

RESTORING BALANCE



Overview & Highlights

- Balances the budget within eight years with a modest surplus in 2021 and 2022
- Reduces publicly-held debt to approximately 56 percent of GDP by 2022
- Lowers spending to 18.3 percent of GDP

Economy and Taxes

- Promotes pro-growth economic policies that will create jobs and prosperity
- Returns revenue to 18.5 percent of GDP – well within the historical norm – and allows the federal government to fund essential programs while fostering economic growth
- Individual tax reform:
 - Maintains existing progressivity of the tax code
 - Lowers all marginal rates by 20 percent and fully offsets lost revenue for each tax bracket by limiting deductions and exclusions
 - Indexes the alternative minimum tax for inflation
- Corporate tax reform:
 - Lowers the corporate tax rate from 35 percent to 25 percent
 - Transitions to a territorial tax system
 - Eliminates special-interest tax loopholes

Medicare

- Prevents devastating physician payment cuts due to the flawed sustainable growth rate
- Adopts the long-term Medicare reform plan included in the House FY 2013 budget (effective 2023)
- Implements medical malpractice reform
- Expands means testing for Medicare Parts B and D
 - Identical to President Obama's proposal for income under \$150,000 (single) and \$300,000 (married)
 - No change to seniors with income under \$85,000 (single) and \$150,000 (married)

Medicaid and Other Mandatory Health → Saves \$2.7 Trillion

- Repeals Obamacare
- Block grants Medicaid to the states and freezes spending at 2012 levels through 2017, after which it is indexed to inflation

Defense

- Maintains defense caps in Budget Control Act round 1
- Replaces the defense sequester with additional non-defense discretionary spending reductions
- Assumes full withdrawal from Iraq and Afghanistan by 2015 (contingent on security needs)

Non-Defense Discretionary → Saves \$1.04 Trillion

- Reduces to 2006 levels (\$440 billion) in 2013 and freezes for the subsequent seven years, after which it is indexed to inflation

Welfare and Other Mandatory Programs → Saves \$745 Billion

- Block grants welfare programs and imposes mandatory spending caps (saves \$440 billion)
- Reforms various mandatory programs (saves \$155 billion)
- Reforms federal employee health and retirement benefits (saves \$150 billion)