

THE BUDGET SHOWDOWN AND THE 2012 LAME DUCK CONGRESS: BACKGROUND FOR VO MEMBERS



Budget Showdown!!

December 2012:

- Bush Tax Cuts to Expire
- Payroll Tax Cuts to Expire
- Unemployment Insurance Extension Expires
- Debt ceiling could re-surface as an issue
- “Sequestration” (automatic cuts) kick-in

The Bush Tax Cuts

- Make them permanent across the board? Hurts the federal budget deficit.
- Let all of them expire? Hurts the national economy, plus poor and working-class Americans.
- Re-instate the taxes for those who make over \$250,000? Good for tax justice, good for the economy, doesn't help the federal budget deficit.

Payroll Tax Cuts

- Would continue a temporary tax cut that reduced Social Security tax withholding from 6.2 percent to 4.2 percent on the first \$110,000 of an individual's wages.
- Congress offset the cut to Social Security by transferring money from the general fund, adding to the deficit.
- Benefits 160 million workers. That's a lot.

Unemployment Insurance

- 2 million people will lose their benefits when their extension expires in the last week of 2012.
- Congress is giving no clues as to how it will address the issue or if it wants to extend the benefits again.

The Debt Ceiling

- It is a legal cap set by Congress on the amount of money the federal government can borrow.
- If an increase isn't approved, Treasury won't be able to borrow any more money and pay the government's bills.
- Last year, negotiations over the debt ceiling led to the creation of the Budget Control Act and the Super-Committee.

The Sequestration Budget

- On January 3, 2013, the Budget Control Act of 2011 automatically triggers budget cuts.
- Congress has to pass a budget to replace sequestration before then.
- The sequester would cut \$109.3 billion from the federal budget each year between 2013 and 2021, divided equally between defense and non-defense, discretionary programs.

The Sequestration Budget, Part 2

- The Senate has not passed a budget to replace sequestration.
- The House has passed a budget, outlined in the following slides, that would make many severe cuts.
- If sequestration triggers, the Congressional Budget Office estimates the huge cuts alone will create a 3.5% drop in Gross Domestic Product--one measure of the overall US economy.

The House Budget Plan

Cuts for the 99% -- Tax Breaks for the 1%

- Make all Bush tax cuts permanent
- Maintain the capital gains tax rate—the tax on investment income-- at 15%.
- Reduce tax rates for wealthy to 25%
- Reduce other tax rates to 10%
- Cut the corporate tax rate to 25%
- Eliminate taxes on overseas profits
- Repeal the Alternative Minimum Tax
- Repeal the taxes in the Affordable Care Act

Total reductions in revenues over \$ 10 trillion

(Total gift to each millionaire per year: at least \$400,000)

House Budget Plan: Spending Cuts

62% of proposed cuts are to low-income programs

	Cost over 10 years:
• Cuts to Medicaid and health care	\$2.4 trillion
• Cuts to food stamps	\$134 billion
• Other mandatory programs for low income people	\$463 billion
• Cuts in low-income discretionary programs	\$291 billion
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	\$3.3 trillion
Other program cuts	\$2 trillion

Total cuts to social spending: at least \$ 5.3 trillion

The Human Cost of House Cuts

- **17 million** low-income people lose access to health care through the Affordable Care Act
- **14 to 27 million** low-income Americans lose Medicaid coverage by 2021
- **2 million** children kicked out of Head Start
- **1.8 million** women, infants, and children lose food and healthcare support through the WIC program
- Over **1 million** students lose Pell Grant support
- More than **400,000** low-income families lose housing vouchers

House Budget Plan Changes Medicare, Medicaid and Social Security As We Know Them

- Creates a hidden trigger to enact Social Security benefit cuts
- Defunds the Social Security Administration
- Makes Medicare a voucher, increases Medicare age to 67
- Slashes Medicaid including nursing care for seniors and people with disabilities
- Robs working families of tax breaks to buy health insurance

Pressure Points Time Line

October 1: New fiscal year begins, all appropriations bills signed by President.

October 6 – November 12: House, Senate in recess.

November 6: Election Day.

December: Lame-duck session begins in Congress.

December 31, 2012: Bush tax cuts, payroll tax cuts expire.

January 3, 2013: Automatic budget cuts (sequestration) slash \$1.2 trillion from budget.

What Do We Want Instead?

- End the Bush Tax Cuts for the richest 2% of Americans, those making over \$250,000 per year.
- Big corporations should pay taxes at least equal in percentage to middle-class Americans.
- Close the big tax loopholes that only benefit the super-rich.
- Pass the Buffett rule, ensuring that all millionaires pay a tax rate of at least 30%.
- NO CUTS to Medicare, Medicaid, or Social Security!!