

## **DEFICIT EXTENDER BILL (H.R. 4213): AN OVERVIEW**

As released on May 20, 2010

- **\$226 billion in total costs, but no new jobs**
  - The Democrats' "deficit extender" bill features \$226 billion in total costs (\$191 billion in higher spending plus \$35 billion in "tax relief"), but its \$75 billion in revenue increases – including \$30 billion in tax hikes on investments and small businesses – threatens to send the current 9.9% unemployment rate even higher.
  - This is not a "jobs" bill; it's just another stimulus spending bill that increases the deficit by \$134 billion – or by more than \$1,000 for every American household.
  
- **\$191 billion in higher spending, a deficit increase of \$134 billion, and more unsustainable debt**
  - A major portion of the \$191 billion in spending is attributable to the extension of various expiring spending programs and policies that have been repeatedly extended over recent months:
    - \* Federal UI programs and benefits through December 2010 (\$47 billion)
    - \* COBRA subsidy eligibility expansion through December 2010 (\$7.8 billion)
    - Medicare physician payment increases through 2013 (\$64.9 billion)
    - Extension of hospital payment rate reclassifications (\$300 million)
    - Extension of current poverty line (\$317 million)
  - It would also increase other spending, often on programs created or expanded in the 2009 stimulus law:
    - \* Increased Medicaid payments to States through June 30, 2011 (\$24.1 billion)
    - \* Welfare Emergency Fund extension through FY 2011 (\$2.5 billion)
    - \* State aid for infrastructure projects through Build America Bonds (\$24.2 billion)
    - \* Summer Jobs (\$1 billion)
    - Increased Medicare payments to California physicians (\$400 million)
    - Funding to reprocess Medicare claims (\$200 million)
    - Other spending: Agriculture settlements for minority farmers (\$4.6 billion), National Housing Trust Fund (\$1 billion), SBA lending program (\$505 million), agriculture disaster relief (\$1.5 billion), concurrent receipt (\$686 million), and extension of State Court Improvement Program (\$20 million)
  
- **\$35 billion in temporary "tax relief," but \$75 billion in permanent tax hikes and higher revenues**
  - The bill also includes \$35 billion in "tax relief" comprised primarily of a "tax extenders" package.
    - This tax extenders package provides one-year extensions, through December 31, 2010, of dozens of generally non-controversial tax benefits affecting individuals and businesses (e.g., the deduction for state and local sales taxes, the R&D credit, various energy-related tax incentives, and various disaster-related tax relief) that expired on December 31, 2009.
    - Although failure to extend these lapsed benefits would result in an unexpected tax increase on individuals and businesses this year, the Democrats' tax extenders package should not be viewed as true tax *relief* since, even if it were to pass without revenue-raising offsets, taxpayers who benefit would be in no better position than they were in 2009.
    - The bill would also add or modify certain other energy- and infrastructure-related tax benefits.
  - Unfortunately, the bill also includes \$75 billion in permanent tax hikes and other revenue increases to offset the cost of that temporary "tax relief" and a small portion of the spending. Major revenue offsets include:
    - A tax hike on investments that re-characterizes carried interest as 75% ordinary income (\$18.7 billion)
    - A tax hike on certain small businesses that subjects their profits to employment taxes (\$11.2 billion)
    - Tightened rules on foreign tax credits and other international tax provisions (\$14.5 billion)
    - A quadrupling of the Oil Spill Liability Trust Fund excise tax to 32 cents per barrel (\$10.9 billion)
    - Modifications to pension funding rules that permit companies to temporarily delay, on a conditional basis, scheduled contributions to their plans (\$2.0 billion)
  - With the exception of carried interest, most of the bill's major revenue offsets have never been formally marked up by the Ways and Means Committee and have simply been "air dropped" into the bill.

\* denotes program created or expanded in 2009 stimulus law