would benefit only wealthy taxpayers and businesses, that would result in substantial costs beyond the five-
year budget window.

Rep. Anthony Belfanti (D-Calif), a member of both the House Rules and Budget Committees, noted the
$500-per-child tax credit in the Republican alternative would cost $108 billion over five years, and other tax
reductions would add nearly another $40 billion to those costs.

Rep. Timothy Penny (D-Minn) urged Rules to allow votes on both the Solomon amendment, which would
balance the budget by fiscal 1999 without raising taxes, cutting Social Security benefits, or cutting earned veteran
benefits, as well as an amendment be co-sponsored with Rep. Dan Schaefer (R-Colo) to make some
$550 billion in spending cuts over five years.

Balanced Budget Alternatives

Meanwhile, House Budget Committee members
Robert Wise (D-WVa), David Price (D-N.C), and Earl
Pomeroy (D-N.D) are developing an alternative to House Budget Committee member Charles Stenholm’s
balanced budget amendment proposal (HJRes 103), which the House is expected to take up the week of
March 14, an congressional aide told BNA March 9.

In its current form, the Wise plan would exclude
Social Security and capital spending from the annual
balanced budget requirement, and would eliminate the
three-fifths vote requirements for deficit spending and for
increases in the debt limit, an aide said, stressing that
the plan still is open to changes.

Separately, a group of congressional “porkbusters,” led by Rep. Harris Fawell (D-Ill), told report-
ers March 9 that they intend to offer a rescission bill to remove funding for four programs approved as
part of the recently enacted emergency supplemental
appropriations.

That supplemental appropriation was designed to
provide assistance to the victims of the Los Angeles
earthquake, but according to Fawell, four programs included in this act have nothing to do with that
emergency.

Specifically, the proposed rescission would take
back the funding for the following programs: $500
million for additional Federal Bureau of Investigation
personnel located in West Virginia; $1.3 million to
place the Savannah in drydock in South Carolina; $10
million to convert a New York City post office into a
community center; and $1.3 million directed at a
sugar cane mill community in Hawaii.

Health Care

BUDGET COMMITTEE MEMBER ALLARD
WARNS AGAINST HIGH TAXES IN CLINTON PLAN

House Budget Committee member Wayne Allard
(R-Colo) warned colleagues in a March 8 letter against the
“massive level of new taxes” he said is contained in the
Clinton health plan (HR 3600).

Attached to the letter, Allard provided an analysis
completed by the Alexis de Tocqueville Institution,
Arlington, Va., that concluded the plan would increase
federal revenues by more than 25 percent by 2004
from the combination of mandated payments to all-
caretakers, tobacco tax increase, additional revenues from
higher wages, and exclusion of health benefits from
cafeteria plans.

According to this analysis, which used Congression-
al Budget Office estimates, “a tax increase of this
magnitude during peacetime is unprecedented in
American history.”

Bruce Bartlett, senior fellow of the Alexis de To-
cqueville Institution and author of the analysis, stated
in the report that “although it is difficult to isolate the
effects of the increased taxes from the overall effect
of the Clinton health plan, the CBO admits that the
overall effect would be to reduce employment and
real output in the economy.”

According to the CBO report presented to Congress
Feb. 8, “eventually between one quarter of one
percent and 1 percent of the labor force might prefer to
stay home if the proposal were enacted. Correspond-
ingly, gross domestic product also would be reduced,
though by somewhat smaller percentages. These
changes are not large, falling well within the uncertain-
ty of projections of the labor force and GDP over
the next decade” (36 DTR G-1, L-1, 3/8/94).

Bartlett said that estimates of GDP, employment,
and inflation change resulting from the enactment of
the Clinton plan “must be treated as tentative,” but
added that “prudence, therefore, suggests that we at
least try to find out more of these possible effects
before moving forward.”

Similarly, Allard, in his letter, said “as we begin
taking votes on health care reform, each of us should
reflect on whether we really want to increase the size
and power of government so drastically.”

The House Ways and Means Subcommittee on
Health, meanwhile, completed its markup of a health
reform proposal that is markedly different from the
Clinton plan (see related report in this Section).

International Taxes

IRS SEEKS COMMENTS ON PENALTY RULES,
NOT MISCONSTRUED REMARKS, OFFICIAL SAYS

The Internal Revenue Service is looking to receive
more comments on the temporary and proposed regu-
lations (IL-21-81, TD 8519) regarding the penalty rules
under Section 6652(e) of the Internal Revenue Code—but not comments that erroneously take pieces of the
language out of context and misconstrue them, an IRS
official told a March 9 tax law conference.

The Service has issued temporary and proposed
penalty regulations, as enacted in the Omnibus Budget
Reconciliation Act of 1993, but IRS has not received
as many comments on the regulations as they expect-
ed, said IRS Associate Chief Counsel (International)
Robert E. Culbertson.

However, some of the “initial, off-the-cuff com-
ments” the Service has received show some tax-
payers are focusing on two or three pieces of the
regulations, pulling the pieces out of context, and then
attacking the regulations based upon those pieces, he

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