PERSONAL EVALUATION OF THE CLINTON TAX PLAN

CLiNTon_TaX RELEASE 1.0

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Overview

CLiNTon_TaX is a spreadsheet that calculates the effects of President Clinton's proposed changes in the structure of the personal income tax system on an individual's estimated income and social security taxes for 1993. It was created to answer the question "How will my taxes be affected by the proposed changes?" After you enter data on your 1992 income, exemptions, deductions, tax credits, etc., the spreadsheet calculates three sets of income taxes: your 1992 tax bill, an estimate for 1993 using changes already built into the tax code, and an estimate of the effects of the proposed changes on your 1993 taxes.

This version of CLiNTon_TaX covers many, but not all, tax situations. In particular, the Earned-Income Tax Credit (EIC) is not calculated, so benefits proposed for families with incomes below $30,000 are ignored. Similarly, the Alternate Minimum Tax (AMT) is not calculated. Other limitations are described in the spreadsheet.

Requirements

There are two versions of Release 1 of CLiNTon_TaX--one for Excel and one for Lotus 1-2-3 Releases 2.x. You need to provide aggregate data similar to that needed for the following personal income tax forms and schedules:

- Form 1040

- Schedules A, B, C, D, SE

- Other forms and schedules to determine adjustments, credits, etc.

  ## Instructions

Unlike the textbook example of a "perfect" spreadsheet, there is no one range for data entry. Instead, columns A through E follow approximately the layout of Form 1040. Enter your data in the ranges in column D that are labeled "Your Input." (These data entry ranges are shaded in the Excel version of the spreadsheet.) The data input ranges are unprotected, but other parts of the spreadsheet are protected. (For the Lotus 1-2-3 version, press F9 after data entry.) If you wish to change a complex calculation (for example, if one individual has both salary income and self-employment income), you will need to first disable the protection. Many values are simply carried over to column E for the 1992 taxes, but others are used as inputs into calculations and tables that mirror the worksheets that accompany the Form 1040 instructions. The calculation of your 1992 taxes can be compared to your existing return (if you have one) to insure that nothing is missing or entered erroneously.

The tax calculations for 1993, both under the existing IRS Code and the proposed changes, use your 1992 data. However, it is easy to change any entry to reflect changes in filing status (if you plan to get married, divorced, or have more children), income (if you expect a raise), or any other item. In any case, the two scenarios of 1993 taxes are calculated from the same data set in order to provide a relevant comparison.

<u>Sources</u>

Apparently, even President Clinton's TelePrompTer operator had difficulty finding out exactly which tax provisions were included in his economic plan. With one exception, this analysis uses the changes listed in the *New York Times* of February 21, 1993, on Section 4, page 3. The following table indicates which of the changes have been included in the spreadsheet:

<u>Change</u>	<u>Included</u>	<u>Not Included</u>
Increase top marginal tax rate to 36%	x	
Add "surtax" on high incomes	x	
Keep 28% maximum capital gains tax	x	
Increase base for Medicare portion of social security tax	x (*)	
Increase percentage of social security benefits taxed	x	
Energy tax		x
Further limit deduction for business meals & entertainment		x
Eliminate deductions for lobbying & club dues		x
Increase Earned-Income Credits (EIC)	`	x
Special capital gains tax break for small businesses		x
Special investment tax credit for small businesses		x
Increased write-offs of losses from real estate		x
Change in deduction of appreciated property to charities		x
Increase in maximum estate tax		x (+)

NOTES: * Although the OASDI and Medicare portions of social security taxes are withheld from salaries and wages, the spreadsheet counts the reduction in take-home pay from the increase in the salary base for the Medicare portion as a tax increase.

+ Not included in the *Times* article or this spreadsheet.

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