LEGISLATIVE UPDATE

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Washington Brief by Nooley Reinheardt

'Tax Expenditures' and 'Rental Assistance' Targeted

House Budget Committeeman Chairman Paul Ryan (R-Wis.) this morning released his panel's Fiscal Year 2012 Budget Resolution: "The Path to Prosperity: Restoring America's Promise." The budget plan, if adopted, would make $6.2 trillion in cuts over the next 10 years.

Remember, the Budget Resolution is an internal Congressional document that does not itself appropriate funds or create or amend laws. Rather, the respective House and Senate versions, theoretically melded into a concurrent resolution, establish spending and revenue levels which are binding on the various appropriations and tax-writing committee. The Budget Resolution does <u>not</u> go to the President.

The relevant committees are subject to the limits in the Budget Resolution and decide program-by-program on how to meet the mandatory spending targets. It is a bit more complicated on the tax side of the ledger, but you get the idea.

The House version of the FY2012 Budget Resolution could pass the House as early as next week with a distinctly different Senate version coming in a few weeks.

Again, without offering specifics, one "major" proposal in the House document is to: “**Remove distortions from the code by eliminating or modifying deductions, credits and special carve-outs that leave many companies paying no tax at all.**" This is similar to the President's budget proposals which included off-setting reductions in corporate taxes by closing loopholes.

The Chairman's Budget notes, "Tax Expenditures have a huge impact on the federal budget, resulting in over $1 trillion in forgone revenue each year (although the exact definition of 'tax expenditure' is subject to debate.)" It continues, "Eliminating large tax expenditures would not be for the purpose of increasing total tax revenues. Instead, when offset by lower rates, it would have the doubly positive impact on the economy -- it would stop diverting economic resources to less productive uses, while making possible the lower tax rates that provide great incentives for economic growth."

The language in the document includes, "This budget would offset lower rates with a broader base, scaling back or eliminating entirely the deductions and credits that have skewed corporate behavior . . ." "The government should not be in the business of picking winners and losers in the market."

Under the category of "**Protecting Assistance for Those in Need**" one major proposals is: Encourage recipients of federal housing aid to lead lives of increased self-sufficiency by decreasing disparities between assisted and unassisted renters and by making aid contingent on work or job training."

The plan would also time-limit rental assistance [which is used as a generic term] "while continuing to provide a safety net to make sure those with very low incomes can afford housing."

And, of course, Fannie and Freddie are also targeted in this budget document.

Although this can be viewed as much as a 2012 campaign document as a plan that has any chance of being implemented in for fiscal '12, it is something we have to assume is imminent as we interact with Members of Congress, particularly those on the budget, appropriations and tax-writing committees over the next weeks and months.

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