

Washington Weekly Wrap

Kim Wallace

January 18, 2013

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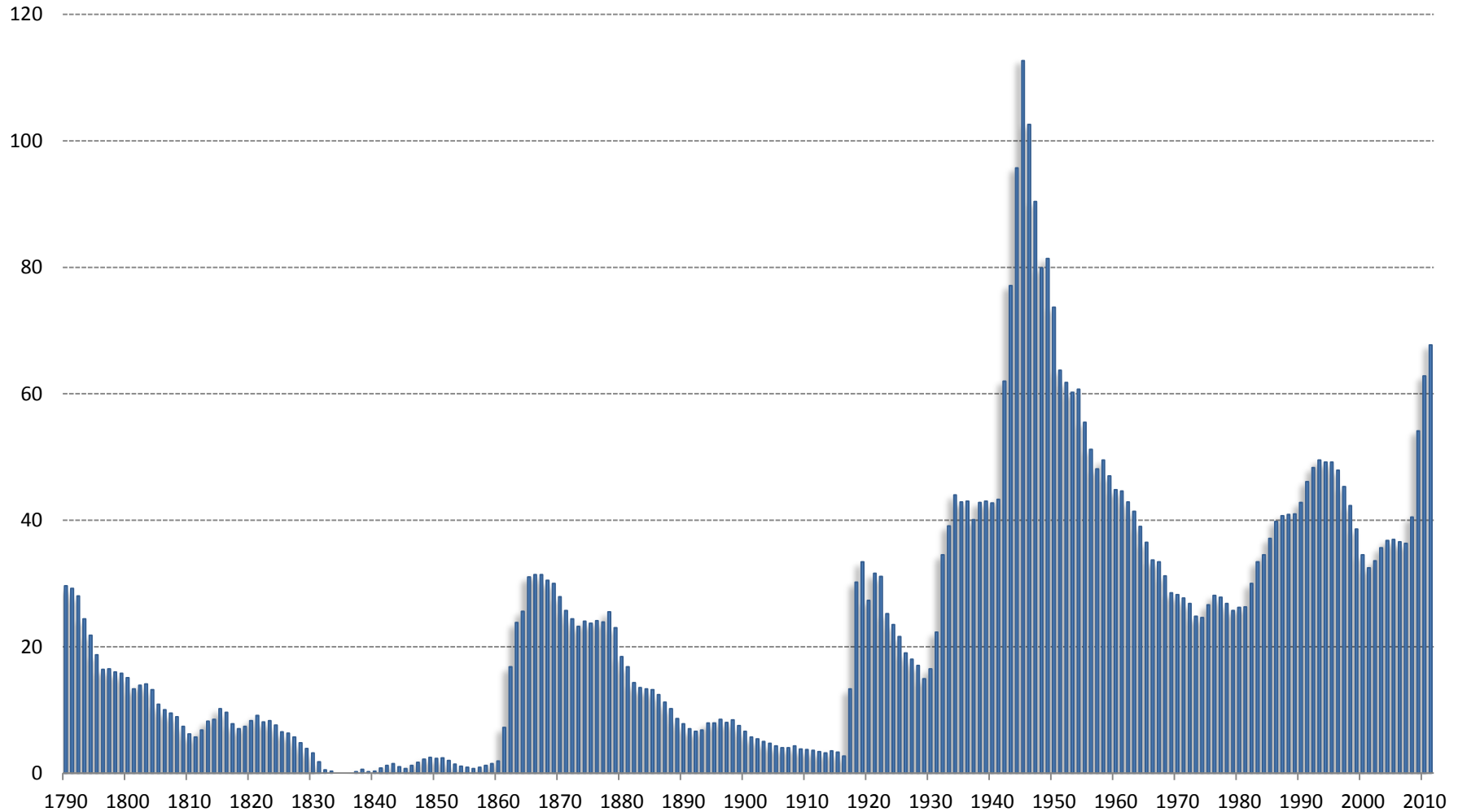
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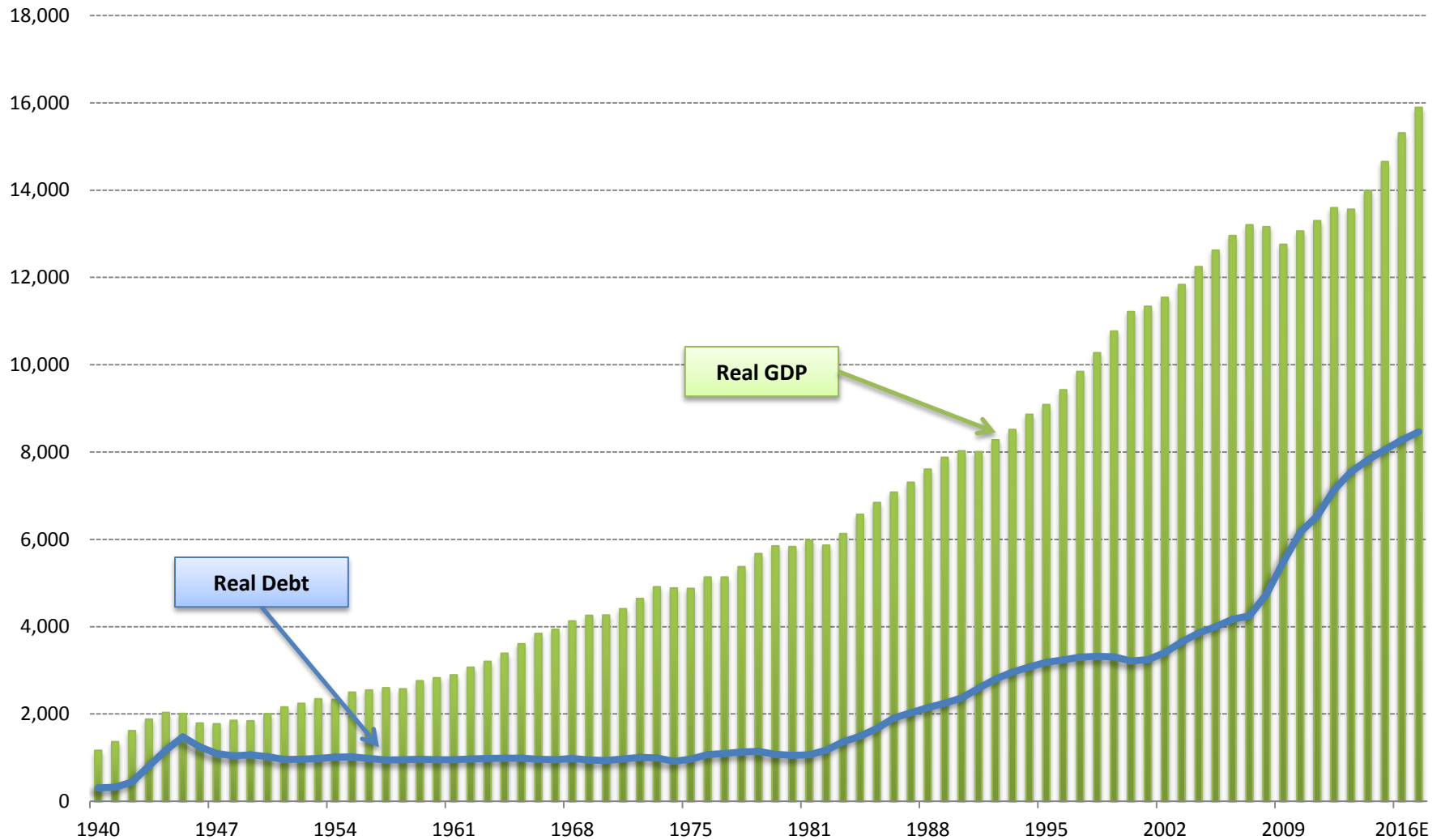
Fiscal: The Republic's debt-to-GDP history

Federal Debt Held by the Public
% of GDP, 1790 - 2011



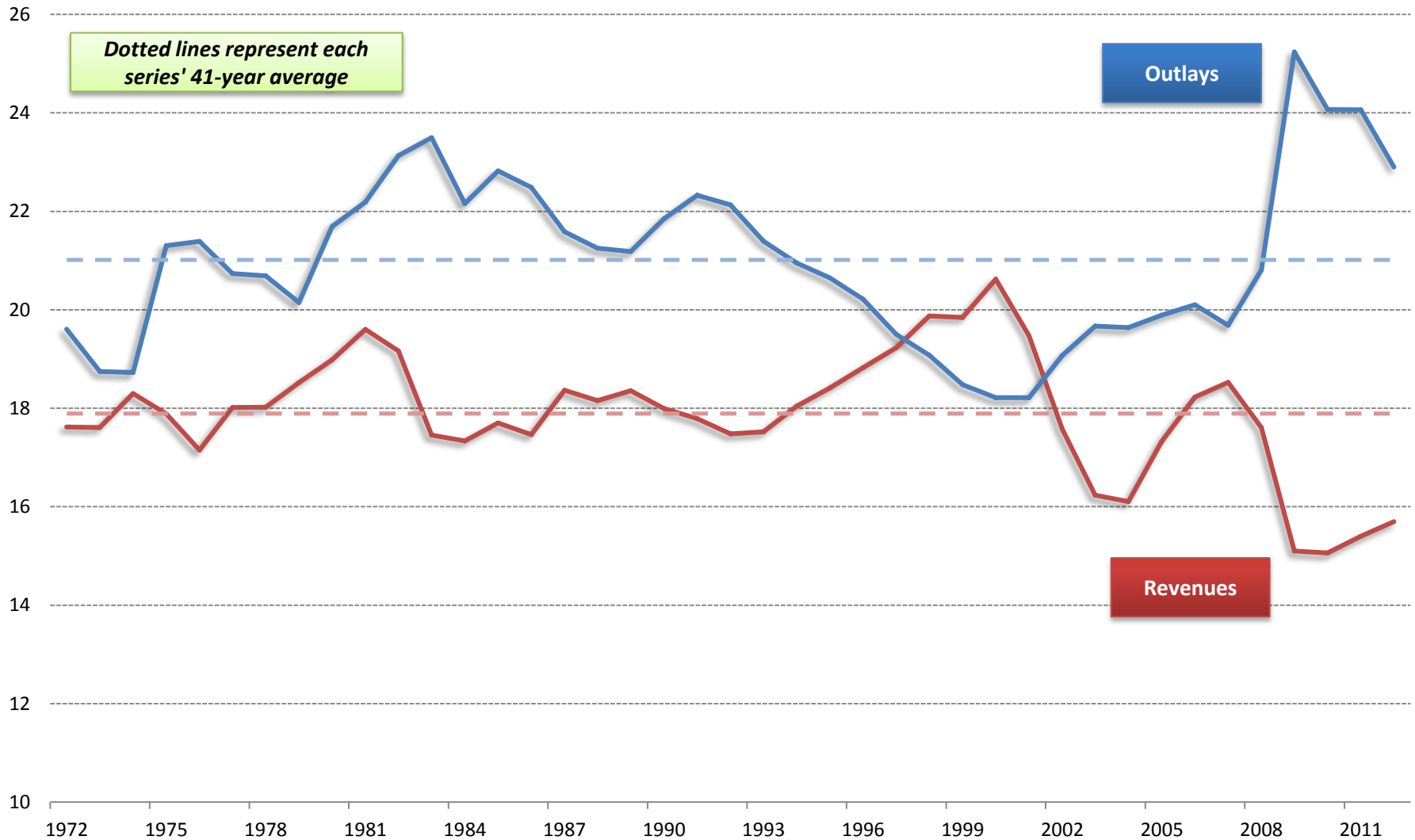
Fiscal: The real picture

Federal Debt Subject to Limit, 1940 - 2017E (real \$B)



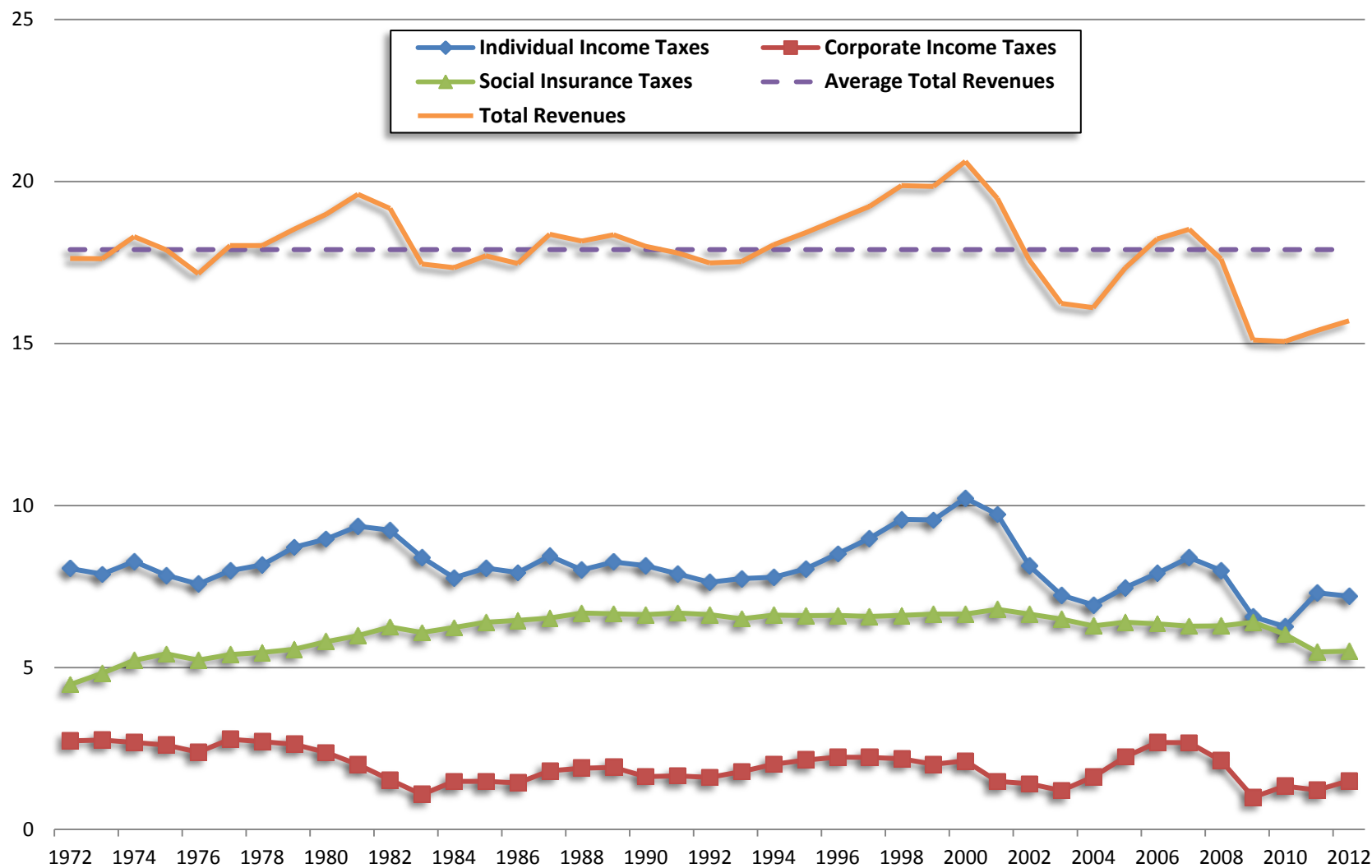
Fiscal: Regaining balance?

Federal Revenues & Outlays, 1972-2012 (% GDP)



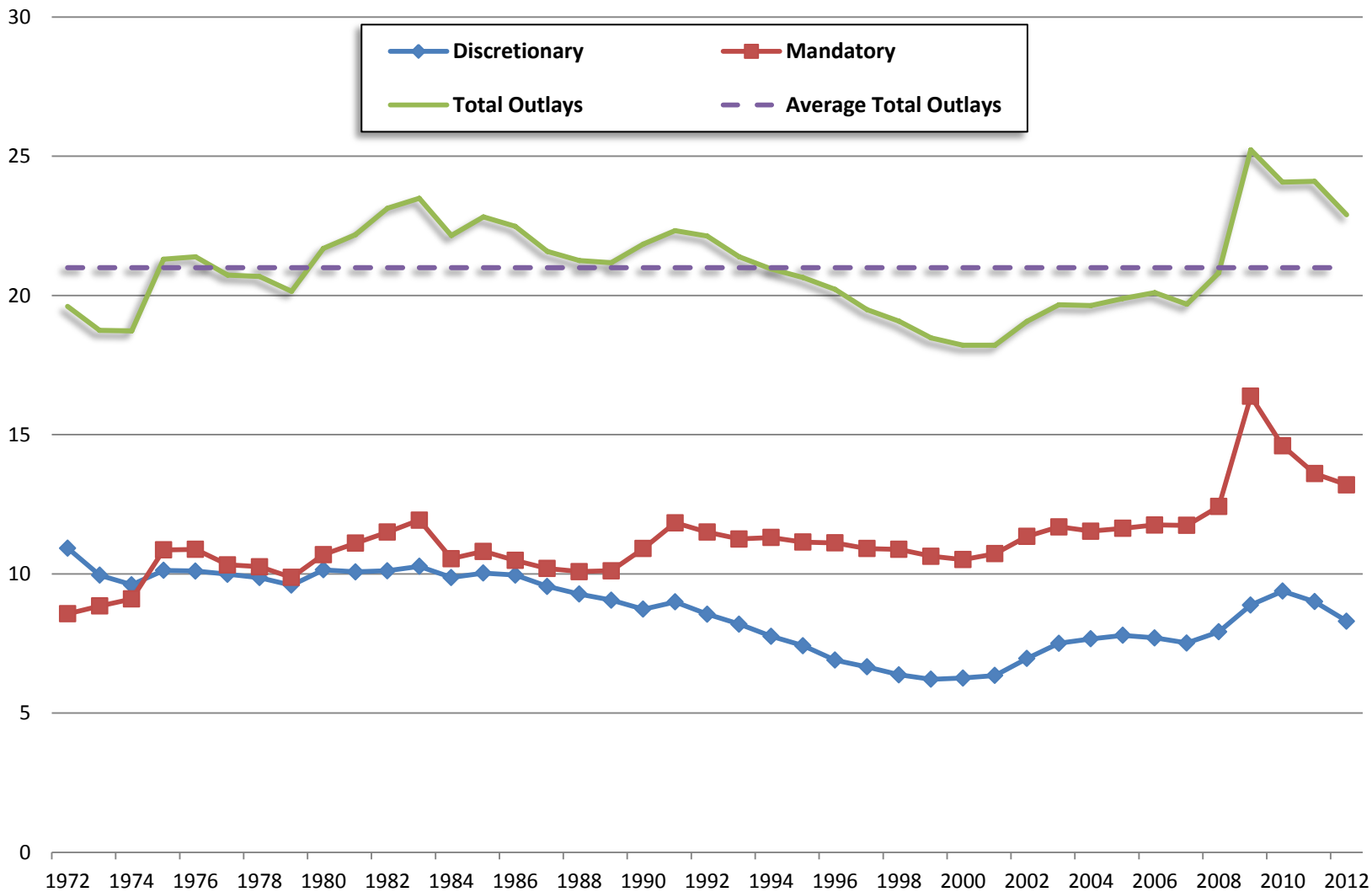
Fiscal: History lessons

Revenues (Percent of GDP), 1972-2012



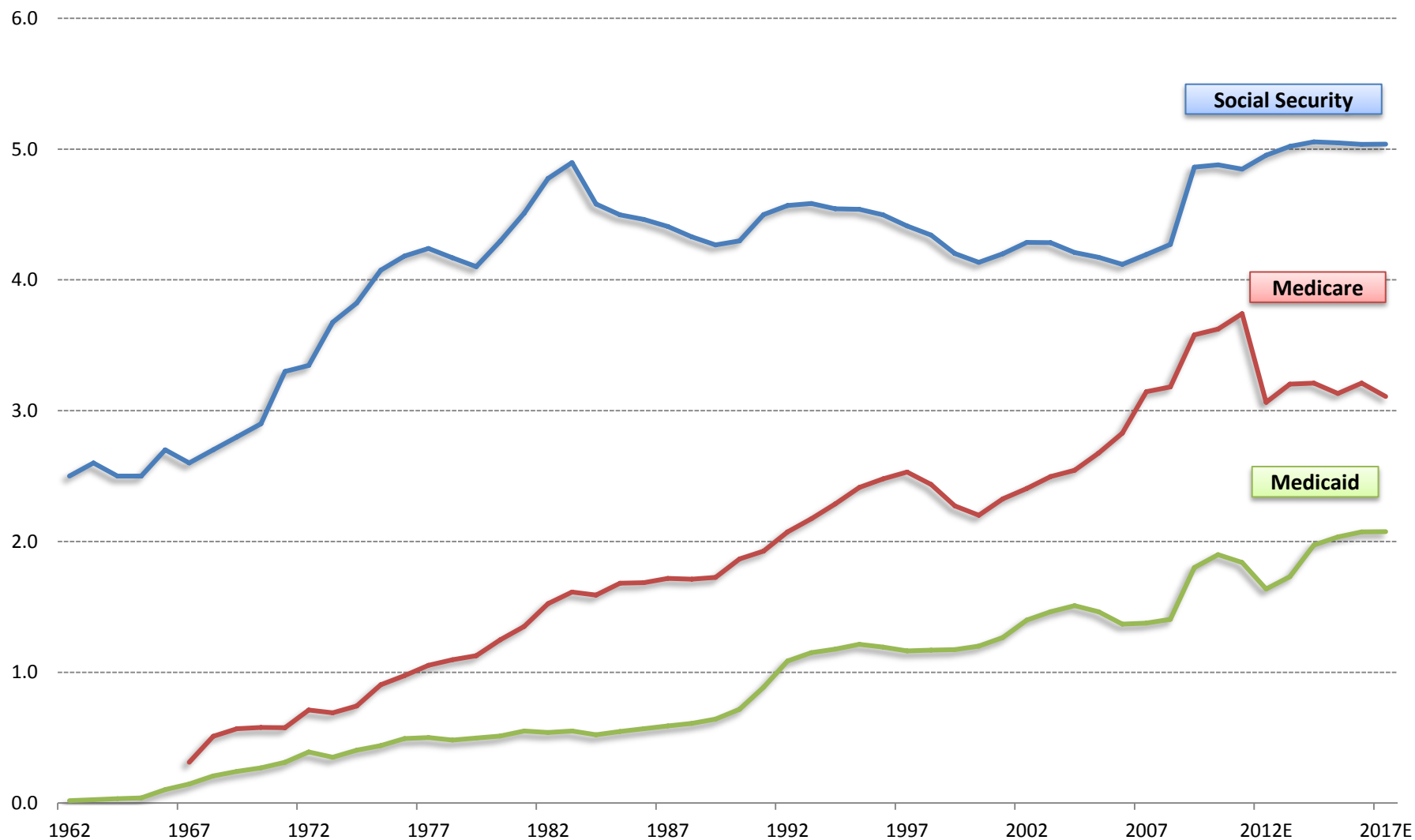
Fiscal: History lessons

Outlays (% of GDP), 1972-2012



Fiscal: Shaving is mandatory

Major Mandatory Outlays, 1962 - 2017E (% GDP)



Fiscal: The cost of living

Current Average Annual Cost of Largest Tax Expenditures, Individual and Corporate (\$B)

Individual Tax Expenditures	
Exclusion of employer contributions for health care, health insurance premiums, and long-term care insurance premiums	131.9
Deduction for mortgage interest on owner-occupied residences	96.8
Reduced rates of tax on dividends and long-term capital gains	80.6
Net exclusion of pension contributions and earnings: Defined benefit plans	60.1
Earned income tax credit	53.8
Deduction of nonbusiness State and local government income, sales and property taxes	47.5
Net exclusion of pension contributions and earnings: Defined contribution plans	42.4
Exclusion of capital gains at death	38.8
Deductions for charitable contributions, other than for education and health	36.5
Exclusion of untaxed social security and railroad retirement benefits	34.6
Subtotal	623.0
Corporate Tax Expenditures	
Deferral of active income of controlled foreign corporations	14.1
Exclusion of interest on public purpose State local government debts	9.1
Deduction for income attributable to domestic production activities	8.6
Inventory property sales source rule exception	7.6
Depreciation of equipment in excess of alternative depreciation system	7.4
Inclusion of income arising from business indebtedness discharged by the reacquisition of a debt instrument	5.8
Tax credit for low-income housing	5.4
Expensing of research and experimental expenditures	5.1
Inventory methods and valuation: LIFO	4.0
Reduced rates for the first \$10 million of corporate taxable income	3.2
Subtotal	70.3
TOTAL	693.3



Kim Wallace
Head of RenMac Washington
Policy

In his new role as a Managing Director at Renaissance Macro Research, Kim N. Wallace will be responsible for Washington Policy Research, and serve as a senior advisor and RenMac liaison to The Scowcroft Group. Mr. Wallace has enjoyed a 30-year career in policy analysis in state and federal governments and capital markets. Nominated by President Obama in March 2009 and confirmed by the U.S. Senate, Mr. Wallace most recently served as Treasury Assistant Secretary for Legislative Affairs until October 2011. During this period Mr. Wallace focused on helping to implement fiscal, financial, and international trade policies designed to advance U.S. economic recovery and growth. Mr. Wallace is proud to have received the Alexander Hamilton Award from Secretary Timothy Geithner, the highest honor bestowed on Treasury Department officials.

Prior to his service in the Obama administration, from 1994-2008, Mr. Wallace was an analyst and managing director at Lehman Brothers and briefly at Barclays Capital where he managed two research units. He analyzed a range of policy developments including deregulation of electricity, telecommunications, and financial markets (1994-2001). In his role as chief policy analyst, Mr. Wallace also built and managed a team dedicated to geopolitical risk analysis (2002-2008) and served as an advisor to Lehman's executive committee. During his time at Lehman Mr. Wallace was a multiple recipient of the Institutional Investor All-American award. From 1990-1994, Mr. Wallace focused on fiscal policy as a legislative assistant to Senate Majority Leader George J. Mitchell, and from 1986-1989 served as a staff analyst at the U.S. Senate Budget Committee. Prior to entering federal service, Mr. Wallace worked from 1982-1985 as an analyst and legislative assistant for the Texas state legislature and later in the Texas Governor's office.

Mr. Wallace received a Bachelor's Degree from the University of Texas at Austin, and a Master's Degree from the Johns Hopkins University.

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