

RULES OF THUMB ON REVENUE LOSSES UNDER VARIOUS TAX CUTS

TAX LOSS

Change in exemption level-----	For each increase of \$100 from the present per capita exemption level of \$600, the aggregate revenue loss is approximately \$3 billion per year.
Reduce individual income tax rates across the board.	Each 1 percentage point reduction in the individual income tax rates involves an aggregate revenue loss of approximately \$2,000,000,000 per year.
Reduce present 1st bracket rate-----	Each 1 point reduction in the 1st bracket rate, presently 20 percent, involves an aggregate revenue loss of approximately \$1,300,000,000 per year.
Splitting 1st bracket and reducing rate in new 1st bracket.	If a new 1st bracket were created equal to one-half the present 1st bracket range, the aggregate revenue loss for each 1 point reduction from the 20-percent rate in the new 1st bracket involves an aggregate revenue loss of approximately \$800,000,000 per year.
Reduction in corporate rate-----	Each 1 percentage point reduction in the present 52-percent corporate rate involves a revenue loss of approximately \$500,000,000 per year.

COMPARATIVE YIELD ON SELECTED LONG-TERM GOVERNMENT BONDS INCLUDING RECENTLY OFFERED 4½ PERCENT, AUGUST 15, 1987-92

In its financing in the last week of July, the Treasury offered a long-term bond callable August 15, 1987, and maturing August 15, 1992, bearing a coupon of 4½ percent, offered at 101 to yield 4.19 percent. In the announcement the Treasury indicated an outside limit of \$750 million of these bonds. Subscriptions for them came to \$316 million and they were allotted in full.

There is no outstanding bond against which the comparative yield of this issue may be measured directly, but the accompanying table shows yields on four other issues of long-term bonds. Of these four, perhaps the best comparison would be with the 3½ percent due February 15, 1990, since the maturity on this issue lies between the call date and the due date on the new issue. On July 30 it was quoted at 4.14-percent yield.

Direct comparison of yields must take account of the fact that each of the four previously outstanding issues are selling below par, which to certain investors, has an added attraction since the bonds are redeemable at par if the proceeds are used for the payment of Federal estate taxes.