



# CONGRESSMAN WALTER CAPPS

## *Keeping in Touch*



### SPECIAL REPORT

## *Balancing the Budget and Cutting Taxes*



September 1997

Dear Friends,

Knowing of your strong interest in budget and tax issues, I am very pleased to send you this Special Report on important new developments in Congress.

In January, I came to Washington to work on a bipartisan basis on the major issues facing our country. I promised to work hard to balance the budget, cut taxes, and strengthen our commitment to education and health care. I'm proud to report that this promise has been fulfilled.

A few weeks ago, Congress passed and the President signed legislation that will balance the budget for the first time in 30 years. We enacted the first major tax cut in 16 years. The budget plan also ensures that the Medicare program will stay healthy for another decade—with no new costs to seniors. And we will help make higher education more affordable.

This bipartisan bill is good for the Central Coast and for America. It is mainstream and fiscally responsible. I spent a lot of time in Washington working on this package and co-sponsored a number of bills that were included in the legislation. These efforts stem from my travels throughout San Luis Obispo and Santa Barbara counties, meeting and speaking with my constituents. Thousands of you have visited, written and called my four offices, or sent me e-mail. Thousands more took the time to respond to my recent constituent survey. This communication is very important. Please keep in touch.

Sincerely,

Walter Capps  
Your Representative

## Highlights of the Budget

### ✓ **Balances the Budget:**

A balanced budget means more jobs, low inflation, lower interest rates, and a sound economy.

### ✓ **Helps Farmers and Businesses:**

Reduces capital gains and estate taxes. Keeps farms in the family, not on the auction block. Assists the Central Coast high-tech industry.

### ✓ **Relief for Families:**

Provides tax credits for raising children. Eliminates tax on almost all home sales. Creates scholarships and tax credits for higher education and new IRAs for first homes and college.

### ✓ **Protects Seniors:**

Saves Medicare from bankruptcy without raising premiums or eligibility age. Cracks down on Medicare fraud and abuse. Adds key new preventative benefits.



**Congressman Walter Capps—a former teacher—speaks in a classroom about education. The budget bill contains a \$500 per child tax credit and new ways to help families pay for higher education.**



# Cutting Your Taxes

## Child Tax Credit

Provides \$500 per-child credit covering kids up to age 17 for families earning up to \$110,000 (couples) and \$75,000 (singles), starting in 1999. 1998 credit is \$400.

## Estate Tax

For family farms and businesses, raises estate tax exemption from \$600,000 to \$1.3 million starting in 1998. Raises exemption on other estates from \$600,000 to \$1 million over 10 years, beginning with \$625,000 in 1998.

## Capital Gains

Effective May 7, 1997, the capital gains rate is lowered from 28% to 20%. For lower income taxpayers, it is reduced to 10%. Taxes on assets held for five years will be reduced even more.

**F**or the first time in 16 years, Americans will receive broad based tax cuts. This mainstream tax relief is targeted to those on the Central Coast who need it the most—middle-income families, farmers, small businesses, and students. Here is a summary of the key tax cuts that I fought to enact:

## Home Sales

Effective May 7, 1997, makes \$500,000 in profits realized from home sales exempt from all Federal capital gains taxes (\$250,000 for single taxpayers). This exclusion is renewable every two years.

## Higher Education

Establishes, in 1998, HOPE scholarship worth \$1,500 for first two years of college and a 20% tax credit for the next \$5,000 in higher education bills. Tax credit is available to families earning up to \$80,000 (\$50,000 for singles). Creates new education savings accounts.

## New IRAs

Creates new Individual Retirement Account (IRA) option, available to couples making up to \$150,000 (\$95,000 for singles). Raises the income thresholds for existing IRAs to \$80,000 per couple and \$50,000 for singles over ten years. Both IRAs include penalty-free withdrawals for higher education and first-home purchase.



*Congressman Walter Capps meets with Central Coast seniors. The budget plan strengthens the Medicare Trust Fund and cracks down on fraud and abuse. Rep. Capps helped defeat proposals that would have increased premiums, raised the age of eligibility, and cut Social Security cost-of-living adjustments. He also fought to include new benefits for mammography, cancer, diabetes, and osteoporosis services.*

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