



PROTECT PEOPLE WITH DISABILITIES NOT TAX BREAKS FOR MILLIONAIRES

Many elected officials in Washington are consumed with getting a major plan approved to reduce the federal deficit. While deficit reduction is important over the long-term, after the economy grows much more robust and produces a large number of jobs again, it should not come at the expense of people with disabilities.

In this debate, Congress and the President must decide how to pay for deficit reduction. Should we end the 2001 and 2003 tax cuts to those with the highest incomes and make big corporations pay their fair share, or should we cut programs that are critical to the independence and wellbeing of people with disabilities – Medicaid, Social Security, Supplemental Security Income (SSI), and more? For people with disabilities the choice is clear.

Threats People with Disabilities Face from Congress in the Lamé Duck

- 1) Massive across-the-board budget cuts of \$1.2 trillion over 10 years – known as “sequestration.”**¹ While Medicaid, Social Security, and Supplemental Security Income (SSI) have so far been spared from across-the-board budget cuts that begin in January, many other programs that people with disabilities depend on will be hit hard. Included are deep spending cuts to Social Security administrative costs, which will dramatically delay the processing of claims; housing for people with disabilities; transportation; home care, homemaker, and personal care services; health promotion and disease prevention services; and jobs and community service programs.²

These across-the-board budget cuts are comparable to the revenue that can be generated by ending the Bush-era tax cuts for income over \$250,000 a year. This would generate about \$1 trillion in savings over 10 years.³ Continuing tax cuts for the wealthiest Americans gives another \$160,000 tax break on average to those who make over \$1 million a year.⁴ In recent years, the wealthiest Americans have seen their incomes soar while getting huge tax breaks. We just can't afford to keep giving tax cuts to those who need them the least while millions of Americans with disabilities continue to struggle.

- 2) A push for \$4 trillion in deficit reduction over 10 years – a so-called “grand bargain.”** There is a push in Washington to reduce the federal deficit by \$4 trillion over the next 10 years, primarily by cutting government spending. But federal spending was already cut by \$1.5 trillion over 10 years in the first round of deficit reduction negotiated in 2011.⁵ Sixty percent of the cuts will be in programs important to our families such as education,

housing, employment, family supports, and transportation. That's before the \$1.2 trillion in across-the-board spending cuts from sequestration.

Without new revenue, any plan to cut \$4 trillion in spending likely will result in major reductions in Medicaid, Medicare, and even Social Security. Below are some proposals to reduce spending that have been made in House-passed Republican budgets and in some cases by President Obama:

Medicaid

- *Reduce Medicaid funding by changing match to a block grant.*⁶ House Republicans voted in 2012 to turn Medicaid into a block grant, reducing payments to states by 34 percent under a funding plan that would no longer keep pace with health care costs or with expected Medicaid enrollment growth as the population ages and employer-based health insurance continues to erode. This would dramatically shift costs to states, resulting in millions of low-income people with disabilities and others losing coverage or paying more. Access to home- and community-based support services could be hit hard.
- *Change matching rate to a blended rate.* Some have proposed "blending" the federal matching rate for state Medicaid programs. Currently, the federal government matches state Medicaid spending at a rate determined by state income. A blended rate would reduce payments to lower income states and shift costs onto these states, causing millions of low-income people with disabilities and others to lose coverage or lose access to home- and community-based services.⁷
- *End or reduce provider taxes.* The National Commission on Fiscal Responsibility and Reform (also known as the Bowles-Simpson Commission) proposed the elimination of provider assessments as a "tax gimmick." While the system of provider taxes is in need of reform, states use the additional revenue gathered via provider taxes to provide important but otherwise unaffordable services, such as vision, dental, and home- and community-based services. A cut to provider taxes is a cut to health care for people with disabilities, as the federal match will only be reduced if states respond by cutting these important services.⁸

Social Security

- *Lower the cost-of-living adjustment (COLA).* The COLA already does not keep pace with rising medical costs for people with disabilities, but some have proposed to shift to a so-called "chained CPI," which is even less generous. It would cut the benefits of an average earner retiring at 65 in 2011 by \$6,000 over 15 years.⁹ The cost of this benefit cut is \$112 billion over 10 years.¹⁰ That's nearly the \$120 billion that would be raised if the estate tax were increased from its current low level to what it was in 2009, which President Obama has proposed.¹¹ (Under Obama's plan just 3 out of 1,000 estates – 0.25 percent of estates, or 6,400 estates total – would owe any estate tax.¹²) If Congress adopts this less-

generous inflation adjustment for Social Security, it in effect would be providing heiresses like Paris Hilton with a wealthier retirement rather than protecting the retirement benefits of millions of low-income seniors.

Medicare

- *Cuts to Medicare to pay for the “doctor fix.”* The House-passed Republican budget would allow the 33 percent cut to Medicare reimbursement rates to physicians to occur at the beginning of 2013. In past debates to avoid these cuts, House Republicans have required any bill to “fix” the reimbursement rate to be offset by cuts elsewhere in the budget, for example by means testing Medicare to require higher income people with disabilities to pay more for their coverage.¹³
- *Shift Medicare Part B costs onto people with disabilities through higher premiums.* Some proposals include a 30 percent surcharge on Part B premiums for new beneficiaries who purchase Medigap policies.¹⁴
- *Raise the Medicare eligibility age from 65 to 67.* This would leave people with disabilities without coverage at one of the most vulnerable times in their lives unless they can find employment with health coverage, pay for insurance out of pocket, or deplete their savings to become eligible for Medicaid.¹⁵

Other Programs

- *Cutting supports and services to people with disabilities.* Non-defense discretionary funding could shrink by \$800 billion over 10 years, drastically cutting services and supports under the Developmental Disabilities Act, Individuals with Disabilities Education Act (IDEA), and Money Follows the Person Rebalancing Demonstration Act, and many other landmark laws that provide protection and advocacy, early intervention, special education, and community-based long-term social services and supports for people with disabilities.¹⁶
- *Eliminate the eligibility for millions of low-income Americans to qualify for SNAP.* This could push up to 8 million low-income Americans, including many people with disabilities, off of Food Stamps.¹⁷

People with disabilities have already contributed a great deal toward deficit reduction. If we are to reduce the deficit, we cannot just cut our way out of this problem. If Congress wants more deficit reduction – or additional investments in jobs and services to rebuild our economy – then it needs to raise more revenues by asking higher income individuals and big corporations pay their fair share of taxes. President Obama has proposed \$1.6 trillion in new revenue over the next 10 years, virtually all of which would come from the wealthiest Americans and from corporations.

The Revenue Crisis

Federal revenue as a share of the economy has averaged about 15 percent in the past five years, nearly 5 percentage points below where it was from 1998-2001, the last time the federal budget was balanced.¹⁸ As baby-boom retirements accelerate, there will be a need for even more federal revenue to make sure that seniors and people with disabilities can live in the community as independently and productively as possible.

Wealth at the top has soared in recent years as the income of the middle class has stagnated. The richest 1 percent holds 35 percent of the nation's wealth, and the bottom 90 percent owns just 23 percent.¹⁹ Yet, the average federal tax rate for the top 1 percent of households declined from 35.1 percent to 28.9 percent between 1979 and 2009.²⁰ We cannot afford to keep giving tax cuts to those who need them the least.

Corporate America's contribution to federal revenue has plummeted by 75 percent in the last 60 years, from 30 percent to 8 percent²¹ while its profits have soared. This puts a much bigger burden on individual taxpayers.

A guiding principle of tax reform should be to raise more revenues from big corporations by closing loopholes, especially those that give tax breaks to companies that ship U.S. jobs overseas and that make it easy for companies to shift profits overseas to tax havens, thereby avoiding U.S. taxes.

Asking the wealthiest Americans and big corporations to pay their fair share of taxes is not controversial. Typically, by a 2 to 1 margin the public supports ending the Bush tax cuts for the richest 2 percent. By a wider margin they support closing corporate loopholes to raise significant revenues. Even strong majorities of small business owners favor raising income taxes on those who make more than \$250,000 a year and on big corporations in order to level the playing field as small companies can take advantage of many fewer tax loopholes.

To get our nation back on track we need everyone to do their part. Ending the Bush tax cuts for the richest 2 percent and closing corporate tax loopholes are good first steps.

Americans for Tax Fairness has [prepared a set of options](#) (see below) for raising additional revenue beyond the \$1 trillion that would be raised from ending the Bush tax cuts for the richest 2 percent.

FIVE OPTIONS FOR RAISING MORE REVENUES OVER 10 YEARS

1. End Special Low Tax Rates for Income from Stocks and Other Assets: \$533 Billion
2. Increase Income Tax Rates Paid by Millionaires and Billionaires: \$450-800 Billion
3. Restore a Robust Estate Tax (above the 2009 level): \$135-253 Billion
4. End Tax Breaks for Shifting Jobs and Corporate Profits Offshore: \$168-583 Billion
5. Establish a Small Financial Transaction Tax on Wall Street Trading: \$353 Billion (9 Years)

- ¹ Center on Budget and Policy Priorities (CBPP), “How the Across-the-Board Cuts in the Budget Control Act Will Work,” April 27, 2012. <http://www.cbpp.org/cms/index.cfm?fa=view&id=3635>; \$1.2 trillion in savings from the sequester includes savings on interest payments.
- ² Leadership Conference of Aging Organizations, “NDD Sequestration Hurts Vulnerable People with disabilities,” October 2012. <http://lcao.org/docs/LCAO-Sequestration-Fact-Sheet-15Oct2012.pdf>. Office of Management and Budget (OMB), “OMB Report Pursuant to the Sequestration Transparency Act of 2012 (P. L. 112–155,” Sept. 14, 2012. Social Security cuts are from “[Under Threat - Sequestration’s Impact on Nondefense Jobs and Services](#),” a report by Sen. Tom Harkin, Chairman, Senate Appropriations Subcommittee on Labor, Health and Human Services, and Education, and Related Agencies, July 25, 2012. <http://www.harkin.senate.gov/documents/pdf/500ff3554f9ba.pdf> <http://www.scribd.com/doc/105934743/Combined-STAREport-Watermark>
- ³ CBPP, “Joint Tax Committee, Raising Threshold for Bush Tax Cuts from \$250,000 to \$1 Million Would Lose \$366 Billion – Nearly Half the Revenue,” May 20, 2012. <http://www.cbpp.org/cms/index.cfm?fa=view&id=3785>
- ⁴ The National Economic Council (NEC), “The President’s Proposal to Extend the Middle Class Tax Cuts,” July 2012. http://www.whitehouse.gov/sites/default/files/uploads/middleclassreport_7_24_2012.pdf
- ⁵ CBPP, “Congress Has Cut Discretionary Funding by \$1.5 Trillion Over Ten Years,” Sept. 25, 2012. <http://www.cbpp.org/cms/index.cfm?fa=view&id=3840>
- ⁶ CBPP, “Ryan Medicaid Block Grant Would Cut Medicaid by One-Third by 2022 and More After That,” March 27, 2012. <http://www.cbpp.org/cms/index.cfm?fa=view&id=3727>
- ⁷ CBPP “Proposal to Establish Federal Medicaid ‘Blended Rate’ Would Shift Significant Costs to States,” June 24, 2011. <http://www.cbpp.org/cms/?fa=view&id=3521>
- ⁸ Kaiser Family Foundation, “Medicaid Financing Issues: Provider Taxes,” May 2011. <http://www.kff.org/medicaid/upload/8193.pdf>
- ⁹ Strengthen Social Security, “The Chained CPI Is a Benefit Cut: The Longer You Live, The Bigger the Cut,” October 2012. http://strengthensocialsecurity.org/sites/default/files/Chained%20CPI%20_factsheet%20Final.pdf
- ¹⁰ Congressional Budget Office (CBO), *Reducing the Deficit: Spending and Revenue Options*, March 2011, p. 58. <http://www.cbo.gov/sites/default/files/cbofiles/ftpdocs/120xx/doc12085/03-10-reducingthedeficit.pdf>
- ¹¹ CBPP, “Myths and Realities About the Estate Tax,” Nov. 5, 2012, p. 2. Of the \$141 billion, \$119 billion is from the higher estate tax and \$22 billion is from savings from reduced interest costs on the debt. <http://www.cbpp.org/files/estatetaxmyths.pdf>
- ¹² Americans for Tax Fairness, “99.8 Percent Of Estates Do Not Pay The Estate Tax,” Dec. 2012. <http://www.americansfortaxfairness.org/files/ATF-Fact-Sheet-99.8-Percent-Of-Estates-Do-Not-Pay-The-Estate-Tax-1.pdf>
- ¹³ The Hill, “House GOP pays for Medicare ‘doc fix’ with healthcare law repeal, means-testing,” December 8, 2011. <http://thehill.com/blogs/healthwatch/medicare/198195-house-gop-pays-for-medicare-qdoc-fixq-with-health-law-repeal-means-testing>.
- ¹⁴ Kaiser Family Foundation, “MediGap Reform: Setting the Context,” September 2011. <http://www.kff.org/medicare/upload/8235-2.pdf>.
- ¹⁵ Center for American Progress, “Latest House Republican Budget Threatens Medicare and Shreds the Safety Net,” March 20, 2012. <http://www.americanprogress.org/issues/healthcare/report/2012/03/20/11237/latest-house-republican-budget-threatens-medicare-and-shreds-the-safety-net/>
- ¹⁶ Leadership Council on Aging, “LCAO House Budget Response Letter,” April 26, 2012. http://www.lcao.org/docs/LCAO_House_Budget_Response_Letter.pdf
- ¹⁷ CBPP, “Ryan Budget Would Slash SNAP Funding by \$134 Billion Over Ten Years,” April 18, 2012. <http://www.cbpp.org/cms/index.cfm?fa=view&id=3717>
- ¹⁸ Tax Policy Center, “Historical Source of Revenue as Share of GDP,” April 13, 2012. <http://www.taxpolicycenter.org/taxfacts/displayafact.cfm?DocID=205&Topic2id=20&Topic3id=21>.
- ¹⁹ Economic Policy Institute, *The State of Working America, 12th Edition*, 2012, (Table 6.1), p. 379. <http://stateofworkingamerica.org/subjects/wealth/?reader>
- ²⁰ CBO, “The Distribution of Household Income and Federal Taxes, 2008 and 2009,” (Table 1), July 10, 2012. <http://www.cbo.gov/publication/43373>
- ²¹ OMB, Fiscal Year 2013 Budget, Historical Tables (Table 2.2). Corporate taxes have declined from 30.5 percent of federal revenue in 1953 to 7.9 percent in 2011, or by 74 percent. <http://www.whitehouse.gov/omb/budget/Historicals>