

THE COMMITTEE ON THE BUDGET

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**PAYGO’S CONTINUED DEMISE...
 EXCEPT TO FORCE TAX INCREASES**

*We’re absolutely committed to pay-go. The Speaker is committed to pay-go.
 I’m very committed to pay-go. Our caucus is committed to pay-go.*
 - House Majority Leader Steny H. Hoyer, *The Hill*, 5 May 2008

The Democratic Majority continues to tout its commitment to the House pay-as-you-go [PAYGO] rule, but every new bill seems to bring a new excuse for circumventing it – at least when it comes to paying for new spending. On the other hand, PAYGO has also been a prescription for raising taxes, as with the recent alternative minimum tax [AMT] bill.

MAJOR BILLS

Here is a summary of the Majority’s major PAYGO dodges in this Congress.

- **The War Supplemental.** Because this was an appropriations bill, PAYGO did not apply to it. Therefore it became an invitation for tens of billions of dollars in new mandatory spending, which otherwise *would* be subject to PAYGO.
 - Plunging through this huge loophole, the Majority jammed \$62 billion in new mandatory spending in the supplemental for an expansion of GI benefits, without offsets. The benefits may be worthwhile – but by failing to offset them, the Majority increased the deficit by the same amount.
 - The Majority also failed to offset the \$11-billion cost of unemployment insurance [UI] in the bill. Although extending unemployment benefits may be justified in today’s economic downturn, PAYGO requires that the new spending be paid for without exception.
- **The Farm Bill.** In May, 192 Democrats voted against the Ryan Motion to Instruct, which would have required the House to follow its PAYGO rule and use the new 2008 baseline instead of the old 2007 baseline to measure the Farm Bill’s PAYGO compliance. The Farm Bill that ultimately passed the House waived PAYGO, and hid \$3.1 billion in spending by using the old baseline. Other gimmicks in the bill hid at least \$8 billion more in new spending.
- **Economic ‘Stimulus.’** In March, the Democratic Majority waived PAYGO to provide \$168 billion worth of economic “stimulus.”
- **AMT.** Last December, the Majority waived PAYGO to avoid raising taxes by \$51 billion to “pay for” preventing the unintended expansion of the AMT. At least in this case their conclusion was correct: *there is no need to offset a tax increase that doesn’t happen.*

- **Higher Education Reauthorization.** Last July’s bill hid \$15 billion to \$30 billion in new spending through the use of a precipitous funding cliff created to meet PAYGO.
- **SCHIP Reauthorization.** Last year’s reauthorization of the State Children’s Health Insurance Program [SCHIP] hid \$41 billion in spending through the use of PAYGO gimmicks and another funding cliff.

GIMMICK SUMMARY

Even when the Majority does adhere to PAYGO, they have continually used timing shift gimmicks and recycled the same offsets to comply with the letter, if not the intent, of the rule. Some examples:

- A total of 20 provisions have been used more than once to offset spending increases in different bills.
- The timing of corporate estimated taxes has been shifted 17 times.
- Customs user fees have been extended eight times to be used as offsets.
- The penalty for failure to file partnership tax returns has been modified eight times.
- The AMT bill on the floor last week included four offset provisions that had already been used in this Congress.

USING PAYGO TO FORCE TAX HIKES

- **AMT.** Speaking of the AMT, the measure pushed through by House Democrats in the last week before the recess (H.R. 6275) reversed the conclusion they had reached six months ago, and needlessly raises taxes on the U.S. economy under the guise of AMT “relief.”
 - Instead of simply adopting a straightforward AMT patch (without offsets) – as they did in December – the House Majority demanded the \$61.5-billion *tax increase* that the *unintended expansion* of the AMT would raise. Their excuse, under the pretense of PAYGO, is that they must *raise* taxes to “pay for” merely *preventing a tax increase* that would result from the AMT expansion. (Absent an AMT patch, millions of Americans would face an unexpected and unintended average tax hike of more than \$2,000.)
 - The AMT Relief Act of 2008 shifts this tax hike to American businesses, to the detriment of the overall economy. Thus the Democrats continue to create tax uncertainty with an approach they tried, and were forced to abandon, last year.
 - Once again, this proves that the Democrats’ version of PAYGO is nothing more than a means – and a political cover – for tax hikes that were never intended or needed.