Product Account (''NIPA'') data published by the Bureau of Economic Analysis, U.S. Department of Commerce. In the MEG model, and to the extent possible in the commercial models, Joint Committee staff use the forecast for Federal and State and local government expenditures and receipts forecast by the Congressional Budget Office (The Budget and Economic Outlook: Fiscal Years 2004–2013, January 2003) instead of the NIPA series for these fiscal variables. For purposes of modeling changes in average and marginal tax rates in the macroeconomic models, the Joint Committee staff use microsimulation models that are based on tax return data provided by the Statistics of Income Division of the Internal Revenue Service (''SOI'').

The Joint Committee staff uses these microsimulation models to determine average tax rates and average marginal tax rates for the different sources of income in each model, and to calculate the changes in these rates due to the proposal. The tax calculator calculates the change in liability due to the proposal for each record. These changes are aggregated for use in the macroeconomic models according to the different levels of disaggregation in each model. In the aggregations, averages are weighted by the income for each group. The percent change in average and marginal rates due to this proposal are:

TABLE 6.—PERCENT CHANGE IN TAX RATES DUE TO PROPOSAL

Year	Average tax rate on wages	Average marginal tax rate on			
		Wages	Interest	Dividends	Capital gains
2003	−11	−9	−11	−51	−24
2004	−10	−6	−8	−49	−23
2005	−9	−3	−6	−52	−24
2006	0	0	0	−48	−23
2007	−1	0	0	−48	−23
2008	0	0	0	−50	−22
2009	−1	0	0	−47	−22
2010	−1	0	0	−48	−22
2011	−1	0	0	−52	−22
2012	−1	0	0	−50	−21
2013	0	0	0	0	0

To obtain information about the effects of proposals affecting business tax liability, the Joint Committee staff uses a corporate tax microsimulation model that is similar in structure to the individual tax model. This data source for the corporate model is a sample of approximately 140,000 corporate tax returns provided by SOI.

Depending on the requirements of the policy simulation, the corporate model can be run either on a full cross section of sampled tax returns, (i.e., one full year, or on a panel of returns constructed from any combination of tax years in the 1987 through 1998 period). This panel feature is particularly useful in tracking net operating losses and credits that can be either carried back or carried forward to other tax years.

Finally, Joint Committee microsimulation tax calculators are also used to help assess the effect of a tax proposal on the cost of capital because some firms are operating at or near a net operating loss (''NOL'') position, not all of the 50 percent of equipment expenses can be deducted by each firm each year. A key component of the cost of capital is the net present value of depreciation deductions. An increase in the value of the depreciation deduction lowers the cost of capital. The calculated percent increases in the net present value of the depreciation deduction due to this proposal are shown below (the change is different for each of the first three years because of the temporary nature of the bonus depreciation provisions in present law and in the proposal):

TABLE 7.—EFFECTS ON NET PRESENT VALUE OF DEPRECIATION DEDUCTION

Year	Percent change from present law
2003	8.3
2004	9.1
2005	15.4
2006	.005

5. CONCLUSION

The Joint Committee staff model simulations indicate that H.R. 2 would likely stimulate the economy immediately after enactment by creating temporary incentives to increase work effort, business investment, and consumption. This stimulus is reduced over time because the consumption, labor, and investment incentives are temporary, and because the positive business investment incentives arising from the tax policy are eventually likely to be outweighted by the reduction in national savings due to increasing Federal government deficits.

The SPEAKER pro tempore (Mr. GINGREY). Under a previous order of the House, the gentleman from Indiana (Mr. BURTON) is recognized for 5 minutes.

(Mr. BURTON of Indiana addressed the House. His remarks will appear hereafter in the Extensions of Remarks.)

The SPEAKER pro tempore. Under a previous order of the House, the gentleman from California (Mr. FILNER) is recognized for 5 minutes.

(Mr. FILNER addressed the House. His remarks will appear hereafter in the Extensions of Remarks.)

SUPPORTING JOBS AND GROWTH ACT OF 2003

The SPEAKER pro tempore. Under a previous order of the House, the gentleman from Texas (Mr. HENSARLING) is recognized for 5 minutes.

Mr. HENSARLING. Mr. Speaker, I rise today in strong support of H.R. 2, the Jobs and Growth Act of 2003. Now that we have won the battle for Baghdad and liberated the people of Iraq from despotism, it is time to win the battle for jobs and liberate the American family from economic uncertainty.

American families need more job opportunities and they need them now. The Democrats' plan for the American family is the same that it has been for 50 years, tax and spend, tax and spend, in other words, to take a larger slice of the family income pie. Our plan, the Republican plan, is to grow the size of that family income pie by growing the economy. Democrats have a plan to create more government. Republicans have a plan to create more jobs. The Republican plan will create 1.2 million new jobs by the end of 2004. The Democrat plan grows the government and erases tax relief, increasing taxes by $128 billion, dramatically threatening our economic recovery.

Mr. Speaker, Americans want more jobs, not more government. When economic growth occurs, businesses generate greater profits, more people go to work, they get better jobs, and they get better wages. But to encourage individuals and families to risk their time, to risk their savings on that new software idea, a transmission repair shop or any other enterprise, they need tax relief. Our plan provides it.

Mr. Speaker, we have historical evidence that tax relief works. Each time our Nation has significantly reduced income tax rates, economic growth has followed. After President Reagan lowered tax rates in the 1980s, real economic growth averaged 3.2 percent per year and Federal revenues actually increased by 20 percent.

When President Kennedy reduced marginal rates in the 1960s, we experienced several years of 5 percent economic growth.

The same is true of tax relief during the 1920s, where economic growth averaged 4.3 percent. The Democrats criticize the Jobs and Growth Act because they claim tax relief causes deficits. But as I just explained, history shows us that tax relief and business incentives can grow our economy and create jobs. That is the way to fight deficits. And while the Democrats protest job-creating tax relief on the one hand, they want to bust the budget by increasing Federal Government spending by over $1 trillion on the other.

The tax relief proposed in the Republican Jobs and Growth Plan amounts to just 2 percent of the budget. In other words, 98 percent of the deficit problem is on the spending side, the Democrat side. No Democrat in Congress should be able to look the American people in the eye, claim to care about deficits, yet propose to spend billions and billions more on Federal programs.

The Democrat plan guts the family budget. It is wrong. It is unfair, and does nothing to create jobs. Democrats claim to love jobs. They just seem to hate those who create them.

Now, Mr. Speaker, before becoming a Member of Congress, I was a small businessman for 10 years. And small