



Connect. Engage. Impact.



Annual Conference Scottsdale, AZ

*You're Gonna Need a
Bigger Boat—A Lively
Discussion of Our
Fiscal Future*

*Luncheon and TEI Award Presentation,
Tuesday, October 25, 2022 – 1:00 – 2:00 pm*



Moderator



Martin Sullivan
Tax Analysts



Robert Carroll
Ernst & Young



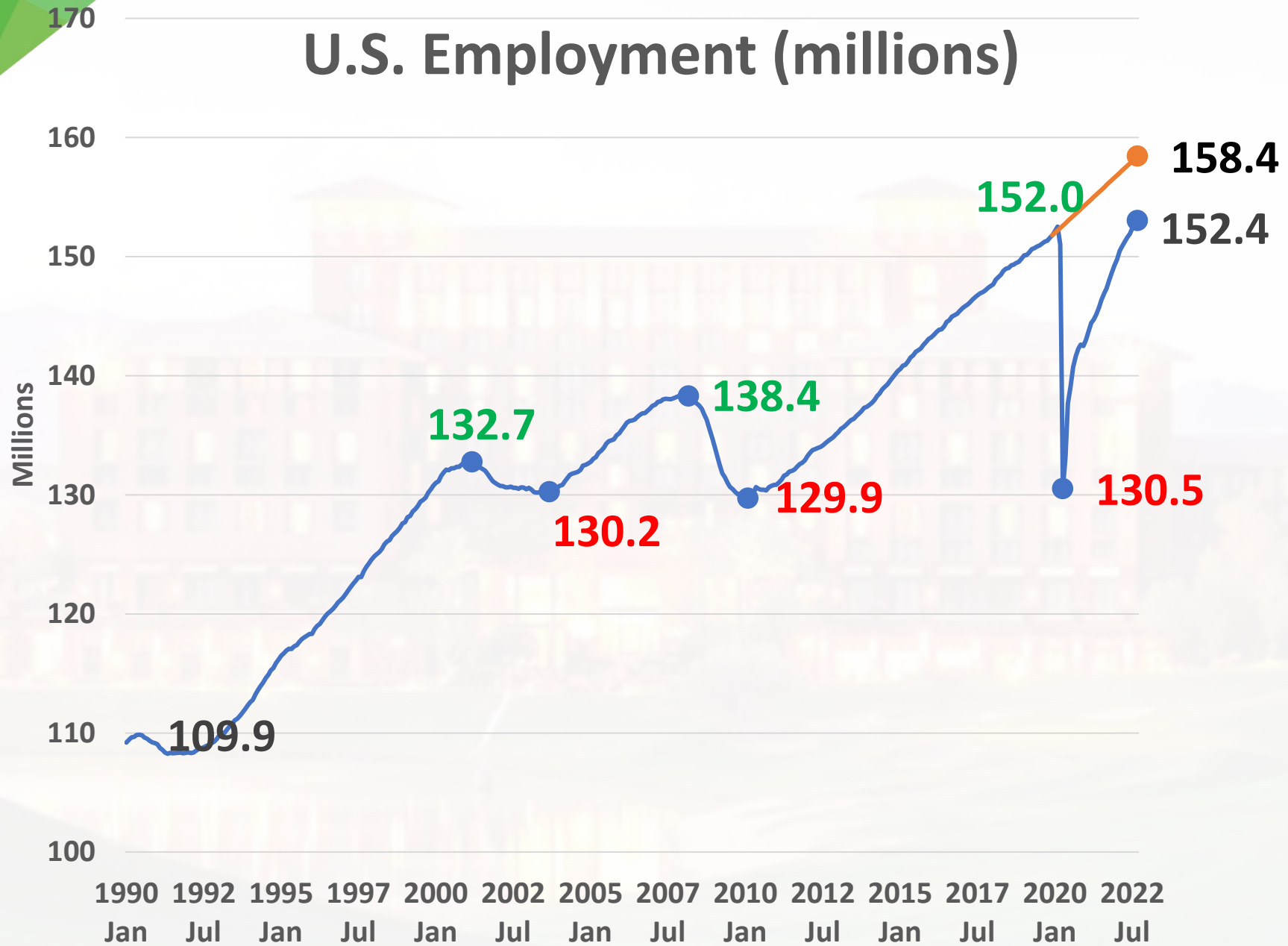
Marc Goldwein
Committee for
Responsible Federal
Budget



Rick Grafmeyer
Capitol Tax Partners

Part 1. The Economy

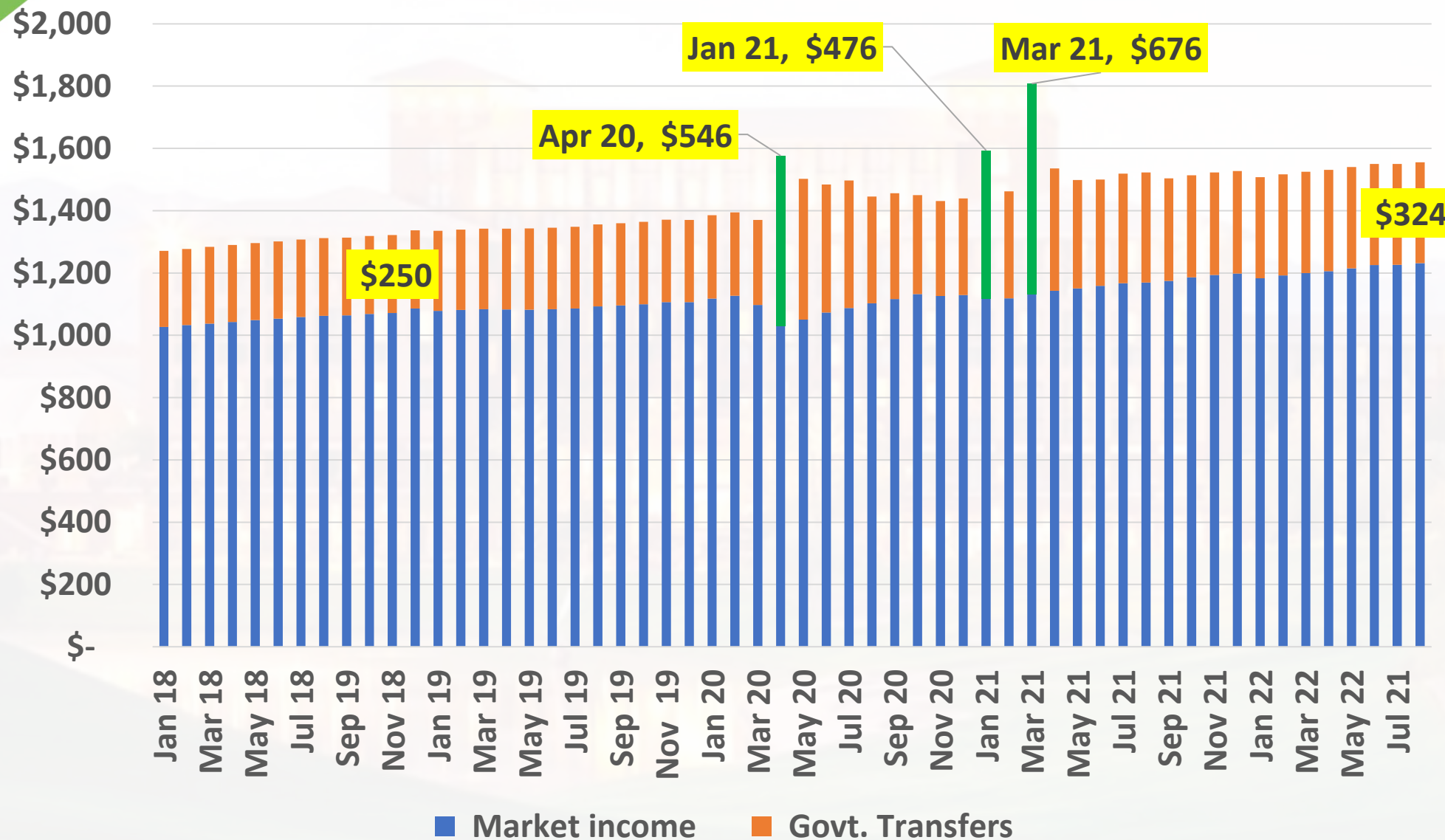
U.S. Employment (millions)



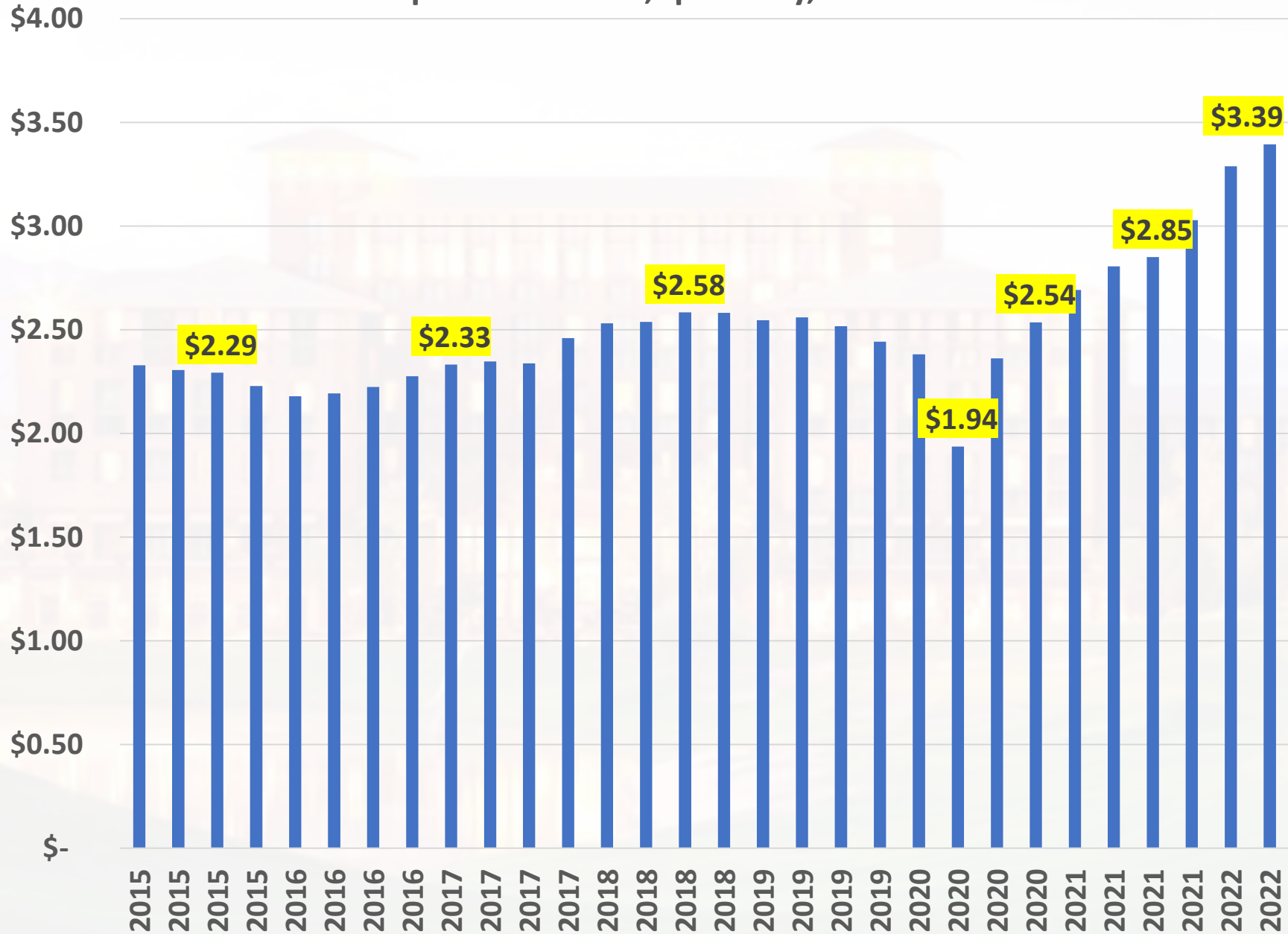
10-Year Treasury Yield, Monthly 2020-present



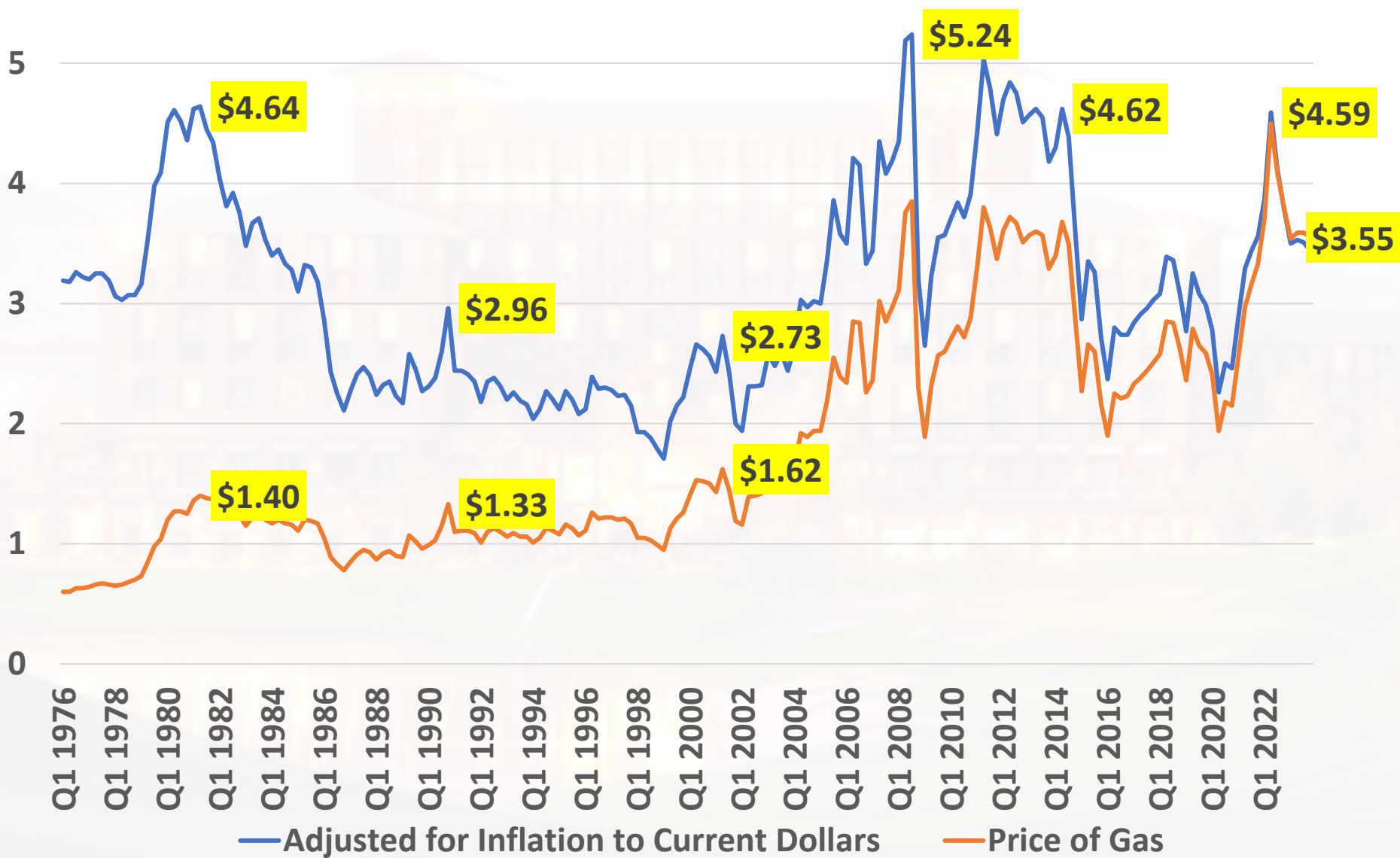
U.S. Disposable Personal Income, 2018-2022 (Billions of dollars)



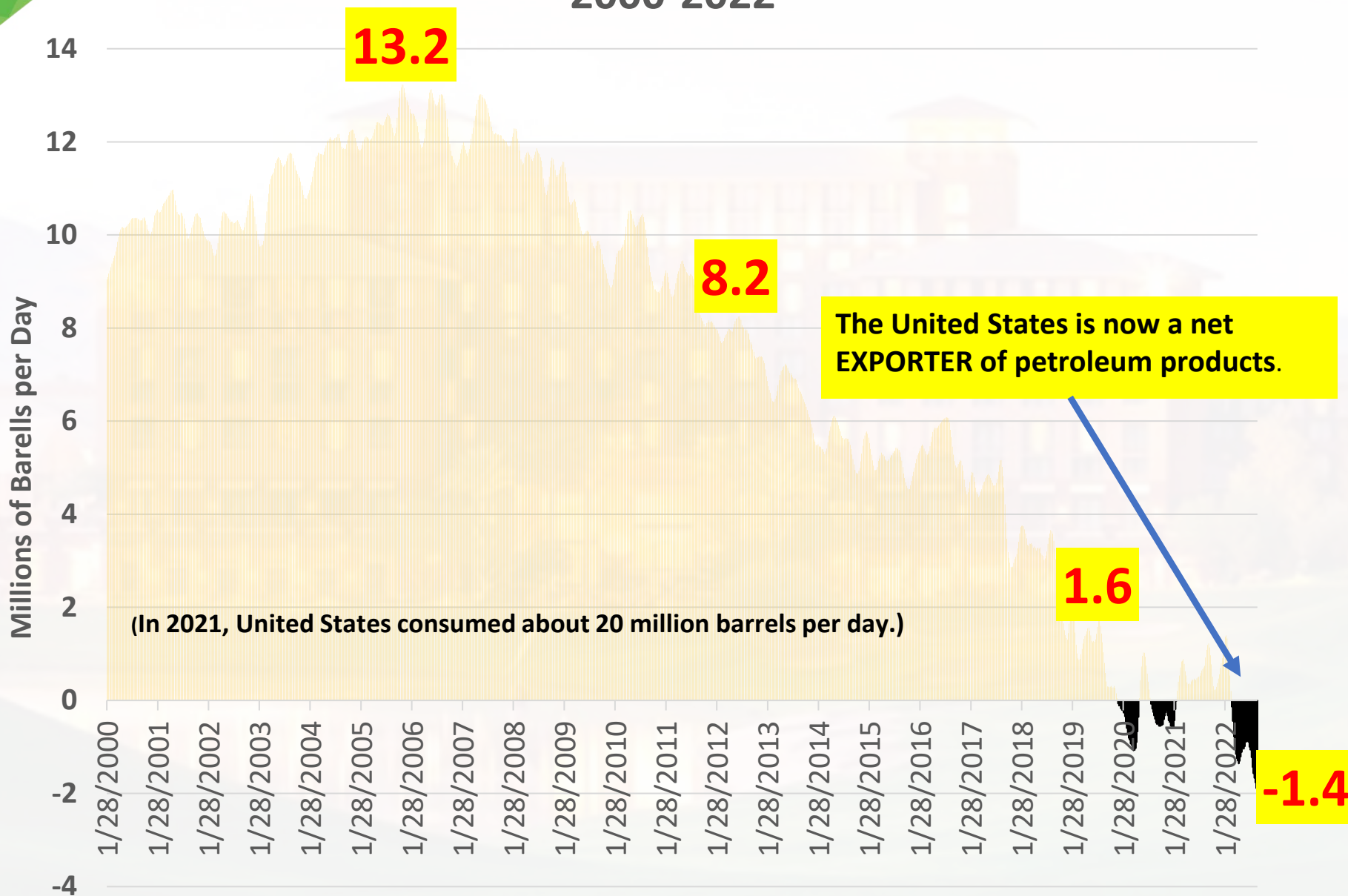
U.S. Imports of Goods, quarterly, 2015-2022



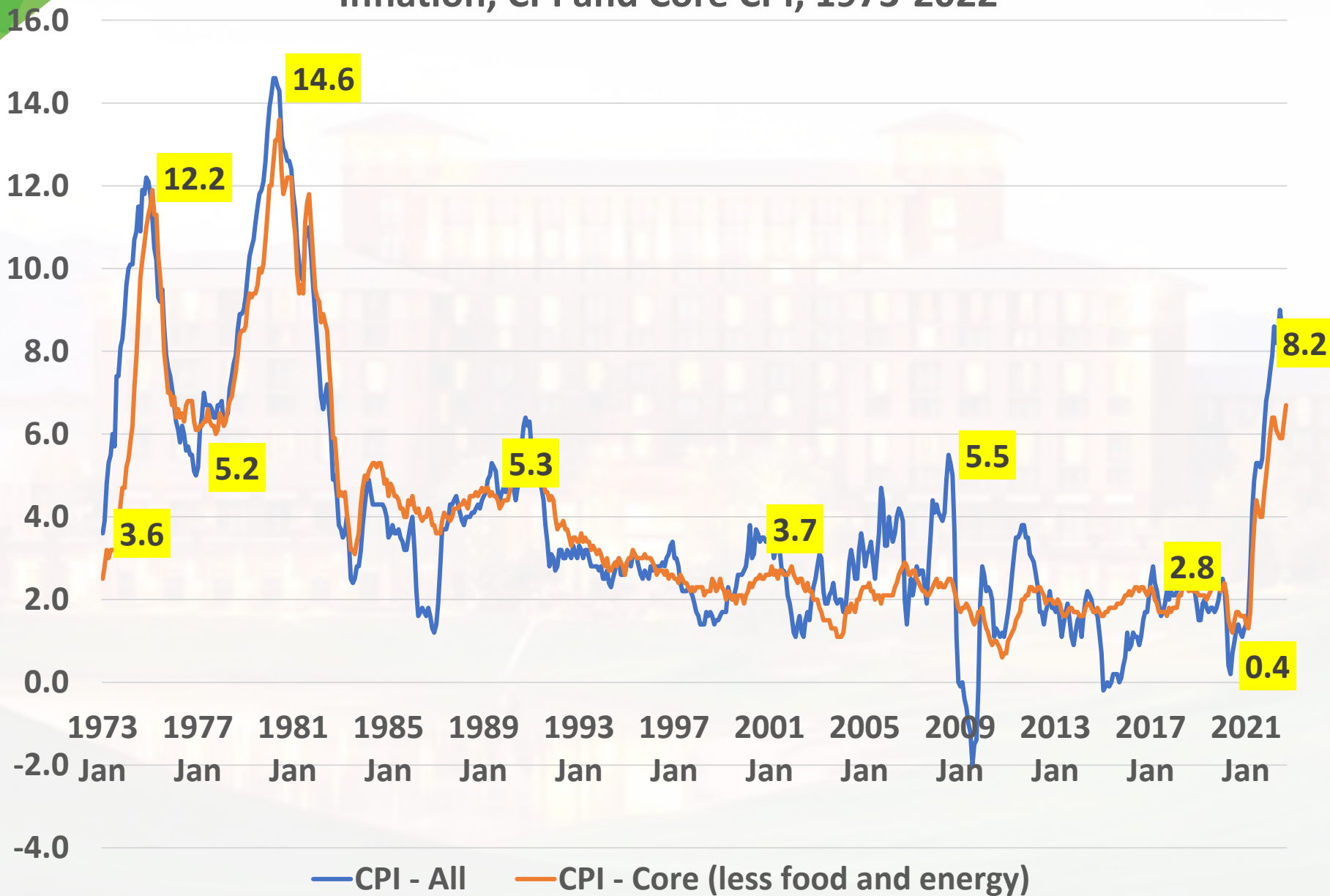
Price of Gasoline, Actual and Adjusted for Inflation, 1976-2022



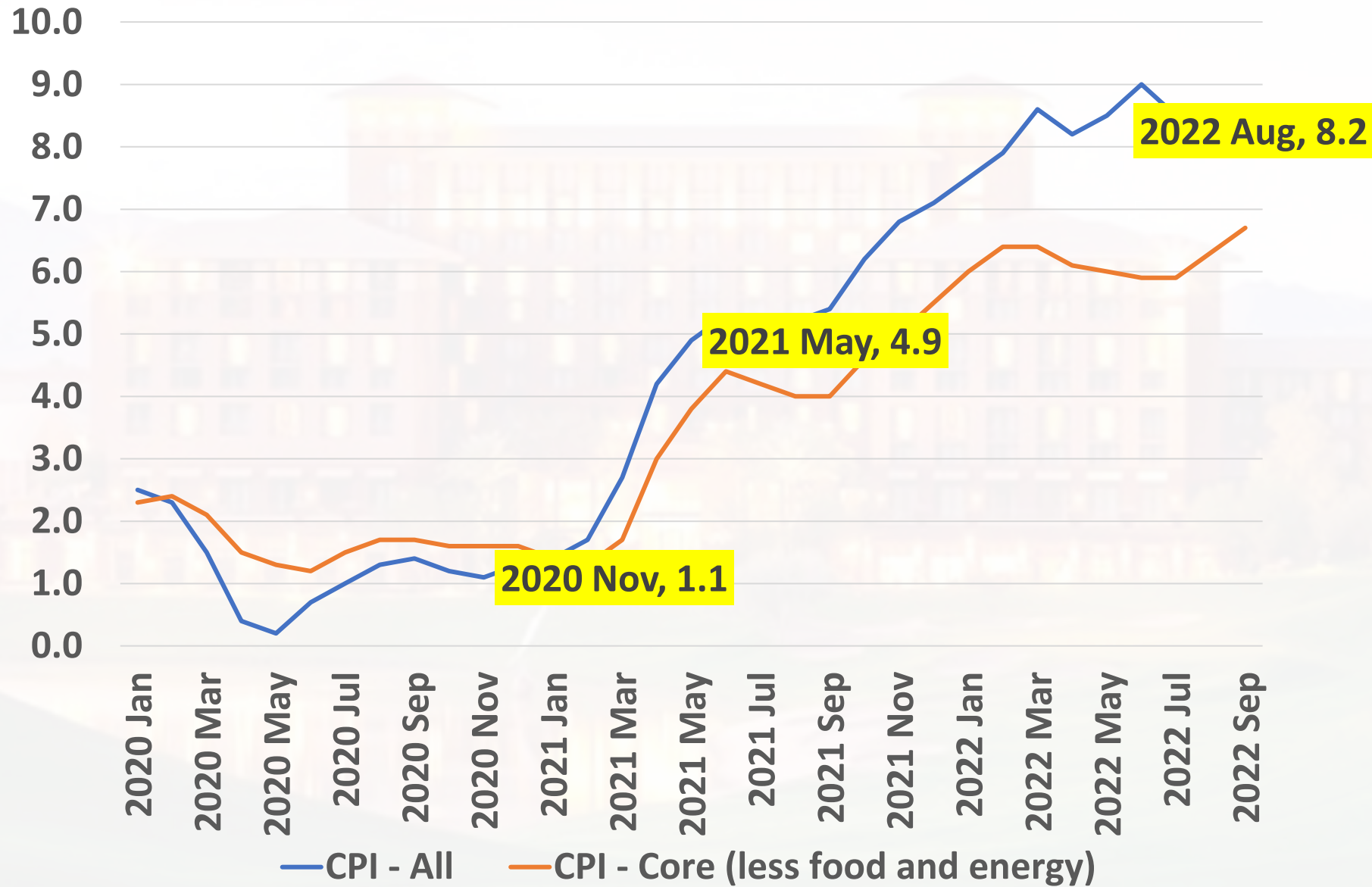
U.S. Net Imports of Crude Oil and Petroleum Products, 2000-2022



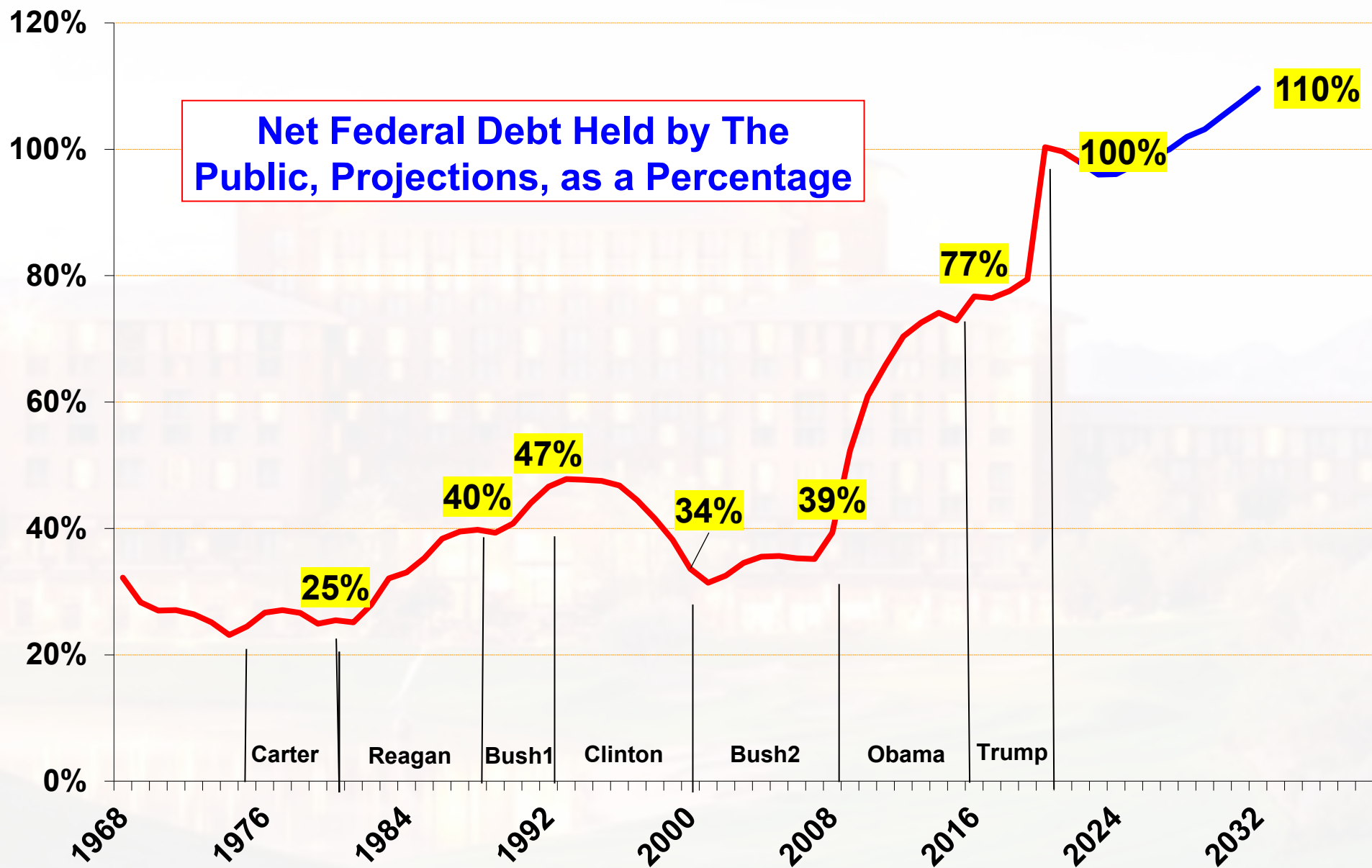
Inflation, CPI and Core CPI, 1973-2022



Inflation, Since the Beginning of the Pandemic



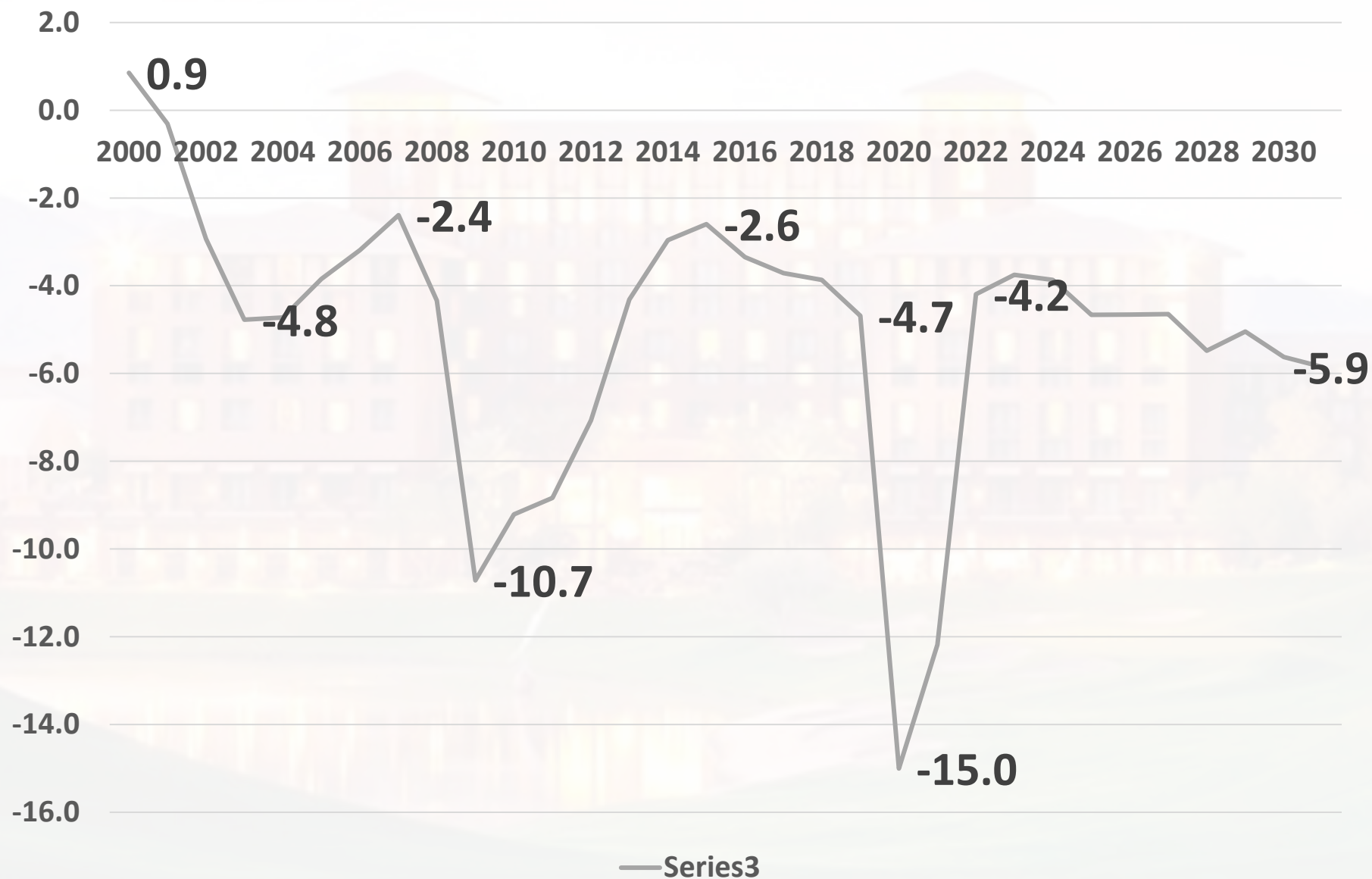
Part 2. The Budget



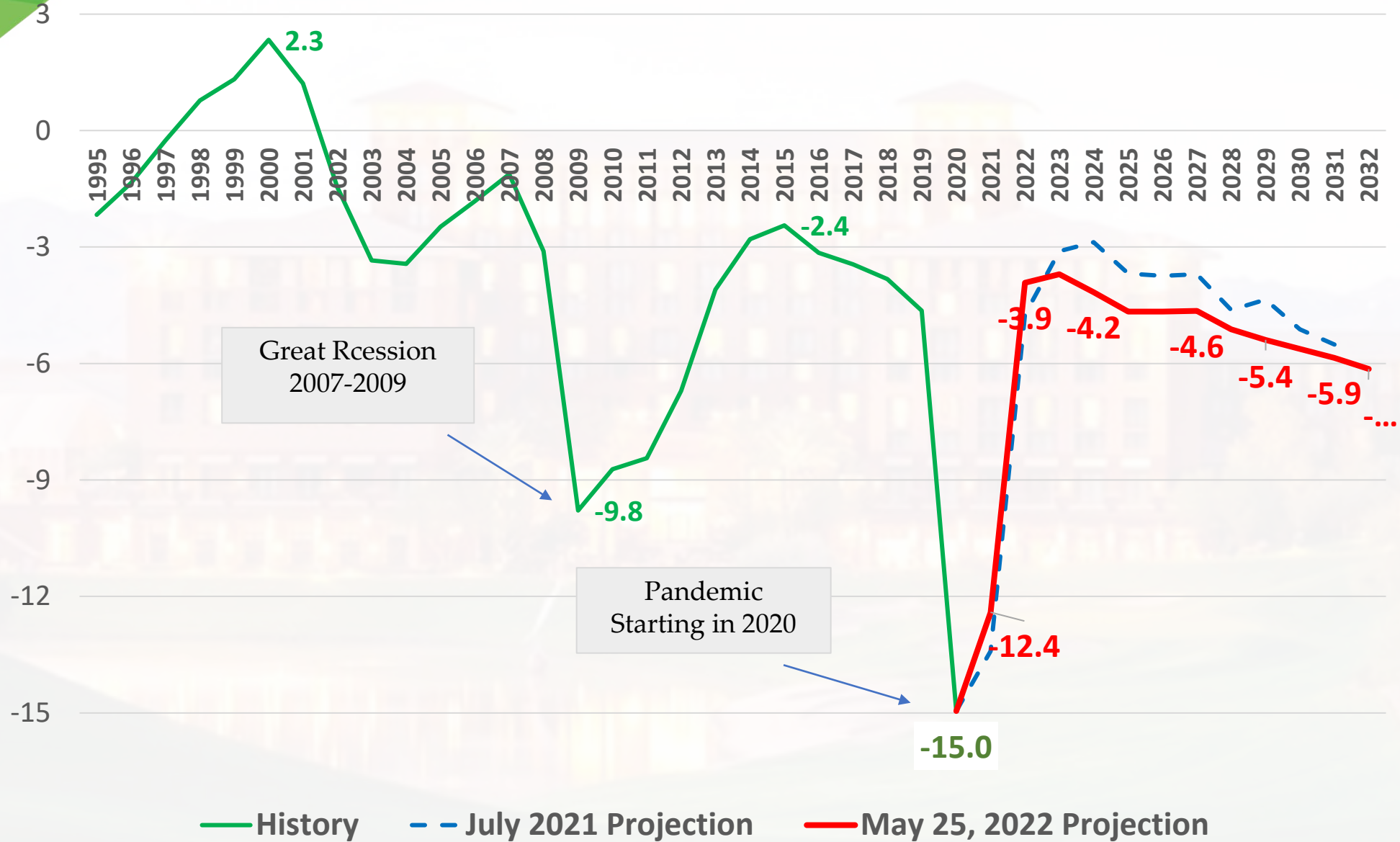
Federal Spending and Revenues, as % of GDP, 2000-2032



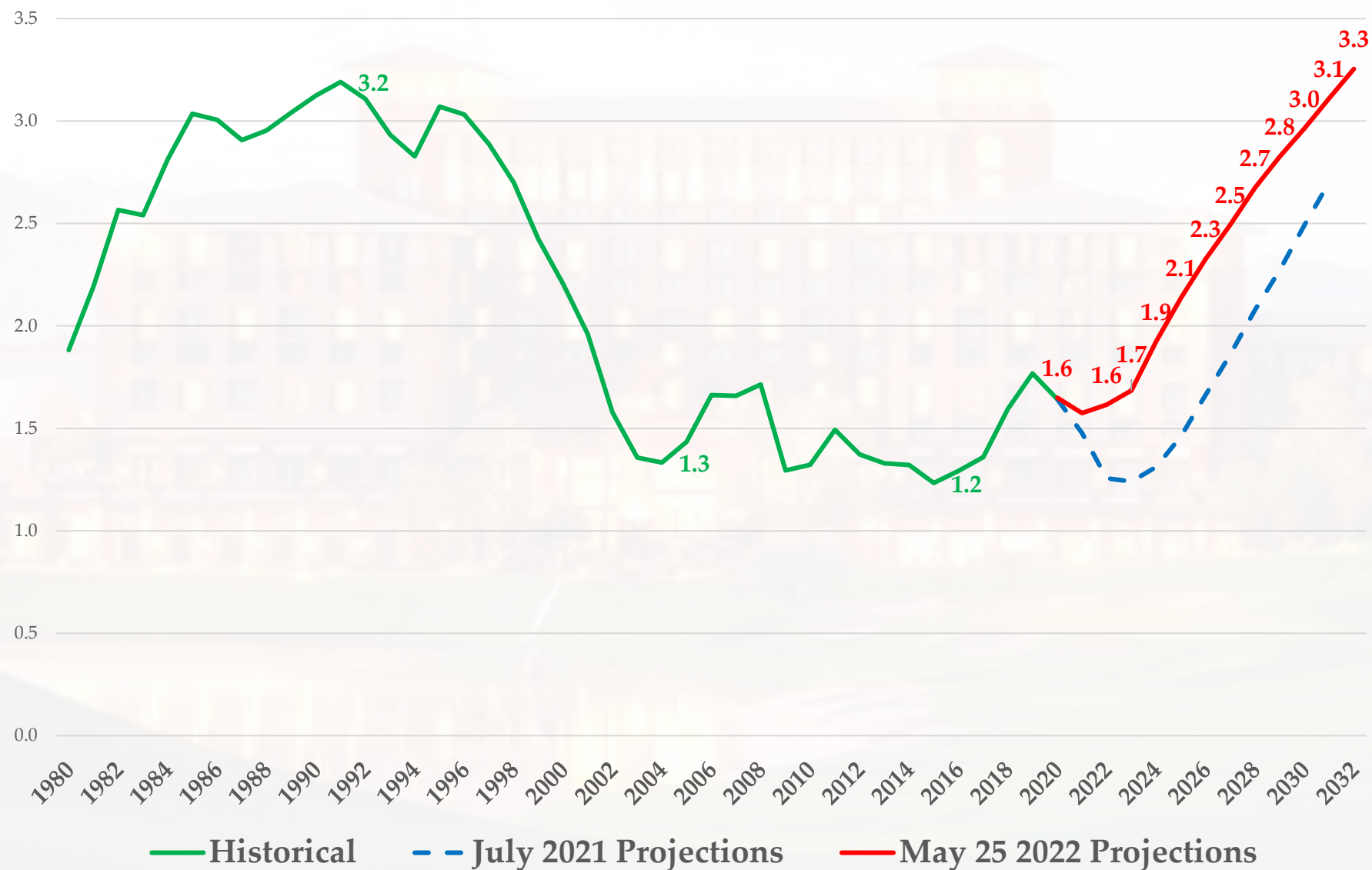
Federal Deficit as % of GDP, 2000-2032



Federal Deficit as a Percentage of GDP, History and CBO Projections, Fiscal Years 1995-2023



Interest Cost on Federal Debt as Percentage of GDP, History and CBO Projections, Fiscal Years 1980-2031



CBO Forecast Assumptions (fiscal years)

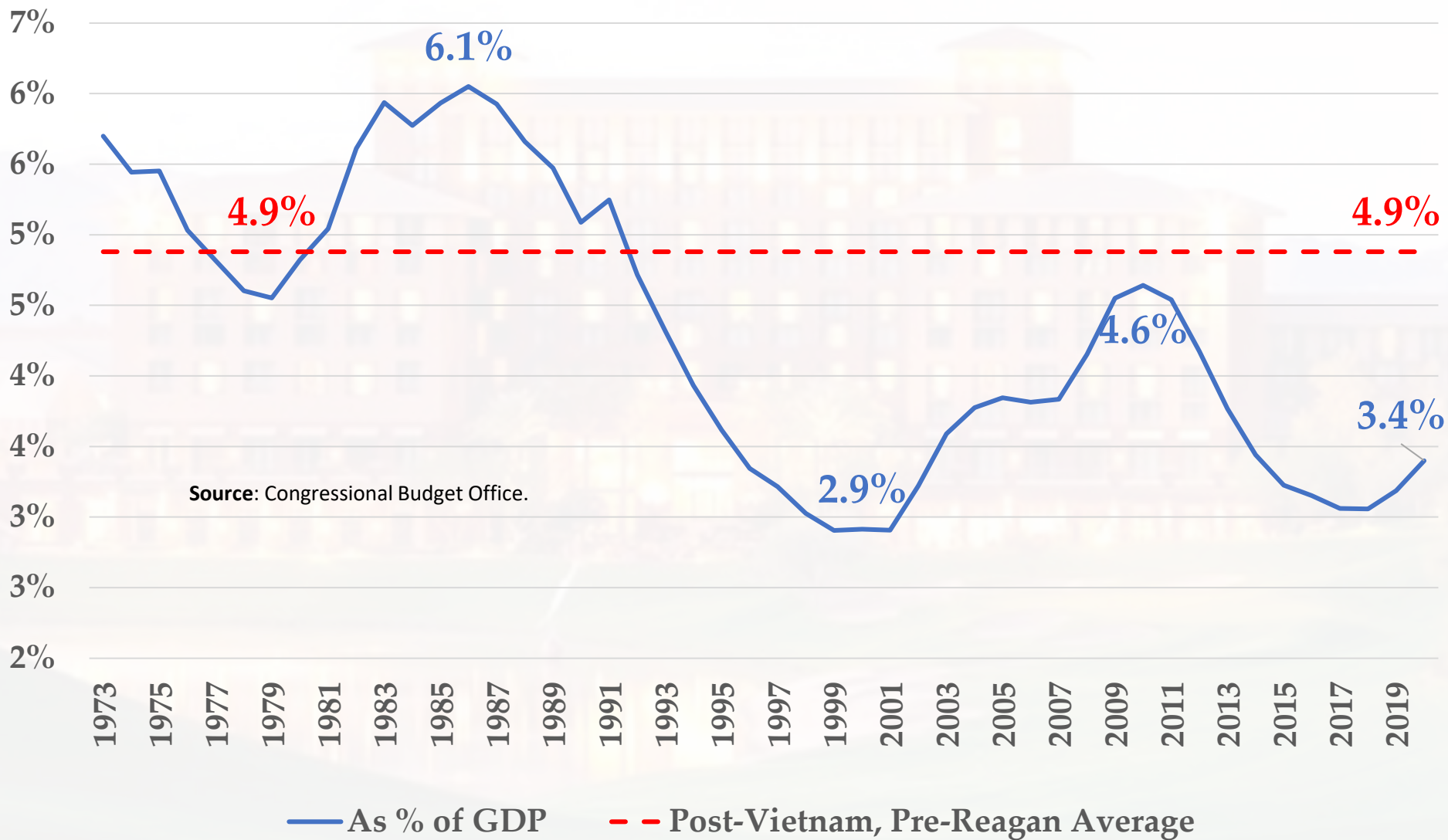
	Actual, 2021	2022	2023	2024	2025	2032
Discretionary Spending as % of GDP	7.3	7.0	6.7	6.6	6.6	6.2
10-Year Treasury Yield %	1.3	2.1	2.8	3.0	3.1	3.8

10-Year Treasury Yield, July 14th-Oct 14th



Japan Times, Oct 17: “Raising corporate and household income taxes to fund a planned increase to Japan's defense budget in the next fiscal year cannot be ruled out, the head of the ruling Liberal Democratic Party's tax policy panel has said.”

U.S. Defense Spending 1973 through 2020, Compared to the 1975-1980 Average, as a Percentage of GDP



Part 3. Implications for Tax Policy

Policy	First-Year Cost	Ten-Year Cost
Extend 100 percent bonus depreciation	\$15 billion*	\$250 billion
Reinstate R&E expensing	\$60 billion*	\$155 billion
Restore pre-2022 net interest deduction limit	\$20 billion	\$200 billion
Revive remaining 2021 tax extenders	\$2 billion	\$20 billion
Extend 3 percent physician payment bonuses	\$2 billion	\$25 billion
Extend increased Medicaid funding for territories	<\$1 billion	\$5 billion
Subtotal, Policies	\$100 billion	\$650 billion
Repeal/delay PAYGO sequester	\$120 billion	~\$1.2 trillion
Total	\$220 billion	\$1,850 billion

Source: Committee for a Responsible Federal Budget

Policy	First-Year Cost	Ten-Year Cost
Prevent policies from expiring/changing in 2022 and 2023	\$100 billion	\$650 billion
Increase SALT cap to \$80,000 for 2022-2025	\$65 billion	\$235 billion
Revive ARP expansion of child tax credit	\$130 billion	\$1.2 trillion

Source: Committee for a Responsible Federal Budget

Some Upcoming Congressional Fiscal Policy Deadlines

- **Funding the Government/Appropriations (Dec 16).** Continuing resolution (CR) enacted in late September funds the government through mid-December.
- **National Flood Insurance Program Expires (Dec 16).** Short-term extension included in Sept. CR.
- **Maternal, Infant, & Early Childhood Expires (Dec 16).** Extension included in September CR.
- **Authorization of Temporary Assistance for Needy Families Expires (Dec 16).** Extension included in September CR.
- **Medicaid Assistance for Territories (Dec 16).** Without action federal reimbursement would drop.
- **Medicare Physician Bonus Payments (Dec 31).** Temporary 3% bonus payment for physicians expires.
- **Other Tax Phase-Ins & Expirations (Dec 31).** Provisions enacted as part of TCJA will begin in 2022.
- **Statutory PAYGO (Dec-Jan).** An estimated cut of about \$120 billion is scheduled.
- **Debt limit (summer/autumn 2023).** Debt ceiling will likely need to be raised in late 2023.

Source: Committee for a Responsible Federal Budget

AFTER THE 2024 ELECTION

Scenario	White House	Senate	House of Reps.	Outlook
1	R	R	R	trifecta
2	R	R	D	gridlock?
3	R	D	R	gridlock?
4	R	D	D	gridlock?
5	D	R	R	gridlock?
6	D	R	D	gridlock?
7	D	D	R	gridlock?
8	D	D	D	trifecta

Kyiv

U.K. Axes Most of Tax-Cut Program

Markets cheer moves
by new treasury chief,
though political
uncertainty persists

BY MAX COLCHESTER
AND PAUL HANNON

*Wall Street
Journal,
October 18*

**‘You’re gonna
need a
bigger boat.’**

JAWS
(1975)





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