



REPUBLICAN CAUCUS

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THE DEMOCRATS' FISCAL YEAR 2008 BUDGET CONFERENCE REPORT
HIGHER TAXES, HIGHER SPENDING,
NO REFORM

The Democrats' fiscal year 2008 budget sets off a vicious cycle in which higher taxes fuel higher spending and greater spending demands - which in turn will trigger even more tax hikes, followed by more spending.

The budget conference report will raise taxes by at least \$217 billion - the second largest tax increase in American history - with a trigger that could nearly double the size of this tax hike. It promises immense new spending, and puts off any entitlement reform for at least 5 years. It also fails to protect the Social Security cash surplus. Key points:

HIGHER TAXES

- The Budget Contains the Second Largest Tax Increase in History. The agreement includes a tax hike of at least \$217 billion by fiscal year 2012. This includes increases in marginal rates, capital gains rates, dividends taxes, and others.
It 'Triggers' Additional Tax Hikes. If surpluses do not materialize - i.e. if Democrats spend too much - a tax hike "trigger" will automatically raise taxes even higher
- The Democrats claim to maintain certain politically popular tax relief provisions. But the trigger automatically turns off the tax relief - reimposing the marriage penalty, cutting the child tax credit in half, among others - if Democrats spend too much and future surpluses fail to materialize.
- This would raise the Democrats' tax increase right back to the House-passed \$400 billion - the largest tax hike in American history.
- On top of all this, Democrats may raise taxes further to pay for their more than \$190 billion in additional, unfunded, spending promises.
It Has a Minimal AMT Fix. Having repeatedly criticized Republicans for not reforming the alternative minimum tax [AMT], Democrats provide only a minimal one-year patch.

HIGHER SPENDING

- The Budget Hikes Domestic Spending. The conference report increases non-defense appropriations by \$23 billion above 2007. This is in addition to the \$6 billion they added to the omnibus, and the more than \$20 billion they are pushing for the war supplemental.

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- ***It Allows Unlimited Emergency Spending.*** The budget abandons the emergency set-aside established in last year’s budget resolution, and drops any limitation on what Congress can call an “emergency,” exempting the spending from any limits. (Even the Senate kept a working definition of an “emergency.”)
  - ***It Promises Reckless Entitlement Spending Increases.*** In addition, the conference report’s 23 reserve funds include promises of more than \$190 billion in additional spending – if coupled with even more tax increases.

#### **NO SIGNIFICANT REFORM (OR OFFSETS)**

- ***The Democrat Budget Ignores Entitlement Crisis Warnings.*** Ignoring experts’ repeated warnings about the unsustainable rate of entitlement spending, the conference report does nothing, and puts off any major reform for at least 5 years.
- ***It Makes No Effort at Reform.*** The only “savings” under the expedited procedure of budget reconciliation are a meager \$750 million – out of a total of roughly \$8.5 trillion in mandatory spending over the next 5 years. The “savings” are really just a fig leaf providing filibuster protection to *expand* big-government spending by as much as \$22 billion. This is not reform, and it does nothing to address the massive entitlement problem.

#### **GIMMICKS**

- ***The Conference Report Fails to Comply with PAYGO.*** Having preened about their pay-as-you-go [PAYGO] spending “discipline,” the Democrats’ budget fails to comply with the PAYGO rule they adopted, with much fanfare, at the beginning of this Congress. Contrary to their rule, any tax cuts would be financed out of budget surpluses, and not with new savings.
- ***It Budgets by “Reserve Fund.”*** Instead of actually budgeting for the Democrats’ endless spending wish list, the Democrats promise \$190 billion in new spending without any means to pay for it. To keep these unfunded promises, the Democrats will almost surely have to raise even more taxes.

#### **THE CONTINUED RAID ON SOCIAL SECURITY**

- ***The Democrats Don’t Protect Social Security.*** Despite their massive tax increases, the Democrats fail to provide a surplus large enough to halt the raid on Social Security – contradicting their commitment less than a week ago to do so. By contrast, the Republican budget provided a surplus large enough to protect Social Security’s cash surpluses starting in 2012 – and did so by controlling spending and not raising taxes.

#### **MORE DEBT**

- ***The Budget Automatically Raises the Debt Ceiling.*** Members also should know that under the Gephardt Rule, a vote for this budget is “deemed” a vote to increase the debt ceiling by \$850 billion.