



WHAT'S AT STAKE IN TAX & BUDGET BATTLES AFTER THE 2012 ELECTION

Nov. 13: Congress begins lame-duck session that might last until late-December

Major issues being debated:

- Renewing the Bush tax cuts for 98 percent of Americans and ending them for the richest 2 percent.
- Canceling \$1.2 trillion over 10 years in across-the-board budget cuts known as sequestration.
- Possibly establishing a framework for larger deficit reductions of up to \$4 trillion over 10 years, including cuts already made in 2011.

December 31: Bush-era tax cuts expire for all Americans

Ending the Bush tax cuts for the richest 2 percent – those with incomes above \$250,000 a year – would generate nearly \$1 trillion in savings over the next 10 years.¹ ATF supports this position and *opposes even a temporary extension of the Bush tax cuts for the richest 2 percent.*

- President Obama strongly supports this position as do about two-thirds of the public, according to numerous polls.
- The Senate passed legislation (S. 3412) in July that would end the Bush tax cuts for the richest 2 percent but continue them for 98 percent of Americans.
- The House of Representatives passed legislation (H.R. 8) in August that would renew the Bush tax cuts for everyone, including the richest 2 percent. In effect, tax cuts for 98 percent are being “held hostage” in the House unless the richest 2 percent get another tax break.

January 2, 2013: \$109 billion in across-the-board spending cuts known as sequestration begin

Many in Congress are desperate to prevent these cuts, which are divided equally – \$55 billion – between defense and non-defense programs. Over 10 years these cuts total a very large \$1.2 trillion.² ATF believes a better approach that will not kill jobs and hurt our families would be to end the Bush tax cuts for the richest 2 percent. This will generate \$1 trillion – nearly the same amount of spending cuts required by sequestration.

The sequestration cuts are in addition to \$1.5 trillion in cuts over 10 years to defense and non-defense programs that were enacted in 2011.³ Three-fifths of the cuts – \$900 billion – come from non-defense programs such as state aid, education funding, low-income programs, law enforcement, environmental protection and food safety, and more.

Most of these spending cuts were part of the budget deal – known as the Budget Control Act – negotiated between Republicans and Democrats in July 2011, when the government nearly defaulted over raising the debt ceiling because conservatives opposed it to the very end.

February-March: Debt ceiling will need to be raised again

This is likely to be resolved in a larger deficit-reduction deal, but if it is not it will give conservatives an opportunity to hold the government hostage like they did in July 2011 by refusing to negotiate a reasonable compromise. If lawmakers fail to raise the debt ceiling limit the country cannot pay its bills and keep operating.

Ongoing “Grand Bargain” Budget Negotiations

A bipartisan group in Congress wants a so-called “grand bargain” that would cut the deficit by \$4 trillion over 10 years through a combination of new revenue and spending cuts, but there are major differences between the parties, including how much revenue to raise. They are using the Bowles-Simpson deficit-reduction plan as a guide. President Obama also has a \$4 trillion deficit-reduction plan. Proponents want a framework voted on in the lame-duck with details to be worked out in 2013.

If a major deficit-reduction deal is negotiated, a key decision will be the ratio of spending cuts to tax increases. House Republicans have opposed even a 10 to 1 ratio of spending cuts to tax increases.

Working families already have made a big down payment towards deficit reduction – \$1.5 trillion in 2011, with 60 percent of the cuts coming from domestic programs.

ATF believes if Congress wants more deficit reduction – or additional investments in jobs and services to rebuild our economy – then it needs to raise more revenues by making the wealthy and big corporations pay their fair share of taxes. ATF has prepared a set of options for raising additional revenue beyond the \$1 trillion from ending the Bush tax cuts. [See “Beyond the Bush Tax Cuts: Five Options for Raising More Revenues”]

¹ Center on Budget & Policy Priorities (CBPP), “Joint Tax Committee, Raising Threshold for Bush Tax Cuts from \$250,000 to \$1 Million Would Lose \$366 Billion – Nearly Half the Revenue,” May 20, 2012.

<http://www.cbpp.org/cms/index.cfm?fa=view&id=3785>

² CBPP, “How the Across-the-Board Cuts in the Budget Control Act Will Work,” Apr. 27, 2012.

<http://www.cbpp.org/cms/index.cfm?fa=view&id=3635>. The sequester cuts about \$1 trillion directly from programs; these cuts produce about \$200 billion in interest savings.

³ CBPP, “Congress Has Cut Discretionary Funding by \$1.5 Trillion Over Ten Years,” Sept. 25, 2012.

<http://www.cbpp.org/cms/index.cfm?fa=view&id=3840>