

QUESTIONS FOR OACT for FEBRUARY, 25, 2001 Technical Panel meeting

Dynamic Microsimulation

Panel member Favreault will give a presentation on dynamic microsimulation models: how they work, the characteristics/features of a few prominent examples (DYNASIM and MINT), strengths and weaknesses/challenges of the strategy, and some lessons learned.

Related questions for OACT:

- Could you please update us on the current status of OACT's microsimulation efforts (including both large-scale dynamic modeling efforts and the development of micro-level databases that facilitate, for example, development of benefit projection estimates)?
- Could you also describe any future development plans? We are particularly interested in understanding the relationship between the main (segmented) model and the dynamic microsimulation model under development. What are the implications for the development of benefit projections as the dynamic model progresses?
- One of the biggest challenges that microsimulation developers face is the estimation of lifetime earnings histories. Can you tell us about OACT's current approach and how it compares with the literature and other similar models (e.g., CBOLT, DYNASIM, MINT)?
- Are there ways that members of the Technical Panel could offer developers guidance in meeting any of these challenges? {I could provide information on the MINT and DYNASIM pieces if that would be useful.}
- How does OACT envision the role of alignment in its dynamic microsimulation models?
- Is there potential to take advantage of synergies across dynamic microsimulation modeling projects in different parts of the agency (most notably MINT)?

Taxable Share

Panel member Favreault will give a brief presentation on why the taxable share is important for both cost and distributional estimates and recent literature on trends in earnings dispersion over recent decades.

Related questions for OACT:

- What factors in the underlying model contribute most to long-run projections of the taxable share?
- We recognize that reliable data on the very highest earners are scarce. Have you analyzed any data that allow you to decompose trends in the taxable share in the historical period into the fraction due to the aging of the population into ages with relatively high fractions of workers earning over the taxable maximum, the fraction due to increased inequality/skewness in

earnings among very higher earners, and cyclical aspects? Put another way, how do the data inform decisions about whether recent patterns in the taxable share mark the end of a transition period or an on-going trend?

Taxation of Benefits

- Could you please give a brief overview of the methods for projecting revenue from the taxation of benefits?
- How sensitive are projections of revenues from the taxation of benefits to assumptions about the definition of current (federal income tax) law?