

EDITORIAL BOARD MEMO

To: Editors and Columnists
From: Frank Clemente, Executive Director, Americans for Tax Fairness
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RECENTLY PASSED CONGRESSIONAL BUDGET PLAN FAILS TO RAISE REVENUES FROM WEALTHY AND CORPORATIONS, SLASHES NEEDED FUNDING AND SETS UP MAJOR SPENDING DEBATE THIS SUMMER AND FALL

Resources Available Showing State-by-State Impact of Budget Cuts

WASHINGTON, D.C. – This week the U.S. Senate approved a joint budget plan for the next fiscal year, which begins October 1, by a vote of 51-48 with all Senate Democrats and two Republicans voting against it. The U.S. House of Representatives approved the same plan last week by 226-197, which was opposed by 14 Republicans and every Democrat. This budget framework is not binding, but it serves as a blueprint for making decisions about spending and revenues in the coming fiscal year. To see how your U.S. Representative(s) voted click [here](#); for your U.S. Senators click [here](#).

Instead of asking the wealthy and corporations to pay one additional cent in taxes – in fact it would cut their taxes – the plan aims to balance the budget in 10 years by cutting more than \$5 trillion from vital services for low-and middle-income Americans and by disinvesting in America's future by slashing funding for infrastructure, research and education. These draconian cuts come on top of the across-the-board sequester cuts that will return in full force in 2016, subjecting basic non-defense discretionary programs to an [additional \\$37 billion in annual cuts](#).

With the devastating cuts proposed in this budget blueprint, looming sequester cuts, the deadline to raise the debt ceiling and the new fiscal year beginning October 1st, the stage is set for a major debate this summer and fall over tax and spending priorities.

We urge you to strongly criticize this budget and to editorialize in favor of raising significant revenues from the wealthy and corporations that can be used to reduce the deficit, make new investments that will grow our economy, and provide greater security to working families. This budget lacks any sense of balance or fairness. It will deepen poverty, significantly exacerbate inequality, and provide no opportunity or hope for the vast majority of Americans.

To understand the harmful effects of the budget on your state, estimates have been published by the [White House](#) and by the [Senate Budget Committee Democrats](#) showing the one-year effect on health coverage, Head Start, Pell grants, nutrition assistance, job assistance and other critical services. These cuts would be greatly magnified over 10 years. (Note the estimates are illustrative, as they are based only on the House-passed budget, which has many similarities to the joint budget plan.)

DRASTIC CUTS IN THE BUDGET

The budget proposes broad and deep cuts to critical services that everyday Americans rely on. As *The Washington Post* [recently editorialized](#), "the ideology embodied in the GOP blueprint would lay waste to

so much of the federal government that even many Republicans might recoil from enacting it during the appropriations process this year.”

- **The budget claims to balance the federal budget in 10 years through budget cuts alone.** It cuts spending by about \$5 trillion outside of military spending, which is actually increased. At least 63% of the plan’s non-defense cuts come from services that benefit low- and moderate-income people, according to [the Center on Budget and Policy Priorities](#), even though these programs account for less than one-fourth of federal spending.
- **The budget makes no new investments.** Instead, it [slashes \\$496 billion from non-defense discretionary programs](#) that fund infrastructure, scientific and medical research, education, energy development and conservation, child care and other investments that would strengthen our economic future. These cuts come on top of the annual \$37 billion in cuts starting in 2016 mandated by the budget sequester. A recent report from the Economic Policy Institute found that we need to [increase federal spending on investments by \\$150 billion a year](#) to get back to the 1980 level.
- **The budget slashes services relied on by seniors, children and the disabled.** It [cuts \\$4.2 trillion in non-discretionary programs](#) over 10 years, according to *The New York Times*. This includes [\\$431 billion from Medicare and \\$500 billion from Medicaid](#), according to an analysis from House Democrats. (This does not count \$800 billion in Medicaid cuts from repealing the Affordable Care Act.) It also slashes \$300 billion from the budget category that is dominated by food stamps, and cuts \$85 billion from Pell Grants, which help needy students pay for college.
- **The budget foolishly makes cuts that end up costing taxpayers more.** For example, it is likely to [further defund the Internal Revenue Service](#). The IRS has already been decimated by previous budget agreements and the sequester, resulting in less help for taxpayers filing returns and less ability to catch tax cheats even though [every dollar in tax enforcement yields \\$6 in additional revenue from collecting taxes owed](#). As IRS Commissioner John Koskinen said, [“It’s a classic example of being penny wise and pound foolish.”](#)

DEFICIT REDUCTION HAS BEEN VERY UNBALANCED

These huge spending cuts would be added to about [\\$4.4 trillion in deficit-reduction savings](#) (p. 11) expected over the next 10 years due to budget deals enacted since 2010, according to Senate Budget Committee Democrats. Federal spending is now projected to be [\\$2.6 trillion less than the levels recommended from 2011 to 2020](#) by the National Commission on Fiscal Responsibility and Reform, also known as the Simpson-Bowles Commission, according to the Center for American Progress.

Most of the reductions in the FY2016 budget plan – nearly \$2.7 trillion – come from spending cuts. Interest savings from the reduced debt totals \$940 billion. Just \$836 billion of this deficit reduction has come from increased revenue – primarily from ending the Bush tax cuts for the richest 1% in 2013. That means there has been \$4 in spending cuts for every \$1 in new revenue that Congress has raised to reduce the deficit. Under the new budget, that imbalance would get far worse, and corporations would continue to not make any contribution to deficit reduction.

THE BUDGET PLAN'S TAX POLICIES

With the exception of eliminating \$1 trillion in revenue by repealing the Affordable Care Act, the budget is mostly silent about what to do about taxes, most likely because public opinion polls show [little support for cutting taxes for the rich and corporations](#). Overall, the Republican goals for tax reform are clear – cut marginal tax rates on the wealthiest Americans from 39.6% to 25% and reduce the corporate tax rate from 35% to 25%. The first tax break [would cost \\$3.5 trillion](#) (including establishing a second tax bracket of 10%) and the second [would cost \\$1.2 trillion](#), according to the Joint Economic Committee.

- **The budget does not propose raising any new revenue, nor does it close a single tax loophole to help reduce the deficit or 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.
- **The budget lets vital tax credits expire for struggling families.** Critical provisions of the Earned Income Tax Credit and the Child Tax Credit would be allowed to expire at the end of 2017. More than 13 million working families, including nearly 25 million children, would lose an average [of \\$1,073 per family](#), according to Citizens for Tax Justice.
- **The budget repeals the Affordable Care Act (Obamacare), resulting in huge tax breaks for corporations and the rich.** Repeal would result in [16.4 million Americans](#) losing their health care coverage, and a [revenue loss of about \\$1 trillion over 10 years](#), according to the Congressional Budget Office (Table 2). Almost half of the revenue that would be lost is drawn from taxes that only affect the wealthy and corporations. (See table below)

Affordable Care Act Repeal Gives the Wealthy and Corporations a \$500 Billion Tax Break

Revenue Source	Lost Revenue After ACA Repeal (Over 10 Years)
0.9% Medicare payroll tax increase and a 3.8% tax on investment income from capital gains and dividends. Both apply to wealthy filers with AGI income over \$200,000/single, \$250,000/married.	\$318 billion
Annual tax on health insurance providers	\$102 billion
Annual tax on drug manufacturers/importers	\$34 billion
2.3% excise tax on medical device manufacturers/importers	\$29 billion
Total revenue loss	\$483 billion

Source: [Congressional Budget Office, p. 17](#)

CONCLUSION

The budget framework makes deep cuts to services and benefits instead of asking the wealthy and corporations to pay their fair share of taxes. It further solidifies the notion held by most Americans that the system is rigged in favor of the wealthy and powerful interests, and that the economy is not working for everyone.

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 Congress ended the Bush tax cuts for the top 1% in 2013, but they can certainly afford to do much more. 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 editorial voice to this debate by calling on Congress to invest in America, stop the automatic spending cuts of the budget sequester, and pay for all of it by making sure that the wealthy and big corporations pay their fair share of taxes. 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 this important issue.

RESOURCES

NEWS COVERAGE

[Senate Passes Cost-Cutting Budget Plan](#), *The New York Times*, May 5, 2015

[As sequester continues, pressure mounts for Congress to pass a better budget deal](#), *Fox News*, May 3, 2015

OPINION

[Here's to LoBiondo, for voting against the disastrous GOP budget](#), *The Star Ledger* editorial, May 6, 2015

[An ideological blueprint](#), *The Washington Post* editorial, May 4, 2015

[Congress's Budget Game Gets Uglier](#), *Bloomberg View* op-ed, May 4, 2015

[This is no way to ease inequality](#), *Washington Post* column, March 23, 2015

REPORTS

[Does Washington Have a Spending Problem or a Revenue Problem?](#), Center for American Progress, May 7, 2015

[Let's Face It—We're Far From Broke: America's Real Spending Problem and How to Fix It](#), Economic Policy Institute, April 28, 2015

[Ten Serious Flaws in the Congressional Budget Plan](#), Center on Budget and Policy Priorities, May 4, 2015

[Republican Budget Conference Plan: Work Harder, Get Less](#), House Budget Committee Democrats, April 30, 2015

[Letters to Governors on Republican Budget Cuts](#), Senate Budget Committee Democrats, April 27, 2015

[The Republican Budget: A Massive Transfer of Wealth from the Middle Class to Millionaires and Billionaires](#), Senate Budget Committee Democrats, April 20, 2015

[Republican Budget Resolutions: Same Failed Top-Down Economics](#), Executive Office of the President, March 2015

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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