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.

Source: Jill Schlesinger at CBS MoneyWatch, 10/12/12
• 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.

SOURCE: ARTHUR DELANEY AT THE HUFFINGTON POST, 7/19/12
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.

SOURCE: JEANNE SAHADI AT CNN MONEY, 5/22/12
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 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 Economist, *Cliff Diving*, 5/5/12
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

$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
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.


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!!