MEMO

To: PET

Fm: Rich   Date: July 21

Re: 1. Kemp-Roth
2. Prop 13
3. Steiger-Hansen

1. Kemp-Roth (Income tax reduction 30% across the board; Reduce corporate income tax rate from 48% to 45%.; Increase corporate surtax exemption from $50,000 to $100,000)

A. The Treasury Department estimates that the Kemp Plan would cost $66 billion in 1980 rising to $165 billion by 1983.

B. Treasury figures show:

Tax Reduction	Income Bracket
33%	$30,000- 100,000
29%	$ 200,000
24%	over $200,000

C. Kemp's own tables show a $90 billion deficit in 1980 under his own plan. Same table shows consumer price index in 1982 would be 6.8% - one full percentage point higher than if present law were unchanged.

D. Massive stimulus to the economy created by Kemp plan could only fuel inflation.

2. Prop 13

A. Limits property tax on real and personal property to 1% of full market value.

B. Rollback assesed values on real property to their 1975-76 levels and limit further increases to inflation rate, but not more than 2% per year except property may be assessed at market value when sold or constructed after 1975.

C. Requires 2/3 vote of state legislature to increase state tax revenues.

D. Permits local governments to impose "special" non-property taxes if approved by 2/3 of voters in local elections.

E. Reduces tax revenues by $7 billion in 1978-79 in Calif.--57%-- and by $8 billion in 1979-80.

F. Only 36% of cut going to homeowners.

G. $5 billion surplus in Calif. dampens negative effect of $7 billion reduction in revenues. However, many contigencies are faced in the long-term

H. Gross state product and income would suffer net loss. Federal income tax liabilities would go up because of reduced real estate deductions. Municipal bond sales would drop. Federal grants-in-aid would decline since tied to state tax expenditures. Part if property tax reductions would go to out-of-state investors and landlords. There would be some counter in-flows of federal funds, primarily welfare and unemployment compensation. Net effect out-flow of purchasing power and dampening of economic activity within the state.

3. Steiger-Hansen

A. Would set a maximum tax rate on all capital gains tax at 25%.

B. Carter has announced that he would veto.

C. 2/3 of its benefits would go to people with incomes over $200,000, the top .1% of the population.

D. Just 5 million of nation's 67 million tax payers realize taxable capital gains in a typical year. And only 400,000 of these-- just the highest 8%-- would get any benefit at all from Steiger-Hansen. Of these, 400,000, some 35,000 of the highest income people will get an average $32,000 apiece. Almost 40% of the cut is concentrated among 3000 persons with income greater than $1 million per year; each of these millionaires would get an average $214,000. Meanwhile, 99.6% of all taxpayers would average less than one dollar.