

## EDITORIAL BOARD MEMO

To: Editors and Columnists  
From: Frank Clemente, Executive Director, Americans for Tax Fairness  
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### **FEDERAL BUDGET DEBATE HAPPENING THIS WEEK IN CONGRESS OFFERS STARK CONTRASTS IN SPENDING AND TAX PRIORITIES**

*Need to Raise Significant Revenues from the Wealthy and Corporations Takes Center Stage as Parties Debate Budget Proposals*

**WASHINGTON, D.C.** – This week the U.S. House of Representatives and the U.S. Senate will vote on their proposed budgets for the next fiscal year, which begins October 1. Both chambers will then try to reconcile their differences before April 15. If they agree on a budget it will set the stage for a major debate with President Obama this summer and fall over tax and spending priorities, as a government funding bill will need to be passed by September 30, \$110 billion in new sequestration budget cuts kick in and the debt ceiling limit will need to be raised.

The [House](#) and the [Senate](#) Republican budgets that will be on the floor of each chamber this week, and that were approved by party-line votes in the budget committees last week, have some differences but they would both have the same devastating results. Instead of asking corporations and the wealthy to pay their fair share of taxes, the proposals seek to balance the budget over 10 years by slashing funding for critical services; repeal Obamacare, which is insuring 16.4 million Americans; and employ budget gimmicks that are nothing but smoke and mirrors. As the *New York Times* put it: “House Republicans are [sticking to their tired themes of spending cuts, no matter the need or consequences, and tax cuts above all.](#)”

**We urge you to oppose these budgets and to editorialize in favor of tax reform that would raise significant revenues from the wealthy and corporations, with the revenues used to help reduce the deficit and to make new investments that will make our economy more productive and provide greater security to American families.**

#### **DETAILS ABOUT THE TWO BUDGETS**

There is a great deal of similarity between the House and Senate Republican budget proposals, which are analyzed by the Center on Budget and Policy Priorities (CBPP) [here \(House\)](#) and [here \(Senate\)](#) and by [Americans for Tax Fairness here](#). [Senate Budget Committee Democrats](#) and [House Budget Committee Democrats](#) have also prepared analyses. [National Priorities Project](#) has an online comparison of these budgets that may be of interest to your readers.

Similarities between the budgets include:

- **Both budgets claim to balance the federal budget in 10 years through budget cuts alone:** The House budget cuts spending by \$5 trillion and the Senate by \$4.5 trillion outside of military spending, which both budgets increase. But as columnist Paul Krugman noted, the budgets “[contain a trillion-dollar ‘magic asterisk.’](#)”
- **Neither budget raises any new revenue nor closes any tax loopholes to help reduce the deficit or to fund new investments.** Hugely profitable corporations – Verizon, Boeing, General Electric and many others – that [paid no federal income taxes in recent years](#) would be able to continue to dodge paying their fair share.
- **Neither budget makes any new investments:** In fact, they dramatically cut non-defense discretionary programs (\$759 billion in the House; at least \$236 billion in the Senate) that fund infrastructure, scientific and medical research, education, energy development and conservation, and the general functions of government.
- **Both budgets repeal the Affordable Care Act:** It now provides health coverage to 16.4 million, and they make deep cuts in Medicaid (up to \$900 billion in the House and \$400 billion in the Senate) and propose to make it a block grant to states.
- **Both budgets propose deep cuts to so-called “mandatory” or “entitlement” spending:** A total of \$1.1 trillion in the House and \$1.2 trillion in the Senate is cut, but they do not specify where those cuts should be made. This would require large cuts to Medicare, food stamps, Pell grants and other college aid, school lunch and child nutrition programs, Supplemental Security Income for the elderly and disabled, and income supports for low-income working families through the Earned Income Tax Credit and the Child Tax Credit.

All of these cuts would occur as working families are already enduring more than [\\$2.5 trillion in cuts to vital programs over 10 years](#) to pay down the deficit, according to the CBPP. Moreover, since 2010, to reduce the deficit there has been [\\$4 in spending cuts for every \\$1 in new revenue](#). The Senate budget would bring that ratio to more than [\\$11 in spending cuts for every \\$1 in new revenue](#), according to Senate Budget Committee Democrats.

## TAX PROPOSALS IN THE REPUBLICAN BUDGETS

The [House budget](#) provides some specifics about cutting taxes (pp. 12 and 17), but it does not include a detailed plan as in years past under former Chairman Paul Ryan (R-WI). The [Senate budget](#) avoids any details, simply stating that Congress is allowed to reform and amend the tax code and to repeal the medical device tax, which would lose \$29 billion over 10 years (p. 6).

This relative silence is not a surprise, as tax reform plans that dramatically cut taxes for the rich and corporations have little public support. A [Pew Research Center poll](#) released last week found that the chief complaint about the tax system held *strongly* by more than 60 percent of the public is that some corporations and the wealthy *don’t pay their fair share of taxes*. Just 27 percent felt *strongly* about their own tax bill. This [ATF compilation of tax questions](#) from polls in recent years mirrors these views.

The tax reform goals of conservatives, as proposed by Rep. Ryan in recent budgets, are very costly and heavily favor the wealthy and big corporations. They include:

- **Reducing the top corporate income tax rate from 35% to 25%.** This would cost [\\$1.3 trillion over 10 years](#), according to Congress' Joint Committee on Taxation.
- **Reducing individual income tax rates to two brackets– 10% and 25%.** [The revenue loss would be \\$3.5 trillion over 10 years](#). The top marginal tax rate would be reduced from 39.6% to 25%, with [48% of that amount, \\$1.7 trillion](#), going to households with income exceeding \$1 million, according to the Tax Policy Center. [Millionaires would get an average net tax decrease of over \\$200,000 a year](#) even if they had to give up *all* of their tax loopholes and tax breaks, according to Citizens for Tax Justice.

The House budget itemizes about \$1.3 trillion in tax cuts, which would mostly benefit the wealthiest Americans. It would:

- **Repeal the Affordable Care Act's tax increases** (p. 17). The [revenue loss would be about \\$1 trillion over 10 years](#), according to the Congressional Budget Office (Table 2). This includes [repealing a 3.8% Medicare surtax on unearned income of the wealthy](#) and the 0.9% Medicare surtax on high wage and salary income.
- **Repeal the Alternative Minimum Tax** (p. 12), which ensures that higher income people pay at least some base level of tax. The [revenue loss would be \\$330 billion](#), according to the Tax Policy Center, with [90% of the benefits going to the top 5%](#) of households.
- These repeals [would cut taxes by roughly \\$50,000 on average for people with incomes exceeding \\$1 million a year](#), but by less than \$10 on average for those making \$50,000 to \$75,000, and by essentially nothing on average for those earning less than \$50,000, according to the Center on Budget and Policy Priorities.

## CONCLUSION

The American public is in a very sour mood about politics in Washington. Much of it is driven by their feeling that the system is rigged in favor of the wealthy and powerful interests, elected officials are doing their bidding, and the economy is not working for everyone. The tax system is Exhibit #1 in their mind.

In recent years, corporations have not contributed a dime in new taxes to reduce the deficit or to finance new investments. [The wealthy contributed \\$620 billion toward deficit reduction](#) when the Bush tax cuts expired for the top 1 percent in 2013, but they can certainly afford to do much more, [as President Obama recently proposed](#). America's families and communities have contributed a lot through trillions of dollars in budget cuts in recent years.

We urge you to add your voice to the debate, noting how unfair and unbalanced these budgets are and calling on Congress to pursue policies that make the wealthy and big corporations pay their fair share of taxes instead. Policy experts at ATF and at our coalition partners are always available to provide you with a telephone briefing or send you more information. Thank you for your consideration on these critical issues.

*Americans for Tax Fairness is a diverse coalition of [425 national and state endorsing organizations](#) that collectively represent tens of millions of members. The organization was formed on the belief that the country needs comprehensive, progressive tax reform that results in greater revenue to meet our growing needs. ATF is playing a central role in Washington and in the states on federal tax-reform issues.*

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