
- The Bipartisan Policy Center’s (BPC) top priority is reforming federal health programs. In particular, BPC identifies Medicare Advantage as a program that needs reform.
- The Heritage Foundation also would make health care reform its top priority. Heritage would repeal the Affordable Care Act and replace Medicare with a market-based, premium support model that would provide income-related subsidies to beneficiaries.

Economic Recovery and Growth

- The Economic Policy Institute (EPI) recommends that job creation should be Washington’s top priority. EPI would provide fiscal stimulus through infrastructure spending, state budget relief, and a temporary extension of the Making Work Pay tax credit and emergency unemployment assistance.

Solutions Initiative II Plans: Projected Federal Debt

(As a percentage of GDP)



2012 POST-ELECTION
THE FISCAL CLIFF AND BEYOND

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How Do the Solutions Initiative II Plans Address the Fiscal Cliff?					
Elements of the Fiscal Cliff	AAF	BPC	CAP	EPI	Heritage
Expiration of the 2001- 2010 tax cuts	Replace income tax with progressive consumption tax. Provide transition relief	Current rates all extended, followed by fundamental tax reform	Current rates extended for incomes less than \$250,000 (couples), followed by fundamental tax reform	Full expiration of current rates, replace with enhanced work and family credit for low- and middle-income taxpayers	All current rates extended, followed by fundamental tax reform
Budget Control Act: Automatic sequestration in 2013	Repeal and replace with other reforms	Repeal and replace with other reforms	Repeal	Repeal and replace with other reforms	Repeal for defense, and replace with other reforms
Medicare Sustainable Growth Rate (SGR) formula	Eliminate SGR as part of Medicare reform	Eliminate SGR and replace with other health care savings	Eliminate SGR and replace with provider payment reforms	Eliminate SGR and maintain physician payments at current levels	Eliminate SGR as part of Medicare reform
Expiration of Social Security payroll tax cut	Allow to expire	Allow to expire: Replace with income tax rebate for 2013	Allow to expire: Replace with more targeted measures for job creation	Allow to expire: Replace with more effective stimulus	Extend for one year
Alternative Minimum Tax "patch"	Eliminate AMT as part of broader tax reform	Eliminate AMT as part of broader tax reform	Extend patch, then move immediately to broader tax reform	Extend patch	Extend patch, then eliminate as part of broader tax reform
Expiration of extended unemployment benefits	Allow to expire as scheduled	Allow to expire as scheduled	Extend	Extend	Slowly reduce extended benefits