



## House Budget Resolution Restores Accountability

### Spending Tax Dollars Wisely:

- The new Democratic-led Congress has instituted “pay as you go” budgeting, requiring that new spending be offset, which in the 1990s helped turn deficits to surpluses.
- The new Democratic-led Congress has reformed the Earmark process and is cutting in half the number of budget “earmarks” for specific Member projects, requiring transparency in the process, exposing such earmarks as the infamous “Bridge to Nowhere.”
- The new Congress is also investing in efforts to make sure that taxpayers pay the taxes they owe. The Internal Revenue Service has estimated that the tax gap – the amount of taxes owed under current law but not collected -- has ballooned to \$345 billion in 2001. This has left middle-class families picking up the tab for those who refuse to obey the law.
- The new Democratic-led Congress will save millions by investing in efforts to identify and eliminate wasteful spending and improve government efficiency – in Social Security, Medicare, and Unemployment Insurance. Every dollar spent for Social Security ongoing disability reviews results in \$10 of savings. Savings could total \$3 billion.
- The budget resolution also assumes substantial savings from more vigorous efforts by Defense Department (with increased Congressional oversight) to root out wasteful spending – building on just passed reform legislation to reduce waste in federal contracting. DOD still cannot pass a standard audit -- failing to adequately track what it owns or the spending in its annual budgets. Defense auditors estimate that more than one of six dollars they have audited for Iraq is suspect – including \$2.7 billion in Halliburton contracts.
- Under the budget resolution, House Committees will conduct performance reviews to make sure that government programs are working, and work to eliminate unnecessary and wasteful spending. Similar efforts produced 385 recommendations for smarter ways to improve government services, saving billions under the Clinton Administration.

### Record Deficits and Debt:

- Under the last six years of fiscal irresponsibility, America’s national debt has increased 50 percent, to nearly \$9 trillion, or \$29,000 for every American.
- Our ability to invest in the nation’s shared priorities is constrained by the cost of the debt run up over the last six years, when the Administration and its partners in previous Congresses turned the largest surplus in American history into a record debt.

- About 75 percent of America's new debt has been borrowed from foreign creditors —making our fiscal integrity a matter of national security.
- Over the last six years, President Bush has borrowed more money from foreign nations than the previous 42 U.S. presidents combined.
- Republican leadership of the last six years, from the White House to Congress, has left behind an embarrassing fiscal record. The first six years of the Clinton Administration turned a record \$290 billion deficit into a budget surplus.

### **Fixing the Tax Code for Middle-Income Americans:**

- The House budget protects 19 million middle-income American families from a tax increase, by accommodating a long-term fix for the Alternative Minimum Tax (AMT) and other middle-class tax relief.
- Additional middle-class tax relief could include an extension of the child tax credit, marriage penalty relief, and the ten percent individual income tax bracket, as long as the tax cuts are paid for.
- AMT was designed to prevent the highest income Americans from avoiding paying any taxes—but the income threshold has not been adjusted over the years.
- The number of taxpayers that will be affected by the alternative minimum tax (AMT) will rise to more than 30 million in 2010, with taxpayers, on average, owing nearly \$4,000 in taxes.
- Not fixing the AMT would translate into a \$230 billion tax increase on middle- income families.
- The President's budget pays lip service on a long-term fix the AMT, while the Democratic budget makes way for long-term AMT reform, as long as the cost is responsibly funded.
- Chairman Rangel and the Ways and Means Committee are aggressively pursuing a long-term bipartisan reform to make sure that the AMT does not saddle America's middle-class families with a tax increase.