RSC Republican Study Committee

Rep. Tom Price (R-GA), M.D., Chairman
Paul Teller, Executive Director

Budget and Spending Task Force Weekly Report

Congressman Jim Jordan (R-OH), Chairman

April 21, 2010

RSC Members Introduce Economic Freedom Act

RSC Members Jim Jordan and Jason Chaffetz have introduced **H.R. 5029**, the Economic Freedom Act of 2010. The legislation replaces the failed "stimulus" and TARP programs with tax cuts that will grow the economy. Specifically the legislation would:

- Permanently eliminate the capital gains tax (on individuals and corporations).
- Permanently reduce the corporate income tax rate to 12.5% (the same rate as Ireland's).
- Permanently eliminate the death tax.
- Permanently provide immediate small business expensing.
- Reduce the payroll tax in half for 2010 for employers and employees.
- Repeal the "stimulus" spending (except for unemployment benefits and the tax cuts).
- Terminate the TARP program.

To cosponsor the Economic Freedom Act, contact George Poulios, George.Poulios@mail.house.gov, in Representative Jordan's office.

Quote of the Week:

"I can make a firm pledge…Under my plan, no family making less than $250,000 a year will see any form of tax increase. Not your income tax, not your payroll tax, not your capital gains taxes, not any of your taxes."

-President Obama, 9/12/08

Foreign Investors Own Majority of Public Debt

According to Veronique de Rugy of the Mercatus Center, the portion of the public debt held by foreign investors now exceeds the portion of debt held by domestic investors. At the end of 2009, the foreign-held debt was $3.497 trillion and the domestically-held debt was $3.286 trillion. The foreign-held debt has grown from $1.107 trillion in 2000 to $3.497 trillion in 2009, an increase of $2.39 trillion or 215.9%. As recently as the 1970s, foreign-held debt was just 5% of the total public debt.

Conrad Releases FY 2011 Budget with Reconciliation Instructions

The Senate Budget Committee will begin consideration of the FY 2011 budget resolution today. Chairman Conrad (D-ND) has proposed a five year resolution (as opposed to the ten years covered by the President's budget). This allows the majority to hide the impact of its fiscal policies after 2015. The plan would keep the deficit at or above $545 billion in each year of the budget window. By comparison, prior to last year, the highest deficit in U.S. history was $459 billion. The budget resolution provides for tax and spending levels in excess of the recent historical averages. By 2015, taxes would be 19% of GDP (compared to the recent historical average of 18.1% of GDP), and spending would be 22% of GDP (compared to the recent historical average of just above 20% of GDP). The plan assumes that the AMT "patch" will either expire, or be offset with other non-specified tax increases, in the last three years of the budget window. This is either a massive tax increase (in the event that Congress actually enacts the proposed tax increases) or a massive budget gimmick (in the event that Congress does not).

Perhaps the most notable aspect of the Conrad-sponsored budget resolution is that it would include reconciliation instructions, allowing the Senate to pass legislation with 51 votes instead of 60 votes. It is unclear what the reconciliation instructions are intended for, but once a final budget resolution is adopted with reconciliation instructions for a particular committee, it can be used for any controversial policy that has a budget impact.

It remains unclear whether House Democrats will bring a budget resolution to the House floor.

For more information, please contact Brad Watson at x69719