

**MEMO# 7578**

January 24, 1996

## **KEMP COMMISSION REPORTS ON TAX REFORM**

January 24, 1996 TO: BOARD OF GOVERNORS No. 5-96 FEDERAL LEGISLATION COMMITTEE No. 2-96 PUBLIC INFORMATION COMMITTEE No. 3-96 RE: KEMP COMMISSION REPORTS ON TAX REFORM

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The National Commission on Economic Growth and Tax Reform (called the "Kemp Commission" for its chairman, Jack Kemp) was appointed by Senate Majority Leader Dole and Speaker Gingrich to make recommendations for fundamental tax restructuring. The Commission issued its report last week. The Commission's report does not make recommendations for a specific tax reform proposal. Rather, it recommends that tax reform incorporate a number of general principles, including: (1) a single, low tax rate with a generous personal exemption, and with retention of only those deductions with "important social and economic consequences"; (2) strengthened incentives for private retirement saving; (3) deduction of payroll taxes; and (4) deduction rather than capitalization of business expenses. To eliminate the bias against saving and investment, the report recommends that the tax system (1) either let savers deduct their saving or exclude the returns on the saving from taxable income; (2) end double taxation of businesses; and (3) abolish separate taxation of capital gains. Tax reform is likely to be a major issue in this year's Presidential campaign, and hearings are expected in both House and Senate. We will keep you informed of developments. For those members with access privileges, this memo can be found on ICINet. For additional information, please contact as follows: Legislative Affairs 202-326-5890 Media Relations 202-326-5860 ICINET 202-326-5933 Michael Stern Legislative Representative for Taxation

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