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THE WHITE HOUSE

Office of the Press Secretary

PRESS BRIEFING
BY
LARRY SPEAKES

November 26, 1984

The Briefing Room

4:03 P.M. EST

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MR. SPEAKES: The President has met for one hour and forty minutes with his Cabinet-level and White House staff group to receive an overview of the Treasury Tax Study. I say "overview" because it -- the details of the study are quite comprehensive. And he will formally receive the full report tomorrow.

Attending the meeting -- I'll get through that -- are the President and Vice President, Regan, Baldrige, Baker, Meese, Darman, Svahn, Fuller, Stockman, Oglesby and --

Q -- after Meese?

MR. SPEAKES: Pardon?

Q -- after Meese?

MR. SPEAKES: Oh, after Meese, Darman, Svahn, Fuller, Stockman, Oglesby, I believe -- Niskanen, that's right. And there were one or two more.

As I said, I'm going to give you only a general overview. It was a broad, comprehensive study that meets the President's objectives of simplifying the tax system, making it more fair and more simple. And it is revenue neutral.

Secretary Regan presented the options considered and options recommended. He went through in examples of impact on individuals, businesses and corporations as a result of some of the changes he was recommending.

The procedure will be as follows: The President will study the recommendations. He will consult further with his -- people in the administration. He will have consultations done and will do some personally with Congress.

Treasury tomorrow will make the full report public and that opens it for discussion in the public arena, not only with Congress, but with business interests and others who may want to make their views known. Treasury is open to the views of everyone, private citizens through business corporations and others.

That's about all I can say about it.

Q Larry, there's some talk that Reagan would try and get the Congressional -- the outstanding Congressional proposals and forge a compromise so that when he does make a proposal in January he would have one plan and he could say that it had been forged from all the different ones. Is that still a goal or --

MR. SPEAKES: That would be a possibility. I think that among those that Secretary Regan will meet with tomorrow, I would assume, are the co-sponsors -- major co-sponsors of the tax plans pending in Congress, such as Kemp-Kasten and Bradley-Gephardt, in addition to the appropriate Committee Chairmen.

MORE

Q So Reagan --

Q -- tomorrow --

MR. SPEAKES: Yes.

Q What's this about a meeting? Reagan or Regan?

MR. SPEAKES: Regan. Regan will brief Congressional leaders. I do not have a comprehensive list; but I would presume that they are those who are involved in tax matters.

Q Is it still a goal to get one plan -- I mean, for the President -- or does he see this as a process where he proposes one and then their -- Congress chooses from rival plans?

MR. SPEAKES: That would have to be determined, David, based on consultations. I think we will go forward with the Hill; and if there is a consensus, then all the better as to how to proceed among the various people making tax proposals.

Q Larry, in the broad sense on this is it fair to say that Regan's recommendations -- Treasury's recommendations and options include various options for getting rid of deductions? I mean, is that -- did he go through any specific deductions or did he -- and how that would impact?

MR. SPEAKES: He cited specific examples, yes, of how, if you proceeded with the plan as he's proposed it -- and that you would eliminate certain deductions. That's the only way to make tax simply -- he pointed out, for instance, that there were 350 tax forms, a hundred individual tax forms that a person could use. So the whole objective was to make it somewhat simpler.

Q Did he propose a whole specific proposal?

MR. SPEAKES: Yes.

Q Or did he just present -- Okay. Does it lower the individual tax rate to about 35 percent?

MR. SPEAKES: It lowers the individual tax rate. I think I'll let him be specific tomorrow.

Q How about the --

Q Corporate --

Q You say it's revenue neutral. Does the entire plan presented or reviewed today not increase revenues?

MR. SPEAKES: Well, I haven't seen the bottom line on it; but, basically, it meets the criteria of being revenue neutral. Once you lay out the entire plan and see it to its conclusion, yes, it is revenue neutral.

Q That means that this plan would in no way solve the deficit problem, is that right?

MR. SPEAKES: That's right. It's not aimed at that, except there could be additional revenues from underground economy. Maybe there are one or two other areas.

Sarah.

Q Well, we aren't --

Q What do you mean by that, Larry?

Q -- talking about a modified --

MR. SPEAKES: Without me saying it, you are --

Q Larry --

MR. SPEAKES: Yes.

Q -- the revenue neutral element relates to personal and corporate income taxes right now. The underground economy --

MR. SPEAKES: Is sort of a separate --

Q -- is sort of separate, and that part is not, obviously, going to --

MR. SPEAKES: That's right.

Q And do you have any estimate -- the President said aid to a billion is being lost -- do you have any estimate on what could be picked up?

MR. SPEAKES: We didn't get into that, so I don't know.

Q Did the President have any reaction when he was presented with this?

MR. SPEAKES: There were -- he made a number of inquiries for more specifics as he went down through it, and raised details, but it was not a session where they asked for his viewpoint. I would not anticipate that the President would move forward with any specifics from the administration until the State of the Union.

Q Well, did he say anything, like "thanks a lot," "good work," or something?

MR. SPEAKES: I think he will say more tomorrow. We'll probably have a statement by him tomorrow, in a written statement.

Q Can you give us any expression from him?

MR. SPEAKES: Well, as I say, it was --

Q -- with blood in it and --

Q Damming up the rivers. Toss them boulders.

Q Yes, we liked that one.

MR. SPEAKES: No, that was a good one. He laughed at it, but it was a good one, wasn't it? No, I don't have anything, because it was --

Q Who said it's -- what did he say? More simple, more --

MR. SPEAKES: Idea.

Q What did -- you decided it was that --

MR. SPEAKES: More simple, more fair.

Q -- or is that what Regan presented it said, this is more -- whatever.

MR. SPEAKES: Well, you can say Regan presented it, but it was the consensus of the group that it did meet the President's criteria.

Q Of being what?

MR. SPEAKES: More simple and more fair.

Q Over how long a period? What's the phasing that --

MR. SPEAKES: It depends on individuals. Within the program there would be proposals for various phase-ins, you know -- say you're going to eliminate a deduction, you may phase it in over five years and,say,you might do something else immediately. So it depends.

Q Is the accelerated cost recovery system modified significantly? Was it kept?

MR. SPEAKES: I just don't want to go into that many specifics.

Q The day before the election, in Rochester, Minnesota, the President said that the plan would not raise any individual's taxes, that is, the tax of any one taxpayer can -- does that still hold?

MR. SPEAKES: I think I'd rather let you go -- would it raise any individual's tax -- it does meet the President's criteria of making individual tax rates lower. Now I think I'd let you go over it with a fine-tooth comb with Regan to be sure that there's not something in there that would make that statement erroneous, but as I understand it, no, as far as individual tax rates are concerned --

Q Next step lower?

Q When the President said it, he didn't say tax rates. He said that no individual would pay more tax.

MR. SPEAKES: When you get off on the deduction side, eliminating deductions, and so forth, perhaps some are. I think Regan could answer that better than I.

Q When you said that it's revenue-neutral, that the package is revenue-neutral, by that should we assume that there is no new consumption tax or minor tax proposed?

MR. SPEAKES: From what I saw in the overview, no.

Q And when we talked about the options, there was general confirmation that we were talking about a modified flat tax, that means that even though Treasury may have explained the impact of something like a value-added tax, that that is not the final recommendation?

MR. SPEAKES: I don't quite understand -- there was no value-added tax in there.

Q Were there other options such as a value-added tax that were analyzed, and their impact analyzed?

MR. SPEAKES: I haven't seen the full report. I haven't seen the full report to say whether any were analyzed and discarded or not recommended. I don't know. I just saw the overview, which we all saw.

Q Does it wipe out the accelerated depreciation --

MR. SPEAKES: I'm just not going into specifics.

Q Well, Larry, without being specific on numbers, what about home mortgage? Does it cap that?

MR. SPEAKES: Home mortgage was not discussed. Jerry, as far as I know --

Q Second homes?

MR. SPEAKES: Second homes was not discussed in there. It could very well be, you know, we spent 40 minutes longer than we'd planned and we still did not get through the summary of it, because there were pauses for discussion.

Q Charitable wasn't discussed either, then, I assume?

MR. SPEAKES: Pardon?

Q Charitable contributions?

MR. SPEAKES: There was discussion of charitable contributions, yes.

Q What about state and local taxes?

MR. SPEAKES: There was discussion of state and local taxes.

Q Anything pertaining to fringe benefits?

MR. SPEAKES: Fringe benefits, yes.

Q Did the President ask questions or did anybody raise the subject of local -- of the mayors and other officials who've been complaining about the impact of changing the deduction on state and local taxes?

MR. SPEAKES: We're certainly aware that a number of individuals are going to have strong views about this, but the objective -- we're aware that a number of individuals will have strong views on the plan and the way it cuts with various individual factions, or various individuals within the society. But our view is that we set out to make the tax coder fairer and simpler, and if this would be enacted into law, it would do that.

Q Well, what about the mayors and the governors and some of the other local officials who really have a serious problem? Is the President going to meet with them and try to figure out how --

MR. SPEAKES: The Treasury department will have an open mind and will be open to ideas and suggestions from any special interest group that has -- that wants to present a different way to do it.

Q Do you consider the mayors as a special interest group?

Q Will we have copies of that document here tomorrow?

Q What time?

MR. SPEAKES: Pardon?

Q Do you consider the mayors like any other lobbying group, special interest group?

MR. SPEAKES: I use the term, special interest, to mean people who are sticking up for their own interest. I don't use it as a pejorative term.

David?

Q Is this a legislative priority for Reagan in 1985? A lot of people are saying it will take two or three years to get this through Congress. Does he have it as a goal to see this through in '85?

MR. SPEAKES: David, I think he will -- would like to deal with it in the State of the Union as to whether there's a possibility of getting the whole package enacted in '85 -- I think will depend on our consultations in the legislative route. Certainly, he would like to get it in place as quickly as possible.

Now, going -- but as far as the full effect of it, of course, it takes place over a number of years.

Sarah.

Q Does he believe that there's support for this kind of proposal out there, that this kind of thing could be accepted by --

MR. SPEAKES: Yes. We looked at the -- you look at the election, the people voted on no tax increase, and this does not provide for a tax increase. They voted for a simpler, more fair tax system. And that's what this is. So -- and they also voted -- and this is on the other side of the revenue -- of the fiscal issue -- is that they voted to reduce the size of the federal government and government spending. And so, that's the track we're on and we do think we have the support of the American people on it.

Bob, and then Peter.

Q Well, I just -- you just finished -- it may be redundant. Well, let me ask this question, is it your feeling that the President's vote did, in fact, reflect a desire on the part of the electorate to see this tax reform enacted?

MR. SPEAKES: That among others, yes.

Q Do you think it was a strong --

MR. SPEAKES: For tax reform? I think that public opinion polls have indicated that time and again, that the public wants -- that they perceive that the present tax system is weighted in favor of one group or another and that individuals sometimes are the losers within the tax system. And they perceive it as basically unfair. And that's what the President wants to see --

Q Does the President agree with that, that it's basically unfair right now?

MR. SPEAKES: I think the President thinks it's far too complex and it is unfair to some individuals, particularly those that are able to utilize tax shelters and loopholes in order not to pay taxes.

Q Larry, if you could clarify, is the revenue neutral label included when you consider what you're going to do to the underground economy?

MR. SPEAKES: I don't think so. You're getting me into a little deeper water. I don't think so.

Q You said no a second ago. Do you want to just smooth that a little and just say that you're not sure?

MR. SPEAKES: No. Obviously, it does.

Q So it is not -- revenue neutral when you include what you're going to do with the underground economy, is that right?

MR. SPEAKES: That's right, but the underground -- however we're going to tax the underground economy is a bit hard to grab a hold of as to what you're going to be able to do.

Frank.

Q That's what we mean. You've been talking about it for a long time.

Q Did the President actually receive anything, take anything? Was he given --

MR. SPEAKES: Yes --

Q -- this report?

MR. SPEAKES: -- he received a summary of it that was --

Q Was it one page or the 19 pages?

MR. SPEAKES: Which one do you have? I'd say the 19 -- the longer one. It's 15 or 20 pages, overview.

Q Why did you say you won't formally receive it until tomorrow?

MR. SPEAKES: That's the way Regan wants to do it. He'll send the big book over tomorrow.

Q Is there a form that he also saw? A typical form that would be --

MR. SPEAKES: No.

Q How big is the big book?

MR. SPEAKES: I don't know. I haven't seen it, so I don't know. Regan will have it and you'll probably get it, too.

Ben.

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Q It's fair to say then that this is going to be Regan's -- the Treasury Secretary's tax plan and not the President's until the State of the Union?

MR. SPEAKES: That's where it stands now. It's Regan's study and Regan's recommendations, that if the President thinks it meets his criteria, but there are many, many individuals' recommendations in it that he wants to hear more about.

Pat?

Q Well, has he just been fine-tuning this proposal and would it be fair to say that the bulk of his proposal will be his and that he'll just modify --

MR. SPEAKES: No, I wouldn't go so far as to say that because the President has received only the overview on it and he will have considerable input in the next 45 days before he is prepared to put his own proposal forward. This is -- I would guess, would form the working basis for the President's tax proposals.

Russ.

Q Larry, would you characterize this as moving in the direction of a flat tax?

MR. SPEAKES: Modified flat tax, yes.

Yes, sir.

Q What does that mean?

Q Would you solve a lot of anxiety among homebuilders and bankers by just basically coming out in general terms and describing how they save the mortgage interest deduction, for example, and IRAs? There are things that are saved in this modified flat tax.

MR. SPEAKES: Yes. I have not seen that much detail on it to be --

Q We need some details. That's really what everyone is wanting to hear right now.

MR. SPEAKES: That we'll protect the mortgage -- the home mortgage interest deduction? The President's pledged to do so and I -- without having seen it in this plan, which we didn't discuss today, the President sticks by his proposal.

Candy.

Q Now, what Regan is going to unveil tomorrow is an actual plan and what he gave to the President today wasn't, "Well, you can do this, this, or this," it was, "Here's what we think you should do." Is that correct?

MR. SPEAKES: What he will do tomorrow, I believe I'm right, is to unveil an actual plan, the results of his study.

Q Well, when all these things were ticked off here to you -- the charities, the state and local, and you said they were discussed -- surely they're not going to discuss something Regan did not recommend, or did they?

MR. SPEAKES: No.

Q Are you saying that --

MR. SPEAKES: That's right. These were proposals -- these were examples of the types of proposals that Regan has recommended in his full study.

Q The charities --

Q So, state and local taxes, charities, all of that stuff is in this plan?

MR. SPEAKES: That's right.

Q Eliminating the deductions, for instance --

MR. SPEAKES: Well, I don't want to --

Q You're not saying which way it cuts, though.

MR. SPEAKES: Yes, I don't want to say that, but you can guess from the leaks.

Q He could have a plan to keep it the way it is, I mean --

MR. SPEAKES: You mean to stay where we are?

Q Yes. I mean, he's not going to recommend that -- it's not going to be in the plan --

MR. SPEAKES: Oh, I know. As I say, I'm not trying to preempt the study, but --

Q But you're saying that those things --

MR. SPEAKES: -- but certainly I'm winking and nodding. (Laughter.)

Paul -- is asleep. (Laughter.)

Q Well, let's go take these winks and nods and file on them.

MR. SPEAKES: Yes. Go get the facts from somebody else.

Mike?

Q During the campaign, the President --

Q Marlin? (Laughter.)

Q -- pledged several new tax things, including tuition tax credits, spousal IRAs, R & D credits -- do those go by the board, or are those incorporated in that?

MR. SPEAKES: I don't know. They were not in the overview that we discussed. But they could be in this comprehensive plan.

Bob?

Q I hesitate to put myself in this position, but I think your winking and nodding has given different signals to this whole group, and I think if you'd check you'd find that to be the case. Is there any chance that you could clarify it?

MR. SPEAKES: Well, I was asked, did it include state and local, and was that discussed? Did it include charities, did it include one more category -- and I said, yes, fringe benefits. I said those items were discussed. And then Candy says, "Well, you wouldn't discuss them if you were going to leave them the same." And I said -- I didn't answer that I don't guess, but then that's when I said I was winking and nodding.

Q But you're obviously saying they're modified -- there are some deductions that are being modified, but you're not saying those are totally excluded, right?

MR. SPEAKES: No -- I'm trying not to say anything much.

Ben?

Q -- doing a pretty good job of it.

Q That would lead us to believe that charitable deductions are going to be somehow altered.

MR. SPEAKES: Pardon?

Q That would lead us to believe that charitable deductions are going to be somehow altered.

MR. SPEAKES: That -- that might do that. (Laughter.)

Q The President had pledged not to do that.

MR. SPEAKES: Charitable deductions? No, I don't think so.

Q Altered or abolished?

Q What was the question on that?

Q That he had promised not to alter them.

MR. SPEAKES: Charitable deductions? I don't think so -- does anybody -- I believe I'm correct that there was no campaign promise on that I don't think, Sara.

Q Does the plan shift? Within the rubric of being revenue neutral, does it shift the tax burden from individual to business, or from business to individual?

MR. SPEAKES: I would let you guess, but I wouldn't say.

David?

Q Larry, does the pledge on revenue neutrality good from the first year on, or does that only take effect later? In other words is it revenue neutral the first year it goes into effect? Or does it only become revenue neutral at some later time?

MR. SPEAKES: David, I don't know the answer to that.

Jerry?

Q What about ACRS? Are you going to wink on that? Was that discussed?

Q Go ahead, wink.

Q Nod.

Q When we finish the full briefing before you --

MR. SPEAKES: Let me preclude that, because I've got a guy waiting up there that's been waiting since 3:00 p.m. I'm not going to fine tune anymore. Anything you want to ask, ask here and I'll answer or not answer, but I'm not going to give anybody -- nobody's going to get anything that you don't get.

I'm going to him, but I just want to preclude the stampede here, because I'm going to see this guy right off the bat -- you'll be cooling your heels.

Q Workman's comp and unemployment -- is that a wink? Is that a winker?

MR. SPEAKES: I'm not winking or nodding on those.

Q What about the --

Q Larry, all the stories about -- in advance, about the Hill story -- all of them exclude charitable deductions, so that would be a big new thing here if his plan includes the elimination of charitable deductions of some type.

MR. SPEAKES: Well, I would not --

Q You're not steering us away --

MR. SPEAKES: I wouldn't jump to conclusions as to what we might do on charitable deductions.

Q You said the President's pledged to protect the home mortgage interest deduction. Does that mean that it was not capped, or -- does that mean in no way modified?

MR. SPEAKES: Bob, we did not discuss that in this meeting, so I do not know. I would assume that it in no way modifies it, but I don't know that because I haven't seen the full --

Q Larry, does the President think this is going to be a hard sell?

MR. SPEAKES: I think the President recognizes that further budget reductions and tax simplification is always difficult, but I think the President believes that he has the support of the American people on this, and once they understand it fully that there will be support and the public will make their views known to Congress.

Q Won't the contributions drop off -- the charitable contributions drop off if they're not tax deductible?

MR. SPEAKES: I'm not saying that now -- that all the charitable contributions will not be deductible.

Q What other --

Q What did you say about the accelerated --

MR. SPEAKES: What I was saying is -- Pat said, I forgot what Pat's question was, but I said don't jump to conclusions about what might be done, recommended, on charitable deductions.

Q Increase charitable deductions? (Laughter.)

MR. SPEAKES: Pardon?

Q Going to increase charitable deductions?

MR. SPEAKES: No.

Q Double --

Q Bigger write-off?

MR. SPEAKES: No.

Q But you were suggesting that something might be done to it -- is that fair --

MR. SPEAKES: I was saying it was discussed.

Q You were winking and nodding in those three areas. That those three areas were discussed because -- there are changes being made in present tax law in those three areas.

MR. SPEAKES: That's right.

Q Clarification -- is that changes over and above the fact that their value might decrease if we had lower tax rates? Changes separate from just the fact that if the rates go down the deduction would be worth less?

MR. SPEAKES: Worth less -- yes. Over and above that.

Q Have you done any winking or anything on accelerated depreciation?

MR. SPEAKES: No. (Laughter.) I stayed clear of that -- because that makes a lot of people nervous.

Q When is this? At 2:00 o'clock tomorrow?

Q Would you like to do anything on this subject?

MR. SPEAKES: I don't want to -- this is Regan's show, and he sure can do it a lot better than I can.

Peter?

Q For those of us in the back -- can we -- make sure I understand -- the three areas that John was referring to are: state and local, fringe benefits, and charitable deductions?

MR. SPEAKES: Yes.

Q Are we talking the same language?

MR. SPEAKES: Yes. You may quote me as saying they were discussed, and you may speculate that there might be some changes in those areas.

THE PRESS: Thank you.

END 4:26 P.M. EST