# REPUBLICAN BUDGET PRIORITIES: TAX BREAKS FOR BILLIONAIRES, CUTS TO MEDICARE AND MEDICAID

#### PREPARED BY SENATE BUDGET COMMITTEE MINORITY STAFF

Senate Republicans recently released their budget for 2018. Following the lead of previous Republican budgets written by President Donald Trump – and by Paul Ryan and Tom Price before him – the Senate Republicans' budget would make devastating cuts to programs working families rely on, while giving massive tax cuts to the wealthy.

In total, the Republican budget would cut more than \$5 trillion over the next decade from education, health care, affordable housing, child care, nutrition assistance, transportation and other programs that working people desperately need.<sup>1</sup>

The budget would make it harder for children to get a decent education, harder for families to get the health care they desperately need, harder for families to put food on the table, harder to protect our environment and harder for the elderly to live their retirement years in dignity.

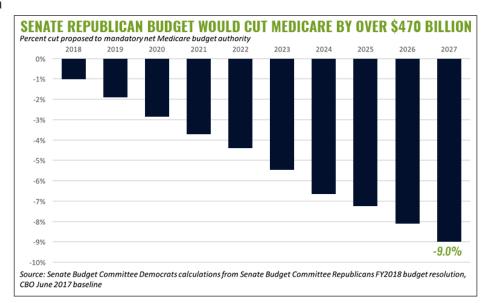
The Republican budget is a massive transfer of wealth from working families, the elderly, children, the sick and the poor to the top 1 percent.

Not only would it cut Medicaid by \$1 trillion, it would also cut Medicare by more than \$470 billion in order to pay for hundreds of billions in tax breaks to the wealthiest people and most profitable corporations in America. Further, the Republican tax plan this budget calls for would increase the federal deficit by \$1.5 trillion over the next decade, which will likely pave the way for savage cuts to Social Security.

The top 1 percent would receive about 80 percent of the benefits of the Republican tax plan, while 30 percent of Americans making between \$50,000 and \$150,000 a year would see their taxes go up by

an average of more than \$1,000 a year at the end of the decade, according to the Tax Policy Center. The wealthiest 0.1 percent would receive an annual average tax cut of more than \$1 million within 10 years under the Republican plan.

<sup>1</sup> All figures in this report are from the Senate Budget Committee Democratic staff analysis. The Republican budget's unallocated discretionary cuts have been assigned to budget functions in an across-the-board manner. Unallocated mandatory cuts have not been distributed. Within budget functions, cuts to specific programs are also assumed to be made in an across-the-board manner.



Today, the United States has more wealth and income inequality than at any time since the 1920s. The top 0.1 percent owns almost as much wealth as the bottom 90 percent. According to a new report from the Federal Reserve, the top 1 percent now own 39 percent of the nation's wealth, while the bottom 60 percent own just 3.1 percent. Meanwhile, the bottom 38 percent of Americans have an average net worth of \$0. Further, since the Wall Street crash, 52 percent of all new income has gone to the top 1 percent.

The Republican budget would widen the gap between the wealthiest Americans and everyone else with trillions of dollars in cuts to social programs and tax cuts for the top 1 percent.

## **Details of the Republican budget:**

#### Cuts \$5 trillion from programs that working families desperately need over the next decade

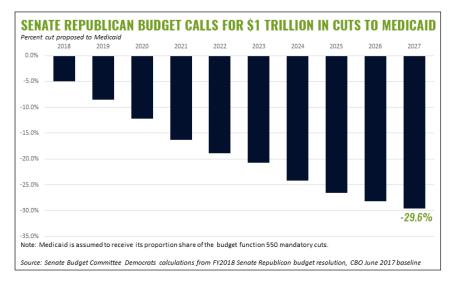
If the Republican budget's unspecified spending cuts are applied proportionately, the budget over the next decade:

- **Eliminates housing assistance** for more than 1 million families due to a \$37 billion cut to affordable housing and the Section 8 rental assistance program.
- **Eliminates heating assistance** (LIHEAP) for nearly 700,000 seniors on fixed incomes, people with disabilities and families with children by cutting this program by more than \$4 billion.
- **Eliminates nutrition assistance** for 1.25 million women, infants and children through a \$6.5 billion cut to the WIC program over the next decade.
- **Slashes Pell Grant funding** by more than \$100 billion a 33 percent cut, making college less affordable for more than 8 million working-class students.
- **Eliminates Head Start services** for 25,000 children in an average year by cutting this program by \$3 billion.
- Cuts mandatory transportation funding by nearly \$200 billion.
- Cuts funding for the National Institutes of Health by \$37 billion over the next decade, which would cut funding for Alzheimer's disease, cancer and other critical medical research.
- **Switches to Fair Value accounting** by continuing the policy of previous Republican budgets, making student loans appear vastly more expensive to the federal government than they are which could dramatically raise college costs for struggling students.

Overall, the Republican budget cuts \$5 trillion in non-defense, non-interest spending over the next decade, including \$660 billion from non-defense discretionary programs.

Meanwhile, at a time when the U.S. already spends more on defense than the next 12 countries combined, the Republican budget lays the groundwork for an increase of \$91 billion to the Pentagon for Fiscal Year 2018 alone – more than enough to provide free tuition at every public college and university in America.

#### Slashes Medicare, Medicaid and the Affordable Care Act



The Republican budget cuts Medicare by \$473 billion and Medicaid by more than \$1 trillion over the next decade, throwing millions of Americans off of health care and reneging on President Trump's campaign promises not to cut Social Security, Medicare and Medicaid.

Further, it cuts hundreds of billions of dollars in Affordable Care Act tax credits and makes it easier for Republicans to repeal Obamacare.

# Paves the way for tax cuts for the wealthiest families and largest corporations and massive cuts to Social Security

The budget includes reconciliation instructions to increase the deficit by \$1.5 trillion over the next decade. The Republican tax plan would:

- **Reduce the top marginal tax rate** from 39.6 percent to 35 percent, the same as it was under George W. Bush, providing a major tax cut for the top 1 percent.
- Repeal the estate tax, which only impacts the wealthiest 0.2 percent of Americans just 5,200 estates a year. 99.8 percent of Americans would not receive a nickel under this proposal. Repealing the estate tax would provide a \$269 billion tax break for the super-rich, including up to \$52 billion for the Walton family, \$38 billion for the Koch family, \$12 billion for the Sheldon Adelson family, and \$4 billion for the Trump family. Let's be clear: repealing the estate tax has nothing to do with protecting family farms or small businesses. This year it has been estimated that just 80 farms and small businesses paid any estate tax and their effective tax rate was just 6 percent.
- Repeal the alternative minimum tax, which is a backstop tax that ensures the wealthiest people in America pay taxes no matter how many breaks and loopholes they find. Without the AMT, President Trump would have paid just 3 percent of his income in taxes in 2005, according to his leaked return, rather than the 24 percent he paid a \$31 million tax break.
- Reduce the rate on pass-through businesses, or businesses that pay taxes via owners' personal tax returns. Reducing this rate would do absolutely nothing for 86 percent of businesses, while 74 percent of income from partnerships goes to the top 1 percent. For wealthy business owners – like President Trump – the change would reduce their tax rate from 39.6 percent to 25 percent.

- **Cut the corporate rate** from 35 to just 20 percent at a time when corporate profits are at an all-time high and corporations are sitting on \$2 trillion in cash on hand. The effective tax rate for large, profitable corporations is just 14 percent, according to the Government Accountability Office. One out of five of these corporations pay nothing in income taxes.
- Move to a "territorial" tax system for corporations, which would exempt the offshore profits of American corporations from U.S. taxes. Each and every year, corporations are avoiding \$100 billion a year in U.S. taxes by shifting their profits to the Cayman Islands and other offshore tax havens where the corporate tax rate is 0 percent. One five story office building in the Caymans is the "home" to almost 20,000 corporations. Moving to a "territorial tax system" would encourage even more corporations to move their profits abroad.

#### Fast-tracks oil drilling in the pristine Arctic National Wildlife Reserve

The Republican budget also includes reconciliation instructions to the Energy and Natural Resources Committee that could open the Arctic National Wildlife Refuge for oil drilling, harming the environment and making climate change worse.

#### **Triggers "Statutory PAYGO" sequestration**

The Statutory Pay-As-You-Go Act of 2010 created the "PAYGO scorecard." Whenever Congress enacts legislation that affects spending or revenue, the costs or savings are added. At the end of the year, if the total of all of the spending and saving legislation shows that Congress added to the deficit, the Office of Management and Budget is required to enact an across-the-board spending cut – a sequestration – to make up for the increase in the deficit.

Some mandatory programs – like SNAP – are exempt from this sequestration, but many are not. By law, the sequestration of Medicare provider payments is capped at 4 percent. But the possible cuts to other programs are uncapped; a large enough increase in the deficit could completely zero out those programs – and the Republicans' tax cut for the rich would be large enough to do just that.

If Republicans vote for tax cuts for the wealthy and for large corporations, they will also effectively be voting to zero out many programs that families rely on, including:

- Farm price support programs;
- Farm Security and Investment programs;
- The Social Services Block Grant;
- Citizenship and Immigration Services;
- Custom and Border Protection; and
- The Crime Victims Fund

## **Appendix**

The Republican budget includes \$5 trillion in programmatic, non-war, non-defense cuts.

	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2018-2027
Enzi budget (without macroeconomic effects) above (+) or below (-) June 2017 SBC Dems adjusted baseline:												
budget authority:												
defense disc except war	0	0	0	0	0	0	0	0	0	0	0	(
NDD except war	0	-2	-44	-49	-54	-62	-70	-79	-89	-99	-110	-660
war	<u>0</u>	-29	-58	<u>-85</u>	-100	-115	-117	-119	-122	-125	-127	-998
subtotal, discretionary	0	-32	-102	-134	-154	-177	-187	-199	-211	-224	-238	-1,658
Health (550)	0	-25	-46	-71	-99	-120	-139	-171	-197	-219	-242	-1,329
Net Medicare (570)	0	-6	-12	-20	-28	-37	-48	-60	-72	-87	-104	-47
Income security (600)	0	-17	-35	-49	-62	-79	-79	-78	-83	-85	-88	-656
Social Security (650)	0	0	0	0	0	0	0	0	0	0	0	(
all other mandatory	<u>0</u>	-74	<u>-90</u>	-111	-179	-168	-194	-215	-235	-290	-325	-1,879
subtotal, mandatory	0	-122	-183	-250	-368	-404	-459	-523	-586	-682	-759	-4,337
net interest	0	0	1	-2	-9	-20	-35	-53	-74	-98	-127	-418
TOTAL budget authority	0	-154	-284	-387	-531	-602	-681	-775	-871	-1,004	-1,123	-6,412
Total outlays	0	-102	-232	-349	-474	-588	-671	-765	-864	-996	-1,116	-6,155
Revenues	<u>0</u>	-167	-170	-166	-165	-166	-168	-170	-172	-146	-145	-1,635
Deficits (+)	0	66	-63	-183	-309	-421	-503	-595	-692	-850	-971	-4,520
Memo:												
Program costs BA w/o defense and war	0	-125	-227	-300	-422	-466	-529	-602	-676	-781	-869	-4,997