



U.S. SENATE COMMITTEE ON

# Finance

SENATOR CHUCK GRASSLEY, OF IOWA - CHAIRMAN

<http://finance.senate.gov>

## MEMORANDUM

TO: Reporters and Editors  
FR: Jill Kozeny, 202/224-1308  
RE: Budget Reconciliation  
DA: September 8, 2005

Sen. Chuck Grassley, Chairman of the Committee on Finance, issued this comment regarding plans to delay budget reconciliation during Senate work on hurricane relief.

“There’s no doubt that Hurricane Katrina has made it necessary to provide additional resources for the Medicaid program, and we’re going to do that apart from reconciliation in the Katrina relief package that’s being put together. After that, to achieve the spending reductions called for in this year’s budget resolution, I’m working toward a bipartisan committee proposal that will include some of the bipartisan recommendations of Republican and Democratic governors on Medicaid. There’s broad agreement that some changes need to be made in order to preserve and sustain this vital health care program for the poor and disabled. It’s important to understand that the Medicaid reform effort is about fixing loopholes and stopping abusive spending so that more money is available to help states reach those in need both in the short- and long-term. For example, one change under consideration would save the federal government and the states billions of dollars out of the \$10 billion required in the budget while enabling Medicaid to serve the same number of people by making it possible for state governments to pay a less inflated price for prescription drugs. The overall goal of this effort is to focus on improvements to the program that provide savings to the states and, in turn, help states provide important benefits to vulnerable citizens. At the same time, given the circumstances created by this natural disaster, my intention is to give hurricane-affected states maximum flexibility, and that would mean letting the states affected by Hurricane Katrina to opt out of these changes.

“The Senate Minority Leader’s suggestion that we don’t need to act on the tax relief included in the budget resolution passed by Congress this year is irresponsible and disingenuous. This tax relief package will allow us to protect taxpayers from the tax increases that would take effect without a vote of Congress when certain tax provisions expire. Republican and Democratic senators want to make sure that millions of middle-income families are not unfairly subjected to the alternative minimum tax, which they will be if we don’t act on this tax reconciliation package. As much as a third of the total \$70 billion package will be to address the AMT issue for families. So Democratic leaders are irresponsibly advocating an AMT tax increase on millions of middle-income families starting next year or being disingenuous by claiming they support AMT relief but opposing the means to bring it about. There’s also bipartisan support to make sure that widely supported tax policies like small-business expensing, low-income savings incentives and college-tuition deductibility don’t expire. Finally, we need to

make sure we don't send a signal right now, during uncertain economic times, that we're going to increase taxes on capital gains or dividends. Is now the time for the Democratic leadership to tell the financial markets to expect double the tax rate on dividends and raise capital gain tax rates by 33 percent? Keep in mind, the revenue side of the budget is better than the Democratic leadership predicted. In fact, revenues for this fiscal year are ahead of budget projections by more than the net tax cut in the budget resolution. Why does the Democratic leadership want to put a damper on pro-growth tax relief that is bringing more money than expected to the federal treasury? On top of all that, when we act on this tax legislation, we will be closing down abusive tax shelters and tightening loopholes exploited to avoid taxes owed by high-income individuals and corporations. The revenue raised from these items will offset the revenue the Joint Committee on Taxation scores as lost from continuing the pro-growth tax relief capital gains and dividends measures.”