CTJ Citizens for Tax Justice

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Congress Considers Budget Rules To Slash Services Americans Depend On, While Protecting Tax Breaks for the Rich

Despite the fact that tax breaks enacted since 2001 are responsible for almost half of the U.S. federal budget deficit, President Bush and Republican leaders in Congress claim that they need new budget rules that will encourage deep cuts in federal programs — but mandate no changes in tax policy — in order to get deficits under control.

Here is how three budget-process changes would work: two bad ideas, the line-item veto and one-side spending restraints, and one good proposal, restoration of the "pay as you go" rules that helped reduce deficits during the Clinton administration.

Line-item veto. On June 22, the U.S. House of Representatives voted to approve a bill that would give the President "line-item veto" authority to strip out certain spending provisions from bills and force Congress to reconsider them while he withholds the funds. Almost no tax-break provisions could be stripped out this way under the bill.

- **Unprecedented Presidential power:** The legislation would allow the President to single out spending provisions in an appropriation bill (or a bill to expand entitlements), withhold funds and force Congress to vote to approve or reject the rescission (cancellation of the spending). The President would be allowed to withhold funds for a total of 90 days, even if Congress rejects the rescission.
- **Tax breaks for special interests protected:** The President proposed that he be given the authority to use the line-item veto to strip any spending provision or entitlement increase, but could only strip tax break provisions benefitting fewer than 100 people. For example, a tax break that benefits one half of one percent of Americans would be protected, because it benefits more than 100 people. Even that rule wasn't enough for the House, which decided that tax breaks needed even *more* protection. The version passed by the House says that only tax breaks benefitting a *single* person or company can be stripped. Even then, an exception exists whenever the chairmen of the tax-writing committees (the people who write the tax break provisions in the first place) say they think the tax break should be protected from the line-item veto!
- **Little chance of reducing deficits:** A recent study of the line-item veto by the Congressional Budget Office concludes that it is not likely to reduce overall deficits anyway. Rather, its real effect would be to increase the power of the executive branch, which could use the threat of the line-item veto to spur legislators to go along with the President's agenda, even if it involves increasing spending in certain areas or enacting tax breaks that are not paid for.

Additional spending restraints. The Senate is poised to take up a bill sponsored by Senator Judd Gregg that includes the line-item veto plus more sweeping budget changes that would, again, aim to reduce spending but protect tax breaks. Like the House bill, Gregg's proposal gives the tax-writing chairmen enough influence to protect their pet tax break provisions.

- **Billions cut from programs Americans depend on:** The Gregg bill includes caps on annually-approved spending over the next three years that could force steep cuts in any type of service Americans rely on, whether it's health care, education, veterans' benefits, or environmental protection. The bill also includes provisions meant to bring the deficit down to specific targets by triggering automatic across-the-board cuts in entitlement programs by as much as *$249 billion a year* when fully in effect.
- **Health programs to be slashed:** It would also create a commission to recommend changes in entitlement programs based on assumptions and goals that will almost certainly require cuts in Medicare and Medicaid.
- **Fast-tracking cuts or eliminations of programs:** A "sunset commission" dominated by the majority party could recommend cutting or eliminating any program or agency, and its proposals would be filibuster-proof in the Senate. The Senate usually requires 60 votes to overcome filibusters on any legislation, and one Senator wryly noted that this provision would mean that the naming of a post office would still require 60 votes but dismantling Social Security would only require 51 votes so long as the commission recommends it.
- **Notably, *none* of these changes would rein in tax breaks.**

PAYGO. The pay-as-you-go (PAYGO) rules helped President Clinton and Congress reduce deficits in the 1990s by requiring spending increases and tax breaks to be offset by either spending reductions or tax increases elsewhere, so that the overall effect would not be an increase in the deficit.

- **Congress allowed the PAYGO rules to expire in 2002** because they endangered President Bush's tax cuts for the wealthy. Indeed, last year Congress used budget rules to make a budget filibuster-proof even though it *increased* deficits by including tax breaks benefitting the wealthy that outweighed the cuts in services used by low-income people.
- **Restoring the expired PAYGO rules is an excellent idea.** It has been proposed by, among others, Sen. Kent Conrad (D-ND), the ranking Democrat on the Senate Budget Committee. Unfortunately, GOP leaders won't accept any budget rule that limits government borrowing if it endangers their budget-busting tax cuts.

This Is The Price Of President Bush's Tax Breaks

If Congress makes President Bush's tax cuts permanent, the resulting budget shortfalls will inevitably require unpopular cuts in programs. That's why GOP leaders are proposing procedures to make it easier to push program cuts through Congress and onto an unwilling populace. Americans should wake up to the fact that the price of Bush's tax breaks for the wealthy is far too steep.