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Technical Appendix: Tax Laws and Revenue Effects

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Technical Appendix: Tax Laws and Revenue Effects

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Technical Appendix:
Tax Laws and Revenue Effects

Abstract

This documentation extends Romer and Romer’s (2009), Cloyne’s (2012), Uhl’s (2012), and Gechert et al.'s (2016) narrative accounts of legislated tax changes up to the end of 2017. The dataset is the basis of my PhD dissertation (Hayo & Mierzwa, 2020, 2021a, 2021b, 2021c; Hayo et al., 2021; Mierzwa, 2021).

Introduction

This documentation extends Romer and Romer's (2009), Cloyne's (2012), Uhl's (2013), and Gechert et al. 's (2016) narrative accounts of legislated tax changes up to the end of 2017. In their spirit, revenue figures and motivations are taken from official governmental records. Moreover, I augment Romer and Romer's (2009) dataset by including earlier legislative steps and their respective revenue figures beginning in 1975. This makes it possible to track tax changes along the legislative process through parliament, as done in Hayo and Mierzwa (2020) and Hayo and Mierzwa (2021c).

The aim of this narrative identification is to provide a comparable record of aggregated and disaggregated tax changes in the US, Germany, and UK. It therefore complements and extends the single country datasets published by Romer and Romer (2009), Cloyne (2012), Uhl (2013), Mertens and Ravn (2013), Gechert et al. (2016), and Nguyen et al. (2021).

I follow their classifications and further group tax changes into *individual income (II), corporate income (CI), indirect,* and *other* tax changes. To be more precise, for the US, the classifications *countercyclical* and *spending-driven are grouped* as endogenous tax changes and the motivations *long run* and *deficit-driven* as exogenous tax changes (see Romer and Romer, 2009). For Germany, exogenous tax changes comprise *structural changes (S)* or *budget consolidations (C),* whereas *countercyclical (CC), spending-driven* (SD), and *macroeconomic shocks (MS)* are classified as endogenous (see Uhl, 2013). In the case of the UK, the endogenous tax shocks comprise the categories *demand management (DM), supply stimulus (SS), deficit reduction (DR), and spending-driven (SD),* whereas *long run (LR), ideological (IL), external (ET), and deficit consolidation (DC)* are grouped as exogenous (see Cloyne, 2012).

All raw data are available upon request.

The Narrative Dataset

USA

<u>Tax Reduction Act of 1975</u>[1]

Introduction	**House Committee**[2]	**Passed by House**	**Senate Committee**[3]
28.01.1975	19.02.1975 CC: –19.7 (II: –16.1, CI: –3.6)	27.02.1975	17.03.1975 CC: –28.6 (II: –21.7, CI: –6.3, Other: –0.5)
Passed by Senate	**Joint Committee**[4]	**Signed into Law**	**Implementation**
21.03.1975	26.03.1975 CC: –22.9 (II: –18.1, CI: –4.8)	29.03.1975	29.03.1975 CC: –22.9 (II: –18.1, CI: –4.8) **Sunset** 30.06.1975 CC: 8.1 (II: 8.1) 31.12.1975 CC: 14.8 (II: 10, CI: 4.8)

For an explanation of this Act, see Romer and Romer (2009).

<u>Tax Reform Act of 1976</u>[5]

Introduction	**House Committee**[6]	**Passed by House**	**Senate Committee**[7]
06.11.1975	12.11.1975 LR: –6.9 (II: –5, CI: –1.9)	04.12.1975	23.07.1976 LR: –17.3 (II: –14.2, CI: –3, Other: –0.01)
Passed by Senate	**Joint Committee**[8]	**Signed into Law**	**Implementation**[9]
06.08.1976	13.09.1976 LR: –16.1 (II: –13.8, CI: –2.3, Other: –0.01)	04.10.1976	04.10.1976 LR: 2.1 (II: 1.4, CI: 0.7) 01.01.1977 LR: –0.9 (II: –0.8, CI: –0.02) 01.02.1977 LR: –0.01 (Other: –0.01) 01.01.1978 LR: –1.7 (CI: –1.7) **Sunset** 31.12.1977 LR: 0.7 (II: 0.7) 31.12.1979 LR: –0.02 (CI: –0.02) 31.12.1980 LR: 0.04 (CI: 0.04)

For an explanation of this Act, see Romer and Romer (2009).

[1] Pub.L. 94-12, https://www.congress.gov/bill/94th-congress/house-bill/2166/actions
[2] Brief Summary of H.R. 2166 as ordered reported by the Committee on Ways and Means, 19 February 1975
[3] S. Rept. No. 94-36
[4] Conference Rept. 94-120
[5] P.L. 94-455, https://www.congress.gov/bill/94th-congress/house-bill/10612/actions
[6] JCS-26-76
[7] JCS-26-76
[8] JCS-31-76
[9] JCS-31-76, JCS-33-76

Tax Reduction and Simplification Act of 1977[10]

Introduction	**House Committee**[11]	**Passed by House**	**Senate Committee**[12]
16.02.1977	24.02.1977 LR: –10.4 (II: –9.5, CI: –0.9)	08.03.1977	28.03.1977 LR: –11.4 (II: –10, CI: –1.4)
Passed by Senate	**Joint Committee**[13]	**Signed into Law**	**Implementation**
29.04.1977	06.05.1977 LR: –13.2 (II: –10, CI: –3.3)	23.05.1977	23.05.1977 LR: –10.5 (II: –8.3, CI: –2.2)
			Sunset
			31.12.1978 LR: 11.3 (II: 8.1, CI: 3.2)

According to the US government's 1979 budget, the bill consisted of both permanent changes and temporary extensions.[14]

Social Security Amendments of 1977

Introduction	**House Committee**	**Passed by House**	**Senate Committee**
27.09.1977	17.10.1977 DD: 29.2 (II: 14.6, CI: 14.6)	27.10.1977	04.11.1977 DD: 29.2 (II: 14.6, CI: 14.6)
Passed by Senate	**Joint Committee**	**Signed into Law**	**Implementation**
04.11.1977	14.12.1977 DD: 29.2 (II: 14.6, CI: 14.6)	20.12.1977	01.01.1979 DD: 8.8 (II: 4.4, CI: 4.4) 01.01.1980 DD: 1.7 (II: 0.9, CI: 0.9) 01.01.1981 DD: 17.2 (II: 8.6, CI: 8.6) 01.01.1982 DD: 1.5 (II: 0.8, CI: 0.8)
			Sunset
			–

Since the House and Senate revenue figures barely differed,[15] I use the Romer and Romer (2009) numbers throughout the legislative process, as these authors carefully construct the full year revenue effect cleaned of indexation.

Revenue Act of 1978[16]

Introduction	**House Committee**[17]	**Passed by House**	**Senate Committee**[18]
18.07.1978	04.08.1978 LR: –17.5 (II: –13.2, CI: –4.3)	10.08.1978	01.10.1978 LR: –22.43 (II: –17.83, CI: –4.56, Other: –0.04)
Passed by Senate	**Joint Committee**[19]	**Signed into Law**	**Implementation**
10.10.1978	15.10.1978 LR: –22.1 (II: –17.4, CI: –4.6, Other: –0.04)	06.11.1978	06.11.1978 LR: –2.5 (II: –2.3, CI: –0.2, Other: –0.04) 01.01.1979 LR: –19 (II: –14.6, CI: –4.5) 01.01.1980 LR: –0.5 (II: –0.5)
			Sunset
			–

For an explanation of this Act, see Romer and Romer (2009).

[10] P.L. 95-30, https://www.congress.gov/bill/95th-congress/house-bill/3477/actions
[11] JCS-6-77, and Romer and Romer (2009) and Mertens and Ravn (2013)
[12] JCS-17-77, and Romer and Romer (2009) and Mertens and Ravn (2013)
[13] JCS-18-77, and Romer and Romer (2009) and Mertens and Ravn (2013)
[14] Budget of the United States Government, Fiscal Year 1979, 20 January 1978, p. 50
[15] See Social Security Amendments of 1977, Volumes 1–3, H.R. 9346, and especially the comparison of House and Senate versions in Volume 2, pp. 48–49
[16] P.L. 95-600, https://www.congress.gov/bill/95th-congress/house-bill/13511/actions
[17] JCS-34-78
[18] JCS-40-78
[19] JCS-41-78, JCS-7-79

Crude Oil Windfall Profit Tax Act of 1980[20]

Introduction	**House Committee**[21]	**Passed by House**	**Senate Committee**[22]
03.05.1979	22.06.1979 LR: 14.6 (CI: 0.1, Other: 14.5)	28.06.1979	01.11.1979 LR: 14.1 (II: –0.1, CI: –0.3, Other: 14.5)
Passed by Senate	**Joint Committee**[23]	**Signed into Law**	**Implementation**
17.12.1979	07.03.1980 LR: 15.7 (II: –0.04, CI: –0.7, Other: 16.4)	02.04.1980	02.04.1980 LR: 7.9 (II: –0.04, CI: –0.2, Other: 8.2) 01.01.1981 LR: 3.8 (CI: –0.3, Other: 4.1) 01.01.1982 LR: 4.2 (CI: 0.1, Other: 4.1) 01.01.1983 LR: –0.2 (CI: –0.2) **Sunset** 01.01.1986 LR: 0.1 (CI: 0.1)

The bill mainly affected excise duties. See Romer and Romer (2009) and Mertens and Ravn (2013) for a discussion of the tax changes.

Economic Recovery Tax Act of 1981[24]

Introduction	**House Committee**[25]	**Passed by House**	**Senate Committee**[26]
23.07.1981	24.07.1981 LR: –170 (II: –165.9, CI: –3.6, Other: –0.5)	29.07.1981	31.07.1981 LR: –169.2 (II: –166.5, CI: –3.2, Other: 0.4)
Passed by Senate	**Joint Committee**[27]	**Signed into Law**	**Implementation**[28]
31.07.1981	31.07.1981 LR: –170.5 (II: –167, CI: –3.4, Other: –0.1)	13.08.1981	13.08.1981 LR: –28.7 (II: –25.8, CI: –2.8) 01.10.1981 LR: 17.8 (II: 17.8) 01.01.1982 LR: –51.7 (II: –51.3, CI: –0.4) 09.06.1982 LR: –0.04 (II: –0.04) 01.07.1982 LR: –0.5 (CI: –0.5) 01.10.1982 LR: 0.1 (II: –0.1, CI: 0.3) 01.01.1983 LR: –57.4 (II: –57.3, CI: , Other: –0.1) 01.01.1984 LR: –36.1 (II: –36.1) 01.01.1985 LR: –14.1 (II: –14.1) **Sunset** –

The revenue effects of rate cuts were taken from Romer and Romer (2009). House and Senate Committee numbers are approximated by the revenue effects as passed by the House and by Senate, respectively.

[20] P.L. 96-223, https://www.congress.gov/bill/96th-congress/house-bill/3919/actions
[21] H. Rept. 96-304
[22] S. Rept. 96-394
[23] JCS-1-81, H. Rept. 96-817, and Romer and Romer (2009)
[24] P.L. 97-34, https://www.congress.gov/bill/97th-congress/house-bill/4242/actions
[25] JCS-39-81, and Romer and Romer (2009)
[26] JCS-39-81, and Romer and Romer (2009)
[27] JCS-71-81, and Romer and Romer (2009)
[28] JCS-71-81, and Romer and Romer (2009)

Tax Equity Fiscal Responsibility Act of 1982[29]

Introduction	**House Committee**[30]	**Passed by House**	**Senate Committee**[31]
13.11.1981	14.12.1981	15.12.1981	12.07.1982 DD: 19.1 (II: 3.6, CI: 12.5, Other: 3)
Passed by Senate	**Joint Committee**[32]	**Signed into Law**	**Implementation**[33]
23.07.1982	15.08.1982 DD: 23.3 (II: 3.9, CI: 15.6, Other: 3.8)	03.09.1982	03.09.1982 DD: 7.3 (II: 0.2, CI: 6.4, Other: 0.8) 01.01.1983 DD: $15.5 (II: 3.7, CI: 8.8, Other: 3) 01.09.1983 DD: $0.4 (CI: 0.4) **Sunset** 31.12.1983 DD: $0.01 (II: 0.01)

I could not find numbers on the House Committee Report; hence, I set the effect to zero.

Social Security Amendments of 1983

Introduction	**House Committee**	**Passed by House**	**Senate Committee**
03.03.1983	04.03.1983 DD: 50.9 (II: 25.5, CI: 25.5)	09.03.1983	23.03.1983 DD: 50.9 (II: 25.5, CI: 25.5)
Passed by Senate	**Joint Committee**	**Signed into Law**	**Implementation**
23.03.1983	24.03.1983 DD: $50.9 (II: 25.5, CI: 25.5)	20.04.1983	01.01.1984 DD: 12.1 (II: 6.1, CI: 6.1) 01.01.1985 DD: 8.8 (II: 4.4, CI: 4.4) 01.01.1986 DD: 4.2 (II: 2.1, CI: 2.1) 01.01.1988 DD: 15.5 (II: 7.8, CI: 7.8) 01.01.1990 DD: 10.3 (II: 5.2, CI: 5.2) **Sunset** –

As with the 1977 Social Security Amendments, it was difficult to find detailed revenue figures at the various legislative stages. Given that the bill moved quickly through both chambers (‘in record time’),[34] I use the figures provided by Romer and Romer (2009) throughout the legislative process. The major changes to OASDI were in line with the recommendations of the National Commission on Social Security Reform, which were published on January 20, 1983.[35] The US Senate, in general, agreed to the technical OASDI provisions,[36] which were the most important measures of the package.

[29] P.L. 97-248, https://www.congress.gov/bill/97th-congress/house-bill/4961/all-actions-without-amendments
[30] H. Rept. 97-404
[31] JCX-33-82, S. Rept. 97-494
[32] JCS-31-82, JCS-38-80
[33] JCS-31-82, JCS-38-80
[34] Social Security Bulletin, July 1983, Vol. 46, No. 7, p. 3
[35] Social Security Bulletin, July 1983, Vol. 46, No. 7, pp. 3–4
[36] Social Security Bulletin, July 1983, Vol. 46, No. 7, p. 23

Deficit Reduction Act of 1984[37]

Introduction	**House Committee**[38]	**Passed by House**	**Senate Committee**[39]
20.10.1983	05.03.1984 DD: 10.9 (II: 6.2, CI: 2.7, Other: 2)	11.04.1984	17.05.1984 DD: 9.7 (II: 5.2, CI: 3.2, Other: 1.4)
Passed by Senate	**Joint Committee**[40]	**Signed into Law**	**Implementation**[41]
17.05.1984	23.06.1984 DD: 10.1 (II: 4.9, CI: 3.7, Other: 1.5)	18.07.1984	18.07.1984 DD: 7.2 (II: 4.3, CI: 3.1, Other: –0.2) 01.10.1984 DD: 0.4 (CI: 0.4) 01.01.1985 DD: 1.6 (II: 1, CI: 0.7, Other: –0.04) 01.10.1985 DD: 0.2 (CI: 0.2) 01.01.1986 DD: 0.02 (CI: 0.02) **Sunset** –

House Committee and Senate Committee numbers are approximated by the versions passed by the House and Senate, respectively.

Tax Reform Act of 1986[42]

Introduction	**House Committee**[43]	**Passed by House**	**Senate Committee**[44]
03.12.1985	07.12.1985 LR: –0.9 (II: –31.6, CI: 30.6, Other: 0.1)	17.12.1985	29.05.1986 LR: 17.6 (II: –3.3, CI: 20.8, Other: 0.1)
Passed by Senate	**Joint Committee**[45]	**Signed into Law**	**Implementation**[46]
24.06.1986	18.09.1986 LR: 8.4 (II: –18.7, CI: 27, Other: 0.1)	22.10.1986	22.10.1986 LR: 21.8 (II: 0.7, CI: 21, Other: 0.1) 01.01.1987 LR: –6.7 (II: –19.3, CI: 12.7) 01.07.1987 LR: –6.7 (CI: –6.7) 01.01.1988 LR: 0.1 (CI: 0.1) 01.01.1989 LR: 0.1 (CI: 0.1) **Sunset** 31.12.1988 LR: 1.4 (II: 0.1, CI: 1.3)

Disentangling the revenue figures between stages of the legislative process is difficult as projections for many successive years are given, and these differ remarkably. To ensure consistency, I follow Romer and Romer (2009) and Mertens (2015) and use the revenue figures for fiscal year 1987. Senate Committee Report 99-313 yielded much lower revenue figures for some provisions in fiscal year 1987 and dropped the capital gains provisions, which explains the differences in revenue figures between the legislative steps.

[37] P.L. 98-369, https://www.congress.gov/bill/98th-congress/house-bill/4170/actions
[38] JCS-24-84, H. Rept. 98-432
[39] JCS-24-84, H. Rept. 98-432
[40] JCS-41-84
[41] JCS-41-84
[42] P.L. 99-514, https://www.congress.gov/bill/99th-congress/house-bill/3838/actions
[43] H. Rept. 99-426, JCS-15-86
[44] S. Rept. 99-313, JCS-15-86
[45] JCS-10-87
[46] JCS-10-87

Omnibus Budget Reconciliation Act of 1987[47]

Introduction	**House Committee**[48]	**Passed by House**	**Senate Committee**[49]
26.10.1987	26.10.1987 DD: 14.9 (II: 4, CI: 8.2, Other: 2.7)	29.10.1987	11.12.1987 DD: 11.5 (II: 2, CI: 6.8, Other: 2.7)
Passed by Senate	**Joint Committee**[50]	**Signed into Law**	**Implementation**[51]
11.12.1987	21.12.1987 DD: 12.3 (II: 2.2, CI: 7.5, Other: 2.7)	22.12.1987	22.12.1987 DD: 3.5 (II: 2.2, CI: 1.4) 01.01.1988 DD: 5.5 (II: 0.2, CI: 5.1, Other: 0.2) 01.04.1988 DD: 0.223 (Other: 0.2) **Sunset** 31.12.1989 DD: –0.2 (II: –0.2) 31.12.1990 DD: –2.3 (Other: –2.3)

House Committee and Senate Committee numbers are approximated by the versions passed by the House and Senate, respectively.

Omnibus Budget Reconciliation Act of 1990[52]

Introduction	**House Committee**[53]	**Passed by House**	**Senate Committee**[54]
15.10.1990	16.10.1990 DD: 31.7 (II: –0.1, CI: 13.5, Other: 18.3)	16.10.1990	19.10.1990 DD: 31.3 (II: 5.2, CI: 7.7, Other: 18.5)
Passed by Senate	**Joint Committee**[55]	**Signed into Law**	**Implementation**[56]
19.10.1990	27.10.1990 DD: 30.9 (II: 6, CI: 10.8, Other: 14.2)	05.11.1990	05.11.1990 DD: 4.7 (CI: 4.2, Other 0.5) 01.12.1990 DD: 7.6 (Other: 7.6) 01.01.1991 DD: 17.9 (II: 5.2, CI: 6.6, Other: 6.1) 01.07.1991 DD: 1.9 (II: 1, CI: 1) **Sunset** 31.12.1991 DD: 2.2 (II: 0.2, CI: 2) 30.11.1995 DD: –2.4 (Other: –2.4) 31.12.1995 DD: –1.1 (CI: –1.1)

The aggregated revenue effect includes excise duties (classified as ‘other’, see also Mertens & Ravn, 2013). Personal and corporate income tax figures include Social Security and payroll components.

[47] P.L. 100-203, https://www.congress.gov/bill/100th-congress/house-bill/3545/actions
[48] JCX-26-87
[49] JCX-26-87
[50] H. Rept 100-495
[51] H. Rept 100-495
[52] P.L. 101-508, https://www.congress.gov/bill/101st-congress/house-bill/5835/actions
[53] JCX-36-90, JCX-43-90, H. Rept. 101-881
[54] JCX-41-90, JCX-43-90
[55] JCX-45-90
[56] JCX-45-90

Omnibus Budget Reconciliation Act of 1993[57]

Introduction 25.05.1993	**House Committee**[58] 25.05.1993 DD: 29.7 (II: 32.525 CI: –2.9)	**Passed by House** 27.05.1993	**Senate Committee**[59] 25.06.1993 DD: 32.6 (II: 27.6, CI: 0.8, Other: 4.2)
Passed by Senate 25.06.1993	**Joint Committee**[60] 03.08.1993 DD: 36.8 (II: 28.9, CI: 0.7, Other: 7.3)	**Signed into Law** 10.08.1993	**Implementation**[61] 10.08.1993 DD: 24.2 (II: 22.5, CI: 1.9, Other: –0.1) 01.10.1993 DD: 4.4 (CI: 0.02, Other: 4.4) 01.01.1994 DD: 7.6 (II: 7, CI: 0.6, Other: 0.02) 01.08.1994 DD: –0.22 (CI: –0.22) 01.01.1995 DD: 0.02 (CI: 0.02) 01.10.1995 DD: 2.8 (Other: 2.8) **Sunset** 31.12.1993 DD: 0.6 (II: 0.6) 31.12.1994 DD: 0.6 (II: 0.6) 30.06.1995 DD: 2.2 (CI: 2.17) 30.09.1995 DD: 0.4 (CI: 0.4) 30.09.1999 DD: –0.3 (Other: –0.3)

House Committee and Senate Committee numbers are approximated by the versions passed by the House and Senate, respectively.

[57] P.L. 103-66, https://www.congress.gov/bill/103rd-congress/house-bill/2264/actions
[58] JCX-10-93
[59] JCX-9-93, JCX-10-93
[60] JCS-11-93, JCX-11-93
[61] JCS-11-93, JCX-11-93

Taxpayer Relief Act of 1997 and Balanced Budget Act of 1997[62]

Introduction	**House Committee**[63]	**Passed by House**	**Senate Committee**[64]
24.06.1997	24.06.1997 SD: –30.7 (II: –21.8, CI: –8.3, Other: –0.6) 24.06.1997 DD: 16.2 (II: 4, CI: 4.3, Other: 7.8)	25.06.1997	27.06.1997 SD: –21.5 (II: –24, CI: –1.1, Other: 3.6) 27.06.1997 DD: 18 (II: 3.8, CI: 5.4, Other: 8.8)
Passed by Senate	**Joint Committee**[65]	**Signed into Law**	**Implementation**[66]
27.06.1997	28.07.1997 SD: –33.5 (II: –22.8, CI: –2.9, Other: –7.8) 28.07.1997 DD: 24.9 (II: 4.2, CI: 5.3, Other: 15.4)	05.08.1997	05.08.1997 SD: –7.8 (II: –0.1, CI: –0.3, Other: –7.4) 05.08.1997 DD: 14.3 (II: 4, CI: 4, Other: 6.4) 06.09.1997 DD: 0.1 (II: 0.1, CI: 0.01) 01.10.1997 DD: 5.9 (Other: 5.9) 01.10.1997 SD: –0.04 (Other: –0.04) 01.11.1997 DD: 0.02 (Other: 0.02) 02.12.1997 SD: –1.2 (CI: –1.2) 01.01.1998 DD: 0.41 (II: 0.1, CI: 0.3, Other: 0.1) 01.01.1998 SD: –22.4 (II: –21.9, CI: –0.5, Other: –0.01) 06.01.1998 DD: 0.01 (II: 0.01, CI: 0.01) 01.07.1998 DD: 0.04 (Other: 0.04) 01.10.1998 DD: 0.01 (II: 0.01) 01.01.1999 SD: –0.7 (II: –0.01, CI: –0.7) 01.01.2000 DD: 2.9 (Other: 2.9) 01.01.2000 SD: –0.04 (CI: –0.04) 01.01.2003 SD: –0.06 (II: –0.03, CI: –0.03) **Sunset** 30.06.1998 SD: \$0.6 (II: 0.2, CI: 0.1, Other: 0.4) 31.12.2002 SD: \$0.1 (II: 0.01, CI: 0.07)

House Committee and Senate Committee numbers are approximated by the versions passed by the House and Senate, respectively. In contrast to Hussain and Malik (2016), Mertens and Ravn (2013), and Romer and Romer (2009), child tax credits are included.

[62] P.L. 105-34, https://www.congress.gov/bill/105th-congress/house-bill/2014/actions
[63] JCX-37-97
[64] JCX-36-97, JCX-37-97
[65] JCX-39-97, JCS-23-97
[66] JCX-39-97, JCS-23-97

Economic Growth and Tax Relief Reconciliation Act of 2001[67]

Introduction	House Committee[68]	Passed by House	Senate Committee[69]
	27.03.2001 CC: –5.8 (II: –5.8) 27.03.2001 LR: –5.5 (II: –5.5) 03.04.2001 LR: –8.8 (II: –8.8) 01.05.2001 LR: –2.2 (II: –2.2, CI: –0.01) 15.05.2001 CC: –49.1 (II: –49.1) 15.05.2001 LR: –0.1 (II: –0.1)	29.03.2001 04.04.2001 02.05.2001 16.05.2001	23.05.2001 LR: –22.4 (II: –21.7, CI: –0.7) 23.05.2001 CC: –87 (II: –87)
Passed by Senate	**Joint Committee**[70]	**Signed into Law**	**Implementation**[71]
23.05.2001	26.05.2001 LR: –23 (II: –23, CI: –0.01) 26.05.2001 CC: –70.7 (II: –70.7)	07.06.2001	07.06.2001 CC: –49.6 (II: –49.6) 01.07.2001 CC: –21.1 (II: –21.1) 01.01.2002 LR: –15.4 (II: –15.4, CI: –0.01) 01.01.2003 LR: –0.4 (II: –0.4) 01.01.2004 LR: –0.2 (II: –0.2) 01.01.2005 LR: –4.9 (II: –4.9) 01.01.2006 LR: –1.6 (II: –1.6) **Sunset** 06.06.2002 CC: 0.1 (II: 0.1) 31.12.2004 CC: 0.2 (II: 0.2) 31.12.2006 LR: 2.1 (II: 2.1) 31.12.2009 LR: 6.4 (II: 6.4) 31.12.2010 LR: 4.4 (II: 4.4) 31.12.2010 CC: 0.03 (II: 0.03) 30.09.2011 LR: 0.4 (II: 0.4)

Timing the individual legislative steps of the Economic Growth and Tax Relief Act of 2001 is difficult as it was composed of various drafting bills, that is, the Marriage Penalty and Family Tax Relief Act of 2001, the Death Tax Elimination Act of 2001, the Comprehensive Retirement Security and Pension Reform Act, and the Hope for Children Act, which were already introduced and passed by the House and combined in the Senate Committee on Finance Report 896 on 16 May 2001 (Restoring Earnings to Lift Individuals and Empower Families (RELIEF) Act of 2001).[72] Given the timely concurrence of events in the House and Senate, I include the combined measures already in the House version, but date them to the individual legislative steps of the drafting bills. The detailed description of the bill by Romer and Romer (2009) shows that there were already rumours about those tax reforms at the end of 2000. Therefore, not including them in the House version would make the difference between the House and Senate revenue figures large and would not reflect the attention given to those measures. On the other

[67] P.L. 107-16, https://www.congress.gov/bill/107th-congress/house-bill/1836/actions
[68] JCX-17-01, JCX-28-01, JCX-49-01, JCX-85-01
[69] JCX-41-01, JCX-48-01, JCX-49-01, JCX-85-01
[70] JCX-51-01, JCS-1-03
[71] JCX-51-01, JCS-1-03
[72] JCS-1-03, p. 5

hand, dating them to the legislative steps of what is solely called the Economic Growth and Tax Relief Act of 2001 does not seem right, either.

Most measures were scheduled to phase out at the end of 2010; however, some important ones were extended by later legislation. The 10% bracket on individual income ($–38 bn), 15% rate bracket on married couples filing jointly ($–4 bn), various earned income tax modifications ($–2.6 bn), the child tax credit ($–11 bn), and the reduction in various income tax rates ($–21 bn) were passed, successively extended, and finally made permanent in the American Taxpayer Relief Act of 2012 and, therefore, there is no Sunset date for those measures. The modification of corporate estimated tax requirements is excluded as this only changed the timing of tax payment and not liabilities. The classification of the measures is taken from Romer and Romer (2009).

Job Creation and Worker Assistance Act of 2002[73]

Introduction 11.10.2001	**House Committee**[74] 17.10.2001 CC: –98.9 (II: –29.1, CI: –69.7, Other: –0.1)	**Passed by House** 24.10.2001	**Senate Committee**[75] 14.02.2002 CC: –42.6 (II: –0.4, CI: –42.2, Other: –0.1)
Passed Senate 14.02.2002	**Joint Committee**[76] 08.03.2002 CC: –42.6 (II: –0.4, CI: –42.2, Other: –0.1)	**Signed into Law** 09.03.2002	**Implementation**[77] 09.03.2002 CC: –41.8 (II: –0.1, CI: –41.6) **Sunset** 31.12.2003 CC: 5.6 (II: 0.1, CI: 5.5) 31.12.2004 CC: 0.1 (II: 0.01, CI: 0.1) 31.12.2006 CC: 0.568 (CI: 0.6) 31.12.2009 CC: 0.1 (CI: 0.1)

For an explanation of this Act, see Romer and Romer (2009).

Jobs and Growth Tax Relief Reconciliation Act of 2003[78]

Introduction 27.02.2003	**House Committee**[79] 08.05.2003 LR: –151.5 (II: –114.7, CI: –36)	**Passed by House** 09.05.2003	**Senate Committee**[80] 15.05.2003 LR: –150.6 (II: –114.7, CI: –36)
Passed by Senate 15.05.2003	**Joint Committee**[81] 22.05.2003 LR: –150.63 (II: –114.7, CI: –36)	**Signed into Law** 28.05.2003	**Implementation**[82] 28.05.2003 LR: –140.3 (II: –104.3, CI: –36) **Sunset** –

I could not find numbers on the Senate version. I thus proxy the effect by using the Mediation Committee numbers as they are almost identical to the House numbers and I assume that the small deviation stems from the Senate's proposals.

The child credit ($–13.7 bn), the 15% bracket ($–24.9 bn) for individuals and married couples, and the 10% bracket ($–8.5 bn) were expanded and the 2006 rate schedule was accelerated ($–38.8 bn). Capital gains taxes for individuals were lowered ($–18.4 bn). All these measures were originally designed to phase out, but were successively extended and finally made permanent by the American Tax-

[73] P.L. 107-147, https://www.congress.gov/bill/107th-congress/house-bill/3090/actions
[74] https://www.hsdl.org/?view&did=440663, HRpt. No.107-251
[75] JCX-7-02
[76] No Joint Committee meeting but mutual agreement of both chambers, JCX-13-02, JCS-1-03
[77] JCS-1-03
[78] P.L. 108-27, https://www.congress.gov/bill/108th-congress/house-bill/2/actions
[79] H. Rept. 108-94
[80] JCX-50-03
[81] H. Rept. 108-126, JCS-5-05
[82] H. Rept. 108-126, JCS-5-05

payer Relief Act of 2012 and therefore no revenue offsetting effect is considered. The bonus depreciation introduced in the JCWA was increased to 50% ($–33.3 bn) and continuously extended by further legislation. I thus treat it as permanent. The successive extensions are discussed in the respective bills but not considered with their implementation effect. The AMT exempt amount for individuals was increased by $4,500 (singles) and $9,000 (joint filers). Originally scheduled to phase out at the end of 2004, the AMT was extended until finally made permanent and indexed in the American Taxpayer Relief Act of 2012.[83] Such extension of the time period or the amounts applicable occurred frequently as the AMT was not linked to inflation. To offset the effects of inflation and to avoid higher tax liabilities, the parameters were successively adjusted. Since those adjustments do not reflect discretionary changes in tax liabilities but, instead, reflect inflation adjustments, following the procedure of the narrative analysis, all future extensions are included in all legislative steps, as they might be important information for households, except for the implementation effect, as they do not affect the tax liability.

Working Families Tax Relief Act of 2004[84]

Introduction	**House Committee**	**Passed by House**	**Senate Committee**
18.03.2003	19.03.2003	19.03.2003	05.06.2003
Passed by Senate	**Joint Committee**[85]	**Signed into Law**	**Implementation**[86]
05.06.2003	23.09.2004 LR: –46.4	04.10.2004	–
	(II: –41.4, CI: –4.8, Other: –0.2)		**Sunset**

The bill was first introduced on 18 March 2003 as the Tax Relief, Simplification, and Equity Act of 2003 and was thereafter changed and amended several times. Its sponsor introduced it 'to end certain abusive tax practices, to provide tax relief and simplification, and for other purposes'.[87] Several debates in both the House and Senate followed until the bill became temporarily stuck and the intention to offer a motion to instruct conferees on H.R. 1308 was announced.[88] Finally, on 23 September 2004, the Joint Committee compromised between the divergent House and Senate versions. The most important measures were the extension of the $1,000 child credit ($–13.1 bn), the AMT relief ($–13.5 bn), the marriage penalty relief ($–5.4 bn), the 10% bracket ($–6.4 bn), and extension of the R&D credit ($–3.5 bn), all of which were further modified and extended by later legislation and finally made permanent in the Consolidated Appropriations Act of 2016; hence, no phase-out effect is considered. Following Uhl (2013), I include the revenue figures in the announcement effect of the bill, but not in the implementation effect, as tax liabilities are unaffected by the extensions.

Due to the lively debate in both chambers, it was difficult to exactly time the revenue effects and I chose the official legislative steps of the bill.[89] However, I do not assign revenue effects to the House and Senate versions, as I could find only minor numbers published nowhere close to any important legislative step.[90]

In the 2005 Economic Report, the bill was described as a part of a package that also included the Economic Growth and Tax Relief Reconciliation Act of 2001, the Job Creation and Worker Assistance Act of 2002, and the Jobs and Growth Tax Relief Reconciliation Act of 2003, all of which 'were designed to boost both aggregate demand and aggregate supply'.[91] Hence, a classification in line with those laws seems appropriate, as in Romer and Romer (2009). In the budget documents of February 2004, the need for assistance to working families is mentioned: 'Today's workers struggle daily with caring for their

[83] See also the CRS Report "The Alternative Minimum Tax for Individuals: In Brief, May 10, 2016" for a brief overview
[84] P.L. 108-311, https://www.congress.gov/bill/108th-congress/house-bill/1308/actions
[85] JCX-60-04, JCS-5-05
[86] JCX-60-04, JCS-5-05
[87] Thomas. W. (19 March 2003). Congressional Record–House. Vol. 149, No. 44, p. H1970
[88] Congressional Record–House. Vol. 150, No. 100, p. H5950
[89] https://www.congress.gov/bill/108th-congress/house-bill/1308
[90] JCX-61-03
[91] Economic Report of the President (2005). pp. 64–65

families and meeting their obligations at work. … [T]he Administration supports efforts to provide new scheduling options to help ease the pressures faced by workers and their families'.[92] The president stressed again that the intention was to 'make all of the tax relief permanent'.[93] In the same address, Bush said that 'Senator Kerry and the Democrat leaders are proposing a lot of new Federal spending, and the only way to pay for all their promises is to raise taxes on working families. You know where I stand. Higher taxes are the wrong policy for this growing economy. Our families and our country are better off when Government lets people keep more of what they earn. And that is why I'll work with Congress to keep taxes low, and that is why I will proudly sign the Working Families Tax Relief Act of 2004 into law'.[94] Considering the long-run intention of the temporary tax cuts, I suggest the motivation *exogenous, long run* but the latter statement makes classification as *ideological* appealing as well. Two days later, after signing the bill, Bush stressed the long-run orientation and the need for making the tax cuts permanent: 'Overall, 94 million Americans will have a lower tax bill next year, including 70 million women and 38 million families with children. The money they keep will make it easier to save for their retirement or their children's education, invest in a home or a small business or pay off credit card debts. … By extending key portions of that tax relief, we will leave close to $50 billion next year in the hands of the people who earned it, and that money will help keep the economy moving forward and result in even more new jobs for American workers. … Over the next few years, if we fail to take further action, the tax relief will expire and Federal income taxes will go up for every American who pays them. For the sake of our families and small businesses and farmers, investors, and seniors, we need to make all the tax relief permanent'.[95] In the Economic Report of the President 2009, the bill was described as 'intended to promote long-term growth and improve economic efficiency'.[96] I classify the bill as *exogenous, long run.*

Tax Increase Prevention and Reconciliation Act of 2005[97]

Introduction 10.11.2005	**House Committee**[98] 17.11.2005 LR: –23.5 (II: –14.2, CI: –9.3)	**Passed by House** 08.12.2005	**Senate Committee**[99] 08.02.2006 LR: –45.8 (II: –34.2, CI: –11.6) 08.02.2006 DD: 2.7 (II: 0.9, CI: 1.9, Other: 0.01)
Passed by Senate 02.02.2006	**Joint Committee**[100] 09.05.2006 DD: 3.3 (II: 2.8, CI: 0.4) 09.05.2006 LR: –25.9 (II: –22, CI: –3.9)	**Signed into Law** 17.05.2006	**Implementation**[101] 17.05.2006 DD: 0.7 (II: 0.3, CI: 0.4) 17.05.2006 LR: –0.01 (CI: –0.01) 01.01.2010 DD: $2.5 (II: 2.5) **Sunset** –

According to the Economic Report, real GDP was forecast to grow by 3.5% in 2005, driven by consumer spending, investment growth, and an increase in net exports.[102] This growth rate was expected to prevail over the next four years. The unemployment rate was projected to decline by 0.1 percentage points and

[92] Budget of the United States Government (2009). p. 232.
[93] Bush, G. W. (01 October 2004). The President's Radio Address Online by Gerhard Peters and John T. Woolley, The American Presidency Project, https://www.presidency.ucsb.edu/node/211547, retrieved 13 May 2019
[94] Bush, G. W. (01 October 2004). The President's Radio Address Online by Gerhard Peters and John T. Woolley, The American Presidency Project, https://www.presidency.ucsb.edu/node/211547, retrieved 13 May 2019
[95] Bush, G. W. (04 October 2004). Remarks on Signing the Working Families Tax Relief Act of 2004 in Des Moines, Iowa Online by Gerhard Peters and John T. Woolley, The American Presidency Project, https://www.presidency.ucsb.edu/node/214812, retrieved 13 May 2019
[96] Economic Report of the President (2009). p. 160
[97] P.L. 109-222, https://www.congress.gov/bill/109th-congress/house-bill/4297/actions
[98] H. Rept. 109-304, JCX-10-06
[99] JCX-9-06, JCX-10-06
[100] JCS-1-07, H. Rept. 109-455
[101] JCS-1-07, H. Rept. 109-455
[102] Economic Report of the President (2005). pp. 31–42

nonfarm payroll employment was projected to grow by 175,000 per month. The trade deficit increased to about 5% of GDP at the end of 2004, reflecting faster growth in the USA than among trading partners. Hence, the Economic Report did not suggest a need for countercyclical measures.

The Tax Increase Prevention and Reconciliation Act of 2005 (TIPRA) extended several measures that were to expire in the near future. The Senate version did not include the extension of capital gains relief ($–6 bn) but proposed a further extension and modification of AMT relief ($–24.8 bn). This position also makes up the largest differences across the legislative steps as the Senate Committee projected a revenue loss about twice as high as that found in the final version, whereas this measure was not proposed in the House Committee version. In the final version, taxation of dividends and capital gains at a maximum rate of 15% was extended through 2010, reducing revenues by about $6 bn in a full year, beginning 01 January 2009. The enhanced Section 179 expensing for the small business threshold ($–2.6 bn) and the increased phase-out threshold amount were extended. As those were extensions of existing measure, I exclude them from the narrative account. For individuals, income limitations are removed and, hence, more taxpayers are allowed to convert their traditional IRAs to Roth IRAs starting in 2009. The estimated full year revenue effect for that measure is a plus of about $2.5 bn. The Senate version contained some compliance and anti-avoidance measures, but these did not make it into the final bill.

In a statement, the bill's sponsor said that '[t]hese extensions [the tax relief for dividends and capital gains] are necessary to provide certainty for investors and businesses and are essential to sustaining long-term economic growth'.[103] When signing the bill on 17 May 2006, George W. Bush expressed no concern about the current state of the economy: 'This economy of ours is hitting full stride. In the first quarter of this year, our economy grew at an annual rate of 4.8 percent. This follows a vigorous 2005, when the American economy grew at 3.5 percent. The past two-and-a-half years, we've added more than 5.2 million new jobs. Productivity over the last five years has grown at the fastest rate in decades. Higher productivity leads to higher wages for the American workers. Hourly compensation grew at an annual rate of 5.7 percent in the first quarter of this year. American workers are taking home bigger paychecks and their standard of living is on the rise. The American economy is powerful, productive, and prosperous, and we're going to keep it that way'.[104] Indications of the motivation for the bill can be found in the president's statement, as well. Referring to the measures the bill was to extend, George W. Bush said: '[S]tarting in 2001 we delivered the largest tax relief since Ronald Reagan was in the White House. … The American people have used their money better than the government ever could have. They've used the tax relief to provide for their families and create jobs and help the American economy become the envy of the industrialized world. Our pro-growth policies stand in stark contrast to those in Washington who believe you grow your economy by raising taxes and centralizing power. They are wrong. Our pro-growth economic policies are working for all Americans. One of the most important decisions we made was to cut the taxes on dividends and capital gains. These cuts were designed to lower the cost of capital and to encourage businesses to expand and hire new workers. And these tax cuts are doing exactly what we expected. … The cuts on dividends and capital gains are reaching families and businesses alike'.[105] Considering this statement, a classification as *exogenous*, *long run* seems appropriate. Bush continued: 'The danger was that the tax cuts on the dividends and capital gains were set to expire in 2008. That's created great uncertainty because businesses and investors couldn't plan for the future without worrying about a big tax increase around the corner. That uncertainty discourages investment and expansion. It reduces opportunities for workers and families. The bill you passed helps

[103] Thomas, W. (08 December 2005). Statement of Administration Policy: H.R. 4297—Tax Relief Extension Reconciliation Act of 2005, Online by Gerhard Peters and John T. Woolley, The American Presidency Project, https://www.presidency.ucsb.edu/node/273529, retrieved 02 May 2019

[104] Bush, G. W. (17 May 2006). President Bush Signs Tax Relief Extension Reconciliation Act of 2005. The White House Archives, https://georgewbush-whitehouse.archives.gov/news/releases/2006/05/20060517-2.html, retrieved 02 May 2019

[105] Bush, G. W. (15 May 2006). President Bush Signs Tax Relief Extension Reconciliation Act of 2005. The White House Archives, https://georgewbush-whitehouse.archives.gov/news/releases/2006/05/20060517-2.html, retrieved 02 May 2019

to address this problem by extending the tax cuts on dividends and capital gains. By reassuring businesses that their taxes will not be going up any time soon, the bill increases confidence for our job creators. It will help millions of American families who are saving for the future'.[106]

Deficit consolidation was a concern at that time and, according to the president, this could be achieved by a growing economy: 'Part of our strategy to cut our deficit in half is to continue to grow this economy. Tax relief has helped a growing economy, which means more tax revenue for the federal treasury. … More than a quarter of these tax revenues come from corporations who pay more because they're growing with the economy. By growing this economy, we're staying on track to meet our goal of cutting the deficit in half by 2009'.[107] Overall, there is no indication of an endogenous motivation in President Bush's speech.

Considering these statements and the state of the economy at the time of implementation, I classify the bill as *exogenous, long run.* Title V of the bill contains revenue offsetting measures. In light of the deficit reduction considerations mentioned above, I classify those measures as *exogenous, deficit driven.* I exclude those measures that only change the timing of payments.

Tax Relief and Health Care Act of 2006[108]

Introduction 19.09.2006	**House Committee**[109] 07.12.2006 LR: –16.4 (II: –6.5, CI: –9.8, Other: –0.2)	**Passed by House** 07.12.2006	**Senate Committee**[110] 07.12.2006 LR: –16.4 (II: –6.5, CI: –9.8, Other: –0.2)
Passed by Senate 07.12.2006	**Joint Committee**[111] 09.12.2006 LR: –16.4 (II: –6.5, CI: –9.8, Other: –0.2)	**Signed into Law** 20.12.2006	**Implementation**[112] 20.12.2006 LR: –8.7 (II: –0.9, CI: –7.8) 01.01.2007 LR: –0.1 (II: –0.1, CI: –0.01) 01.01.2008 LR: –0.4 (CI: –0.4) **Sunset** 31.12.2007 LR: 0.9 (II: 0.7, CI: 0.2) 31.12.2008 LR: 0.5 (II: 0.01, CI: 0.5) 31.12.2012 LR: 0.4 (II: 0.4)

The Tax Relief and Health Care Act was introduced on 19 September 2006 but did not contain any relevant tax changes. After passing the House and the Senate, a joint conference was held and an agreement was reached on 09 December 2016. During the debate, there were no fundamental changes in the provisions. Since there were no committees assigned and, instead, debates between the two chambers took place instantaneously, I approximate the two committee dates to the days the bill passed the respective chambers. For the same reason, I approximate the Senate bill with the House bill, as it is identical to the final version as published in JCS-1-07.

P.L. 109-432 modifies and extends various tax relief provisions and makes changes to energy tax law, health savings accounts, and to the Surface Mining Control and Reclamation Act. However, the majority of costs stem from tax extenders, summarised in Title I of the bill. For tax year 2006, the option for taxpayers to deduct state and local sales tax was extended for two years ($–3 bn) and made permanent

[106] Bush, G. W. (15 May 2006). President Bush Signs Tax Relief Extension Reconciliation Act of 2005. The White House Archives, https://georgewbush-whitehouse.archives.gov/news/releases/2006/05/20060517-2.html, retrieved 02 May 2019

[107] Bush, G. W. (15 May 2006). President Bush Signs Tax Relief Extension Reconciliation Act of 2005. The White House Archives, https://georgewbush-whitehouse.archives.gov/news/releases/2006/05/20060517-2.html, 02 retrieved May 2019

[108] P.L. 109-432, https://www.congress.gov/bill/109th-congress/house-bill/6111/actions

[109] JCX-51-06

[110] I could not find reliable numbers, but since the final revenue effect was identical to the House's version and the bill was passed in both chambers within few days, I take those numbers for the Senate, too.

[111] JCS-1-07

[112] JCS-1-07

in the Consolidations Appropriations Act of 2016, and the deduction for qualified tuition and other higher education expenses was extended for two years ($–1.6 bn). As usual, the extensions enter the narrative account only at earlier legislative stages, not in the implementation effect. The R&D credit was modified ($–7.5 bn) and scheduled to phase out at the end of 2006. However, it was extended by later legislation and finally made permanent in the Consolidated Appropriations Act of 2016. Hence, no reverse effect is included and the measure is treated as permanent. The bill also included a package of temporary energy tax provisions, mostly effective for 2008 only. Some minor positions related to health savings accounts were implemented from the day of enactment or 01 January 2007.

When signing the bill, there was no hint at a countercyclical motivation. Referring to the state of the economy, the Fact Sheet said: 'The American economy is strong, productive, and prosperous. The most recent jobs report shows that our economy created 132,000 jobs in November alone, and we have added more than 7 million new jobs since August 2003—more than Japan and the European Union combined. The unemployment rate has remained low at 4.5 percent, and the latest figures show that real hourly wages increased 2.3 percent in the last year, meaning an extra $1,350 for this year for the typical family of four with both parents working'.[113]

The extending provisions, even if intended to be temporary, were justified as improving the economic situation in the long run: 'We are extending the deductibility of tuition and higher education expenses to help more Americans go to college and compete in the global market. We are also extending and modernizing the research and development tax credit to keep our Nation leading the world in technology and innovation. By allowing businesses to deduct part of their R&D investments from their taxes, this Act will encourage American companies to pursue the innovative products, medicines, and technologies of the future'.[114] In his speech, Bush said: 'As we look forward, our goal is to maintain pro-growth economic policies that strengthen our economy and help raise the standard of living for all our citizens. The bill I sign today will continue important progress in four key ways. First, the bill will extend key tax relief measures that are critical to expanding opportunity, continuing economic growth, and revitalizing our communities. … Secondly, this bill will help expand and diversify energy supplies. The bill will increase America's energy security by reducing dependence on foreign sources of energy. … Fourth, the bill will help make health care affordable and accessible for more Americans. This bill strengthens health savings accounts, which we created in 2003. … The bill will help open new markets for American goods and services around the world. I believe in free and fair trade. I believe free and fair trade is in the interests of the working people of this country. The bill authorizes permanent normal trade relations with Vietnam. … With all these steps, we're working to improve the health and prosperity of the American people and to keep our economy growing. We're going to continue to support wise policies that encourage and enhance the entrepreneurial spirit in America, so this country of ours can remain the economic leader in the world'.[115]

Considering the arguments listed above, I propose a classification as *exogenous, long run.*

[113] Bush, G. W. (20 December 2006). Fact Sheet: Tax Relief and Health Care Act of 2006 Online by Gerhard Peters and John T. Woolley, The American Presidency Project., https://www.presidency.ucsb.edu/node/283745, retrieved 15 May 2019
[114] Bush, G. W. (20 December 2006). Fact Sheet: Tax Relief and Health Care Act of 2006 Online by Gerhard Peters and John T. Woolley, The American Presidency Project, https://www.presidency.ucsb.edu/node/283745, retrieved 15 May 2019
[115] Bush, G. W. (20 December 2006). Remarks on Signing the Tax Relief and Health Care Act of 2006 Online by Gerhard Peters and John T. Woolley, The American Presidency Project, https://www.presidency.ucsb.edu/node/272487, retrieved 15 May 2019

Tax Increase Prevention Act of 2007[116]

Introduction	House Committee[117]	Passed by House	Senate Committee[118]
30.10.2007	06.11.2007 LR: –51 (II: –50.8, CI: –0.2)	09.11.2007	06.12.2007 LR: –50.6 (II: –50.6)
Passed by Senate	**Joint Committee**[119]	**Signed into Law**	**Implementation**[120]
06.12.2007	19.12.2007 LR: –50.6 (II: –50.6)	26.12.2007	–
			Sunset
			–

The Tax Increase Prevention Act of 2007 was introduced on 30 October 2007 and reported by the Committee on Ways and Means on 06 November 2007. In the final version, only one measure remained: the bill provided tax relief for individuals who would have become subject to AMT by increasing the exemption amount to $66,250 for married filling a joint return, to $44,350 for individuals, and to $33,125 for married filling separate returns and by extending the non-refundable credits. Those measures were effective for taxable years beginning in 2007 and the final cost estimate was about $50.6 bn for 2008. As mentioned before, AMT relief was continuously adjusted for inflation and increased and finally indexed in the American Taxpayer Relief Act of 2012. Therefore, revenue effect is included. President Bush made no personal statement when signing the bill. However, given the economic importance, I include it in the narrative account.

As reason for change, it was stated that the 'Congress is concerned about the projected increase in the number of individuals who will be affected by the individual alternative minimum tax for 2007. The provision will reduce the number of individuals who would otherwise be affected by the minimum tax'.[121] On the day of introduction, Congressman Steve Israel commented on the proposal, saying that 'the greatest financial assaults on America's middle class is the alternative minimum tax. Originally, it was meant to ensure that several dozen of the richest families in America paid their fair share of taxes, but it wasn't indexed for inflation, so it's robbing middle class taxpayers, like our union members, our cops, firefighters, teachers and nurses. Now, after too long, finally a real effort at reform is developing. … But I am pleased that finally we are seriously addressing this middle-class rip-off. I want to thank Chairman Rangel. I hope to work closely with him in achieving real reform and real relief for America's working families and middle-class taxpayers'.[122]

The same argument was given in the Economic Report that followed about two months after the bill passed: '[I]n recent years, the AMT increasingly affects middle-income families, primarily because its parameters are not indexed for inflation. Those who are most vulnerable include families with many children … and families in high-tax states. …The solution thus far has been to pass a series of temporary "patches" to limit the scope of the AMT. The most recent patch keeps the number of AMT filers stable through 2007 at about 4 million—the same as in 2006—instead of the increase to 25 million that would have occurred had the patch not been enacted. The Administration proposes a similar patch for 2008 in the Budget that will continue to keep the aggregate number of AMT taxpayers roughly constant. If the AMT is not patched in future years, the number of taxpayers affected will continue to climb, resulting in a rising tax-to-GDP ratio'.[123]

Considering the arguments listed above, fairness seems to be the driving motivation of the underlying bill. Therefore, I classify this single measure as *exogenous, long run.* On the other hand, considering the timing of the relief, I suggest the alternative classification of *endogenous, countercyclical.*

[116] P.L. 110-166, https://www.congress.gov/bill/110th-congress/house-bill/3996/actions
[117] H. Rept. 110-431
[118] I assume that the small deviation between House and final version stems from the Senate's proposals.
[119] No Joint Committee meeting but mutual agreement of both chambers, JCS-1-09
[120] JCS-1-09
[121] JCT (2009). General Explanation of Tax Legislation Enacted in the 110th Congress. JCS-01-09. U.S. Government Printing Office, p. 61
[122] Israel, S. (30 October 2007). Congressional Record, Proceedings and Debates of the 110th Congress, First Session. Vol. 153, No. 166, p. H12157
[123] Economic Report of the President (2008). p.119.

Economic Stimulus Act of 2008[124]

Introduction 28.01.2008	**House Committee**[125] 29.01.2008 CC: –145.9 (II: –101.1, CI: –44.8)	**Passed by House** 29.01.2008	**Senate Committee**[126] 30.01.2008 CC: –152.6 (II: –115.1, CI: –37.5)
Passed by Senate 07.02.2008	**Joint Committee**[127] 07.02.2008 CC: –150.5 (II: –105.7, CI: –44.8)	**Signed into Law** 13.02.2008	**Implementation**[128] 13.02.2008 CC: –106.6 (II: –105.7, CI: –0.9) **Sunset** 31.12.2008 CC: 106.6 (II: 105.7, CI: 0.9)

After an average economic growth rate of 2.8% over the previous six years, predictions for 2008 were revised downward and domestic manufacturing was expected to face challenges,[129] while unemployment had risen slightly.[130]

The Economic Stimulus Act of 2008 consisted of only a few, but large, individual measures. The temporary measures can be separated into a recovery rebate for individuals for 2008, plus $300 per qualifying child tax credit, representing a cut in individual liabilities by about $106 bn in 2008, offset by an equally sized shock at the end of 2008, and investment incentives for businesses. On the business side, the temporary 50% bonus depreciation was extended for property placed in service in 2008. As usual, the extension ($–44 bn) is not reflected in the implementation effect. Furthermore, the Section 179 limitations were temporarily increased, amounting to about $–0.9 bn in 2008. This measure was not further extended and, hence, there is an offsetting effect in 2009Q1. There were no major changes in any of the committees.

According to the Economic Report, the 'primary purpose of these actions was to provide short-term, countercyclical stimulus to the economy by encouraging short-run growth in consumer spending and business investment'.[131] Further, 'tax rebates were chosen as the best way to provide this short-term stimulus because of the speed with which they put money into the hands of people most likely to spend it. Similarly, the business tax incentives were designed to encourage firms to accelerate purchases of capital equipment, making such purchases in 2008 rather than waiting until 2009 or later'.[132] In a statement, the Bush administration commended the House for taking 'swift, decisive bipartisan action to improve the Nation's near-term economic outlook by passing the compromise bill',[133] stressing the importance for short-run growth. This is also indicated in the president's budget, where it is stated that 'the President called for the quick adoption of an effective growth package of broad-based tax relief to boost consumption and investment and to help keep instability and uncertainty from causing additional harm to the overall economy'.[134] Considering the arguments listed above, I classify this act as *endogenous, countercyclical*.

[124] P.L. 110-185, https://www.congress.gov/bill/110th-congress/house-bill/5140/actions
[125] JCX-6-08
[126] JCX-12-08
[127] No Joint Committee meeting but mutual agreement of both chambers, JCS-1-09
[128] JCS-1-09
[129] Budget of the United States Government (2009). p. 4
[130] Budget of the United States Government (2009). p. 11
[131] Economic Report of the President (2009). p. 160
[132] Economic Report of the President (2009). p. 160
[133] Bush, G. W. (04 February 2008). Statement of Administration Policy: H.R. 5140—Recovery Rebates and Economic Stimulus for the American People Act of 2008. Online by Gerhard Peters and John T. Woolley, The American Presidency Project, https://www.presidency.ucsb.edu/node/276628, retrieved 17 December 2018
[134] Budget of the United States Government (2009). p. 12

The Emergency Economic Stabilization Act of 2008[135]

Introduction	House Committee[136]	Passed by House	Senate Committee[137]
Various dates	20.05.2008 CC: –3.8 (II: –2.2, CI: –1.5, Other: –0.2) 24.09.2008 CC: –95.1 (II: –88.7, CI: –6.3, Other: –0.1) 01.10.2008 CC: –2.8 (II: –0.03, CI: –2.7)	21.05.2008 24.09.2008 03.10.2008	23.09.2008 CC: –3.8 (II: –2.2, CI: –1.5, Other: –0.2) 01.10.2008 CC: –98.9 (II: –88.5, CI: –10.2, Other: –0.2)
Passed by Senate	**Joint Committee**[138]	**Signed into Law**	**Implementation**[139]
23.09.2008 01.10.2008	03.10.2008 CC: –109.1 (II: –92, CI: –16.9, Other: –0.2)	03.10.2008	03.10.2008 CC: –6.6 (II: –4.8, CI: –1.8) 01.01.2009 CC: 1.5 (II: –0.1, CI: 1.6) **Sunset** 31.12.2008 CC: 0.03 (II: 0.02, CI: 0.02) 31.12.2009 CC: 7.9 (II: 9, CI: –1.1) 31.12.2010 CC: 0.1 (CI: 0.1) 31.12.2013 CC: 0.2 (II: 0.04, CI: 0.2) 31.12.2016 CC: 0.1 (II: 0.1, CI: 0.2, Other: –0.2) 31.12.2017 CC: –0.04 (Other: –0.04)

The official title of the bill is ‘H.R. 1424—A bill to provide authority for the Federal Government to purchase and insure certain types of troubled assets for the purposes of providing stability to and preventing disruption in the economy and financial system and protecting taxpayers, to amend the Internal Revenue Code of 1986 to provide incentives for energy production and conservation, to extend certain expiring provisions, to provide individual income tax relief, and for other purposes’. The bill consisted of three parts and became the vehicle for passage of economic stimulus relief during the financial crisis.[140] The three sections of the bill were the Emergency Economic Stabilization Act of 2008, the Energy Improvement and Extension Act of 2008 (EIEA),[141] and the Tax Extenders and Alternative Minimum Tax Relief Act of 2008 (AMTRA).[142] Each part was originally designed as a stand-alone bill. The AMTRA had already been passed by the House and the EIEA had been passed by both chambers. Therefore, I use the previous legislative steps for timing.

Since most of the revenue provisions stem from extensions of income and business tax rebates, the implementation effect is rather small. Nevertheless, I include it in the narrative account because the announcement effect is relevant. The largest single tax rebate was extension of AMT relief for personal credits from 01 January 2008, lowering revenues by about $76.7 bn. As usual, the full year revenue effect does not enter the implementation. Overall, rebates of in total $100 bn were provided by H.R. 1424, with most of the measures scheduled to phase out at the end of 2009. However, the majority were successively extended or made permanent by later legislation and hence do not contribute to the sunset effect. The other individual income extensions made up about $–15 bn, whereas business tax rebate extensions made up about $–17 bn.

The Act was signed shortly after the failure of Lehman Brothers in mid-September. However, according to the Economic Report,[143] signals of stagnation were already evident earlier in the year 2008.

[135] P.L. 110-343, https://www.congress.gov/bill/110th-congress/house-bill/1424/actions
[136] H. Rept 110-658, JCX-46-08, JCX-69-08r, JCX-78-08
[137] JCX-70-08, JCX-78-08
[138] No Joint Committee meeting but mutual agreement of both chambers, JCS-1-09
[139] JCS-1-09
[140] Govtrack.us, https://www.govtrack.us/congress/bills/110/hr1424/summary, retrieved 14 November 2018
[141] https://www.congress.gov/bill/110th-congress/house-bill/6049/actions
[142] https://www.congress.gov/bill/110th-congress/house-bill/7005/actions
[143] Economic Report of the President (2009). pp. 31–33

Real GDP declined over the four quarters of 2008, employment losses averaged 82,000 people per month, with a negative outlook for the future. The influence of the stimulus package implemented earlier in 2008 was expected to fade out by the end of the year. Real consumer spending fell sharply in the third quarter of 2008. The president's Economic Report opens with a warning about the negative effects of the financial crisis. It states that 'several forces that developed over many years in the credit and housing markets … coupled with a sustained period of rising energy prices, was sufficient to threaten the entire financial system and generated a shock so large that its effects have been felt throughout the global economy'.[144] Furthermore, 'the potential damage to American households and businesses was so severe that a systemic, aggressive, and unprecedented Government response was the only responsible policy option'.[145] In a statement on 29 September 2008, George W. Bush called for a '[s]wift enactment [to] enable the Nation's economy to mitigate a substantial near-term risk, to smooth and accelerate its recovery from a financial market shock …'.[146] On 01 October 2008 the president further stressed the importance of immediate action by saying that if 'the financial markets fail to function, American families will face great difficulty in getting loans to purchase a home, buy a family car, or finance a child's education. Businesses, too, will be unable to attract the credit they need to retain and create jobs. These concerns are not hypothetical'.[147] Considering these statements as well as the economic circumstances, I classify this law as *endogenous, countercyclical.*

American Recovery and Reinvestment Act of 2009 (H.R.1)[148]

Introduction 26.01.2009	**House Committee**[149] 28.01.2009 CC: –155.9 (II: –110.9, CI: –45)	**Passed by House** 28.01.2009	**Senate Committee**[150] 10.02.2009 CC: –260.7 (II: –196, CI: –64.8)
Passed by Senate 10.02.2009	**Joint Committee**[151] 12.02.2009 CC: –209 (II: –172.1, CI: –36.9)	**Signed into Law** 17.02.2009	**Implementation**[152] 17.02.2009 CC: –110.1 (II: –89.4, CI: –20.7) **Sunset** 30.11.2009 CC: 1.1 (II: 1.1) 31.12.2009 CC: 4.4 (II: 5.1, CI: –0.7) 31.12.2010 CC: 91.7 (II: 68.9, CI: 22.8) 31.12.2011 CC: 0.4 (CI: 0.4)

The economic situation was still characterised by the aftermath of the economic crisis. GDP growth became negative in the second half of 2008,[153] employment losses averaged 82,000 per month during the first eight months of 2008, and unemployment rose from 5% in April 2008 to 6.7% in November.[154] Real hourly compensation fell 2% in 2008 and real GDP was forecast to fall in 2009.[155]

The bill was projected to reduce federal taxes by about $287 bn over 10 years, out of which $232 bn were for individuals.[156] The 'Making Work Pay' tax credit was implemented from 01 January 2009

[144] Economic Report of the President (2009). p. 3
[145] Economic Report of the President (2009). p. 3
[146] Bush, G. W. (29 September 2008). Statement of Administration Policy: H.R. 3997—Emergency Economic Stabilization Act of 2008 Online by Gerhard Peters and John T. Woolley, The American Presidency Project, https://www.presidency.ucsb.edu/node/285550, retrieved 23 November 2018
[147] Bush, G. W. (01 October 2008). Statement of Administration Policy: Senate Amendments to H.R. 1424—Emergency Economic Stabilization Act of 2008, Energy Improvement and Extension Act of 2008, and Tax Extenders and Alternative Minimum Tax Relief Act of 2008 Online by Gerhard Peters and John T. Woolley, The American Presidency Project, https://www.presidency.ucsb.edu/node/284405, retrieved 01 December 2018
[148] P.L. 111-5, https://www.congress.gov/bill/111th-congress/house-bill/1/actions
[149] JCX-7-09
[150] JCX-18-09
[151] JCX-19-09, JCS-2-11
[152] JCS-2-11
[153] Economic Report of the President (2009). p. 31
[154] Economic Report of the President (2009). p. 32
[155] Economic Report of the President (2009). p. 33
[156] Tax Policy Center, https://www.taxpolicycenter.org/briefing-book/what-did-2008-10-tax-stimulus-acts-do, retrieved 05 April 2019

to 31 December 2010 and reduced liabilities by about $66 bn. It was not extended through 2011 and, hence, there is a revenue offsetting effect at the end date. Originally scheduled to phase out, the EITC was temporarily increased ($–2.4 bn), the American Opportunity Tax Credit was modified ($–4.4 bn), and the earnings threshold for the child credit was reduced ($–7.5 bn). However, these provisions were continuously extended and finally made permanent by later legislation and, hence, are treated as permanent. The individual AMT exemption was further extended and, as before, does not enter the implementation effect ($–82.7 bn). Business relief amounts to about $–37 bn, out of which $–16 bn are driven by extensions of existing measures, hence do not enter the implementation effect. The single largest business relief was the deferral of income arising from indebtedness ($–22.8 bn), effective from the day of enactment and phasing out at the end of 2010. The Senate version proposed larger tax cuts, compared to the House bill, also including credits for home purchases ($–15.8 bn) and the extension of the AMT relief ($–82.7 bn). However, the credit for home purchases did not make it into the final version, whereas the AMT relief did. Furthermore, the five-year carry back of net operating losses, as proposed by the Senate ($–35 bn), was modified in the final version and in the end amounted to less than $1 bn. Most of the remaining measures were scheduled to phase out at the end of 2009 or 2010.

In the budget documents, the bill was motivated as follows: ‘As the year started, it became clear there was a wide and growing shortfall between what the economy could produce and what it was producing. If we kept on this course, economists predicted that the economy would shed millions of additional jobs, the unemployment rate could exceed 10 percent, and over the next two years, the country would lose roughly $2 trillion in income. With traditional monetary policy levers largely exhausted, the Congress passed and the President signed into law the American Recovery and Reinvestment Act of 2009 …, a nationwide effort to create jobs and transform our economy to compete in the 21st Century’.[157] Hence, both short-term stabilisation and long-run orientation were mentioned as rationales behind the bill. However, in the president’s message, the short-run character is stressed. Barack Obama said that ‘at this particular moment, government must lead the way in providing the short-term boost necessary to lift us from a recession this severe and lay the foundation for future prosperity. That’s why immediately upon taking office, my Administration worked with the Congress to pass the American Recovery and Reinvestment Act. This plan’s provisions will put money in the pockets of the American people, save or create at least three and a half million jobs, and help to revive our economy’.[158] After the bill passed the House and the Senate, President Obama said in his weekly address that the bill ‘is a major milestone on our road to recovery…I will sign this legislation into law shortly, and we’ll begin making the immediate investments necessary to put people back to work doing the work America needs done …’.[159] After signing the bill, Barack Obama published another statement stressing the importance of the bill for both the short and the long run: ‘The situation we face could not be more serious. We have inherited an economic crisis as deep and as dire as any since the Great Depression. Economists from across the spectrum have warned that failure to act quickly would lead to the disappearance of millions of more jobs and national unemployment rates that could be in the double digits. … No one policy or program will solve the challenges we face right now, nor will this crisis recede in a short period of time. However, with this Act we begin the process of restoring the economy and making America a stronger and more prosperous nation’.[160]

Considering the economic circumstances at the time of passage, as well as the statements quoted above, I classify this bill as *endogenous, countercyclical*.

[157] Budget of the United States Government (2010). p. 23
[158] Budget of the United States Government (2010). p. 2
[159] Obama, B. (14 February 2009). The President’s Weekly Address Online by Gerhard Peters and John T. Woolley, The American Presidency Project, https://www.presidency.ucsb.edu/node/286318, retrieved 01 December 2018
[160] Obama, B. (17 February 2009). Statement on Signing the American Recovery and Reinvestment Act of 2009 Online by Gerhard Peters and John T. Woolley, The American Presidency Project, https://www.presidency.ucsb.edu/node/286325, retrieved 03 December 2018

<u>The Worker, Homeownership, and Business Assistance Act of 2009</u>[161]

Introduction	**House Committee**[162]	**Passed by House**	**Senate Committee**[163]
10.09.2009	22.09.2009 CC: –0.2 (II: –0.1, CI: –0.1)	22.09.2009	03.11.2009 CC: –41.9 (II: –9.3, CI: –32.6)
Passed by Senate	**Joint Committee**[164]	**Signed into Law**	**Implementation**[165]
04.11.2009	05.11.2009 CC: –41.9 (II: –9.3, CI: –32.6)	06.11.2009	06.11.2009 CC: –33.3 (CI: –33.3) 01.12.2009 CC: –8.8 (II: –8.8) 01.01.2011 CC: 1.4 (II: 0.7, CI: 0.7) **Sunset** 30.04.2010 CC: 8.9 (II: 8.9) 31.12.2010 CC: 33.3 (CI: 33.3) 31.12.2017 CC: –1.4 (II: –0.7, CI: –0.7)

The House version of the bill only contained minor revenue figures and the Senate version is the first containing significant revenue effects, which are also identical to the final numbers of the bill. The most relevant tax benefit for individuals is modification of the first-time homebuyer credit for homes bought in 2008 and 2009, beginning from 01 December 2009 and phasing out on 30 April 2010. The estimated revenue effect is about $10 bn, from which I subtract the effect of the mere extension of the measure ($1.2 bn, enacted in the ARRA of 2012). For businesses, the carry-back period for net operating losses incurred after 31 December 2007 was increased to five years. The implementation date is set to the date the law was signed. The costs are estimated at about $33.2 bn, with the sunset date being end of 2010. The required corporate estimated tax payments factor for corporations with assets of at least $1 bn was increased by 33 percentage points in 2014 and decreased the portion due in subsequent payments for that tax year. However, since this only shifted the timing of payment and not liabilities, the effect is not considered.

After signing the law, President Obama provided insight into its motivation: 'The rebound in the housing market was one of the big factors that contributed to the growth of the economy last quarter and brought hundreds of thousands of families into the housing market. We want to give even more families the chance to own their own home. … [T]his bill will also cut taxes for struggling businesses, with even larger cuts for small businesses, which means that thousands of entrepreneurs will get the cash they need to avoid laying off workers or closing their doors …'.[166] In the Economic Report, the Act is listed as a 'fiscal stimulus'.[167]

Considering the time context, as well as the statements quoted above, I classify this bill as *endogenous, countercyclical.*

[161] P.L. 111-92, https://www.congress.gov/bill/111th-congress/house-bill/3548/actions
[162] JCX-40-09
[163] JCX-45-09
[164] No Joint Committee meeting but mutual agreement of both chambers, JCX-45-09, JCS–2–11
[165] JCS-2-11
[166] Obama, B. (06 November 2009). Remarks on Signing the Worker, Homeownership, and Business Assistance Act of 2009 Online by Gerhard Peters and John T. Woolley, The American Presidency Project, https://www.presidency.ucsb.edu/node/287730, retrieved 06 May 2019
[167] Economic Report of the President (2010). pp. 51–55

Patient Protection and Affordable Care Act of 2010 (ACA)[168] and the Health Care and Education Reconciliation Act of 2010 (HCERA)[169]

Introduction	House Committee	Passed by House	Senate Committee
–	–	–	–
Passed by Senate	**Joint Committee**	**Signed into Law**	**Implementation**[170]
–	–	23.03.2010	23.03.2010 LR: –4.7 (II: –0.59, CI: –4.1) 01.07.2010 LR: 0.2 (CI: 0.2) 01.01.2011 LR: 10.1 (II: 0.7, CI: 9.4) 01.10.2012 LR: 0.3 (CI: 0.27) 01.01.2013 LR: 30.9 (II: 26.1, CI: 4.8) 01.01.2014 LR: –1.7 (II: –11, CI: 9.3) 01.01.2015 LR: 8 (CI: 8) **Sunset** 31.12.2010 LR: 0.2 (CI: 0.2)

Dating and quantifying the revenue effects at the early legislative steps of this bills was not feasible. The introduction of universal healthcare had been mentioned during the election primaries and was discussed on several occasions[171] and several drafting bills emerged in both the House and Senate in mid-2009. No revenue figures were available for those early bills at the time of introduction or passage, but the number of revenue projections increased in late 2009.[172] However, neither the published House Committee on Ways and Means report[173] nor the Senate Committee report contained revenue figures such that they can be dated to the respective days as is usually done in this narrative account. The revenue figures of the bill, as passed by the Senate on 24 December 2009 were first summarised in March 2010.[174] Therefore, I do not include unsecure dates and revenue figures, but only use the information on the implementation effect.[175]

The ACA included a total of 10 titles, phasing in between 2010 and 2020, but most became effective either in 2013 or 2014. The HCERA consisted of fewer measures, which came into effect either on the day of enactment or at the beginning of 2013. The major rebates of the ACA were a 2014 healthcare tax credit for individuals who buy health insurance ($–11 bn) and a FICA credit for small businesses providing health insurance to their workers ($–4 bn) from the day of enactment. The revenue-raising measures were a 40% excise tax (Cadillac Tax) on high-cost employer plans ($12.2 bn), which was scheduled to phase in in 2018 but was delayed to 2020 by the Consolidated Appropriations Act of 2016 and finally repealed by Congress in December 2019. As part of the package, I also classify this measure in this bill as ‘income tax’, rather than excise tax. Shared responsibility fees for employers were introduced, originally from 2014 but again delayed to January 2015 ($8 bn). High-income households became subject to an additional HI tax of 0.9% starting 01 January 2013 ($13.3 bn) and a Medicare tax of 3.8% applied to unearned income with AGI in excess of $200,000 ($250,000 filing jointly), raising revenues by $10.6 bn starting January 2013. An annual fee on health insurance providers was effective from the day of

168 P.L. 111-148, https://www.congress.gov/bill/111th-congress/house-bill/3590/actions
169 P.L. 111-152, https://www.congress.gov/bill/111th-congress/house-bill/4872/actions
170 JCS-2-11
171 See Timeline: Milestones in Obama’s Quest for Healthcare Reform, Reuters, 22 March 2010, https://www.reuters.com/article/us-usa-healthcare-timeline-idUSTRE62L0JA20100322, retrieved 18 October 2020
172 See, e.g., JCX-43-09, JCX-46-09, JCX-48-09, JCX-53-09, JCX-55-09, JCX-61-09
173 H. Rept. 111-299
174 JCX-10-10, JCX-17-10
175 JCS-2-11

enactment ($9.3 bn) and one on manufacturers and importers of branded drugs began 01 January 2011 ($2.9 bn).

In his speech to a joint session of Congress on 09 September 2009,[176] Barack Obama hinted at the bill's motivation. While recovery after the financial crisis was still on the agenda, it was not the reason for the healthcare reform, as he said: '[W]e did not come here just to clean up crises. We came here to build a future'. He goes on, '[r]ight now, too much of the hard-earned savings and tax dollars we spend on healthcare don't make us any healthier. … More than four decades ago, this nation stood up for the principle that after a lifetime of hard work, our seniors should not be left to struggle with a pile of medical bills in their later years'. Regarding the effect on the budget, Obama stated: 'I will not sign a plan that adds one dime to our deficits, either now or in the future. … Reducing the waste and inefficiency in Medicare and Medicaid will pay for most of this plan'. Hence, countercyclical or spending-driven concerns did not seem to play a role at the time of legislation. I classify this bill as *exogenous, long run*.

<u>Small Business Jobs Act of 2010</u>[177]

Introduction	**House Committee**[178]	**Passed by House**	**Senate Committee**[179]
13.05.2010	15.06.2010 CC: 0.2 (CI: 0.3)	17.06.2010	16.09.2010 CC: –55.4 (II: –1.5, CI: –54)
Passed by Senate	**Joint Committee**[180]	**Signed into Law**	**Implementation**[181]
16.09.2010	23.09.2010 CC: –55.3 (II: –1.5, CI: –54)	27.09.2010	27.09.2010 CC: –12.7 (II: –1.5, CI: –11.4) 01.01.2011 CC: –2.5 (II: 0.01, CI: –2.5)
			Sunset
			31.12.2010 CC: 1.2 (II: –0.2, CI: 1.6) 31.12.2011 CC: 14 (II: 1.7, CI: 12.3)

When introduced, The Small Business Jobs Act of 2010 contained only minor revenue effects. The Senate then introduced major amendments on 16 September 2010. On 23 September, the House agreed to the amendments, making this also the date of the joint agreement. Since the House agreed to the Senate version and the Senate version is identical to the final version, I approximate the revenue figures of the mutual agreement of both chambers using those figures.

The bill included a bundle of policies to benefit small businesses. Temporary measures were introduced to deliver capital to banks and small businesses. The largest single measure for businesses was the one-year extension of the 50% bonus depreciation through 2011. The revenue effect was given at $40 bn for 2011, but, as it was an extension of an already existing measure, it is excluded from the final implementation effect. It was scheduled to phase out at the end of 2011, but was extended by future legislation. For 2011, the bill further increased the maximum amount under Section 179 and the phase-out threshold amount to $2 million, reducing revenues by about $9.7 bn, phasing out at the end of 2011. The Act included some revenue-raising anti-avoidance measures, for example, modification of information reporting for rental property expense payments and an increase in penalties related to information returns, which, however, amounted to less than $1 bn. Again, the required corporate estimated tax payment was altered, which I again exclude, as it only changes the timing of payment and not liabilities.

The February Economic Report anticipated the need for small business aid, stressing the adverse impact of the recent crisis on small businesses. The report states that 'the Administration has identified

[176] Obama, B. (09 September 2009). http://news.bbc.co.uk/2/hi/americas/8247661.stm, retrieved 19 October 2020
[177] P.L. 111-240, https://www.congress.gov/bill/111th-congress/house-bill/5297/actions
[178] JCX-32-10
[179] JCX-48-10
[180] No Joint Committee meeting but mutual agreement of both chambers, JCX-48-10, JCS-2-11
[181] JCS-2-11

three key priorities. One is a multifaceted program to jump-start job creation by small businesses, which are critical to growth and have been particularly harmed by the recession …'.[182]

The 2011 Economic Report stated that 'hiring by small businesses slowed during 2008 and 2009'[183] and mentions impeded access to credit[184] and lists the Small Business Jobs Act of 2010 as a response to that matter. On 22 July, when the bill was still being heavily debated in the Senate, the Obama Administration published a statement of administration policy, saying that "[t]he Administration strongly supports Senate passage of the Senate Amendment to H.R. 5297. Small businesses are the backbone of the American economy and where most new jobs begin. … [I]t includes provisions proposed by the President that will spur investment, innovation, and job creation by small businesses …'.[185]

When Barack Obama signed the bill, he expressed his support, indicating its possible motivation: 'Yet along with the middle class, small businesses have borne the greatest brunt of this recession. They … were hit by a one-two punch. The downturn has meant people are spending less, so there's less demand. And the financial crisis made it difficult for small businesses to get loans. … Government … can't create jobs to replace the millions that we lost in the recession, but it can create the conditions for small businesses to hire more people, through steps like tax breaks. … But as far as we've come, everybody in this room understands we've still got a long way to go. I don't have to tell folks here that small businesses still face hardships, and it's still too difficult for many creditworthy small-business owners to get loans. So there is more we can do to help them grow and to help them hire. And that's why I began fighting for months to pass this jobs bill, the most significant step on behalf of our small businesses in more than decade. And once I sign it, it's going to speed relief to small businesses across this country right away. … So this law will do two big things: It's going to cut taxes, and it's going to make more loans available for small businesses. It's a great victory for America's entrepreneurs. … At this difficult time in our country, it's essential that we keep up the fight for every job, for every new business, for every opportunity to strengthen this economy'.[186]

Considering the arguments listed above, I classify the measures as *endogenous, countercyclical*.

The Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010 (aka the Middle Class Tax Relief Act of 2010)[187]

Introduction 01.12.2010	**House Committee**[188] 01.12.2010 CC: –210.9 (II: –207.7, CI: –3.3)	**Passed by House** 02.12.2010	**Senate Committee**[189] 15.12.2010 CC: –420.1 (II: –340.3, CI: –79.8)
Passed by Senate 15.12.2010	**Joint Committee**[190] 16.12.2010 CC: –420.1 (II: –340.3, CI: –79.8)	**Signed into Law** 17.12.2010	**Implementation**[191] 17.12.2010 CC: –43.4 (II: –28.1, CI: –15.4) 01.01.2011 CC: –67.2 (II: –67.2) **Sunset** 31.12.2011 CC: 22.4 (II: 0.7, CI: 21.8) 31.12.2012 CC: 72.4 (II: 69.1, CI: 3.3)

182 Economic Report of the President (2010). p. 78
183 Economic Report of the President (2011). p. 150
184 Economic Report of the President (2011). pp. 143–149
185 Barack Obama, Statement of Administration Policy: Senate Amendment to H.R. 5297—Small Business Jobs Act of 2010 Online by Gerhard Peters and John T. Woolley, The American Presidency Project, https://www.presidency.ucsb.edu/node/288386, retrieved 13 May 2019
186 Obama, B. (27 September 2010). Remarks on Signing the Small Business Jobs Act of 2010 Online by Gerhard Peters and John T. Woolley, The American Presidency Project, https://www.presidency.ucsb.edu/node/288685, retrieved 08 May 2019
187 P.L. 111-312, https://www.congress.gov/bill/111th-congress/house-bill/4853/actions
188 Ways and Means Committee Table 10-1 207 R, JCX-53-10
189 I could not find precise numbers on the revenue effect of the Senate version. However, the House agreed to the Senate version. Therefore, I take the figures from the final revenue effects from JCS-2-11 as the Senate's version.
190 No Joint Committee meeting but mutual agreement of both chambers, JCS-2-11
191 JCS-2-11

The Act was originally introduced in March 2010 as the Federal Aviation Administration Extension Act of 2010. On 01 December 2010, the House amended the draft with the text of the Middle Class Tax Relief Act of 2010; hence, I choose this date for the House Committee version. On 15 December, the Senate inserted the text of the Tax Relief, Unemployment Insurance Reauthorization, and Jobs Creation Act of 2010. The House agreed to this amendment on 16 December 2010 and, hence, I date the joint agreement to this day and use the figures of the final version for both the Senate and the Joint Committee stages. This amendment increased the budget effect by about twice the size and added temporary estate and gift tax relief, increase of the first-year bonus depreciation, and reduction of the employee-side OASDI contributions, as well as other measures. Most previous tax rebates that were scheduled to run out at the end of 2010 were extended. As those extensions did not change liabilities, they are excluded from the implementation effect of the bill. As mentioned before, the 50% additional first-year depreciation for property was extended, again, through 2012. For 2011, this bonus depreciation was increased to 100%, as well. I use the difference from the previous revenue figure as the discretionary shock, implemented on the day of announcement and phasing out at the end of 2011 ($15.4 bn). Other business relief extensions amount to $–22 bn. The individual income brackets (10%, 25/28%, and 33/35%; in total $–63.5bn), as well as other personal income tax relief (child tax credit, marriage penalty relief, education tax relief; in total $–53.1 bn) were further extended. The lower capital gains bracket was extended, lowering the announcement effect by $15 bn. The AMT relief was further extended ($–85.8 bn) and other individual income tax extensions amounted to about $–20 bn. However, as all of these are extensions, they do not contribute to the implementation effect.

The only other discretionary changes remaining that enter the implementation effect, besides the change to bonus depreciation, are a temporary payroll tax reduction (employee-side of OASDI) by 2 percentage points, which was implemented starting 01 January 2011 ($–67.2 bn). Originally scheduled to phase out at the end of the year, the position was extended in the Temporary Payroll Tax Cut Continuation Act of 2011 and in the Middle Class Tax Relief and Job Creation Act of 2012, hence phasing out on 31 December 2012. The other measure was temporary estate and gift tax relief, lowering revenues by $28 bn. Originally scheduled to phase out at the end of 2012, the measure was made permanent in the American Taxpayer Relief Act of 2012 and, hence, there is no reversed effect and I treat it as permanent.

In August, Secretary Geithner argued that extending the tax cuts for the middle class was necessary in order to maintain economic recovery and to avoid a fall in disposable income.[192] Later, in his remarks on signing the Act, President Obama provided further insight on the motivation for the legislation. He said that the measures are 'a substantial victory for middle class families across the country. They're the ones hit hardest by the recession we've endured. They're the ones who need relief right now. And that's what is at the heart of this bill'.[193] In the budget, the bill was justified as follows: 'To continue the progress we have made in stopping the recession and to create incentives for continued economic growth and job creation, the President brought together both sides in Washington to work out a compromise plan on a range of expiring tax provisions and other policies. After a hard-fought campaign season, many thought that a deal would be impossible. Yet, on December 17, the President signed into law the bipartisan Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010'.[194] In the following president's Economic Report, the countercyclical character was stressed, saying that '[s]upportive policies enacted near the end of 2010—the Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act (TRUIRJCA)—cushioned the adverse shocks experienced in 2011'.[195]

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[192] Geithner, T. (04 August 2010). Remarks as Prepared for Delivery at Center For American Progress, TG-814, https://www.treasury.gov/press-center/press-releases/Pages/tg814.aspx, retrieved 03 December 2018

[193] Obama, B. (17 December 2009). Remarks on Signing the Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010 Online by Gerhard Peters and John T. Woolley, The American Presidency Project, https://www.presidency.ucsb.edu/node/289292, retrieved 03 December 2018

[194] Budget of the United States Government (2012). p. 16

[195] Economic Report of the President (2012). p. 40

I propose the classification *endogenous*, *countercyclical*.

The Temporary Payroll Tax Cut Continuation Act of 2011[196]

Introduction	House Committee[197]	Passed by House	Senate Committee[198]
23.12.2011	23.12.2011 CC: –18.8 (II: –18.8)	23.12.2011	23.12.2011 CC: –18.8 (II: –18.8)
Passed by Senate	**Joint Committee**[199]	**Signed into Law**	**Implementation**[200]
23.12.2011	23.12.2011 CC: –18.8 (II: –18.8)	23.12.2011	–
			Sunset
			–

The bill was introduced on 23 December 2011, passed both chambers unanimously, and was signed by President Obama on the same day. Debate about the only relevant measure—the extension of the employee payroll tax rebate—started earlier, though. For example, in a news conference in July, President Obama said: '[A]mong the options that are available to us is, for example, the payroll tax cut, which might not be exactly the kind of program that I would design in order to boost employment, but does make a difference because it puts money in the pockets of people who are then spending it at businesses, large and small. That gives them more customers, increases demand, and it gives businesses a greater incentive to hire'.[201] On 05 December 2011, Obama again stressed the countercyclical nature of the situation: 'Although the unemployment rate went down last month, our recovery is still fragile, and the situation in Europe has added to that uncertainty. And that's why the majority of economists believe it's important to extend the payroll tax cut. … So my message to Congress is this: Keep your word to the American people, and don't raise taxes on them right now. Now is not the time to slam on the brakes, now is the time to step on the gas. Now is the time to keep growing the economy, to keep creating jobs, to keep giving working Americans the boost that they need'.[202] However, since the duration of the extension was not clear at the time of these statements, I chose the day the bill passed through the chambers as only then were revenue figures available.

Its main measure is the temporary extension through 29 February 2012 of the 4.2% Social Security payroll tax rate for individuals, which was scheduled to expire at the end of 2011. The costs were estimated at $18.8 bn in 2012, as it was extended for only the first two months and, hence, I do not compute a full year revenue effect. As it is a mere extension of an already existing measure, the implementation effect is set to zero. As mentioned before, the relief was further extended through 2012 by the Middle Class Tax Relief and Job Creation Act of 2012.

Considering the argumentation above, I classify this law as *endogenous, countercyclical.*

[196] P.L. 112-78, https://www.congress.gov/bill/112th-congress/house-bill/3765/actions
[197] JCX-57-11
[198] Senate passed without amendment, JCX-57-11
[199] No Joint Committee meeting but mutual agreement of both chambers, JCX-57-11, JCS-2-13
[200] JCS-2-13
[201] Obama, B. (11 July 2011). The President's News Conference Online by Gerhard Peters and John T. Woolley, The American Presidency Project, https://www.presidency.ucsb.edu/node/290834, retrieved 06 May 2019
[202] Obama, B. (05 December 2011). Remarks on Payroll Tax Cuts and Unemployment Insurance Online by Gerhard Peters and John T. Woolley, The American Presidency Project, https://www.presidency.ucsb.edu/node/297749, retrieved 06 May 2019

Middle Class Tax Relief and Job Creation Act of 2012[203]

Introduction	House Committee[204]	Passed by House	Senate Committee[205]
09.12.2011	13.12.2011 CC: –111.6 (II: –71.8, CI: –39.8)	13.12.2011	17.12.2011 CC: $2.1 (II: 2.1)
Passed by Senate	**Joint Committee**[206]	**Signed into Law**	**Implementation**[207]
17.12.2011	16.02.2012 CC: –70.1 (II: –70.1)	22.02.2012	–
			Sunset
			–

The Economic Report as well as the budget documents for the fiscal year 2013 were published at around the time the act was signed and provide information about the contemporaneous economic conditions. As mentioned in the Economic Report, real GDP rose 1.6 percent in 2011, unemployment fell from 9.4 percent in December 2010 to 8.3 percent in January 2012. Due to the revolution in Libya, the crude oil price rose by about 30 percent from the second half of 2010 to the second half of 2011, lowering consumer confidence and purchasing power of disposable income. As a result, consumer spending growth slowed down to 1.4 percent in the first half of 2011.[208]

The middle class played a prominent role in the budget documents. Its role for long-term economic development is stressed multiple times. In the economic report, it is written that '[s]trengthening and expanding the middle class […] [is] therefore at the root of the Obama Administration's strategy to re-establish an economy that is built to last.'[209] Considering this, the classification *exogenous, long run* seems appealing. However, there was a big difference between the House's version and the Senate's version and the Senate version did not include any tax relief.[210] The House version also proposed to extend the 100% bonus depreciation through 2012 ($–38bn). During the legislative process, the business measures were removed and only one major provision survived: the Payroll Tax Holiday was extended through 2012, with a revenue effect of $70.1 bn. As this was only a temporary extension, the figure does not enter the implementation effect. Furthermore, as this was a temporary measure designed to start from 2012Q2, I do not adjust the revenue figure given for fiscal year 2012 to compute a full year revenue effect. The offsetting revenue effect in 2013Q1 is already considered in the discussion of the 'Tax Relief, Unemployment Insurance Reauthorization, And Job Creation Act Of 2010'. The applicable percentage for corporate estimated tax payments were changed from the day of enactment. However, this measure only shifted the payments to different years, compared to the previous legislation and the revenue effect was small. Therefore, I exclude this position.

The Economic Report further mentions 'lingering effects of the financial crisis and the longstanding problem of weak income growth for the middle class, … additional shocks from natural disasters in Asia, unrest in the Middle East that caused oil prices to spike, self-inflicted wounds to confidence from the contentious debt ceiling debate over the summer, and stress in European debt markets.'[211]

Considering the temporary character, as well as the negative economic outlook at the time, I classify the act as *endogenous, countercyclical.*

[203] P.L. 112-96, https://www.congress.gov/bill/112th-congress/house-bill/3630/actions
[204] Since there were no committees assigned, House Committee and Senate Committee numbers are approximated by the versions passed by the House and Senate, respectively, JCX-2-12, JCX-3-12
[205] JCX-2-12, JCX-3-12
[206] JCX-17-12, JCS-2-13
[207] JCS-2-13
[208] Economic Report of the President (2012). pp. 37–46
[209] Economic Report of the President (2012). p. 22
[210] JCX-3-12
[211] Economic Report of the President (2012). p. 22

American Taxpayer Relief Act of 2012[212]

Introduction	**House Committee**[213]	**Passed by House**	**Senate Committee**[214]
24.07.2012	24.07.2012 DD: –255.4 (II: –253.3, CI: –2.1)	01.08.2012	27.07.2012 DD: –191.1 (II: –191.1) 31.07.2012 DD: –35.5 (II: –13.1, CI: –21.9, Other: –0.6)
Passed by Senate	**Joint Committee**[215]	**Signed into Law**	**Implementation**[216]
27.07.2012 01.01.2013	01.01.2013 DD: –349.8 (II: –289.2, CI: –60.1, Other: –0.5)	02.01.2013	– **Sunset** –

Parts of the bill were first introduced in the House as the Job Protection and Recession Prevention Act of 2012 on 24 July 2012. Around the same time, other parts of the final bill—the Middle Class Tax Cut Act and the Family and Business Tax Cut Certainty Act of 2012—emerged in the Senate,[217] parts of which were overlapping with House provisions. I tried to consider the similarities and differences, as well as the timely occurrence. For dating the Senate versions, I use the dates written on the reports (JCX-65-12 on 27 July 2012 and JCX-68-12 on 31 July 2012). The major difference in the Senate bill was the exclusion of tax cuts for highest incomes ($–22 bn in the House version, $–5 bn in the final version),[218] as well as no extension of the current estate and gift tax policy. However, those measures made it into the final bill. The Senate also proposed further extension of previous income tax credits ($–24.5 bn), which became part of the final bill. In addition, the final version included extension of the 50% bonus depreciation, which was not included in earlier versions. The combined package was then passed by the Senate as the American Taxpayer Relief Act of 2012 (ATRA) on 01 January 2013. The bill bypassed the fiscal cliff by averting scheduled income tax raises and spending reductions.[219]. There was no Mediation Committee meeting, and I take the day of mutual agreement by the House and Senate on 01 January 2013 as the date of the Joint Committee.

The bill, in general, contains tax cuts compared to what would have happened without the ATRA. In 2013, several tax reductions included in the Economic Growth and Tax Relief Reconciliation Act of 2001, the Jobs and Growth Tax Relief Reconciliation Act of 2003, and the American Recovery and Reinvestment Tax Act of 2009 were scheduled to expire. The result would have been higher personal income tax and estate and gift tax rates, as well as the alternative minimum tax (AMT) applying to more people. The Tax Policy Centre estimated that a failure to extend those rebates would 'have raised taxes by more than $500 billion in 2013—an average of almost $3,500 per household'.[220] My measure is lower, as I took the numbers from JCS-2-13. Since all the relevant provisions in the American Taxpayer Relief Act of 2012 were permanent extensions of rebates already in place, the implementation effect of those measures is not considered. Furthermore, all extensions were either further extended or made permanent by later legislation. Those not made permanent are discussed and considered in two major bills—the Tax Increase Prevention Act of 2014 and the Consolidated Appropriations Act of 2016.

The permanent individual tax relief extensions covered the 10%, 25% and 28%, and 33% and 35% income brackets ($–49 bn), the estate and gift tax schedule ($–28 bn), and the capital gains tax structure ($–6.7 bn). As mentioned, AMT relief was made permanent and linked to inflation ($–139 bn). Several measures implemented in 2009 were further extended ($–26 bn) and finally made permanent in the Consolidated Appropriations Act of 2016 and, hence, do not contribute to the sunset effect. Business

[212] P.L. 112-240, https://www.congress.gov/bill/112th-congress/house-bill/8/actions
[213] JCX-64-12, JCX-68-12, JCX-77-12
[214] JCX-65-12, JCX-70-12
[215] No Joint Committee meeting but mutual agreement of both chambers, JCS-2-13
[216] JCS-2-13
[217] The first revenue effect was given in JCX-68-12, on 31 July 2012
[218] Blumenauer, E. (01 August 2012). Blumenauer: End Trillion Dollar Giveaway to Top 2%, https://blumenauer.house.gov/media-center/press-releases/blumenauer-end-trillion-dollar-giveaway-top-2, retrieved 20 September 2020
[219] Congress.gov. H.R. 8—American Taxpayer Relief Act of 2012, https://www.congress.gov/bill/112th-congress/house-bill/8, retrieved 04 December 2018
[220] Tax Policy Center, https://www.taxpolicycenter.org/briefing-book/what-did-american-taxpayer-relief-act-2012-do, retrieved 05 April 2019

tax extensions amounted to about $–60 bn, out of which the major effect was due to the extension of the 50% bonus depreciation ($–34bn), which again was later extended and is not included in the sunset effect.

Perceptions of the budgetary effect of these provisions on the US deficit were not unanimous. The president of the Peter G. Peterson Foundation, Michael A. Peterson, said that the 'agreement to avert the fiscal cliff is a necessary step to protect the fragile economic recovery in the short term'.[221] However, the 'fiscal cliff was a significant missed opportunity to put the nation on a sustainable fiscal path'.[222] On the other hand, President Obama said 'this was just one step in the broader effort to grow our economy and shrink our deficits'.[223] Furthermore, he said, '[t]his week's action further reduces the deficit by $737 billion, making it one of the largest deficit reduction bills passed by Congress in over a decade. And I'm willing to do more'.[224] The nonpartisan Congressional Budget Office (CBO) estimated the budget effects, compared to the baseline scenario with previous legislation. According to the projections, the deficit would be boosted by $4.6 trillion from 2013 through 2022. This contradicts President Obama's interpretation. Regarding economic growth, the CBO forecast higher output in 2013 due to the ATRA. In the long run, however, output was predicted to be lower due to the higher deficit and hence the decrease in national saving and a lower stock of productive capital.[225] In the Economic Report, Barack Obama is cited at stating: 'We cannot just cut our way to prosperity',[226] a reference to the economy's catching-up process. 'Before the enactment of ATRA, the Congressional Budget Office … estimated that if the massive tax hikes and spending cuts originally scheduled to take place in 2013 had been allowed to occur, the full force of these austerity measures, equivalent in dollar terms to roughly 4 percent of GDP, would have caused the unemployment rate to rise by more than one percentage point and likely driven the economy into another recession'.[227] Further, the 'Council of Economic Advisers … projected that if tax rates rose for middle-class families earning less than $250,000 a year as was planned under then-current law, U.S. consumers would have reined in their spending by nearly $200 billion in 2013. … This would have been a deeply damaging self-inflicted wound to the economy. ATRA avoided this massive fiscal retrenchment, securing permanent income tax relief for 98 percent of Americans and 97 percent of small businesses …'.[228]

Considering these arguments, together with the projected increase of the budget deficit, and in line with Liu & Williams (2019), I classify the act as *exogenous, deficit-driven.*

[221] Peterson, M. A. (01 January 2013). Statement from Foundation President & COO, Michael A. Peterson, on Fiscal Cliff Agreement. The Peter G. Peterson Foundation, https://www.pgpf.org/press-release/statement-from-foundation-president-coo-michael-a-peterson-on-fiscal-cliff-agreement, retrieved 04 December 2018

[222] Peterson, M. A. (01 January 2013). Statement from Foundation President & COO, Michael A. Peterson, on Fiscal Cliff Agreement. The Peter G. Peterson Foundation, https://www.pgpf.org/press-release/statement-from-foundation-president-coo-michael-a-peterson-on-fiscal-cliff-agreement, retrieved 04 December 2018

[223] Obama, B. (05 January 2013). The President's Weekly Address, The American Presidency Project, https://www.presidency.ucsb.edu/node/303380, retrieved 04 December 2018.

[224] Obama, B. (05 January 2013). The President's Weekly Address, The American Presidency Project., https://www.presidency.ucsb.edu/node/303380, retrieved 04 December 2018

[225] CBO (04 January 2013). The 'Fiscal Cliff' Deal, https://www.cbo.gov/publication/43835, retrieved 04 December 2018

[226] Economic Report of the President (2013). p. 27

[227] Economic Report of the President (2013). pp. 27–28

[228] Economic Report of the President (2013). p. 28

The Tax Increase Prevention Act of 2014[229]

Introduction	**House Committee**[230]	**Passed by House**	**Senate Committee**[231]
01.12.2014	03.12.2014 CC: –81.4 (II: –9.4, CI: –71.4, Other: –0.6)	03.12.2014	16.12.2014 CC: –81.4 (II: –9.4, CI: –71.4, Other: –0.6)
Passed by Senate	**Joint Committee**[232]	**Signed into Law**	**Implementation**[233]
16.12.2014	16.12.2014 CC: –81.4 (II: –9.4, CI: –71.4, Other: –0.6)	19.12.2014	–
			Sunset
			–

The bill was introduced in the House on 01 December 2014 and passed the House on 03 December. The package included the Achieving a Better Life Experience Act of 2014 (ABLE), which, however, only added small revenue figures to the overall budget effect and the majority of the bill's positions changed government spending, which is not relevant for this narrative account and therefore excluded. The bill was passed by the Senate on 16 December 2014, without amendment. Following previous reasoning, I date the day of mutual agreement to that day, as now the final version of the bill was certain. I use the same revenue figures throughout the legislative process, as those were the same in the documents published on 03 December and in the final estimation given by the JCT in JCS-1-15.

The purpose of the bill was to retroactively extend existing tax reductions through 2014. Subtitle A contains individual tax extenders, Subtitle B business tax extenders, and Subtitle C energy tax extenders; in total, more than 50 tax benefits were extended. The most relevant individual tax extenders were the exclusion of imputed income from the discharge of indebtedness for a principal residence ($–3 bn), a deduction for state and local general sales tax ($–3 bn), and a deduction for mortgage insurance premiums ($–1 bn). Among the major business tax extensions were the research credit ($–3.8 bn), the work opportunity tax credit ($–1 bn), the 50% bonus depreciation ($–45.3 bn), the treatment of certain real property as Section 179 property ($–11.7 bn), and the exception under Subpart F for active financing income ($–5.1 bn). Those extensions were further extended or made permanent in the PATH of 2015 (see below) and do not enter the sunset effect with the opposite sign.

Standard procedure in the narrative account for extenders is to not include them, as they do not change tax liabilities. However, in this case, the extenders were implemented 12 months after their expiration date at the end of 2013. Even though the extension was likely, as most extenders were included in previous extender packages, one could justify including them in the account as discrete actions because of the time delay. In support of doing so is the fact that during the 113th Congress, various bills were proposed in the House and the Senate to further extend or make permanent several of the expired credits.[234] For example, earlier in 2014, the Senate Finance Committee proposed legislation for a two-year extenders package for most of the expired positions called the Expiring Provisions Improvement Reform and Efficiency Act (EXPIRE, S. 2260), but this was voted down in May 2014. Hence, one could argue that the reapproved extension did not come as a surprise. During debate, however, congressional representatives painted a different picture. On 03 December 2014, McDermott said: 'There is a fundamental issue with our current policy on tax extenders. I was a Ways and Means chairman in the State legislature and was told by a very important businessman in the State of Washington once: I don't care what rate you give me, tell me how long it is going to be; how am I going to amortize this? I need to know the length of time. This bill, so people really understand, lasts exactly 28 days. It will die on January 1. It is for last year. Now, businesses and individuals can't be certain they are going to get a tax break because of the stop-and-start, temporary nature of Congress reauthorizing these tax bills. Businesses and individuals need to know what the tax is going to be in the beginning of the year so that they can plan and take advantage of incentives rather than waiting until the last 2 weeks of the year when the

[229] P.L. 113-295, https://www.congress.gov/bill/113th-congress/house-bill/5771/actions
[230] JCX-107-14R
[231] JCX-107-14R
[232] No Joint Committee meeting but mutual agreement of both chambers, JCX-107-14R, JCS-1-15
[233] JCS-1-15
[234] The Congressional Research Services (CRS) provides an overview of the legislative history: CRS (04 September 2015). Report R43898 *Tax Provisions that Expired in 2014 ("Tax Extenders"),* by Molly F. Sherlock

Congress may or may not act. This year, businesses that want to take advantage of the research tax credit have either been sitting on the sidelines or making investments or not making investments not knowing, or maybe they gambled and said: Well, we figure that Congress will do something some day'.[235]

On 16 December 2014, Senator Harry Reid raised this view again: 'Of course, we have the power to enshrine tax provisions for any length of time we choose. What the Congress can't do is travel back through time. The Congress can pass this $41 billion bill, but it cannot change anything taxpayers did 6, 8 or 10 months ago. Those decisions have been made'.[236] Anyway, I follow standard procedure in the literature and do not include the revenue effect. Due to the on-going practice of extending rebates, it is likely that those extensions were anticipated. Alternatively, the measures could be considered as discretionary tax cuts, rather than mere extensions of already existing measures.

There was unanimous consent in both the House and the Senate about the necessity for a long-term tax reform instead of simply extending provisions. The bill was discussed in the House on 03 December 2014. Marlin Stutzman, a Republican like the sponsor of the bill, Dave Camp, argued the following: 'American workers and businesses are most successful when they are able to keep, spend, and invest more of their hard-earned money. Our economy, which has already remained too weak for too long, simply cannot afford a series of irresponsible tax hikes that will target individuals, small businesses, and job creators all across the country. So this legislation will help protect those taxpayers … and provide them some level of clarity as they plan for the new year. Right now, working families and businesses are simply trying to make ends meet. I know from speaking with families and workers back home in Indiana that the last thing that they can afford is higher taxes when they need to be providing for their kids' education, savings, or growing their business. In this legislation, Mr. Speaker, I am especially pleased to support the provisions that would extend the increased section 179 deduction levels, as well as the extension of bonus depreciation. Countless farms, small businesses, and manufacturers in the Hoosier State and across the country use these important tools to make business-building capital investments. A failure to act on those tax extensions would only slow an economic recovery that desperately needs to pick up the pace. Today, we have an opportunity to … prevent economic harm to millions of families and businesses across the United States. While this may not be the intention that we would all like to have, I do believe that this is the best that we can do for right now to prevent any sort of further damage to the economy'.[237]

Considering these arguments, I classify the law as an *endogenous, countercyclical* one. The legislative history of the extender package also points toward ideological rather than economic considerations. Barack Obama threatened to veto the proposal brought forward by the Senate (S. 2260) to extend the package by two years. Commented O. G. Hatch, 'the President's excuse for issuing his veto threat on the emerging deal was that it did too much to help the business community and not enough to help individuals and families'.[238] Hence, I propose the alternative classification *exogenous, ideological.*

[235] McDermott, J. (03 December 2014). Congressional Record–House, Vol. 160, No. 146, p. H8338
[236] Reid, H. (16 December 2014). Congressional Record–Senate, Vol. 160, No.155, p. S6898
[237] Stutzman, M. (03 December 2014). Congressional Record–House Vol. 160, No. 146, p. H8337
[238] Hatch, O. G. (16 December 2014). Congressional Record–Senate Vol. 160, No. 155, p. S6902

<u>Consolidated Appropriations Act of 2016 (aka the Protecting Americans from Tax Hikes Act of 2015 (PATH))</u>[239]

Introduction 16.12.2015	**House Committee**[240] 16.12.2015 LR: –199.4 (II: –44.7, CI: –147.6, Other: –7)	**Passed by House** 18.12.2015	**Senate Committee**[241] 16.12.2015 LR: –199.4 (II: –44.7, CI: –147.6, Other: –7)
Passed by Senate 18.12.2015	**Joint Committee**[242] 18.12.2015 LR: –199.4 (II: –44.7, CI: –147.6, Other: –7)	**Signed into Law** 18.12.2015	**Implementation**[243] 18.12.2015 LR: –2.8 (II: –0.2, CI: –0.2, Other: –2.4) 01.01.2016 LR: –0.2 (CI: –0.3, Other: 0.1) 01.01.2017 LR: –11 (CI: –11) 01.01.2018 LR: 0.01 (CI: 0.01) **Sunset** 31.12.2016 LR: 12.3 (II: 6.1, CI: 2.9, Other: 3.4) 31.12.2017 LR: 14.6 (CI: 11, Other: 3.6) 31.12.2019 LR: 3.8 (CI: 3.8) 31.12.2021 LR: 0.8 (II: 0.2, CI: 0.6)

The bill was first introduced in the House on 24 March 2015 as a spending bill related to military and veterans' affairs. After passing the House on 30 April 2015, President Obama threatened to not sign the bill as it 'fails to fully fund critical priorities' and 'would constrain the President's ability to protect our national security'.[244] The Consolidated Appropriations Act of 2016 finally provided appropriations for the federal government for fiscal year 2016.[245] The bill became law on 18 December 2015, narrowly avoiding a government shutdown.[246] The relevant tax measures were included in the Protecting Americans from Tax Hikes Act of 2015 (PATH), which was House Amendment 2 to the Senate's amendment of H.R. 2029, and were introduced in the House on 16 December 2015.[247] Therefore, I date the tax changes to the days those tax measures went through the two chambers, and the Mediation Committee agreement to the day the two chambers agreed on the bill—18 December 2015. Due to the short time window as well as the identical numbers in the House version (JCX-143-15) and the final version (JCS-1-16), I use the same revenue figures throughout all legislative steps.

The tax measures included in the bill included about 60 extensions of previous rebates and about 45 non-extenders. Among the non-extending discretionary measures were a two-year memorandum for ACA excise taxes ($–2.2 bn) and a one-year moratorium on annual fees on health insurance providers ($–11 bn). The bill permanently extended the child tax credit ($–12.4 bn), the earned income tax credit ($–4.1 bn), and the American opportunity tax credit ($–11.8 bn). Other permanent extensions included the research credit ($–8.3 bn) and the treatment of certain real property as Section 179 property ($–22.3 bn). The bonus depreciation was extended through 2019 ($–90.6 bn). Other measures that were only temporarily extended contribute to the sunset effect.

Speaker of the House Paul Ryan stressed the long-run character of the measures, saying that '[t]oday, the House took a pivotal step towards rewriting our broken tax code by ending Washington's

[239] P.L. 114-113, https://www.congress.gov/bill/114th-congress/house-bill/2029/actions
[240] JCX-143-15
[241] JCX-143-15
[242] No Joint Committee meeting but mutual agreement of both chambers, JCX-143-15, JCS-1-16
[243] JCS-1-16
[244] Congressional Record (28 April 2015). Statement of Administrative Policy, https://www.congress.gov/congressional-record/2015/04/29/house-section/article/H2506-5, retrieved 03 December 2018
[245] Congress.gov. Summary: H.R. 2029—114th Congress (2015–2016), https://www.congress.gov/bill/114th-congress/house-bill/2029, retrieved 03 December 2018.
[246] https://www.washingtonexaminer.com/house-quickly-passes-short-term-funding-bill-through-dec-22, retrieved 16 August 2020
[247] JCX-144-15

days of extending tax policies one year at a time. This package of permanent extenders will shield families from a tax hike and provide businesses with greater economic certainty to grow and prosper, which means higher wages and more full-time jobs for American workers. It also includes several bipartisan reforms to rein in the IRS, such as firing employees who target taxpayers based on their personal religious or political beliefs. As I've said before, comprehensive tax reform is essential to restoring a more confident America, and that's why it will be central to our bold, pro-growth agenda in 2016'.[248] During debate in Congress, the president pro tempore of the US Senate, Orrin Hatch, stressed the need for permanency as well: 'Most importantly, the bill makes permanent many of the most consequential extenders provisions, the ones that tend to drive the crisis-and-cliff mentality when it comes to tax extenders, further relieving the pressure and allowing Congress to function more effectively. By adding more permanence to the Tax Code, we will allow families and businesses to better plan for the future. In addition, we will adjust the tax and revenue baseline to make conditions vastly more favourable for comprehensive tax reform in the future, a major priority for members of both parties. Most importantly, passing this legislation and making more tax policies permanent will provide significant tax relief for hardworking taxpayers in every walk of American life, from the middle class to military families to the working poor. It will do the same for businesses and job creators throughout our country, resulting in a healthier U.S. economy, increased growth, and more American jobs. Put simply, more permanence in the Tax Code will be a good thing for our country, and the PATH Act will provide just the kind of permanence we need'.[249] Several other statements from his speech point toward long-run growth and incentives to invest as the main goals of the tax rebates: 'With this bill, we will be able to secure key incentives for economic growth. For example, the bill makes permanent section 179, small business expensing, which allows small businesses—the drivers of American job creation—to grow and invest with more immediate tax benefits … The PATH Act will also improve and make permanent the research and development tax credit, the vital tax provision for companies and industries that thrive on innovation and research—areas where the United States continues to lead the world … Our bill also extends the term for bonus depreciation, giving more companies greater incentives to invest in assets that will help their businesses grow and expand … The bill will also make key improvements to make America more competitive on the world stage'. [250] The IRS also mentioned the bill's relevance in matters of tax fraud.[251]

Considering the claims quoted above, I classify the tax measures included in the Consolidated Appropriations ACT of 2016 as *exogenous, long run.*

[248] Ryan, P. (17 December 2015). Ryan Hails Passage of Permanent Tax Extenders Package, Press Release, Speaker Ryan Press Office, https://www.speaker.gov/press-release/ryan-hails-passage-permanent-tax-extenders-package, retrieved 03 December 2018
[249] Hatch, O. G. (16 December 2015). Congressional Record–Senate Vol. 161, No. 183, pp. S8691–S8692
[250] Hatch, O. G. (16 December 2015). Congressional Record–Senate Vol. 161, No. 183, pp. S8692–S8693
[251] IRS, https://www.irs.gov/newsroom/path-act-tax-related-provisions, retrieved 03 December 2018

Tax Cuts and Jobs Act of 2017[252]

Introduction 02.11.2017	**House Committee**[253] 13.11.2017 LR: –219.9 (II: –144.6, CI: –77.7, Other: 2.3)	**Passed by House** 16.11.2017	**Senate Committee**[254] 02.12.2017 LR: –230.2 (II: –168.2, CI: –70.4, Other: 8.3)
Passed by Senate 02.12.2017	**Joint Committee**[255] 15.12.2017 LR: –276.6 (II: –194.5, CI: –80.9, Other: –1.3)	**Signed into Law** 22.12.2017	**Implementation**[256] 22.12.2017 LR: 3.7 (II: –7.7, CI: 11.4) 01.01.2018 LR: –310.6 (II: –192.9, CI: –116.5, Other: –1.3) 01.01.2019 LR: 6.1 (II: 6.1) 01.01.2022 LR: 24.2 (CI: 24.2) **Sunset** 31.12.2018 LR: 3.8 (II: 3.8) 31.12.2019 LR: 3.1 (CI: 1.5, Other: 1.6) 31.12.2025 LR: 217.7 (II: 210.8, CI: 6.9) 31.12.2026 LR: 36.5 (CI: 36.5)

The bill was first introduced in the House as the Tax Cuts and Jobs Act (TCJA) on 02 November 2017. The official title of the law is 'H.R. 1—An Act to provide for reconciliation pursuant to titles II and V of the concurrent resolution on the budget for fiscal year 2018'. The bill passed the House of Representatives on 16 November 2017 and the Senate on 02 December 2017. The revenue effects of the different versions at the different legislative stages of the bill were quite similar.

The bill contained several major tax changes, most of which were effective either from the day of enactment or from 01 January 2018. Regarding individual income taxes, the number of brackets remained the same, but with lower rates at each bracket. The revenue costs are estimated at $135 bn, phasing out on 31 December 2025. The standard deduction for single filers was increased from $6,500 to $12,000 from 01 January 2018 to 31 December 2025. The revenue effect of this measure was estimated to be $–82.6 bn. Deduction of qualified business income and the child tax credit were changed for the period from 01 December 2018 to 31 December 2025. From 01 December 2018 to 31 December 2025, the reforms made to the alternative minimum tax (AMT) reduce liabilities by about $83 bn per year. Regarding business taxation, the reduction in the corporate tax rate from 35% to 21% caused the largest effect on liabilities, with an estimated revenue effect of $–125 bn.

There were some major revenue raisers, as well. Starting 22 December 2017, repatriation of currently deferred foreign profits for cash and cash equivalents and for foreign reinvested earnings was enacted at a rate of 15.5% and 8%, respectively. The estimated revenue effect is an increase of about $49.6 bn per annum, which I classify as business tax liabilities (see Mertens, 2018). The amount of a personal exemption was set to zero. This translates into a tax increase, resulting in additional revenues for the U.S. government of approximately $137 bn from January 2018, phasing out on 31 December 2025. Deduction for mortgage debt was repealed from 01 January 2018 to 31 December 2025, raising revenues by $70 bn. Amortization of research and experimental expenditures was changed starting 01 January 2022, raising revenues by $24 bn, and interest deductions are limited to 30% starting 01 January 2018 ($17 bn).

At introduction, the bill's sponsor, Chairman Kevin Brady, provided some insight into the bill's motivation: 'Today marks the beginning of the end of our nation's broken tax code. … Our legislation

[252] P.L. 115-97, https://www.congress.gov/bill/115th-congress/house-bill/1/actions
[253] H. Rept. 115-409, JCX-54-17
[254] Since there was no committee assigned, I proxy the numbers by the revenue figures as passed by the Senate, JCX-63-17, JCX-65-17
[255] JCX-67-17
[256] JCX-67-17

is focused entirely on growing our economy, bringing jobs back to our local communities, increasing paychecks for our workers, and making sure Americans are able to keep more of the money they earn. … Our legislation also delivers unprecedented simplicity that will make it easier and more affordable for families across our country to file their taxes each April. For the first time in history 9 out of 10 of Americans will be able to file their taxes on a form as simple as a postcard. And we're making America competitive again so our workers can compete—and win—anywhere in the world, especially here at home. By delivering tax relief to businesses of all sizes, the Tax Cuts and Jobs Act makes it easier for entrepreneurs to achieve the American Dream—to start a business and create jobs in our local communities, and it entices employers to bring their headquarters and jobs back home. We made a promise to deliver tax reform that creates more jobs, fairer taxes, and bigger paychecks. After years of work, the Tax Cuts and Jobs Act is our answer'.[257]

The economic costs incurred by the time spent complying with the US individual income tax code were estimated at $99 bn per year and for US business income taxes, $147 bn per year.[258] This cost played an integral motivating role for the Act. Speaker of the House Paul Ryan announced that '[t]his is an historic day. For too long, hardworking Americans have suffered under a tax code that is too unfair, too complicated, and too expensive. That ends this year. The Tax Cuts and Jobs Act will simplify the code so you can file your taxes on a form the size of a postcard'.[259] The Tax Foundation summarised several estimations on how the changes to the individual tax code would simplify filing.[260] Increasing the standard deduction was supposed to make it more attractive for 30 million households to use it instead of itemized deductions in 2018. Furthermore, reform to the AMT results in fewer households incurring AMT liability. Changes to the family provisions and to itemized deductions were expected to 'lead to a dramatic reduction in the usage of the deduction'.[261]

During a conference with the president, Paul Ryan again stressed the long-run orientation of the bill as well as the goal of simplifying the US tax system: 'This is the kind of tax reform and tax cuts that get our economy growing to reach its potential. This gets us better wages, bigger paychecks, a simpler tax system. This gets the American economy competitive in the global economy. This is one of the most important things we could do for all of the people we represent. This is generational. And we're so excited that we are going to launch, next year, this fantastic tax reform so that the American people can see how we can truly reach our economic growth and our economic potential'.[262] President Trump also picked up on the need for simplifying the tax code, saying: 'Our current Tax Code is burdensome, complex, and profoundly unfair. It has exported our jobs, closed our factories, and left millions of parents worried that their children might be the first generation to have less opportunity than the last'.[263]

Considering the arguments listed above, I classify the act as *exogenous, long run.*

[257] Brady, K. (02 November 2017). Chairman Brady Introduces the Tax Cuts and Jobs Act Legislation to Overhaul America's Tax Code for First Time in 31 Years Will Deliver More Jobs, Fairer Taxes, Bigger Paychecks. Committee on Ways and Means. Press release, https://waysandmeans.house.gov/chairman-brady-introduces-tax-cuts-jobs-act/, retrieved 05 December 2018
[258] Hodge, S. A. (15 June 2016). The Compliance Costs of IRS Regulations, Tax Foundation, 15 June 2016, https://taxfoundation.org/compliance-costs-irs-regulations/, retrieved 11 December 2018
[259] Ryan, P. (02 November 2017). The Tax Cuts and Jobs Act, Speaker Ryan Press Office, Press Release, https://www.speaker.gov/press-release/tax-cuts-and-jobs-act, retrieved 11 December 2018
[260] Tax Foundation (07 August 2018). The Tax Cuts and Jobs Act Simplified the Tax Filing Process for Millions of Households, https://taxfoundation.org/the-tax-cuts-and-jobs-act-simplified-the-tax-filing-process-for-millions-of-households/#_ftn6, retrieved 11 December 2018
[261] Tax Foundation (07 August 2018). The Tax Cuts and Jobs Act Simplified the Tax Filing Process for Millions of Households, https://taxfoundation.org/the-tax-cuts-and-jobs-act-simplified-the-tax-filing-process-for-millions-of-households/#_ftn6, retrieved 11 December 2018
[262] Ryan, P. (20 December 2017). Remarks on Congressional Passage of Tax Reform Legislation. The American Presidency Project, https://www.presidency.ucsb.edu/node/331876, retrieved 05 December 2018
[263] Trump, D. J. (13 December 2017). Remarks on Tax Reform Legislation. The American Presidency Project, https://www.presidency.ucsb.edu/node/331762, retrieved 05 December 2018

Germany: Tax Changes

Kernbrennstoffsteuergesetz (KernbrStG)[264]

Draft 28.09.2010 C: 2.3 (Indirect: 2.3)	**1st Reading** 01.10.2010	**Committee** 26.10.2010	**2nd & 3rd Reading** 28.10.2010
Bundesrat 05.11.2010	**Vermittlungsausschuss** -	**Bundestag** -	**Bundesrat** -
Publication 08.12.2010 C: 2.3 (Indirect: 2.3) 07.06.2017 S: -6.3 (Indirect: -6.3)	**Implementation** 01.01.2011 C: 1.3 (Indirect: 1.3) 07.06.2017 S: -6.3 (Indirect: -6.3) 31.12.2017 S: 6.3 (Indirect: 6.3)		

The bill's announced revenue effect of 2.3 bn € (0.09% of GDP) fails, albeit only slightly, to meet the significance threshold of 0.1% of GDP. However, the revenue effect is caused by one measure. Therefore, I include this law in the narrative account even though the implementation effect was smaller (1.3 bn €) in retrospect. The law was to phase-out on 31 December 2016 and was not reenacted.

The *Kernbrennstoffsteuergesetz* introduced a tax on nuclear fuel. The draft of the bill states that the revenues are needed for *consolidation* purposes and to offset losses from the decontamination deposit Asse II (Gesetzentwurf der Fraktionen der CDU/CSU und FDP). In addition, revenue was needed for modernising the German energy sector. Given that the latter reason is *structural*, I assign this as an alternative classification.

On 07 June 2017, the German constitutional court ruled against this law.[265] [266] The reasoning was that the introduced energy tax cannot be regarded as a consumption tax. Therefore, there was no legislative competence to even introduce this law. The accumulated sum of 6.3 bn €[267] had to be paid back to the respective companies. Considering the economic relevance, I include the figure of –6.3 bn € in the narrative account as a one-time increase, implemented on the day of publication, and classify it as *exogenous, structural,* as it was ruled on by the constitutional court.

Gesetz zur Änderung des Energiesteuer- und des Stromsteuergesetzes sowie zur Änderung des Luftverkehrsteuergesetzes[268] [269]

Draft 10.08.2012 S: -2.3 (Indirect: -2.3)	**1st Reading** 27.09.2012	**Committee** 07.11.2012	**2nd & 3rd Reading** 08.11.2012
Bundesrat 23.11.2012	**Vermittlungsausschuss** -	**Bundestag** -	**Bundesrat** -
Publication 05.12.2012 S: -2.29 (Indirect: -2.29)	**Implementation** 01.01.2013 S: -2.29 (Indirect: -2.29)		

With a full year revenue effect of –0.08% of GDP, this law fails to meet the 0.1% threshold. However, the law includes only three minor measures and one major one that drives the revenue effect. The tax

[264] Gesetzentwurf Drucksache 17/3054
[265] BVerfG, Pressemitteilung Nr. 42/2017, 07 June 2017
[266] BGBl Teil I 2017 Nr. 39 24.06.2017 S. 1877a
[267] https://www.spiegel.de/wirtschaft/unternehmen/kernbrennstoffsteuer-das-unangenehme-urteil-fuer-wolfgang-schaeuble-a-1151066.html & https://blog.handelsblatt.com/steuerboard/2017/06/22/steuer-ohne-steuerertrag-das-teure-ende-der-kernbrennstoffsteuer/
[268] BGBl Teil I 2012 Nr. 57 11.12.2012 S. 2436
[269] http://dipbt.bundestag.de/extrakt/ba/WP17/467/46719.html

relief for energy-producing industries accounted for 90% of the revenue effect. Given the economic relevance of the few measures, I include the law in the narrative account.

The European Commission granted benefits, until the 31 December 2012, to energy-intensive industries in an effort to foster competitiveness. This law extends those grants, but only for companies that improve their energy efficiency. Because of those two reasons, competitiveness and energy saving, I classify this law as being *exogenous, structural*.

During the legislative process, changes to the Luftverkehrssteuergesetz, passed in 2010,[270] were added. This law itself is not listed in this narrative account and the changes are due to a European ruling stating that air traffic has to be part of the European carbon emission trading. Therefore, this minor measure (–0.04 bn €) is classified as *exogenous, structural*. The committee also suggested full tax relief for co-generation plants for heat and power in order to comply with a European Parliament guideline. This shock of 0.05 bn € in the first quarter of 2013 is also classified as *exogenous, structural*.

Gesetz zum Abbau der kalten Progression[271] [272]

Draft	**1st Reading**	**Committee**	**2nd & 3rd Reading**
30.12.2011 S: -6.11 (II: -6.11)	27.09.2012	28.03.2012	08.11.2012
Bundesrat	**Vermittlungsausschuss**	**Bundestag**	**Bundesrat**
23.11.2012	13.12.2012	-	-
Publication	**Implementation**		
20.02.2013 S: -6.11 (II: -6.11)	26.02.2013 S: -6.11 (II: -6.11)		

The law aims at reducing unintended revenues caused by fiscal drag. The motivation section of the draft states that the German government is willing to forego additional revenues due to fiscal drag in order to signal its commitment to stable policy and fair taxation. The bill was not changed during the legislative process and I classify it as *exogenous, structural*.

The measures included a stepwise increase in personal allowances as well as setting the threshold for the highest income bracket at 250,000 €. The changes are effective starting 26 February 2013.

Gesetz zur Anhebung des Grundfreibetrags, des Kinderfreibetrags, des Kindergeldes und des Kinderzuschlags[273] [274]

Draft	**1st Reading**	**Committee**	**2nd & 3rd Reading**
27.03.2015 S: -4.1 (II: -4.1) 27.03.2015 C: 0.36 (II: 0.36)	27.09.2012	17.06.2015 S: -5.78 (II: -5.78) 17.06.2015 C: 0.36 (II: 0.36)	08.11.2012
Bundesrat	**Vermittlungsausschuss**	**Bundestag**	**Bundesrat**
23.11.2012	-	-	-
Publication	**Implementation**		
22.07.2015 S: -5.78 (II: -5.78) 22.07.2015 C: 0.36 (II: 0.36)	22.07.2015 C: 0.18 (II: 0.18) 22.07.2015 S: -2.17 (II: -2.18) 01.01.2016 S: -3.43 (II: -3.43) 01.01.2016 C: 0.09 (II: 0.09) 01.07.2016 C: 0.1 (II: 0.1) 01.07.2016 S: -0.17 (II: -0.17)		

The German government is required to check the poverty line every two years. The respective report from 30 January 2015 concluded that margins must be increased.

[270] Haushaltsbegleitgesetz 2011(HBeglG 2011), BGBl Teil I 2010 Nr. 63 14.12.2010 S. 1885
[271] BGBl Teil I 2013 Nr. 9 25.02.2013 S. 283
[272] http://dipbt.bundestag.de/extrakt/ba/WP17/412/41263.html
[273] BGBl Teil I 2015 Nr. 30 22.07.2015 S. 1202
[274] http://dipbt.bundestag.de/extrakt/ba/WP18/661/66156.html

Further revenue reducing provisions were added during the legislative process and the final sum was higher than the one suggested in the draft version. However, the motivation for the law did not change. The Finance Committee suggested several other measures, all in favour of families and single parents; these were accepted. The measures include a raise and stepwise organisation of allowances for single parents, an increase in all rates oriented at an inflation of 1.48%, the maximum deductible amount of alimony payment, and no retroactive raise of child benefits. Those measures decreased revenues further by 1.675 bn €.

Regarding the motivation for the bill, CDU/CSU & SPD claimed that consolidation and family support do not always conflict.[275] Therefore, the revenue-raising positions are classified as *exogenous, consolidation*. The rest is classified as *exogenous, structural*.

Gesetz zur Umsetzung der Änderungen der EU-Amtshilferichtlinie und von weiteren Maßnahmen gegen Gewinnkürzungen und –verlagerungen[276 277]

Draft 12.08.2016	**1st Reading** 27.09.2012	**Committee** 30.11.2016 S: -5.94 (II: -6.25, CI: 0.3)	**2nd & 3rd Reading** 08.11.2012
Bundesrat 23.11.2012	**Vermittlungsausschuss** -	**Bundestag** -	**Bundesrat** -
Publication 20.12.2016 S: -5.94 (II: -6.24, CI: 0.3)	**Implementation** 01.01.2017 S: -2.31 (II: -2.61, CI: 0.3) 01.01.2018 S: -3.63 (II: -3.63)		

The draft version did not contain information about revenue effects and therefore these are set at zero. The OECD recommended several measures to reduce tax avoidance and foster transparency between European member states and taxation between countries. Not implementing those measures would violate an EU right.[278] In an effort to shut off a tax avoidance opportunity, partnerships will no longer be allowed to double-declare special business expenses in a foreign and the home country (§ 4i), resulting in a revenue effect of 0.3 bn €. Therefore, the anti-avoidance measures are classified as *exogenous, structural*. To speed up the legislative process, a bundle of individual income tax changes was included in the package.[279] The Federal Financial Committee suggested several measures, mainly changes to income taxes and child allowances, justified by an increase in families' cost of living and to encourage having children. Child allowances were raised by 2 € per month for every child. Furthermore, personal allowances were increased by 168 € to 8,820 € starting 01 January 2017 and by another 180 € to 9,000 € starting 01 January 2018. Not considering the personal allowances, income brackets were shifted to the right by 0.73% starting 01 January 2017 and by 1.65% starting 01 January 2018. The revenue effect of those measures added up to –5.9 bn €, implemented either on 01 January 2017 (–2.3 bn €) or 01 January 2018 (–3.6 bn €). I classify those measures as *exogenous, structural*, as there was no indication of current macroeconomic concerns, but instead focused on fairness for families.

[275] Drucksache 18/5244
[276] BGBl Teil I 2016 Nr. 63 23.12. 2016 S.3000
[277] http://dipbt.bundestag.de/extrakt/ba/WP18/761/76153.html
[278] BR-Drs 406/16, BT-Drs 18/9536
[279] Plenarprotokoll 18/206

Germany: Social Security Changes

Verordnung zur Bestimmung des für die Fortschreibung der Regelbedarfsstufen nach §28a des Zwölften Buches Sozialgesetzbuch maßgeblichen Prozentsatzes sowie zur Ergänzung der Anlage zu § 28 des Zwölften Buches Sozialgesetzbuch für das Jahr 2014 (Regelbedarfsstufen-Fortschreibungsverordnung 2014—RBSFV 2014)

Draft	Publication	Implementation	Motivation	Impact
04.09.2013	15.10.2013	01.01.2014	–	–

In line with Gechert et al. (2016), I do not list the measure as a shock as it simply indexes long-term unemployment benefits as laid out in the Gesetz zur Ermittlung von Regelbedarfen und zur Änderung des Zweiten und Zwölften Buches Sozialgesetzbuch.

Dreizehntes Gesetz zur Änderung des Fünften Buches Sozialgesetzbuch (13. SGB V-Änderungsgesetz—13. SGB V-ÄndG)

Draft	Publication	Implementation	Motivation	Impact
17.12.2013	22.12.2013	01.01.2014	S	–

To avoid a cost shift from pharmaceutical companies to health insurance companies, the bill extended a moratorium on prices, introduced within Zwölftes Gesetz zur Änderung des Fünften Buches Sozialgesetzbuch, which is also part of the narrative account in Gechert et al. (2016). It is stated in the draft version that prices for pharmaceutical products were expected to increase in 2014.[280] To avoid additional costs for health insurance companies, price fixing was extended until 31 March 2014. The draft version passed without any changes. Since this bill accompanied the Beitragssatzgesetz 2014, I classify it as *exogenous, structural,* but do not assign a revenue effect, as revenues were not affected.

Gesetz zur Stabilisierung der Beitragssätze in der gesetzlichen Rentenversicherung (Beitragssatzgesetz 2014)

Draft	Publication	Implementation	Motivation	Impact
16.12.2013	26.03.2014	01.01.2014	S	–

The bill confirmed the prevailing contribution rate to the pension system of 18.9% throughout 2014. Keeping the contribution rate constant was expected to provide the pension system with revenues of about 7,500. The draft[281] stated that when setting the contribution rate, continuity, stability, and certainty should be ensured. Furthermore, the financial stability of health insurance providers was a concern. The draft version was passed without amendment. Since it is not a discretionary change but the continuation of the contribution rate, I do not include it as a shock in the account.

[280] Entwurf eines Dreizehnten Gesetzes zur Änderung des Fünften Buches Sozialgesetzbuch (13. SGB V-Änderungsgesetz—13. SGB V-ÄndG). Drucksache18/200, http://dipbt.bundestag.de/dip21/btd/18/002/1800200.pdf

[281] Entwurf eines Gesetzes zur Festsetzung der Beitragssätze in der gesetzlichen Rentenversicherung für das Jahr 2014. Drucksache18/187, http://dipbt.bundestag.de/dip21/btd/18/001/1800187.pdf

Vierzehntes Gesetz zur Änderung des Fünften Buches Sozialgesetzbuch (14. SGB V-Änderungsgesetz—14. SGB V-ÄndG)[282]

Draft	Publication	Implementation	Motivation	Impact
17.12.2013	27.03.2014	01.04.2014	S	–

In the draft,[283] the bill further extended the price fixing of pharmaceuticals until 31 December 2017. Furthermore, abolition of the benefit assessment of equally effective pharmaceuticals and a general quantity discount of 7% were suggested. According to the draft, the moratorium accounted for 0.6 bn and the rebate for 0.1 bn of the additional revenues. In the final version, however, patent-free recoverable pharmaceuticals were excluded from the rebate. Since the final version does not provide any detailed numbers and the combined revenue effect of the rebate accounted for only about €100 mio, I do not correct the number. The draft provides some insight into the bill's motivation: the benefit assessment was abolished in order to reduce the administrative costs of companies and authorities. The moratorium was enacted to avoid increasing prices. I classify the bill as *exogenous, structural*, but do not assign a revenue effect, as revenues were not affected.

5. SGB IV-ÄndG[284]

Draft	Publication	Implementation	Motivation	Impact
07.11.2014	15.04.2014	01.01.2016	–	–

No substantial revenue impact.

Rentenwertbestimmungsverordnung 2014[285]

Draft	Publication	Implementation	Motivation	Impact
30.04.2014	16.06.2014	01.07.2014	–	–

The order executes changes to pensions according to the pension formula. There were no discretionary changes.

RV-Leistungsverbesserungsgesetz[286]

Draft	Publication	Implementation	Motivation	Impact
31.01.2014	23.06.2014	01.01.2014	S	–0.1 bn (spending)
		01.07.2014	S	–8.7 bn (spending)

The bill contained a spending package that included early retirement after a contribution period of 45 years (–1.9 bn €), recognition of years spent raising children (–6.7 bn €), and changes to pension for reduced earning capacity (–0.1 bn €). The measure became effective 01 July 2014. Furthermore, from 01 January 2014, a demographic assessment of the budget reserved for rehabilitation (–0.1 bn €) was introduced.

The draft version states the importance of the stability of the general pension fund. The aim of the changes is stated to be the improvement of the system in regard to intergenerational fairness. The main focus was on people who started working and contributing early in life. Additionally, time spent raising children born before 1992 should be better rewarded. The law is classified as *exogenous, structural.*

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[282] http://dipbt.bundestag.de/extrakt/ba/WP18/567/56764.html

[283] Entwurf eines Vierzehnten Gesetzes zur Änderung des Fünften Buches Sozialgesetzbuch (14. SGB V-Änderungsgesetz—14. SGB V-ÄndG). Drucksache18/201, http://dipbt.bundestag.de/dip21/btd/18/002/1800201.pdf

[284] http://dipbt.bundestag.de/extrakt/ba/WP18/634/63400.html

[285] http://dipbt.bundestag.de/extrakt/ba/WP18/597/59748.html

[286] http://dipbt.bundestag.de/extrakt/ba/WP18/573/57314.html

KV-Finanzstruktur- und Qualitäts-Weiterentwicklungsgesetz (GKV-FQWG)[287]

Draft	Publication	Implementation	Motivation	Impact
11.04.2014	21.07.2014	01.01.2015	S	–11 bn (revenues)

The bill reduced health insurance contributions by 0.9 pp to 7.3% for employees; the rate for employers was not affected. The revenue effect was estimated at €–11 bn p.a.

The bill was motivated by a desire for health insurance providers to maintain a stable financial situation. However, this did not lead to rebates or decreasing prices. More specifically, lack of competition between health insurance providers was stated as a motivation for the reduction in contribution rates. The bill was intended to make providers become more dependent on additional contributions, which should increase competition. The bill is classified as *exogenous, structural*.

Tarifautonomiestärkungsgesetz[288]

Draft	Publication	Implementation	Motivation	Impact
11.04.2014	11.08.2014	16.08.2014	–	–

The bill introduced a general minimum wage of €8.50 per hour starting 01 January 2015. According to the documents, higher social security revenues were expected. The exact effect, however, was highly uncertain and dependent on the bill would affect employment.[289] [290] As the overall effect could not be quantified, the bill is not included.

Haushaltsbegleitgesetz 2014[291]

Draft	Publication	Implementation	Motivation	Impact
13.03.2014	11.08.2014	16.08.2014	C	–

The bill lowered contributions from the federal budget to health insurance providers. This did not create any additional costs for employees or employers. The motivation is consolidation of the federal budget.

Regelbedarfsstufen-Fortschreibungsverordnung 2015[292]

Draft	Publication	Implementation	Motivation	Impact
23.09.2016	22.12.2014	01.01.2015	–	–

In line with Gechert et al. (2016), I do not list the measure as a shock as it simply indexes long-term unemployment benefits as laid out in the Gesetz zur Ermittlung von Regelbedarfen und zur Änderung des Zweiten und Zwölften Buches Sozialgesetzbuch.

Gesetz zur Änderung des AsylbLG und des SGG[293]

Draft	Publication	Implementation	Motivation	Impact
29.08.2014	10.12.2014	01.03.2015	–	–

The revenue effects were negligible.

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[287] http://dipbt.bundestag.de/extrakt/ba/WP18/593/59397.html

[288] http://dipbt.bundestag.de/extrakt/ba/WP18/593/59396.html

[289] Entwurf eines Gesetzes zur Stärkung der Tarifautonomie (Tarifautonomiestärkungsgesetz). Drucksache147/14, http://dipbt.bundestag.de/dip21/brd/2014/0147-14.pdf

[290] Erster Bericht zu den Auswirkungen des gesetzlichen Mindestlohns. *Mindestlohn Kommission* (2016), p. 72, https://www.mindestlohn-kommission.de/DE/Bericht/pdf/Bericht2016.pdf?__blob=publicationFile&v=4

[291] http://dipbt.bundestag.de/extrakt/ba/WP18/585/58588.html

[292] http://dipbt.bundestag.de/extrakt/ba/WP18/769/76949.html

[293] http://dipbt.bundestag.de/extrakt/ba/WP18/620/62000.html

Erstes Pflegestärkungsgesetz (PSG I)[294]

Draft	Publication	Implementation	Motivation	Impact
30.05.2014	17.12.2014	01.01.2015	S	3.63 bn (revenues)
		01.01.2015	S	–2.31 bn (spending)

Like the Pflege-Neuausrichtungs-Gesetz of 2012, this law increased contributions to the long-term care system while at the same time increasing benefits. The rate was raised by 0.3 pp starting 01 January 2015, raising revenues by €3.63 bn. To secure long-term sustainability of the system, 0.1% of yearly revenues needed to be transferred to a newly introduced fund. This contribution to the fund amounted to €1.21 bn per year. The fund, however, cannot be liquidised before 2035. Considering that this lies far outside our time horizon, I do not include this as a benefit in our narrative account. The other increases in benefits amount to €2.3 bn per year. Hence, the overall effect equals €1.32 bn starting 01 January 2015. The bill is classified as *exogenous, structural*.

Beitragssatzverordnung 2015 – BSV 2015[295]

Draft	Publication	Implementation	Motivation	Impact
19.11.2014	22.12.2014	01.01.2015	S	–2 bn (revenues)

The order reduced contributions to the pension fund by 0.2 pp to 18.7% starting January 2015. The effect on revenues was estimated at –2 bn €, providing relief for employees and employers of 1 bn € for each group.

For quantification and classification, I follow Gechert et al. (2016). The rate cut was necessary due to the pension fund rules. As the buffer stock exceeds the maximum level, a rate cut was due. The bill is classified as *exogenous, structural*.

Gesetz zur besseren Vereinbarkeit von Familie, Pflege und Beruf[296]

Draft	Publication	Implementation	Motivation	Impact
16.10.2014	23.12.2014	01.01.2015	–	–

According to the draft, the revenue effect was uncertain, but around €100 Mio. This is below the threshold of 0.1% of GDP.

Gesetz zur Stärkung der Versorgung in der gesetzlichen Krankenversicherung (GKV- Versorgungsstärkungsgesetz—GKV-VSG)[297]

Draft	Publication	Implementation	Motivation	Impact
29.12.2014	16.07.2015	23.07.2015	–	–

The bill included several measures, for example, incentives for doctors to settle in remote areas and measures to reduce the waiting time for appointments. The combined cost, however, was estimated with high uncertainty. Therefore, I do not include these measures.

[294] http://dipbt.bundestag.de/extrakt/ba/WP18/603/60319.html
[295] http://dipbt.bundestag.de/extrakt/ba/WP18/636/63646.html
[296] http://dipbt.bundestag.de/extrakt/ba/WP18/629/62956.html
[297] http://dipbt.bundestag.de/extrakt/ba/WP18/643/64389.html

Regelbedarfsstufen-Fortschreibungsverordnung 2016[298]

Draft	Publication	Implementation	Motivation	Impact
24.09.2015	22.10.2015	22.10.2015	–	–

In line with Gechert et al. (2016), I do not list the measure as a shock as it simply indexes long-term unemployment benefits as laid out in the Gesetz zur Ermittlung von Regelbedarfen und zur Änderung des Zweiten und Zwölften Buches Sozialgesetzbuch.

Asylverfahrensbeschleunigungsgesetz[299]

Draft	Publication	Implementation	Motivation	Impact
29.09.2015	20.10.2015	24.10.2015	–	–

The effect of this bill could not be estimated. Several measures were introduced to coordinate and finance immigration in the year 2015. VAT revenues were shifted from the federal budget to the Länder, which, however, did not change liabilities. Additional costs for pension and unemployment funds were highly uncertain, as they depend on the final number of immigrants. The same is true for additional revenues.

Gesetz zur Änderung des SGB XII und weiterer Vorschriften[300]

Draft	Publication	Implementation	Motivation	Impact
14.08.2015	21.12.2015	01.01.2016	–	–

No substantial financial impact.

Zweites Pflegestärkungsgesetz (PSG II)[301]

Draft	Publication	Implementation	Motivation	Impact
14.08.2015	21.12.2015	01.01.2017 01.01.2017	S SD	–3.7 bn (spending) 2.5 bn (revenues)

The bill was an extension and correction to the Erstes Pflegestärkungsgesetz of 2014. Additional expenditure emerged from redefinition and assessment of persons eligible for long-term care. Two more stages of long-term care need were introduced (–0.2 bn €). Reassessment of long-term care benefits increased expenditures by 1.59 bn €. The assessment for the contribution to the pension fund of persons providing long-term care was altered, leading to higher expenditures of 0.407 bn €. Together with other measures, expenditures increased by 3.7 bn € in 2017. To finance the additional benefits, the contribution rate was increased by 0.2 pp to 2.55%, raising revenues of 2.5 bn € starting 01 January 2017. The legislative documents contain nothing related to current economic circumstances; rather, the additional expenditures were a correction of existing legislation, and added coverage for mental disabilities and a provision for better supporting long-term care workers. I classify the expenditures as *exogenous, structural.* Since the increase in revenues was used to finance the increased spending, I classify those as *endogenous, spending-driven.*

[298] http://dipbt.bundestag.de/extrakt/ba/WP18/693/69354.html
[299] http://dipbt.bundestag.de/extrakt/ba/WP18/694/69467.html
[300] http://dipbt.bundestag.de/extrakt/ba/WP18/685/68551.html
[301] http://dipbt.bundestag.de/extrakt/ba/WP18/685/68567.html

Gesetz für sichere digitale Kommunikation und Anwendungen im Gesundheitswesen[302]

Draft	Publication	Implementation	Motivation	Impact
29.05.2015	21.12.2015	29.12.2015	–	–

No substantial financial impact.

Arbeitslosenversicherungsschutz- und Weiterbildungsstärkungsgesetz (AWStG)[303]

Draft	Publication	Implementation	Motivation	Impact
05.02.2016	18.07.2016	01.08.2016	–	–

No substantial financial impact.

Neuntes SGB-II-Änderungsgesetz (Rechtsvereinfachung)[304]

Draft	Publication	Implementation	Motivation	Impact
05.02.2016	26.07.2016	01.08.2016	–	–

No substantial financial impact.

Flexirentengesetz[305]

Draft	Publication	Implementation	Motivation	Impact
27.09.2016	08.12.2016	01.01.2017	–	–

No substantial financial impact.

Gesetz zur Weiterentwicklung der Versorgung und der Vergütung für psychiatrische und psychosomatische Leistungen (PsychVVG)[306]

Draft	Publication	Implementation	Motivation	Impact
12.08.2016	19.12.2016	01.01.2017	–	–

No substantial financial impact.

Gesetz zur Umsetzung der Änderungen der EU-Amtshilferichtlinie und von weiteren Maßnahmen gegen Gewinnkürzungen und -verlagerungen[307]

Draft	Publication	Implementation	Motivation	Impact
12.08.2016	20.12.2016	24.12.2016	–	–

The bill is already included in the accompanying extended narrative account of tax changes as it mainly contains tax measures. The additional increase in child benefit expenditures had no substantial financial impact.

[302] http://dipbt.bundestag.de/extrakt/ba/WP18/671/67134.html
[303] http://dipbt.bundestag.de/extrakt/ba/WP18/721/72158.html
[304] http://dipbt.bundestag.de/extrakt/ba/WP18/721/72159.html
[305] http://dipbt.bundestag.de/extrakt/ba/WP18/770/77054.html
[306] http://dipbt.bundestag.de/extrakt/ba/WP18/762/76267.html
[307] http://dipbt.bundestag.de/extrakt/ba/WP18/761/76153.html

Gesetz zur Ermittlung von Regelbedarfen sowie zur Änderung des Zweiten und des Zwölften Buches Sozialgesetzbuch[308]

Draft	Publication	Implementation	Motivation	Impact
23.09.2016	22.12.2016	01.01.2017	–	–

In line with Gechert et al. (2016), I do not list the measure as a shock as it simply indexes long-term unemployment benefits as laid out in the Gesetz zur Ermittlung von Regelbedarfen und zur Änderung des Zweiten und Zwölften Buches Sozialgesetzbuch.

Gesetz zur Regelung von Ansprüchen ausländischer Personen[309]

Draft	Publication	Implementation	Motivation	Impact
13.10.2016	22.12.2016	29.12.2016	–	–

No substantial financial impact.

Drittes Pflegestärkungsgesetz (PSG III)[310]

Draft	Publication	Implementation	Motivation	Impact
12.08.2016	23.12.2016	01.01.2017	–	–

No substantial financial impact.

VO zu des § 90 Abs. 2 Nr. 9[311]

Draft	Publication	Implementation	Motivation	Impact
25.01.2017	25.01.2017	01.04.2017	–	–

No substantial financial impact.

Heil- und Hilfsmittelversorgungsgesetz—HHVG[312]

Draft	Publication	Implementation	Motivation	Impact
02.09.2016	04.04.2017	11.04.2017	–	–

The financial impact was highly uncertain but assumed to be below the threshold.[313] [314]

[308] http://dipbt.bundestag.de/extrakt/ba/WP18/769/76949.html
[309] http://dipbt.bundestag.de/extrakt/ba/WP18/772/77237.html
[310] http://dipbt.bundestag.de/extrakt/ba/WP18/762/76282.html
[311] http://dipbt.bundestag.de/extrakt/ba/WP18/764/79519.html
[312] http://dipbt.bundestag.de/extrakt/ba/WP18/764/76480.html
[313] Entwurf eines Gesetzes zur Stärkung der Heil- und Hilfsmittelversorgung (Heil- und Hilfsmittelversorgungsgesetz—HHVG). Drucksache 490/16, http://dipbt.bundestag.de/dip21/brd/2016/0490-16.pdf
[314] Beschlussempfehlung und Bericht. Drucksache18/11205, http://dipbt.bundestag.de/dip21/btd/18/112/1811205.pdf

United Kingdom

Pre-Budget 2009: 09 December 2009
Chancellor: Alistair Darling, Prime Minister: Gordon Brown

Draft	Royal Assent	Implementation
12.03.2008 LR: -10 (Indirect: -10) 16.06.2009 LR: 90 (Indirect: 90) 07.09.2009 SS: -5 (Indirect: -5) 21.10.2009 DC: 100 (II: 100) 04.12.2009 DM: 0 (II: 0) 09.12.2009 DC: 1295 (II: 1185, CI: 100, Indirect: 10) 09.12.2009 SS: -515 (CI: -515) 09.12.2009 DM: -1400 (II: -680, CI: -715, Indirect: -5) 09.12.2009 LR: 1430 (II: 57.5, CI: 1322.5, Indirect: 50) 09.12.2009 SD: 4600 (II: 2240, CI: 2360)	08.04.2010	07.09.2009 SS: -5 (Indirect: -5) 21.10.2009 DC: 100 (II: 100) 09.12.2009 DC: 40 (II: 40) 09.12.2009 LR: 1220 (II: -80, CI: 1300) 09.12.2009 SS: -135 (CI: -135) 24.03.2010 DC: 10 (Indirect: 10) 29.03.2010 DM: -5 (Indirect: -5) 01.04.2010 SS: -380 (CI: -380) 01.04.2010 LR: -15 (II: -2.5, CI: -2.5, Indirect: -10) 01.04.2010 DC: 25 (II: 25) 06.04.2010 LR: 50 (II: 25, CI: 25) 01.10.2010 DM: 35 (II: 35) 01.10.2010 LR: 90 (Indirect: 90) 01.04.2011 LR: 50 (Indirect: 50) 06.04.2011 SD: 4600 (II: 2240, CI: 2360) 06.04.2011 DC: 880 (II: 880) 06.04.2011 DM: -1430 (II: -715, CI: -715) 06.04.2012 LR: 120 (II: 120) 06.04.2012 DC: 240 (II: 240) 01.10.2012 DC: 100 (CI: 100) **Sunset** 06.04.2010 LR: -1300 (CI:-1300) 06.04.2015 DC: -170 (II: -170)

Context:

Chancellor Darling delivered the pre-budget while the economy was still in recession. Output was expected to shrink by 4.75% in 2009, with a prospect of 1% growth in 2010 and 3.5% in 2011. Inflation was forecast to rise from 1.5% to 3% in early 2010. Public-sector net debt was expected to rise to 55.6% in 2009–2010, reaching 77.7% in 2015. With unemployment at 1.6 million, the effect of the crisis was less severe than expected.

Overall Budget Objective:

The title of the pre-budget report was "Securing the Recovery: Growth and Opportunity" and the majority of measures announced aimed at supporting businesses and households. However, the necessity for consolidation, fairness, and long-term stability were mentioned as well.[315] Concisely, the Pre-Budget Report defines two objectives: 'over the medium term, to ensure sound public finances and that spending and taxation impact fairly within and between generations; and over the short term, to support monetary policy and, in particular, to allow the automatic stabilisers to help smooth the path of the economy'.[316] Therefore, in general and if not explicitly stated otherwise, I will classify tax rebates as stabilising supply or demand, respectively, and revenue raisers as measures for deficit consolidation.

[315] Autumn Statement 2009, FSBR, p. 3
[316] Autumn Statement 2009, FSBR, p. 5

Major Budget Measures:

Starting April 2011, the employer NIC rate and the main employee and self-employed NIC rates were increased by 0.5%, raising revenues by around £4.3 bn. Chancellor Alistiar said that the ‘priority is to protect those services that are absolutely essential to the health of our society and the strength of our economy: the health service, which is crucial for our well-being; the police force, which is crucial for our safety; and our schools, which are crucial for our future. I am determined that we will protect improvements in those front-line services, on which millions of people rely’.[317] Since the tax increases are used to finance spending, I classify those as *endogenous, spending driven.*

An updated income definition for pension tax was announced, to be introduced starting 06 April 2011 and raising revenues by £0.6 bn. This was justified by stating that ‘[t]hese measures ensure that fiscal consolidation is broad-based, with those on high incomes making the greatest contribution’.[318] I classify this measure as *exogenous, deficit consolidation.*

A temporary bank payroll tax on bonuses was introduced from Pre-Budget Day to 05 April 2010, raising £1.3 bn. The Pre-Budget Report states: ‘The Government attaches great importance to tackling the remuneration practices that contributed to the excessive risk-taking by the banking industry’.[319] Furthermore, ‘[in] order for this positive contribution to be delivered, market participants and regulators need to ensure that the sector’s development is sustainable and supports long term economic growth’.[320] Given the motivation, the classification *exogenous, long run* seems appropriate. However, in the following Budget speech in March, Alistair Darling said that the tax on bank bonuses would be used to pay for a growth package.[321] I therefore classify this as *endogenous, spending driven.* In total, those measures account for more than 80% of the overall increases in this pre-budget.

Looking at the tax rebates, the £570 increase in the NIC threshold starting 06 April 2011 accounted for the largest share, lowering liabilities by £–1.4 bn. In his speech, the chancellor justified this as a way to ‘protect those on modest incomes’.[322] Given this and the historical context, I assign the classification *endogenous, demand management.*

From April 2010, the corporation tax for small companies was not increased (£–0.4 bn) so as ‘to support businesses into the recovery’.[323] I classify this as *endogenous, supply stimulus.* These major rebates account for more than 75% of the overall rebates in this pre-budget.

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[317] HC Deb 09 December 2009, c. 370
[318] Autumn Statement 2009, FSBR, p. 74
[319] Autumn Statement 2009, FSBR, p. 5
[320] Autumn Statement 2009, FSBR, p. 5
[321] HC Deb 24 March 2010, c. 249
[322] HC Deb 09 December 2009, c. 370
[323] Autumn Statement 2009, FSBR, p. 6

Budget 2010: 24 March 2010

Chancellor: Alistair Darling, Prime Minister: Gordon Brown

Draft	**Royal Assent**	**Implementation**
15.12.2009 DC: 15 (CI: 15) 22.01.2010 DC: 15 (Indirect: 15) 24.03.2010 DC: 470 (II: 260, CI: 160, Indirect: 50) 24.03.2010 DR: 5 (CI: 5) 24.03.2010 DM: -780 (Indirect: -780) 24.03.2010 LR: -225 (II: -75, CI: -15, Indirect: -135) 24.03.2010 SS: -330 (CI: -330) 24.03.2010 SD: 200 (II: 110, CI: , Indirect: 90)	08.04.2010	15.12.2009 DC: 15 (CI: 15) 24.03.2010 DC: 50 (CI: 15, Indirect: 35) 24.03.2010 SS: -120 (CI: -120) 24.03.2010 DR: 5 (CI: 5) 25.03.2010 SD: 110 (II: 110) 25.03.2010 DM: -230 (Indirect: -230) 25.03.2010 DC: 40 (II: 40) 29.03.2010 DC: 15 (Indirect: 15) 01.04.2010 DC: 90 (CI: 75, Indirect: 15) 01.04.2010 LR: -25 (CI: -15, Indirect: -10) 01.04.2010 SD: 90 (Indirect: 90) 01.04.2010 DM: -550 (Indirect: -550) 06.04.2010 DC: 5 (II: 5) 06.04.2010 LR: -75 (II: -75) 25.04.2010 DC: 285 (II: 215, CI: 70) 01.10.2010 SS: -210 (CI: -210) 01.04.2011 LR: -125 (Indirect: -125) **Sunset** 01.04.2012 DM: 230 (Indirect: 230) 01.04.2015 DC: -40 (II: -40)

<u>Context:</u>

The budget accompanying documents reported a growth in output of about 0.3% in the last quarter of 2009 and forecast growth of 1–1.5% in 2010. Overall, recovery was slower than expected, possibly due to the slow growth in the European economies.[324] Tax receipts were higher than expected, reducing public-sector net borrowing by about £11bn, which reached 11.8% of GDP in 2009–2010. Public-sector net debt was projected to reach 74.9% of GDP in 2014–2015. Consumer price inflation rose to 3.5% in January 2010.

<u>Overall Budget Objective:</u>

As recovery was slower than expected, this budget included further stimulus provisions. However, the need for consolidation was stressed as well. The chancellor said in his speech that the budget ‘will continue targeted support for businesses and families where and when it is needed. It will set out how we will stick to our plan to halve the deficit within four years’.[325] Savings of £5 bn from targeting and prioritising spending were announced. Regarding the tax changes announced, ‘the Government intends to make further progress in Finance Bill 2010 passing into legislation its tax consolidation plans …’.[326] Regarding the timing of fiscal action aimed at stimulating growth and taking steps for consolidation, the Economic and Fiscal Strategy Report (EFSR) stated that ‘in the face of economic uncertainty, it is important to continue to allow fiscal policy to support the economy in 2010–11’ and that ‘the focus of fiscal policy should shift towards consolidation in 2011–12, when the economy should be able to support this tightening …’.[327] In general, I classify revenue-raising measures as *exogenous, deficit consolidation* and short-run tax rebates as *endogenous, supply stimulus* or *demand management*, respectively, depending on the entity affected.

[324] HC Deb 24 March 2010, c. 250
[325] HC Deb 24 March 2010, c. 249
[326] Budget March 2010, EFSR, p. 1
[327] Budget March 2010, EFSR, p. 29

Major Budget Tax Measures:

This budget contained only a few measures that had a significant effect on tax liabilities. The planned increase in the main fuel duty rate was staged (£–0.6 bn) to ‘ease the pressure on businesses and family incomes at a time when other prices are increasing’.[328] I classify this as *endogenous, demand management* and also propose the alternative classification *endogenous, supply stimulus.*

From the day after Budget Day, a temporary relief of the Stamp Duty Land Tax was granted to first-time buyers until April 2012, lowering revenues by about £0.2 bn. The Chancellor of Exchequer said: ‘The housing market is now stabilised and has begun a slow recovery, but many first-time buyers, particularly those without large deposits, still find it hard to get a mortgage’.[329] I classify this as *endogenous, demand management.*

Starting October 2010, business rates for small businesses were reduced. This was originally scheduled for one year but was successively extended and then made permanent with the March 2016 Budget, reducing liabilities by about £0.2 bn. This was done to ‘help fledging businesses set up, as well as existing ones’[330] and I label it as *endogenous, supply stimulus.* The measures account for more than 70% of the tax rebates. The liability-increasing policies were all of minor importance.

Budget 2010: 22 June 2010

Chancellor: George Osborne; Prime Minister: David Cameron

Draft	Royal Assent	Implementation
22.06.2010 LR: -14075 (II: -4045, CI: -9840, Indirect: -190) 22.06.2010 DC: 15500 (II: 595, CI: 2350, Indirect: 12555)	27.07.2010	22.06.2010 LR: -1010 (II: -555, CI: -280, Indirect: -175) 23.06.2010 DC: 275 (II: 275) 30.06.2010 LR: -15 (Indirect: -15) 04.01.2011 DC: 12555 (Indirect: 12555) 01.04.2011 LR: -1400 (CI: -1400) 06.04.2011 LR: -6650 (II: -3490, CI: -3160) 01.11.2011 DC: 1150 (CI: 1150) 01.04.2012 LR: -200 (CI: -200) 01.04.2012 DC: 1200 (CI: 1200) 01.04.2013 LR: -2100 (CI: -2100) 06.04.2013 DC: 320 (II: 320) 01.04.2014 LR: -2700 (CI: -2700)

Context:

The June 2010 Budget was published only three months after the previous budget. It contained a small number of measures. In his budget speech, George Osborne, for the first time, cited statistics provided by the independent Office of Budget Responsibility, which had been founded shortly after the elections. In his remarks, Osborne said that over the last decade, the British government has built up high levels of private-sector and public-sector debt. Household debt reached 100% of GDP in 2008; company debt rose to 110% of GDP. Government spending increased to 21% of GDP, while private investment fell to 10% of GDP. Growth was predicted to reach 1.2% in 2010 and 2.9% in 2013, while inflation could reach 2.7%.[331]

[328] HC Deb 24 March 2010, c. 254
[329] HC Deb 24 March 2010, c. 253
[330] HC Deb 24 March 2010, c. 259
[331] Budget 2010, FSBR, pp.7–9

Overall Budget Objectives:
In his speech, George Osborne called this budget an ‘emergency budget’, one aimed at reducing the debt built up by the previous government.[332] The FSBR states that this budget ‘shows how the Government will carry out Britain’s unavoidable deficit reduction plan in a way that strengthens and unites the country’.[333] Goals included achieving sustainable growth and the avoidance of putting ‘an unfair burden on future generations’,[334] as well as providing ‘scope to absorb the impact of future economic shocks’.[335] In total, the additional consolidation plans added up to £40 bn per year by 2014–2015, out of which 80% were spending reductions.[336] The tax measures included an increase in the main standard rate of VAT and a higher rate of insurance premium tax. To ensure the long-term growth and competiveness of UK companies, the main rate of corporation tax was reduced. To drive down household debt, personal allowances were increased. The overall classification of this budget is therefore *exogenous, deficit consolidation*.

Major Budget Tax Measures:
The VAT main rate was increased to 20% starting 04 January 2011, increasing revenues by £12.1 bn, and the insurance premium tax was increased to 20% starting 04 January 2011, raising revenues by £0.5 bn. This was done to ‘reduce the deficit and reform the tax system’[337]. I classify these measures as *exogenous, deficit consolidation.*

With the aim of supporting ‘business and restor[ing] the UK’s diminished competitiveness’,[338] the main rate of corporation tax was successively reduced from 28% to 24% over four years (total revenue effect £–6.4 bn) and the small profits rate was decreased to 20% (£–1 bn), both starting in April 2011, and the planned increase in employer national insurance contribution (NIC) was reversed. I classify those measures as *exogenous, long run.*

Annual investment allowances were decreased to £25,000 starting 2012–2013 (£+1.2bn). I classify this measure as *exogenous, deficit consolidation.*

‘The Government will also seek to build over the long term a fair tax and benefit system that rewards work and promotes economic competitiveness’.[339] For that reason, personal allowances for under 65s were increased by £1,000 and the employer NIC threshold was increased, starting April 2011, with revenue effects of £–3.5 bn and £–3.1 bn, respectively. I classify these measures as *exogenous, long run*.

The measures listed above account for 85% of the revenue decreases and 75% of revenue increases. The remaining minor changes were classified as *exogenous, deficit consolidation*, or *long run.* Given that the budget followed shortly after a change in government, I also propose the alternative classification of *exogenous, ideological* for all changes.

[332] HC Deb 22 June 2010, c. 166
[333] Budget 2010, FSBR, p. 1
[334] Budget 2010, FSBR, p. 1
[335] Budget 2010, FSBR, p. 11
[336] Budget 2010, FSBR, p. 2
[337] Budget 2010, p. 18
[338] Budget 2010, FSBR, p. 3
[339] Budget 2010, FSBR, p. 3

2011: Budget 23 March

Chancellor: George Osborne; Prime Minister: David Cameron

Draft

24.03.2010 DC: 80 (Indirect: 80)
22.06.2010 IL: 750 (CI: 750)
22.06.2010 LR: 600 (CI: 600)
06.12.2010 IL: 100 (CI: 60, Indirect: 40)
09.12.2010 LR: 5 (CI: 5)
09.03.2011 IL: 80 (CI: 80)
23.03.2011 SS: -115 (CI: -115)
23.03.2011 IL: 280 (II: 40, CI: 85, Indirect: 155)
23.03.2011 DM: -1915 (Indirect: -1915)
23.03.2011 LR: -4155 (II: -575, CI: -3315, Indirect: -265)
23.03.2011 DC: 745 (Indirect: 745)
24.03.2011 DR: 1780 (CI: 1780)

Royal Assent

19.07.2011

Implementation

01.01.2011 LR: 630 (CI: 630)
23.03.2011 DM: -1900 (Indirect: -1900)
23.03.2011 DC: 80 (Indirect: 80)
23.03.2011 IL: 65 (CI: 25, Indirect: 40)
23.03.2011 LR: -55 (CI: -55)
24.03.2011 IL: 30 (Indirect: 30)
24.03.2011 DR: 1780 (CI: 1780)
01.04.2011 DM: -15 (Indirect: -15)
01.04.2011 LR: -655 (CI: -425, Indirect: -230)
01.04.2011 IL: 80 (CI: 80)
06.04.2011 SS: -105 (CI: -105)
06.04.2011 LR: -85 (II: -50, CI: -35)
06.04.2011 IL: 810 (CI: 810)
19.07.2011 LR: -25 (CI: -25)
01.11.2011 DC: 5 (Indirect: 5)
01.04.2012 LR: -1015 (CI: -1020, Indirect: 5)
06.04.2012 IL: 40 (II: 40)
06.04.2012 LR: -330 (II: -650, CI: 320)
01.01.2013 IL: 60 (CI: 60)
01.04.2013 DC: 740 (Indirect: 740)
01.04.2013 LR: -825 (II: 125, CI: -910, Indirect: -40)
06.04.2013 IL: 125 (Indirect: 125)
01.04.2014 LR: -1000 (CI: -1000)

Sunset

01.01.2016 DM: 15 (Indirect: 15)

Context:

GDP growth forecast for 2011 was 1.7% and hence lower than the forecast made in the June 2010 Budget. The labour market recovered after the crisis and private employment grew by 428,000. Manufacturing output expanded and the value of UK exports increased by 17% in 2010. Inflation exceeded the 2% target, mainly driven by commodity prices as well as by the increase in the VAT standard rate.

Overall Budget Objectives:

The Budget Report opens with: 'This Budget's policy decisions have a neutral impact on the public finances, implementing fiscal consolidation as planned'.[340] The measures for consolidation are broadly offset by revenue-raising measures. A bundle of measures is introduced to increase tax competitiveness and tax simplification. With this budget, 43 tax reliefs were abolished[341] and income tax and national insurance were merged for reasons of simplification. George Osborne called this a 'historic step to simplify dramatically our tax system and make it fit for the modern age'.[342] The government's aim is to create the most competitive tax system in the G20.[343]

However, the FSBR stresses the threat to credibility and confidence in the short run caused by high public debt in the wake of the European sovereign debt crisis.[344] Private investment stimulus is still a concern in this budget and, therefore, a package of measures was introduced to support investment and the infrastructure.

[340] Budget 2011, FSBR, p. 2
[341] Budget 2011, FSBR, p. 3
[342] HC Deb 23 March 2011, c. 955
[343] Corporate Tax Reform: Delivering a More Competitive System, HM Treasury, November 2010
[344] Budget 2011, FSBR, p. 18

Major Budget Tax Measures:
A bundle of measures for corporate taxation was introduced and this made up the largest share of tax remissions. The main rate of corporation tax was further reduced by 1 percentage point each year compared to the June 2010 Budget, reaching 23% by 2014, with the goal of promoting higher levels of business investment and maintaining the lowest rate in the G20. The respective lower revenues are £–0.4 bn, £–0.8 bn, £–0.9 bn, and £–1 bn. Due to the competition aspect, I classify those measures as *exogenous, long run.*

To realise 'a fair, simple and efficient tax … system which rewards work, saving and personal responsibility',[345] personal allowances were increased by £630 and direct taxation linked to the Consumer Price Index (CPI). Given that the FSBR stated that the government wants to lower the share of private (and government) consumption in the economy while increasing the share of investment,[346] I classify those measures not as demand management but as *exogenous, long run*, with a revenue effect of £–1.1 bn, starting April 2012.

Facing high oil prices, the government proposed to cut fuel duty by 1 penny per litre and to abolish the duty escalator starting 23 March 2011, leading to a reduction in revenues of £1.9 bn. In his speech, George Osborne said that the rise in oil prices 'has become a huge burden on families' and 'hit businesses hard'.[347] Due to the motivation and its endogeneity to current events, I classify this measure as *endogenous, demand management* and alternately propose *supply stimulus.* Those measures account for 85% of all the remissions.

I now address the major tax increases. High oil prices caused high profit for oil-producing firms. Starting 24 March 2011, the supplementary charge on oil and gas production was increased to 32%, creating £1.8 bn in additional revenues. The additional revenues should have offset revenue decreasing measures and therefore I classify this measure as *endogenous, deficit reduction.*

Starting 01 April 2013, a carbon price floor was introduced to 'address long-term fiscal pressures' and 'to support the long-term sustainability of the public finances'.[348] This increase of £0.74 bn is classified as *exogenous, long run.*

To fight tax avoidance, the government introduced measures against disguised remuneration, raising revenues by £0.75 bn per year starting April 2011. I classify this measure, along with the other minor anti-avoidance measures, as *exogenous, ideological.*

The listed measures account for more than 70% of revenue increases and 85% of revenue decreases. Some of the measures not listed were classified as *endogenous, supply stimulus*, as they tried to tackle the credit crunch and boost private investment. In all other cases, I follow the main motivation of the budget.

345 Budget 2011, FSBR, p. 4
346 Budget 2011, FSBR, p. 22
347 HC Deb 23 March 2011, c. 964
348 Budget 2011, FSBR, p. 21

Pre-Budget 2011: 29 November 2011
Chancellor: George Osborne; Prime Minister: David Cameron

Draft	Royal Assent	Implementation
29.11.2011 DC: 570 (II: 250, CI: 225, Indirect: 95) 29.11.2011 DM: -975 (Indirect: -975) 29.11.2011 LR: -420 (II: -52.5, CI: -327.5, Indirect: -40)	12.07.2012	01.01.2012 DM: -975 (Indirect: -975) 01.04.2012 DC: 90 (Indirect: 90) 01.04.2012 LR: -320 (CI: -320) 06.04.2012 LR: -100 (II: -52.5, CI: -7.5, Indirect: -40) 06.04.2012 DC: 450 (II: 225, CI: 225) 01.04.2013 DC: 5 (Indirect: 5) 06.04.2013 DC: 25 (II: 25)

Context:
An updated economic outlook showed a growth of only 0.9% for 2011 and 0.7% in 2012. Trend output was said to lie about 13% below its pre-crisis level. Due to the weak economy, public-sector net borrowing and the structural deficit were revised upward. Compared to the forecast in the budget in March 2011, public-sector net debt as a proportion of GDP was forecast to be 7.5 percentage points higher, reaching 78% in 2014–2015. Other threats to recovery were the euro debt crisis, which affected confidence, and an inflation shock driven by an unexpected rise in commodity prices. The MPC decided to expand its asset purchasing programme (QE) by £75 bn to £275 bn.

Overall Budget Objectives:
Facing a deterioration in confidence caused by the ongoing European sovereign debt crisis, the inflation shock, and the rising government debt, the overall tone of this budget seemed to be an endogenous one, an effort to counteract the contemporaneous factors. However, the fiscal measures included, of which the tax measures were of minor revenue effect, followed the consolidation plan. In his Autumn Statement, Chancellor Osborne said: 'The current environment requires us to take further action on debt to ensure that Britain continues to live within its means'.[349] He concluded: 'All that we are doing today—sticking to our deficit plan …, increasing the supply of credit …, rebalancing our economy …,—all that takes Britain in the right direction'.[350] Bundles of spending cuts were announced as means to pursue the consolidation plan set out in the June Budget 2010. On the other hand, an infrastructure investment of £6.3 bn was announced.[351] The tax measures were introduced as a means to establish 'the most competitive tax system in the G20'[352] as well as to further fiscal consolidation,[353]

Major Budget Tax Measures:
There was only one measure of significant revenue impact: facing the high cost of fuel, the 3.02 pence per litre increase, which was supposed to be implemented on 01 January 2012, was delayed until 01 August 2012, so as to 'help with the cost of living',[354] and was even further delayed in future debates. The cost was estimated at £975 million. I classify this as *endogenous, demand management.* I classify the remaining tax remissions as *exogenous, long run*, as they were motivated by tax efficiency. The minor tax increases are classified as *exogenous, deficit consolidation*, the reason being the consolidation strategy outlined above.

[349] HC Deb 29 November 2011, c. 801
[350] HC Deb 29 November 2011, c. 810
[351] Autumn Statement 2011, p. 24
[352] Autumn Statement 2011, p. 40
[353] Autumn Statement 2011, p. 41
[354] HC Deb 29 November 2011, c. 810

Budget 21 March 2012

Chancellor: George Osborne; Prime Minister: David Cameron

Draft

23.03.2011 DC: 255 (CI: 115, Indirect: 140)
23.03.2011 LR: 110 (CI: 200, Indirect: -90)
29.11.2011 LR: 340 (II: 340)
06.12.2011 LR: -15 (Indirect: -15)
06.12.2011 DC: 170 (CI: 170)
27.02.2012 LR: 395 (CI: 395)
21.03.2012 DR: 980 (II: 865, CI: 115)
21.03.2012 IL: -100 (II: -100)
21.03.2012 DC: 620 (CI: 545, Indirect: 75)
21.03.2012 LR: -4255 (II: -2960, CI: -1755, Indirect: 460)

Royal Assent

12.07.2012

Implementation

27.02.2012 LR: 395 (CI: 395)
21.03.2012 DC: 85 (CI: 15, Indirect: 70)
21.03.2012 LR: 270 (Indirect: 270)
22.03.2012 LR: 150 (Indirect: 150)
01.04.2012 DC: 290 (II: 2.5, CI: 252.5, Indirect: 35)
01.04.2012 DR: 375 (II: 375)
01.04.2012 LR: -450 (CI: -410, Indirect: -40)
06.04.2012 LR: 340 (II: 340)
06.04.2012 DC: 0 (II: -2.5, CI: 2.5)
01.01.2013 LR: 210 (CI: 210)
01.01.2013 DC: 55 (CI: 55)
01.04.2013 DC: 530 (CI: 420, Indirect: 110)
01.04.2013 LR: -625 (CI: -535, Indirect: -90)
01.04.2013 DR: 115 (CI: 115)
06.04.2013 LR: -2895 (II: -2960, CI: , Indirect: 65)
06.04.2013 IL: -100 (II: -100)
06.04.2013 DR: 490 (II: 490)
01.04.2014 LR: -820 (CI: -820)
01.01.2016 DC: 85 (CI: 85)
Sunset
01.04.2014 DR: -115 (CI: -115)

Context:
The OBR slightly revised its growth forecast for 2012 to 0.8% (from 0.7%) while Eurozone growth was revised down to –0.3%. Public borrowing was £11 bn less than predicted in the Autumn Statement and public debt was falling, predicted to reach 74.3% of GDP in 2016–2017. The inflation forecast remained unchanged from November 2011.

Overall Budget Objective:
The 2012 Budget was the third budget of the conservative-liberal coalition and it mostly followed the consolidation plan laid out in the June 2010 Budget, which was 'under way and on course'.[355] In his statement, the Chancellor of Exchequer stressed the goal of fiscal consolidation and the reduction of debt in the long run by saying that 'we reinforce today our commitment to fiscal responsibility, not just this year, but in the years ahead'.[356] According to the government, this 'is how Britain will earn its way in the world: with far-reaching tax reform, with a simpler tax system where ordinary taxpayers understand what they are being asked to pay; with a tax system that is more competitive for business than any other major economy in the world …'.[357] The measures undertaken included moderate spending and tax cuts and the policy decisions had 'a neutral impact on the public finances, implementing fiscal consolidation as planned'.[358] Further, '[t]his Budget reaffirms our unwavering commitment to deal with Britain's record debts …'.[359]

[355] Budget 2012, FSBR, p. 2
[356] HC Deb 21 March 2012, c. 795
[357] HC Deb 21 March 2012, c. 793
[358] Budget 2012, FSBR, p. 1
[359] HC Deb 21 March 2012, c. 793

Given those statements and no hints toward major countercyclical concerns, I assign this budget the overall classification *exogenous, deficit consolidation.*

<u>Major Budget Tax Measures:</u>

The largest tax decrease was the largest increase in 30 years in personal allowances, up £1,100 in April 2013 (£–3.3 bn). The government said it 'will: reward work and support families; reduce tax rates to increase the competiveness of the UK tax system …; and make the tax system simpler and more sustainable overall'.[360] Under the same heading in the Budget Report was an additional cut of the main rate of corporation tax by 1 percentage point each year from April 2012 so that it will fall to 22% by 2014 (instead of 23%, as planned earlier), reducing revenues by £0.4 bn, £0.7 bn, and £0.8 bn, respectively. This was supposed to 'support enterprise, aspiration and growth …'.[361] Due to the competition motivation, I classify this measure as *exogenous, long run.* Alternatively, I propose those measures to be *exogenous, ideological,* as there is no economic reason whatsoever why the United Kingdom should have the most competitive tax system. Those two measures account for more than 90% of the tax remissions announced in the budget. The remaining few minor revenue decreases are classified as *exogenous, long run,* reflecting the desire to simplify the UK tax system.

There were several moderate revenue-raising measures, all increasing revenues by between £0.3 bn and £0.5 bn. Starting 06 April 2013, a cap on income tax relief was introduced, raising revenues by £0.5 bn. There was no specific motivation given other than 'to make sure that those on the highest income contribute a fair share …'.[362] The company car tax was increased by 1 percentage point (£0.4 bn) to 'ensure that company car tax continues to reflect changes in fuel efficiency and to support the sustainability of the public finances'.[363] I classify those raisers as *exogenous, deficit reduction,* for they were introduced to raise revenues. Starting 06 April 2013, the age-related allowance was simplified because the 'Office of Tax Simplification ha[s] recently highlighted [it] as a particularly complicated feature of the tax system'.[364] And 'many pensioners don't understand them'.[365] I classify this as *exogenous, long run.* As part of a set of anti-avoidance measures, the government amended the corporation tax rules on loan relationships held between connected companies. No clear motivation was given in either the budget statement or the budget report. I classify this as *exogenous, long run,* together with the other anti-avoidance measures.

A package of measures for the energy sector was introduced, including a change in the decommissioning tax relief for the North Sea oil and gas industry to 'end the uncertainty over decommissioning tax relief that has hung over the industry for years …'.[366] This came into effect on 01 April 2013 and raised revenue by £0.25bn. The aim was to boost investment in the North Sea and to 'ensure we extract the greatest possible amount of oil and gas from our reserves in the North Sea'.[367] I classify this bundle of measures in the energy sector as *exogenous, long run.*

The measures listed above account for 75% of the tax increases announced in the March 2012 Budget. I classify the remaining minor tax increases in line with the overall budget motivation as *exogenous, deficit consolidation.*

360 Budget 2012, FSBR, p. 3
361 Budget 2012, FSBR, p. 3
362 HC Deb 21 March 2012, c. 805
363 Budget 2012, FSBR, p. 35
364 HC Deb 21 March 2012, c. 801
365 HC Deb 21 March 2012, c. 801
366 HC Deb 21 March 2012, c. 798
367 HC Deb 21 March 2012, c. 798

Pre-Budget 2012: 05 December 2012

Chancellor: George Osborne; Prime Minister: David Cameron

Draft	Royal Assent	Implementation
05.12.2012 DC: 1970 (II: 1970) 05.12.2012 LR: -790 (II: -85, CI: -705) 05.12.2012 SS: -695 (CI: -695) 05.12.2012 DM: -1140 (II: -1140) 11.02.2013 DC: 40 (II: 40)	17.07.2013	01.04.2013 DC: 1000 (II: 1000) 01.04.2013 SS: -220 (CI: -220) 06.04.2013 DM: -1140 (II: -1140) 06.04.2013 LR: -85 (II: -85) 01.04.2014 LR: -705 (CI: -705) 01.04.2014 DC: 10 (II: 10) 06.04.2014 DC: 960 (II: 960) 06.04.2015 DC: 40 (II: 40) **Sunset** 06.04.2017 DC: -40 (II: -40)

Context:

The UK economy was still in recovery from the economic crisis and continued to be affected by the ongoing European sovereign debt crisis. In December, the OBR's GDP forecast had to be corrected downward to –0.1%. The underlying factors were classified as largely persistent rather than permanent.[368] Commodity prices and, hence, inflation eased from the peak of 5.2% in September 2011 to 2.7% in December 2012. Employment had grown more strongly and was 0.5 million higher than predicted, with a tendency to rise in the future. Borrowing was forecast to fall by 1% of GDP in 2012–2013 and by 0.8% of GDP in 2013–2014 and public-sector net debt was expected to fall from 79.9% of GDP to 77.3% in 2017–2018. The slow recovery in the Eurozone affected credit conditions in the United Kingdom as well, increasing UK bank funding costs and threatening 'growth for several years to come'.[369]

Overall Budget Objective:

The Autumn Statement followed the strategy set out in the June 2010 Budget to restore sustainable public finances, comprising implementation of fiscal consolidation, reduction in borrowing, and reduction in current spending.[370] Chancellor Osbourne announced: 'Today we reaffirm our commitment to reducing the deficit …' [371] and stated that '[o]ur aim is to reduce the structural deficit …'.[372] To achieve the consolidation plans, the relation of spending to tax followed the structure of previous years and was about 80:20. The tax measures were introduced as a means to 'support growth, reward work, help with the cost of living and ensure that those with the most contribute the most to the fiscal consolidation'.[373] Given those motivations and following previous budgets of this government, I suggest the overall classification *exogenous, deficit consolidation* for the tax increases and an endogenous classification for the tax rebates.

Major Budget Tax Measures:

The two major revenue increases were an increase in the higher rate threshold by less than inflation starting April 2014 and the restriction of tax relief for pensioners starting April 2013, both increasing revenues by £1 bn. George Osbourne justified the indexation of the higher rate below the rate of inflation by saying 'there are no easy ways to reduce the deficit'.[374] The same argument is used to justify reduction of tax credits for pensioners. In his speech, the Chancellor of Exchequer also calls this a 'way[] to reduce the deficit …'.[375] I classify these measures as *exogenous, deficit consolidation.*

[368] Autumn Statement 2012, p. 17
[369] HC Deb 05 December 2012, c. 872
[370] Autumn Statement 2012, p. 20
[371] HC Deb 05 December 2012, c. 871
[372] HC Deb 05 December 2012, c. 874
[373] Autumn Statement 2012, p. 7
[374] HC Deb 05 December 2012, c. 880
[375] HC Deb 05 December 2012, c. 878

The major tax rebate was the increase of the personal allowance by £235 in 2013-14, decreasing revenues by £1.1 bn. Classifying this measure, however, turns out to be difficult. The economic report accompanying the chancellor's speech states: 'The Government remains committed to increasing work incentives and supporting those on low and middle incomes …'.[376] It remains unclear, however, why those households need support. Cost of living is mentioned on page 25,[377] making a classification as *endogenous* appealing. However, a fair distribution of the costs of the deficit reduction is stressed as well.[378] In his speech, the chancellor said that this 'is a direct boost to the incomes of people working hard to provide for their families'[379] and that 'we [the government] are helping those who want to work hard and get on'.[380] Even though demand management is not explicitly mentioned, I choose the more conservative classification *endogenous, demand management.*

As a means of 'creating a simpler, more efficient and stable tax system, with an ambition to make it the most competitive in the G20',[381] the main rate of corporation tax was reduced, decreasing revenues by £0.7 bn starting April 2014. I classify this as *exogenous, long run* and, as before, propose the alternative *ideological.* 'To help [the] construction industry'[382] and 'to promote further private investment',[383] an exemption for empty property was introduced, and because of 'challenges currently faced by small businesses',[384] the small business rate relief was extended. Since the latter measure is an extension, it does not enter the implementation effect. I classify both measures as *endogenous, supply stimulus.*

Budget 20 March 2013

Chancellor: George Osborne; Prime Minister: David Cameron

Draft

05.12.2011 LR: -30 (II: -20, CI: -10)
21.03.2012 SD: 60 (CI: 60)
05.12.2012 DC: 5 (Indirect: 5)
05.12.2012 SD: 400 (II: 80, CI: 320)
05.12.2012 LR: -445 (II: -15, CI: -430)
11.12.2012 DC: 50 (CI: 50)
11.12.2012 LR: -40 (Other: -40)
11.02.2013 DC: 20 (II: 20)
20.03.2013 DC: 70 (II: 25, CI: 20, Indirect: 25)
20.03.2013 SD: 5885 (II: 20, CI: 5820, Indirect: 45)
20.03.2013 DM: -990 (Indirect: -990)
20.03.2013 LR: -2720 (II: -1035, CI: -1265, Indirect: -420)

Royal Assent

17.07.2013

Implementation

01.01.2013 SD: 195 (CI: 195)
20.03.2013 SD: 65 (CI: 65)
20.03.2013 LR: 90 (II: 100, CI: -10)
20.03.2013 DC: 20 (CI: 20)
01.04.2013 DC: 50 (CI: 50)
01.04.2013 SD: 385 (II: 20, CI: 320, Indirect: 45)
01.04.2013 LR: -135 (II: -10, CI: -20, Indirect: -105)
06.04.2013 DC: 25 (II: 25)
06.04.2013 LR: -290 (II: -70, CI: -10, Indirect: -170)
08.04.2013 DM: -10 (Indirect: -10)
01.09.2013 DM: -810 (Indirect: -810)
01.09.2013 LR: -15 (II: -15)
25.03.2014 DM: -170 (Indirect: -170)
01.04.2014 DC: 30 (Indirect: 30)
01.04.2014 LR: -1400 (CI: -1255, Indirect: -145)
01.04.2014 SD: 125 (CI: 125)
06.04.2014 LR: -1075 (II: -1075)
06.04.2014 SD: 80 (II: 80)
01.04.2015 LR: -5 (CI: -5)
06.04.2015 DC: 20 (II: 20)
06.04.2015 LR: -400 (CI: -400)
06.04.2016 SD: 5495 (CI: 5495)

[376] Autumn Statement 2012, p. 46
[377] Autumn Statement 2012, p. 25
[378] Autumn Statement 2012, p. 8
[379] HC Deb 05 December 2012, c. 882
[380] HC Deb 05 December 2012, c. 882
[381] Autumn Statement 2012, p. 43
[382] HC Deb 05 December 2012, c. 881
[383] Autumn Statement 2012, p. 44
[384] Autumn Statement 2012, p. 44

Context:

Based on the Office for Budget Responsibility (OBR) March 2013 Economic and Fiscal Outlook, the growth forecast was revised down to 0.6% in 2013 and to 1.8% in 2014. Employment, on the other hand, was still expected to rise further, reaching 30.5 million by 2017. Public-sector net debt was forecast to rise from 79.2% of GDP in 2013 to 84.8% in 2018.

Overall Budget Objective:

As in previous budgets, Chancellor George Osborne stressed the need to reduce the public-sector debt, mainly by reducing public spending, and to build a more competitive tax system.[385] Facing the unexpectedly weak forecasts regarding growth and debt, Osborne's speech indicated that in this budget, the government might refrain from exhaustive countercyclical actions. He said: 'Our country's credibility comes from delivering that [deficit] plan, not altering it with every forecast'.[386] A supply-side reform was announced to 'help businesses create jobs and deliver lasting prosperity'.[387] However, given that employment was 'at record levels'[388] and the downturn in growth was attributed to external factors, those measures could be interpreted as aiming at the long run. I refrain from assigning an overall classification to this budget, as many topics are covered.

Major Budget Tax Measures:

Beginning with the rebates, the single largest decrease in revenues stemmed from £2,000 employment allowances toward the NIC bill for every business and charity starting April 2014, decreasing revenues by £1.3 bn. As this was done 'for the UK to be the best place in Europe to start, finance and grow a business',[389] I classify this as *exogenous, long run.*

Personal allowance was again increased to now £10,000 in 2014–2015, reducing revenues by £1.1 bn. Not much was said about this in the Budget Speech. In the Budget documents, however, the competitiveness of the tax system is listed as the motivation.[390] Therefore, I assign the category *exogenous, long run.*

The planned increase in fuel duty planned for September 2013 was cancelled, reducing tax liabilities by £0.8 bn. This was done because 'oil prices have risen again, family budgets are squeezed …'.[391] Given that justification, I classify this as *endogenous, demand management.* In total, these major changes made up more than 80% of tax rebates.

Turning to the tax increases, the largest share is made up of a reform to the pension system. A single-tier state pension was introduced in 2016–2017 making everyone pay the same rate of NICs. In total, this package was expected to raise revenues by £5.5 bn. Throughout the Budget Speech and the accompanying document, it remains rather vague as to what purpose the additional revenue will be put. George Osborne said that 'none of the additional employee and private sector employer NICs will be used for net revenue-raising'.[392] In May 2013, it was confirmed that 'the additional NI revenue would not be recycled within the State Pension system, but will contribute to other reforms such as the cap on social care costs and the Employment Allowance, as announced in the Budget 2013'.[393] Even though

[385] HC Deb 20 March 2013, c. 937
[386] HC Deb 20 March 2013, c. 934
[387] Budget 2013, p. 1
[388] Budget 2013, p. 1
[389] Budget 2013, p. 43
[390] Budget 2013, p. 34
[391] HC Deb 20 March 2013, c. 943
[392] Budget 2013, p. 56
[393] DWP, Government Response to the Fifth Report of the House of Commons Work and Pensions Select Committee, Session 2012–13, into Part 1 of the draft Pensions Bill, CM 8620, May 2013, p. 18

this does not fully match the original sense of *spending driven,* I suggest this classification because the additional revenue is used to finance contemporaneous spending as well as other tax remissions.

A package of anti-avoidance measures was introduced, raising liabilities by about £1 bn. In his speech, the Chancellor of Exchequer said: ‘We have set out a tough package to raise money from tax avoiders. That means that with this Budget we can stick to the path of deficit reduction, increase capital spending, and still find ways to help families’.[394] One might assume that the money raised was used to finance current spending on welfare, even though the documents do not give detailed information on that. However, I will classify this bundle as *endogenous*, *spending driven.* Those revenue raisers make up more than 90% of the tax increases.

Pre-[395]Budget 2013: 05 December 2013

Chancellor: George Osborne; Prime Minister: David Cameron

Draft	**Royal Assent**	**Implementation**
20.03.2013 DC: 680 (CI: 680) 17.07.2013 DC: -5 (Indirect: -5) 25.10.2013 DC: 125 (CI: 125) 05.12.2013 SS: -485 (CI: -470, Indirect: -15) 05.12.2013 DC: 2150 (II: 545, CI: 1605) 05.12.2013 LR: -2410 (II: -520, CI: -1160, Indirect: -730) 05.12.2013 DM: -155 (II: -155)	17.07.2014	25.10.2013 DC: 125 (CI: 125) 05.12.2013 LR: -55 (CI: -35, Indirect: -20) 05.12.2013 DC: 10 (CI: 10) 01.01.2014 DC: 520 (CI: 520) 01.04.2014 DC: 1510 (II: 85, CI: 1430, Indirect: -5) 01.04.2014 LR: -625 (CI: -625) 01.04.2014 SS: -5 (CI: -5) 06.04.2014 DC: 750 (II: 420, CI: 330) 06.04.2014 LR: -25 (II: -25) 01.09.2014 LR: -710 (Indirect: -710) 01.10.2014 SS: -15 (Indirect: -15) 01.04.2015 SS: -465 (CI: -465) 06.04.2015 DC: 40 (II: 40) 06.04.2015 DM: -155 (II: -155) 06.04.2015 LR: -495 (II: -495) 01.04.2016 DC: -5 (CI: -5)

Context:

The OBR revised its forecast for GDP growth up to 1.4% in 2013 and to 2.4% in 2014, with a stable forecast of above 2% for the following five years. Unemployment continued to fall and was expected to reach 5.6% in 2018, with employment reaching 31.2 million in 2018. The fiscal consolidation announced in the 2010 emergency budget was mentioned and this Autumn Statement laid out that public-sector net borrowing had halved by 2014–2015, compared to 2010. Public-sector net debt continued to rise, but was now forecast to peak at 80% in 2015–2016, instead of at 85% as forecast in the March budget.

Overall Budget Objective:

The Autumn Statement stressed the ‘government’s commitment to the long-term economic plan it set out in 2010. With the deficit and debt still at unsustainable levels, deviating from that plan now would be the biggest risk to recovery’.[396] George Osborne said in his speech: ‘I can announce today that we will take three new steps to entrench Britain’s commitment to sound public finances’.[397] Over a five-year horizon, this autumn budget announced fiscally neutral policy decisions. Around 80% of the consolidation was planned to stem from adjustments in spending. Regarding taxes, the budget continued the theme of improving the tax system’s competitiveness in order to increase GDP and, hence, revenues

[394] HC Deb 20 March 2013, c. 943
[395]
[396] Autumn Statement 2013, p. 5
[397] HC Deb 05 December 2013, c. 1104

in the long run.[398] Given the long-term orientation of the budget, most of the tax changes were classified as exogenous.

Major Tax Measures:
Compared to other budgets, there were only relatively small individual tax changes announced in the autumn budget. Transferable marriage allowances were introduced starting April 2015, lowering liabilities by about £0.5 bn. The only information given was that 'we are backing British families'.[399] I classify this as *exogenous, ideological.*

The increase in fuel duty was cancelled, lowering revenues by about £0.7 bn in 2014. In his speech, George Osborne announced that he was going to 'deliver on the promise made by the Prime Minister to roll back those levies … in a way that supports the lowest income families, reduces carbon, supports investment in our energy infrastructure and, as the document shows, does not add a penny to the tax bills that families pay'.[400] He went on: 'My political philosophy is clear: instead of penalising people with more taxes and more regulation, give them incentives by reducing their taxes and their bills. As I have often said, going green does not have to cost the earth'.[401] I classify this as *exogenous, long run.*

Starting April 2015, the employer NIC for under-21-year-olds was abolished (£–0.5 bn). The motivation was to improve youth unemployment, which at that time was 24%.[402] I classify this measure as *endogenous, supply stimulus.* However, as it was announced along with a bundle of business tax changes aiming at long-run growth, I propose the alternative classification *exogenous, long run.*

A set of changes to business rates was introduced starting 01 April 2014, in total lowering liabilities by £1.1 bn. According to the chancellor, corporation tax cuts increase investment and raise productivity and therefore, he planned 'to make our business taxes yet more competitive'.[403] I classify the changes as *exogenous, long run.* Those changes account for more than 85% of the tax rebates.

Starting 01 January 2014, the bank levy was increased, raising revenues by around £0.5 bn. According to the Autumn Statement, 'this will help to restore forecasts for future years' receipts to target, and ensure that banks make a fair contribution'.[404] I assign *exogenous, deficit consolidation*.

A package of anti-avoidance measures was introduced, effective from October 2013 and April 2014, raising revenues by more than £2 bn. The purpose was stated as 'ensuring that those with the most in society make a fair contribution to reducing the deficit'.[405] As I could not find any further justification or usage of those additional revenues, I classify this package as *exogenous, deficit consolidation.* Those measures accounted for more than 80% of the revenue increases.

[398] Autumn Statement 2013, p. 11
[399] HC Deb 05 December 2013, c. 1111
[400] HC Deb 05 December 2013, c. 1112
[401] HC Deb 05 December 2013, c. 1112
[402] Autumn Statement 2013, p. 53
[403] HC Deb 05 December, c. 1110
[404] Autumn Statement 2013, p. 44
[405] Autumn Statement 2013, p. 5

Budget 19 March 2014

Chancellor: George Osborne; Prime Minister: David Cameron

Draft	Royal Assent	Implementation
20.03.2013 LR: 10 (II: 10) 19.03.2014 SS: -1240 (II: -15, CI: -685, Indirect: -540) 19.03.2014 LR: 285 (II: 285, CI: 5, Indirect: -5) 19.03.2014 IL: -645 (II: -685, CI: , Indirect: 40) 19.03.2014 DM: -365 (Indirect: -365) 19.03.2014 DC: 1480 (II: 682.5, CI: 797.5)	17.07.2014	19.03.2014 DC: 80 (CI: 80) 19.03.2014 IL: 40 (Indirect: 40) 24.03.2014 SS: -185 (Indirect: -185) 24.03.2014 DM: -110 (Indirect: -110) 01.04.2014 SS: -710 (CI: -685, Indirect: -25) 01.04.2014 LR: 5 (CI: 5) 01.04.2014 DC: 65 (II: 32.5, CI: 32.5) 06.04.2014 DC: 35 (II: 35) 06.04.2014 SS: -15 (II: -15) 30.06.2014 DM: -40 (Indirect: -40) 01.07.2014 LR: -90 (II: -90) 17.07.2014 DC: 1230 (II: 615, CI: 615) 01.01.2015 IL: 415 (II: 415) 01.03.2015 SS: 75 (Indirect: 75) 01.04.2015 LR: -5 (Indirect: -5) 01.04.2015 SS: -65 (Indirect: -65) 01.04.2015 DM: -215 (Indirect: -215) 01.04.2015 DC: 70 (CI: 70) 06.04.2015 LR: -335 (II: -335) 06.04.2015 IL: -1090 (II: -1090) 01.04.2016 SS: -340 (Indirect: -340) 01.04.2017 LR: 240 (II: 240) 01.04.2018 LR: 480 (II: 480) **Sunset** 01.12.2014 SS: 665 (CI: 665) 01.04.2015 LR: 5 (Indirect: 5) 01.04.2019 LR: -480 (II: -480)

Context:

Overall, the economic situation continued to improve. The growth forecast was revised slightly upward to 2.7% in 2014 and confirmed the path outlined in previous budgets, with future rates around 2.5%. Inflation was expected to be 1.9% in 2014 and to stay around the target of 2.0% throughout the forecast period. The OBR forecast public-sector net debt to be at 78.8% of GDP in 2015–2016 and, hence, 1.2 percentage points below the previous forecast. Unemployment was 7.2% in the last quarter of 2013, which was the lowest in five years. Business investment, however, shrank by 1.2% in 2013.

Overall Budget Objective:

Besides mentioning the need to boost business investment, the Chancellor of Exchequer once again stressed the need for consolidation. He said that giving in to more spending and borrowing would 'mean debt rising towards 100% of GDP, undermining growth'.[406] He further said: 'It would be a huge mistake, and we are not going to let that happen'.[407] He announced that spending cuts would account for the largest share of about 75% of consolidation, again. Also, and as in previous budgets of this government, the competitiveness of the tax system as well as the necessity of low business rates was emphasised.[408]

Major Tax Measures:

Beginning with the rebates, the largest share was taken by the increase of personal allowances starting 06 April 2015, lowering liabilities by £1.4 bn. The chancellor said: 'It is a central part of our long-term

[406] HC Deb 19 March 2014, c. 784
[407] HC Deb 19 March 2014, c. 784
[408] HC Deb 19 March 2014, c. 789

economic plan that people keep more of the money they have earned'.[409] I could not find any evidence for a demand-oriented motive and, hence, classify this as *exogenous*, *ideological.*

Annual investment allowances were doubled from April to December, lowering tax liability by around £0.7 bn. Given its temporary character and the aforementioned contemporaneous decline in business investment, I classify this as *endogenous, supply stimulus* and include a revenue increase of the same size in my series at the beginning of December.

A bundle of measures tackling energy costs was announced, decreasing revenues by about £0.5 bn between 2014–2016. This was done to stimulate manufacturing through lower energy prices.[410] I classify those measures as *endogenous, supply stimulus.* Those measures account for more than 70% of all rebates.

A set of anti-avoidance measures was introduced, increasing liabilities by about £1.5 bn, of which £1.2 bn were implemented on the day of Royal Assent on 17 July 2014. Since it is not mentioned that those revenues are used to finance spending, I classify them *exogenous, deficit consolidation.*

Company car tax was increased by 2% in both 2017–2018 and 2018–2019, increasing liabilities by about £0.7 bn. This was done to incentivise investment in new sources of energy and to promote energy efficiency.[411] Therefore, I classify this as *exogenous, long run.* Those changes account for more than 60% of the tax increases.

Pre-Budget 2014: 03 December 2014

Chancellor: George Osborne; Prime Minister: David Cameron

Draft	**Royal Assent**	**Implementation**
03.12.2014 DM: -720 (II: -640, CI: , Indirect: -80) 03.12.2014 IL: -410 (CI: 350, Indirect: -760) 03.12.2014 LR: -905 (II: -50, CI: -850, Indirect: -5) 03.12.2014 DC: 1725 (II: 540, CI: 1120, Indirect: 65)	26.03.2015	03.12.2014 DC: 30 (II: 30) 03.12.2014 LR: -15 (II: -5, CI: -5, Indirect: -5) 05.12.2014 IL: -760 (Indirect: -760) 01.01.2015 LR: -60 (CI: -60) 01.04.2015 LR: -180 (CI: -180) 01.04.2015 DC: 1185 (CI: 1120, Indirect: 65) 01.04.2015 IL: 350 (CI: 350) 06.04.2015 DC: 390 (II: 390) 06.04.2015 DM: -640 (II: -640) 06.04.2015 LR: -45 (II: -45) 01.03.2016 DM: -80 (Indirect: -80) 06.04.2016 DC: 120 (II: 120) 06.04.2016 LR: -105 (CI: -105)

<u>Context</u>:

Inflation was 1.3% in October and had been below the 2% target for 10 months by then. This was due to low food and fuel prices. The OBR forecast GDP to grow by 3% in 2014 and 2.4% in 2015. The Monetary Policy Committee (MPC) decided to keep the main bank rate at 0.5% and asset purchases remained at £375 bn. The overall fiscal position was expected to be the same as forecast in the 2014 Budget. Total managed expenditure was expected to fall in 2016–2017 in real terms at the same rate as in 2014–2015. Public-sector net debt was expected to reach 81.1% in 2015–2016 and then to fall to 72.8% in 2019–2020. Export was still affected by the development in the Eurozone, and thus its growth was revised down by 1% in 2014.

[409] HC Deb 19 March 2014, c. 791
[410] HC Deb 19 March 2014, c. 790
[411] HC Deb 19 March 2014, c. 790

Overall Budget Objective:

As in previous budgets, there was no explicit mention of a need for countercyclical actions. Again, the inherited public deficit seemed to be the chancellor's major concern. In the beginning of his speech, he said, 'I could have eased up on our determination to deal with our debts; I have not',[412] and a bit later, 'Britain is … a country that inspires confidence around the world because it seeks to live within its means'.[413] In fact, George Osborne aimed at further reducing the deficit, without naming any particular reasons for doing so: 'The deficit is no longer down by a third, but is now cut in half. It is still too high …'.[414] Regarding the lower than expected tax revenues, the chancellor argued that credibility leads to tax savings and, therefore, he did not see a reason to change the strategy: 'Some have pointed to lower tax receipts and put forward policies for higher taxes. I prefer lower tax receipts offset by lower debt interest payments, and that is what we are seeing today'.[415] In the accompanying report it is written that 'the government is delivering a small fiscal tightening at the Autumn Statement and reaffirming its commitment to its path of fiscal consolidation'.[416] Overall, I classify the revenue-raising measures as *exogenous, deficit consolidation*. In the Autumn Statement, the government's plan for a 'stronger, more competitive economy'[417] is laid out as 'creating more jobs by backing small business and enterprise with better infrastructure, lower job taxes and a long-term industrial strategy'.[418] The revenue-decreasing positions are classified, in general, as *exogenous, long run*, as long as no explicit contemporaneous intention is mentioned.

Major Tax Measures:

The single largest decrease in liabilities was a reform to the stamp duty land tax. Starting 05 December, new marginal rates were introduced to avoid tax jumps when buying a home, lowering liabilities by about £0.8 bn. According to George Osborne, this measure is 'a fair, workable, lasting reform of the taxation of housing, and it is in stark contrast to the shambles of the anti-aspirational, unworkable homes tax that the Labour party wants to impose'. I classify it as *exogenous, ideological,* with the alternative classification: *exogenous, long run.*

Starting 06 April 2015, personal allowances were increased to £10,600, decreasing liabilities by about £0.6 bn. In the Autumn Statement, it is written that 'the government recognises that the effects of the recession are still being felt, and continues to take action to help individuals and families with the cost of living'.[419] I classify it as *endogenous, demand management.*

From 1 April 2015 and in order 'to have a tax system that is simple to understand, supports businesses and encourages growth',[420] the small business rate relief was extended, reducing liabilities by £0.5 bn. I classify this as *exogenous, long run* and do not include it in the implementation effect. Those measures accounted for more than 75% of the rebates.

Turning to revenue raisers, starting 1 April 2015, the amount of a bank's profit that can be offset was restricted, increasing revenues by £0.7 bn. This was justified as banks' paying a fair share after the financial crisis.[421] It was announced along with a bundle of anti-avoidance measures, all of which I classify as *exogenous, deficit consolidation.*

[412] HC Deb 3 December 2014, c. 305
[413] HC Deb 3 December 2014, c. 307
[414] HC Deb 3 December 2014, c. 307
[415] HC Deb 3 December 2014, c. 308
[416] Autumn Statement 2014, p. 7
[417] Autumn Statement 2014, p. 20
[418] Autumn Statement 2014, p. 20
[419] Autumn Statement 2014, p. 55
[420] Autumn Statement 2014, p. 45
[421] HC Deb 03 December 2014, c. 311

Budget 18 March 2015

Chancellor: George Osborne; Prime Minister: David Cameron

Draft	**Royal Assent**	**Implementation**
03.12.2014 SS: -10 (Indirect: -10) 18.03.2015 DM: -240 (Indirect: -240) 18.03.2015 LR: -1015 (II: -1030, CI: 15) 18.03.2015 SS: -590 (II: -35, CI: -365, Indirect: -190) 18.03.2015 DC: 1185 (CI: 1185) 18.03.2015 IL: -1905 (II: -1905) 18.03.2015 SD: 1320 (II: 895, CI: 325, Indirect: 100)	26.03.2015	18.03.2015 SS: -10 (Indirect: -10) 18.03.2015 SD: 215 (II: 45, CI: 170) 23.03.2015 SS: -185 (Indirect: -185) 01.04.2015 DC: 1185 (CI: 1185) 01.04.2015 SD: 5 (Indirect: 5) 01.04.2015 SS: -245 (CI: -240, Indirect: -5) 06.04.2015 SS: -5 (II: -5) 01.08.2015 SD: 95 (Indirect: 95) 01.09.2015 DM: -240 (Indirect: -240) 01.01.2016 SS: -125 (CI: -125) 06.04.2016 SD: 455 (II: 300, CI: 155) 06.04.2016 SS: -30 (II: -30) 06.04.2016 LR: -1030 (II: -1030) 06.04.2016 IL: -425 (II: -425) 06.04.2017 IL: -1480 (II: -1480) 06.04.2018 SD: 550 (II: 550)

Context:

The OBR's forecast for growth was revised upward to 2.5% in 2015 and for unemployment it was revised downward to 5.3%. CPI inflation was 0.3% in January 2015, mainly because of lower oil prices. The current account deficit increased to 6.0% of GDP. Meanwhile, in the Eurozone, inflation turned negative and the growth forecast was revised downward to 1.2% in 2015. According to the forecast, public debt peaked in 2014–2015 at 80.4% of GDP, and was supposed to fall to 71.6% in 2019–2020.

Overall Budget Objective:

In line with the previous budgets put forward by this government, the commitment to restore 'the public finances to a sustainable position and getting public sector net debt onto a declining path as a share of GDP' was stressed.[422] It was generally believed that 'getting to grips with the public finances will speed up the process of debt reduction, reducing the burden on taxpayers and strengthening the ability of the future governments to respond to economic shocks'.[423] George Osborne stressed in his speech before parliament that he could not see a reason for changing the overall strategy: 'Britain is on the right track; we must not turn back'.[424] He further said: 'We bring that shameful record of irresponsibility to an end and make sure we pay down our national debt'.[425] However, Osborne also said that 'in this Budget, everything we spend will be paid for …'.[426]. Therefore, I classify most of the revenue-raising policies as *endogenous, spending driven* and only those in which deficit consolidation is explicitly mentioned as such. Regarding the tax rebates, I either assign the classification *exogenous, long run* or *exogenous, ideological.*

Major Tax Measures:

I begin with the revenue raisers. Starting 01 April 2015, the bank levy was increased to 0.21% and the possibility for banks to deduct from corporation tax was abolished, resulting in an increase in revenues of more than £1.2 bn. Chancellor Osborne said that the banking sector could 'make a bigger contribution

[422] Budget Report 2014, p. 19
[423] Budget Report 2014, p. 19
[424] HC Deb 18 March 2015, c. 771
[425] HC Deb 18 March 2015, c. 770
[426] HC Deb 18 March 2015, c. 771

to the repair of our public finances'.[427] I classify those two as *exogenous, deficit consolidation.* However, as outlined above, I assign an alternative category—*endogenous, spending driven.*

Starting 06 April 2015, the government abolished barriers to the creation of a secondary market for annuities, raising revenues by £0.5 bn. No unambiguous motivation is given aside from 'extending freedom and choice at retirement'.[428] I assign as primary motivation *exogenous, ideological* and as secondary motivation *endogenous, spending driven.*

Pension lifetime allowances were lowered to £1m from April 2016 (revenue effect: £0.3 bn) and indexed with inflation from April 2018 (£0.6 bn). I assign the classification *endogenous, spending driven*, for the reasons outlined above.

A bundle of anti-avoidance measures was introduced in the 2015 Budget, raising revenues by about £0.9 bn per tax year. I classify those as *endogenous, spending driven,* as no further reason is given. Those measures made up more than 95% of all tax increases.

Personal allowances were increased to £10,800 starting April 2016 and to £11,000 starting April 2017, reducing revenues by £1bn and £1.5bn, respectively. George Osborne said that he believes 'that work should pay and that families should keep more of the money they earn … even in difficult times …'.[429] I classify this as *exogenous, ideological.* Furthermore, income savings accounts (ISAs) were made more flexible starting April 2016 in an effort to take 'another step to move Britain from a country built on debt to a country built on savings and investment',[430] reducing revenues by £1bn. I assign the motivation *exogenous, long run.* Those tax rebates account for more than 80% of all rebates.

Summer Budget 08 July 2015

Chancellor: George Osborne; Prime Minister: David Cameron

Draft	**Royal Assent**	**Implementation**
08.07.2015 IL: 45 (II: -1415, Indirect: 1460) 08.07.2015 LR: -60 (II: 2965, CI: -3275, Indirect: 250) 08.07.2015 DC: 1620 (II: 1035, CI: 580, Indirect: 5) 08.07.2015 SS: 450 (Indirect: 450)	18.11.2015	08.07.2015 DC: 575 (II: 265, CI: 310) 08.07.2015 IL: -270 (II: -270) 01.08.2015 SS: 450 (Indirect: 450) 01.11.2015 IL: 1460 (Indirect: 1460) 01.01.2016 DC: 5 (Indirect: 5) 01.01.2016 LR: -435 (CI: -435) 01.04.2016 DC: 310 (II: 40, CI: 270) 01.04.2016 LR: 2110 (II: 2745, CI: -635) 06.04.2016 DC: 260 (II: 260) 06.04.2016 LR: -5 (II: -5) 06.04.2016 IL: -1145 (II: -1145) 01.04.2017 LR: -130 (II: 225, CI: -605, Indirect: 250) 06.04.2017 DC: 470 (II: 470) 01.04.2020 LR: -1600 (CI: -1600) **Sunset** 06.04.2018 IL: 270 (II: 270)

<u>Context</u>:

The 2015 UK general election was held on 07 May 2015, resulting in a fully conservative government. The Chancellor of Exchequer presented another Budget less than four months after the previous one of 18 March 2015.

The economic development numbers did not differ much from those published in March. Growth in 2015 was revised upward from 2.6% to 3%. Tax receipts were higher than expected. Around the time

[427] HC Deb 18 March 2015, c. 773
[428] Budget 2015, FSBR, p. 59
[429] HC Deb 18 March 2015, c. 777
[430] HC Deb 18 March 2015, c. 778

of the Summer Budget, the crisis in Greece intensified and the global growth forecast was revised downward to 3.2% in 2015.

Overall Budget Objective:
Once again, the importance of deficit consolidation was stressed. George Osborne attributed the growth in employment to businesses having confidence, 'the confidence to invest, to grow and to hire; confidence that comes because Britain is getting its house in order'.[431] He confirmed that this parliament would cut the deficit at the same pace as the previous one did.[432] The Budget Report laid out that £37 bn of further discretionary consolidation is necessary to achieve a surplus in 2019–2020.[433] I classify most of the revenue-raising measures as *exogenous, deficit consolidation.*

Major Tax Measures:
Starting 01 April 2017, corporation tax payment dates were moved closer to the point at which profits were made, raising revenues by £4.4 bn in 2017–2018. However, this measure only changed the date of collection, not liabilities. Hence, I exclude this measure from the account.

Dividend tax credit was reformed starting April 2016, resulting in an increase in revenues of £2.5 bn. George Osborne said this was 'a major and long-overdue reform to simplify the taxation of dividends' and it will 'go further in creating a Britain that is one of the most competitive economies in the world'.[434] Together with some other minor reforms, I classify this as *exogenous, long run* and assign the alternative classification *exogenous, ideological* as obtaining the most competitive tax system is a purely normative goal.

Starting 1 November 2015, the insurance premium tax was increased by 3.5 pp, raising liabilities by about £1.5 bn. In his speech, the Chancellor of Exchequer said: 'Britain's insurance premium tax is well below tax rates in many other countries. I am therefore today raising insurance premium tax, which applies to only one fifth of all premiums, to 9.5%, effective from this November. With these measures I am putting in place an approach for taxing banks and insurers over this Parliament which is sustainable, stable and fair'.[435] In the Budget Report, the motivation for this measure is 'that the richest are paying a greater share of tax than they were at the start of the last Parliament'.[436] I classify this as *exogenous, ideological.*

In this budget, a large bundle of anti-avoidance measures was announced. Individually of minor importance, the group of measures combined was intended to raise revenues by £5 bn per year by 2019–2020. In the Budget Report, the motivation for those measures was given as 'to achieve the surplus in 2019–20 the government will undertake … further consolidation measures, … £5 billion by 2019–20 from tackling tax avoidance and tax planning, evasion and noncompliance, and imbalances in the tax system'.[437] I classify those measures as *exogenous, deficit consolidation.* The major tax increases listed account for more than 90% of all revenue increases.

Looking at the tax rebates, the cut in corporation tax made up the largest share. It was announced that corporation tax would be cut to 19% in 2017–2018 and to 18% starting 2020–2021, reducing liabilities by £0.6 bn and £1.6 bn, respectively. The motivation for this was to send 'out loud and clear the message around the world that Britain is open for business'.[438] Furthermore, the Budget Report stated that the 'best way to create jobs and raise living standards over the long term is to support business and

[431] HC Deb 08 July 2015, c. 322
[432] HC Deb 08 July 2015, c. 322
[433] Summer Budget 2015, p. 2
[434] HC Deb 08 July 2015, c. 332
[435] HC Deb 08 July 2015, c. 326
[436] Summer Budget 2015, p. 2
[437] Summer Budget 2015, p. 19
[438] HC Deb 8 July 2015, c. 332

increase productivity by making it more competitive and by prioritising investment in skills and infrastructure'.[439] I classify this as *exogenous, long run.*

Starting 01 January 2016, the annual investment allowance was set at £200,000 (£–0.9 bn) to permanently boost 'the incentives for long-term investment by small and medium-sized firms in Britain'.[440] I classify this as *exogenous, long run.*

The personal allowance was further increased to £11,000 starting 06 April 2016, reducing revenues by about £1 bn. This was done to create 'a lower tax society' and because '[t]he government believes that people working 30 hours a week on the lowest pay (the NMW) should not pay income tax'.[441] I classify this as *exogenous, ideological.*

Starting 01 April 2016, the employment allowance was increased by £1,000, reducing tax liabilities by £0.6 bn, in order 'to go further, making the tax system simpler and less distortive, while maintaining competitive rates and predictable rewards for investment'.[442] The classification is *exogenous, long run.* The major tax rebates listed account for more than 90% of all rebates.

Pre-Budget 25 November 2015

Chancellor: George Osborne; Prime Minister: David Cameron

Draft	Royal Assent	Implementation
08.07.2015 DC: 2730 (CI: 2730) 25.11.2015 SD: 625 (Indirect: 625) 25.11.2015 SS: 300 (II: 280, Indirect: 20) 25.11.2015 DC: 650 (II: 167.5, CI: 447.5, Indirect: 35) 25.11.2015 LR: -745 (CI: -710, Indirect: -35)	15.09.2016	25.11.2015 DC: 520 (II: 72.5, CI: 412.5, Indirect: 35) 01.04.2016 SS: 300 (II: 280, Indirect: 20) 01.04.2016 LR: -45 (CI: -10, Indirect: -35) 01.04.2016 SD: 625 (Indirect: 625) 01.04.2016 DC: 35 (CI: 35) 06.04.2016 DC: 95 (II: 95) 01.04.2017 DC: 2730 (CI: 2730)

Context:

Unemployment fell to 5.3% in September 2015, mostly due to a fall in long-term unemployment. GDP growth was forecast to be at 2.3% to 2.5% per annum over the forecast period 2015–2020. CPI inflation fell to 0.1% in 2015 and was forecast to stay below the targeted 2% until 2019. Public debt estimations were revised upward, again, to 82.5% of GDP in 2015–2016 and to 74.3% in 2019–2020, even though tax receipts turned out higher than expected.

Overall Budget Objective:

In his speech, George Osborne stressed the government's commitment to reduce public debt.[443] He introduced the Autumn Budget as 'a long-term economic plan for our country's future'.[444] Picking up the numbers on consolidation from the previous budget, the Budget Report stated that consolidation of £18 bn is needed to achieve a surplus in 2019–2020, out of which £6 bn are expected to come from tax measures.[445] I classify the major revenue raisers as *exogenous, deficit consolidation* and the major rebates as *exogenous, long run.*

[439] Summer Budget 2015, p .3
[440] HC Deb 8 July 2015, c. 331
[441] Summer Budget 2015, p. 35
[442] Summer Budget 2015, p. 54
[443] HC Deb 25 November 2015, c. 1357
[444] HC Deb 25 November 2015, c. 1357
[445] Spending Review and Autumn Statement 2015, p. 15

Major Tax Measures:

As announced in the 2015 Summer Budget, an apprenticeship levy was introduced starting 01 April 2017, raising revenues by £2.7 bn. The budget report lists this as a major component of discretionary consolidation[446] and, hence, I classify this as *exogenous, deficit consolidation.* George Osborne said this was ‘a huge reform to raise the skills of the nation’[447] and I also assign it alternatively as *exogenous, long run*.

Starting April 2019, capital gains tax on residential property had to be paid within 30 days and also the payment of SDLT was brought forward. I exclude these measures (£+1 bn) from the account as they only change the timing of tax collection.

Stamp duty rates on additional property were to be increased to 3% starting April 2016. George Osborne said ‘we will reinvest some of that money in local communities in London and places like Cornwall, which are being priced out of home ownership. The funds we raise will help build the new homes’.[448] Since it remains unclear what share is used to finance spending, I classify the whole measure (£+0.6 bn) as being *endogenous, spending drive.*

Again, a bundle of anti-avoidance measures was introduced and, as in the Summer Budget, I classify those as *exogenous, deficit consolidation*.[449] The tax increases listed above account for more than 75% of the overall increase in revenues.

The only major tax rebate was an extension of relief for small business rates starting April 2016, lowering liabilities by £0.7 bn. George Osborne said that ‘[b]usiness needs competitive taxes’.[450] I classify this as *exogenous, long run*, but exclude the figure from the implementation effect, as it is the extension of an existing measure.

[446] Spending Review and Autumn Statement 2015, p. 15
[447] HC Deb 25 November 015, c. 1370
[448] HC Deb 25 November 2015, c. 1372
[449] Spending Review and Autumn Statement 2015, p. 15
[450] HC Deb 25 November 2015, c. 1367

Budget 16 March 2016

Chancellor: George Osborne; Prime Minister: David Cameron

Draft	Royal Assent	Implementation
25.11.2015 DC: 45 (Indirect: 45) 16.03.2016 IL: 530 (Indirect: 530) 16.03.2016 SD: 200 (Indirect: 200) 16.03.2016 SS: -1055 (II: -985, CI: -5, Indirect: -65) 16.03.2016 DM: -440 (Indirect: -440) 16.03.2016 LR: -5410 (II: -2830, CI: -3520, Indirect: 940) 16.03.2016 DC: 4135 (II: 910, CI: 3000, Indirect: 225)	15.09.2016	16.03.2016 DC: 1015 (II: 335, CI: 435, Indirect: 245) 16.03.2016 LR: -260 (CI: -260) 16.03.2016 DM: -440 (Indirect: -440) 16.03.2016 IL: 530 (Indirect: 530) 17.03.2016 LR: 530 (II: 15, Indirect: 515) 21.03.2016 SS: -85 (Indirect: -85) 01.04.2016 DC: 590 (CI: 545, Indirect: 45) 01.04.2016 SS: -10 (CI: -5, Indirect: -5) 06.04.2016 DC: 290 (II: 290) 06.04.2016 LR: -305 (II: -305) 06.04.2016 SS: -985 (II: -985) 01.07.2016 DC: 15 (CI: 15) 01.10.2016 SD: 200 (Indirect: 200) 01.01.2017 DC: 265 (CI: 265) 01.04.2017 LR: -1710 (CI: -1710) 01.04.2017 DC: 1315 (CI: 1315) 06.04.2017 DC: 285 (II: 285) 06.04.2017 LR: -2775 (II: -2540, CI: -235) 01.08.2017 DC: -20 (Indirect: -20) 01.04.2018 DC: 5 (CI: 5) 06.04.2018 DC: 420 (CI: 420) 01.04.2019 LR: 425 (Indirect: 425) 01.04.2019 SS: 25 (Indirect: 25) 01.04.2020 LR: -1315 (CI: -1315)

Context:

Since the November statement, IMF and OECD revised their growth forecast downward by about 0.2 and 0.3 percentage points, respectively. Weaker productivity growth was identified as a driving factor in the world and for UK's economy. As a consequence, GDP growth was forecast to be 2.0% in 2016, projected to rise to 2.1% in 2018, while productivity was forecast to grow by 1.0% in 2016. The positive development in the labour market continued, with employment predicted to reach 31.7 million in 2017. Inflation was predicted to move close to 2.0% between 2016 and 2018. The household deficit as a share of GDP was forecast to be 3.8% in 2015–2016 and public-sector net debt was supposed to be at 77.2% of GDP by 2020.

Overall Budget Objective:

The Budget Report states: 'In the UK, debt levels remain high. Short-term, discretionary fiscal stimulus would simply increase public debt without expanding supply'.[451] Further, it is claimed that 'the most effective structural reforms include lowering the rates of distortive taxes, ensuring that product markets are flexible and competitive, and cutting or simplifying business regulation'.[452] Regarding tax policy, the report further says that 'this Budget continues to lower taxes, with new support for small business and entrepreneurs, while also modernising the tax system and taking steps to ensure that taxes are fair and are paid'.[453] In general and in line with previous budgets, an exogenous classification, namely, *long-run* and *deficit consolidation*, seem appropriate. Support for this can be found in George Osborne's

[451] Budget 2016, FSBR, p. 15
[452] Budget 2016, FSBR, p. 15
[453] Budget 2016, FSBR, p. 3

speech when he said that, in this budget, the government chose long-term solutions to long-term problems over short-term fixes and more stimulus.[454]

Major Budget Measures:

The personal allowance was further increased to £11,500 starting April 2017, reducing revenues by almost £2 bn. The Budget Report justified the reduction as 'building an economy based on lower taxes' and to as ensuring 'that the tax system encourages individuals to progress'.[455] I classify this, along with the increase of the higher rate threshold and another minor change in personal taxes, as *exogenous, long run.*

Starting April 2017, the small business rate relief was permanently doubled, lowering revenues by £1.6 bn, and starting April 2020, corporation tax was reduced to 17%, causing an expected loss in revenues by £1 bn. This was done to 'raise productivity, create job opportunities and increase wages for the next generation'.[456] Chancellor Osborne further said that he wanted to make 'Britain's business tax system fit for the future'.[457] I classify those positions as *exogenous, long run.*

Starting 06 April 2016, the capital gains tax was reduced to 20%, leading to revenues lower by about £0.6 bn. The reason given was to put 'rocket boosters on the backs of enterprise and productive investment'.[458] Given this motivation in face of the low productivity at that time of the budget, I classify this as *endogenous, supply stimulus.* The measures listed above account for more than 75% of all revenue-decreasing measures.

A bundle of anti-avoidance measures was introduced. These were individually of minor importance but, combined, were estimated to raise revenues by about £2 bn. Another set of anti-avoidance measures aimed specifically at corporations was expected to raise another £2.1 bn. George Osborne said that those revenues would be used to repair the public finances[459] and I classify them as *exogenous, deficit consolidation.* Those measures account for more than 70% of the revenue raisers.

Autumn Statement 23 November 2016

Chancellor: Philip Hammond; Prime Minister: Theresa May

Draft	**Royal Assent**	**Implementation**
16.03.2016 IL: 25 (II: 25)	27.04.2017	23.11.2016 LR: 170 (II: 85, CI: 85)
23.11.2016 DM: -845 (Indirect: -845)		23.11.2016 IL: 35 (CI: 10, Indirect: 20)
23.11.2016 SD: 840 (Indirect: 840)		01.12.2016 IL: 10 (II: 10)
23.11.2016 LR: 420 (II: 345, CI: 75)		01.04.2017 IL: 195 (Indirect: 195)
23.11.2016 IL: 345 (II: 115, CI: 10, Indirect: 215)		01.04.2017 DM: -845 (Indirect: -845)
		01.04.2017 LR: -10 (CI: -10)
		06.04.2017 LR: 235 (II: 235)
		06.04.2017 IL: 105 (II: 105)
		01.06.2017 SD: 840 (Indirect: 840)
		23.11.2017 IL: 25 (II: 25)
		01.04.2020 LR: 25 (II: 25)

Context:

This was the first budget after the referendum to leave the European Union. Because of the inherent uncertainty of that situation, the OBR revised the forecast for GDP growth downward to 1.4% in 2017 as less investment and lower household spending were expected. Lower than expected tax revenues and higher spending resulted in borrowing being higher than expected, causing public debt to reach 90% of

[454] HC Deb 16 March 2016, c. 951
[455] Budget 2016, FSBR, p. 29
[456] Budget Report 2016, p. 44
[457] HC Deb 16 March 2016, c. 957
[458] HC Deb 16 March 2016, c. 965
[459] HC Deb 16 March 2016, c. 956

GDP in 2017–2018. Inflation was 0.9% in October 2016. Employment remained at its high level of 74.5%, while unemployment was at 4.8% and productivity growth remained slow.

<u>Overall Budget Objective:</u>
Philip Hammond said that his 'focus on building Britain's long-term future will be the same [as that of his predecessor George Osbourne]'.[460] He further said that the government would 'maintain commitment to fiscal discipline while recognising the need for investment to drive productivity, and for fiscal headroom to support the economy through the transition'.[461] Most measures are classified as *exogenous, ideological.*

<u>Major Budget Measures:</u>
There was only one major tax rebate. Fuel duty was frozen, with a cost to the Exchequer of about £0.9 bn. Philip Hammond argued that the 60% rise in oil prices and the depreciation of the pound sterling against the dollar put pressure on 'hard-working people'.[462] I classify this as *endogenous, demand management.* This measure makes up 95% worth of the tax rebates.

Starting June 2017, the insurance premium tax was to rise from 10% to 12%, in order to finance the spending decisions laid out in the Autumn Statement.[463] The revenue effect is £0.8 bn and I classify this as *endogenous, spending driven.*

The second largest tax increase proposed was the removal of employee national insurance advantages of salary sacrifice schemes starting April 2017, increasing revenues by about £0.2 bn. The given reason for this measure was fairness in taxation.[464] I classify this, together with other simplification reforms to income tax, as *exogenous, long run.* All other tax increases yielded revenue effects below £0.2 bn.

Budget 08 March 2017
Chancellor: Philip Hammond; Prime Minister: Theresa May

Draft	**Royal Assent**	**Implementation**
23.11.2016 SS: -205 (CI: -205) 23.11.2016 IL: 10 (II: 5, CI: 5) 08.03.2017 IL: 155 (II: 65, CI: 25, Indirect: 65) 08.03.2017 SS: -25 (CI: -25) 08.03.2017 LR: 10 (II: 145, Indirect: -135) 08.03.2017 SD: 870 (II: 870)	16.11.2017	08.03.2017 IL: 165 (II: 70, CI: 30, Indirect: 65) 08.03.2017 LR: -120 (Indirect: -120) 01.04.2017 SS: -230 (CI: -230) 01.04.2017 LR: -10 (Indirect: -10) 01.04.2018 LR: -5 (Indirect: -5) 06.04.2018 SD: 870 (II: 870) 06.04.2018 LR: 145 (II: 145)

<u>Context:</u>
As announced in the Autumn Statement 2016, the 2017 March Budget was supposed to be the last spring budget before moving to a single autumn budget starting in 2018. Overall, the economic forecast had not changed substantially since the Autumn Statement 2016. GDP growth was forecast at 2% in 2017. Due to the depreciation of the exchange rate that followed the referendum, inflation was expected to be at 2.4% in 2017, impeding consumer spending. Public debt was expected to peak at 88.8% of GDP in the current fiscal year and was expected to fall to 79.8% in 2021–2022. Unemployment was at 4.8%, the lowest rate since 2006.

[460] HC Deb 23 November 2016, c. 899
[461] HC Deb 23 November 2016, c. 899
[462] HC Deb 23 November 2016, c. 909
[463] HC Deb 23 November 2016, c. 907
[464] Autumn Statement 2016, p. 3

Overall Budget Objective:

According to the Budget Report, the government ‘continues to pursue a tax system with competitive rates and a sustainable base’.[465] In his speech, Philip Hammond expressed his wish for the United Kingdom ‘to be the best place in the world to start and grow a business’,[466] but he also stressed the necessity of further reducing the debt ‘undeterred by any short-term fluctuations’.[467] He mentioned the need for ‘a fair, stable and competitive tax system’.[468] Given those justifications, I classify most of the revenue-increasing measures as *exogenous, deficit consolidation* and most of the revenue-decreasing measures as *exogenous, long run.*

Major Tax Measures:

Already forestalling the planned move to a single budget in autumn, the 2017 Spring Budget did not contain many discretionary tax changes and even fewer major ones.

Starting 06 April 2018 and from 06 April 2019 on, Class 4 NICs were increased to 10% and 11%, respectively. The combined effect for the Exchequer was estimated to be about £1 bn. On the one hand, this was justified as a way to ‘reduce the unfairness in the NICs system and reflects more accurately the current differences in benefits available from the state’.[469] However, the major part of the additional revenues was to be used to compensate for the abolishment of Class 2 NICs in 2016, in order to ‘be able to support our public services in this Budget’.[470] Therefore, I only include the net increase in revenues of £145 million[471] a year as the relevant figure in the narrative account and classify this as *exogenous, long run.*

Starting 01 April 2018, the tax-free dividend allowance was decreased to £2,000, causing an increase in revenues of about £0.9 bn. Some of the additional revenue was used to finance other measures announced in the budget.[472] Since the exact share remains unclear, I classify the whole measure as *endogenous, spending driven.*

The remaining measures were of minor revenue importance.

Budget 22 November 2017

Chancellor: Philip Hammond; Prime Minister: Theresa May

Draft	**Royal Assent**	**Implementation**
16.03.2016 SS: -560 (CI: -560) 22.11.2017 DC: 1305 (II: 340, CI: 585, Indirect: 380) 22.11.2017 LR: 620 (Indirect: -70, CI: 690) 22.11.2017 DM: -1590 (Indirect: -1590)	15.03.2018	22.11.2017 DC: 295 (II: 172.5, CI: 57.5, Indirect: 65) 22.11.2017 LR: -55 (Indirect: -55) 22.11.2017 DM: -760 (Indirect: -760) 01.01.2018 DC: 165 (CI: 165) 01.04.2018 LR: -15 (Indirect: -15) 01.04.2018 DM: -830 (Indirect: -830) 01.04.2018 SS: -530 (CI: -530) 01.04.2018 DC: 225 (Indirect: 225) 06.04.2018 DC: 85 (II: 77.5, CI: 7.5) 01.04.2019 DC: 285 (CI: 285) 06.04.2019 DC: 160 (II: 90, CI: 70) 01.10.2019 DC: 90 (Indirect: 90) 01.04.2020 LR: 690 (CI: 690) **Sunset** 01.04.2019 SS: 30 (CI: 30)

[465] Spring Budget Report 2017, p. 31
[466] HC Deb 08 March 2017, c. 811
[467] HC Deb 08 March 2017, c. 811
[468] HC Deb 08 March 2017, c. 811
[469] HC Deb 08 March 2017, c. 814
[470] HC Deb 08 March 2017, c. 814
[471] HC Deb 08 March 2017, c. 814
[472] HC Deb 08 March 2017, c. 815

Context:
According to the budget documents, GDP grew slower than in 2016, reaching 0.4% in the third quarter. Forecasts as to future household consumption and confidence were moderate. Business investment fell some 2.5% short of its average annual growth rate of 4.9%. UK productivity growth remained low, at 0.2%. The current account deficit was at 4.6% of GDP in 2017Q2. Unemployment continued to fall after the last budget, standing at 4.3%. Inflation stood at 3.0% in October 2017, mainly due to depreciation of the sterling and goods price inflation. Global GDP growth was forecast to be at 3.6% in 2017 and to benefit the UK economy. The debt-to-GDP ratio was expected to reach 86.5% of GDP in 2017–2018, with a fall forecast thereafter. Due to lower than expected tax revenues, borrowing was forecast to be £12.2 bn higher by 2020–2021.

Overall Budget Objective:
'The government remains committed to a low-tax economy, and is cutting taxes for both working people and businesses to help them respond to short-term pressures'.[473] In contrast to previous budgets, not only is the necessity to consolidate the public debt stressed as the most important objective, but so also is a short-term stimulus to households and businesses. Rising prices are identified as a an especial threat to households' cost of living and business activity.[474] Chancellor Hammond said that 'debt is still too high and we need to get it down'.[475] He reaffirmed the pledge of fiscal responsibility and fiscal rules set in earlier budgets.[476] The importance of tax competition is mentioned in the budget speech. According to Philip Hammond, the United Kingdom has to 'remain competitive to attract the brightest and the best to establish and grow the business of the future'.[477] He went on to say that the tax system must also raise the revenues needed to fund the public services and needs to be fair.[478]

Hence, coming up with an overall budget objective is difficult, as both countercyclical measures as well as long-term and consolidation motivations are given.

Major Budget Measures:
Beginning with tax rebates, delaying the CGT payment window was the largest. The expected cost was estimated to be £1.2 bn. Since this measure only changes the date of tax collection, I exclude it from the narrative account.

Fuel duty was frozen for 2018–2019, with an estimated loss of £0.8 bn. This was a measure undertaken to tackle the 'immediate challenges caused by rising prices'.[479] I classify this as *endogenous, demand management.* With the same justification, business rates were linked to CPI instead of RPI starting 01 April 2018 and the stamp duty land tax was abolished for first-time buyers, each costing the Exchequer £0.5 bn per year. I classify these as being *endogenous, supply stimulus* and *demand management*, respectively, as the purpose was to help business and working people respond to short-term pressures.[480] These measures make up more than 90% of the overall revenue-decreasing measures.

Turning to revenue increases, only one measure was of significant importance. Starting 1 April 2020, non-resident property income is chargeable at the corporation tax rate rather than at the income tax rate, causing an increase in revenues of about £0.7 bn. The reason was to build a 'fair and sustainable tax system';[481] I classify this as *exogenous, long run.*

473 Autumn Statement 2017, p. 31
474 Autumn Statement 2017, p. 3
475 HC Deb 22 November 2017, c. 1048
476 HC Deb 22 November 2017, c. 1048
477 HC Deb 22 November 2017, c. 1054
478 HC Deb 22 November 2017, c. 1054
479 Autumn Statement 2017, p. 3
480 Autumn Statement 2017, p. 31
481 Autumn Statement 2017, p. 29

Individually of minor significance but raising revenues by about £0.7 bn when taken together was a package of anti-avoidance measures with differing implementation dates. Since no explicit motivation was given, I classify them in the sense of the overall budget objective as *exogenous, deficit reduction*. However, since Philip Hammond said that revenue has to be raised to be spent on public services,[482] I propose the alternative classification *endogenous, spending driven* for this and the other revenue-raising positions. Those measures make up more than 70% of the tax increases.

[482] HC Deb 22 November 2017, c. 1054

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