



U.S. SENATE COMMITTEE ON

Finance

SENATOR CHUCK GRASSLEY, OF IOWA - CHAIRMAN

<http://finance.senate.gov>

MEMORANDUM

TO: Reporters and Editors
RE: Grassley react to Bush budget
DA: Monday, Feb. 2, 2004

Sen. Chuck Grassley issued the following comment about the budget proposed today by President Bush. Sen. Grassley is chairman of the Senate Committee on Finance.

“The President’s budget for the government’s next fiscal year makes a job-creating economy and securing our homeland top priorities. As chairman of the Senate Finance Committee, I’m glad he included my initiatives for expanding renewable energy and cracking down on corporate abuse of the tax code. He’s also shown that he wants to help reduce the number of Americans without health insurance coverage. And, the President is right that Congress also needs to make permanent tax relief for married couples, parents and lower-income taxpayers. Otherwise, these Americans face a big tax increase next January. We’ve got a deficit because of the economic downturn and increased spending to fight terrorism and protect the homeland after September 11. It’s absolutely necessary that Congress exercise fiscal discipline over the next year and keep spending increases focused on keeping Americans safe.

“The administration’s budget proposal includes some of the tax incentives I’ve been pushing for domestically produced alternative energy. These initiatives are important for U.S. energy independence and the environment. They are also very good for the economy and jobs in Iowa and the upper Midwest. The President proposes to extend the tax credit for electricity produced from wind and biomass. In addition, he supports expanding the definition of eligible biomass sources to include certain biomass from forest-related resources and agricultural sources. On ethanol, the President’s budget proposes to extend both the income tax credit and the excise tax treatment through 2010. His budget also includes a proposal to deposit by the full amount the excise tax imposed on gasohol in the highway trust fund.

“I appreciate the President’s focus on economic growth. Every American who needs a job should have a job. I agree with the President on making the tax relief of 2001 and 2003 permanent as soon as possible. If that relief is allowed to expire, the effect would be a huge tax increase on individuals, families and small businesses. Small businesses receive 80 percent of the relief on the top marginal tax rate and create 80 percent of the nation’s jobs. With its current make-up, the Senate is unwilling to entertain tax relief permanence without revenue offsets to counteract the cost.

Given the challenge of finding large offsets, and other needs for those offsets, it's likely that the Senate will have to put priority on permanence for the provisions expiring first.

"I'm also glad to see the President's attention to increasing access to health insurance. He proposes giving lower-income Americans a refundable tax credit so millions could buy their own basic health insurance coverage. He also would allow individuals who buy catastrophic health care coverage as part of their new Health Savings Accounts to deduct 100 percent of the premium, whether or not they itemize deductions from their taxes. Via the Finance Committee, Congress passed an advanceable, refundable health insurance tax credit for workers displaced by trade or whose pension plans have failed. The tax credit is being implemented now. I plan to have a hearing on the administration of this tax credit to see how it's going and how to improve it. In general, the uninsured will be a major issue for the Finance Committee this year, and I look forward to studying the President's proposals.

"The most promising Medicaid proposal in the proposed budget gives people with disabilities and older Americans more choice in the program. Many of these Medicaid beneficiaries want options, including the ability to live in their own homes and direct their care. The President has created opportunity for choice in his New Freedom Initiative, which includes the Money Follows the Person proposal. I plan to work as chairman of the Finance Committee to study and focus on creating more options for Medicaid beneficiaries who want to live in the community.

"The proposed budget has several important steps on cleaning up corporate governance. The tax shelter proposal contains the solid core that the Finance Committee approved in my bipartisan May 2002 Tax Shelter Transparency Act. The committee has approved this proposal several times. I'll keep working on the bill until it receives final passage. It's key to taxpayer fairness and restoring faith in corporate America.

"The President has included my proposal to clean up abusive leasing tax shelters, with an expansion to cover all foreign party leases and appropriate carve-outs. His proposal raises \$33 billion over 10 years. My bill came out before we had as much knowledge on these leasing deals as we have today. I'm grateful for the Administration's focus on this issue. Not only has the President embraced this issue, but he's also developed it in a substantive way. As a result, we're closer to shutting off a spigot of tax abuse before it drains the Treasury dry.

"As for Foreign Sales Corporation-Extraterritorial Income repeal, the proposed budget puts forth a lot of good ideas on reforming our business taxes. But we have to keep in mind that 90 percent of the present FSC-ETI benefits go to the manufacturing sector. We need to consider that when we act to repeal FSC-ETI so we can try to send the money back where it came from. We don't want a \$50 billion tax hike on manufacturing.

"I'm also pleased that the Administration has responded to my review of charitable donations of in-kind gifts. Aggressive valuation of these gifts is a growing problem. Cars aren't the only charitable gift over which taxpayers are being taken for a ride. Donations of land, art and intellectual property are all raising concerns. There's a lot to do in this area, and I look forward to working with the Administration to cut the potential for abuse.

“In his budget, President Bush included federal dollars to help relieve the backlog in applications for compensation for illnesses and deaths that resulted from Cold War-era work at Army ammunition plants in Middletown and other places. I’m certainly glad to see this commitment by the President to addressing this issue. Even so, the burden remains on the Energy Department to start processing these claims and getting answers to those who have been waiting for answers for far too long. More money may or may not be the answer. But, either way, they need to get the job done.”