

Fact Sheet
The Impact on Families of the FY 2007 House Budget Resolution
Joint Economic Committee Democrats
Senator Jack Reed (D-RI)—Ranking Democrat
Representative Carolyn Maloney (D-NY)—Senior House Democrat
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Summary

- The FY 2007 budget resolution reported out of the House Budget Committee would increase the federal budget deficit and is unfair in its impact on families.
- In the resolution, the cumulative five-year deficit would be \$1.1 trillion—an increase over the Congressional Budget Office baseline. However, the actual deficit would probably be even higher, since the resolution does not include the cost of likely expenditures such as funding the wars in Iraq and Afghanistan beyond FY 2007 or the full impact of permanent alternative minimum tax relief.
- The House budget resolution is unfair because cuts in programs providing payments for individuals are concentrated among middle- and lower-income families, while the tax cuts primarily benefit very high-income people.

Spending Cuts

- About \$52 billion of the spending cuts called for in the resolution are payments for individuals that can be allocated by family income group (**Table 1**).
- With few exceptions, the levels of the non-defense discretionary spending cuts included in the resolution are identical to those included in the President's budget request. Using the President's proposals as a guide, approximately \$51 billion of the total non-defense discretionary cuts would directly affect payments for individuals.
- Of the \$6.8 billion in reconciled mandatory spending cuts included in the resolution, \$4 billion are assigned to the Committee on Ways and Means, which has jurisdiction over important income support programs targeting lower-income families.
- The Ways and Means cut would accommodate the \$1.1 billion cut in unemployment insurance included in the President's FY 2007 budget request. Although this analysis does not allocate the remaining unspecified \$2.9 billion in Ways and Means cuts, they too could end up being in programs that primarily benefit disadvantaged families.
- The \$52 billion in total spending cuts affecting payments for individuals would fall disproportionately on lower-income families. For example, families in the

bottom 20 percent of the income distribution would absorb 34 percent of the spending cuts, even though their share of aggregate income is only 3 percent (**Table 2**).

Tax Cuts

- The budget resolution calls for \$228 billion in tax cuts over the next five years.
- The committee report assumes that the 2001 and 2003 tax cuts will be extended, which would account for \$197 billion of the total cuts. The report language also suggests at least a one-year extension of the alternative minimum tax, which would cost an additional \$26 billion.
- Together, these extensions would account for \$223 billion in allocable tax cuts (**Table 1**). Nearly three-quarters (72 percent) of these tax cuts would accrue to the richest 20 percent of families (**Table 2**).
- The remaining \$5 billion of tax cuts are not allocated in this analysis, but most of the other tax cuts contemplated in the committee report would also end up disproportionately benefiting high-income taxpayers.

Net Impact

- The top 20 percent of the income distribution would receive benefits from the tax cuts that far offset losses from the spending cuts (**Chart 1**).
- Families in the bottom 20 percent of the income distribution would lose much more from program cuts than they would gain from tax cuts.

**Table 1. Budgetary Effects of Tax and Spending Proposals
in the House Budget Resolution That Are Allocated to Families**

(billions of dollars)

Provision	Change in Outlays 2007- 2011
Payments for individuals allocated by income group	
Mandatory ^a	-1.1
Discretionary ^b	
Elementary, secondary, and vocational education	-13.9
Higher education	-6.7
Social services	-6.8
Housing assistance	-6.1
Training and employment	-5.3
Other income security	-2.6
Food and nutrition assistance	-1.9
Substance abuse and mental health services	-1.0
Veterans benefits ^c	<u>-6.6</u>
Subtotal, discretionary	-50.9
Total effect, payments for individuals	-52.0
Tax cuts allocated by income group^d	
Extension of expiring EGTRRA and JGTRRA provisions	-196.6
AMT extension	<u>-26.4</u>
Total, allocated tax cuts	-223.0

Source: JEC Democratic staff calculations based on the Congressional Budget Office's analysis of the President's FY 2007 budget and House Budget Committee report on FY 2007 budget resolution.

Notes:

^aAssumes that of the \$4 billion in reconciliation instructions to the Committee on Ways and Means, \$1.1 billion will come from unemployment insurance cuts, as included in the President's FY 2007 budget request; does not allocate the remaining \$2.9 billion in reconciliation instructions to Ways and Means, or any of the reconciliation instructions to other committees.

^bUnless otherwise indicated, assumes same cuts included in the President's FY 2007 budget request.

^cCuts are \$3.7 billion smaller than those proposed by the President.

^dAlthough the budget resolution report does not specify specific tax cut proposals, it indicates that it assumes extension of the 2001 and 2003 tax cuts and provides for at least a one-year extension of the AMT.

**Table 2. House Budget Resolution
Distributional Impact of Proposed Tax and Spending Cuts**
Shares of Tax and Spending Cuts and Share of Family Income
by Family Income Group

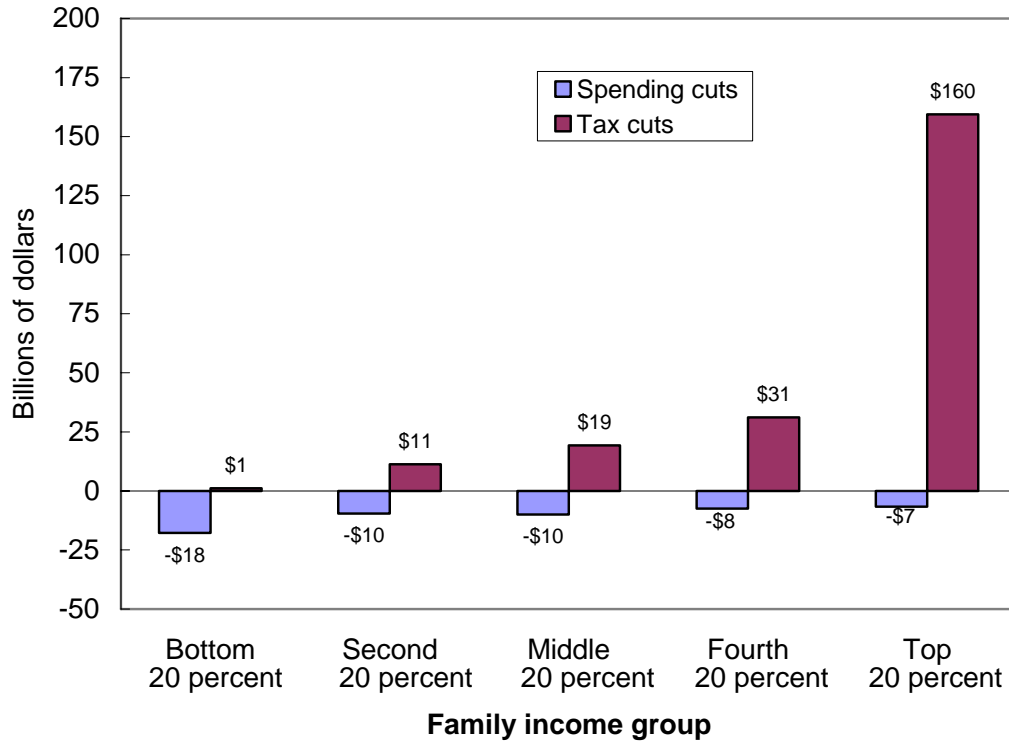
Income Group	Spending Cuts	Tax Cuts	Family Income
Bottom 20 percent	34	1	3
Second 20 percent	19	5	8
Middle 20 percent	19	9	14
Fourth 20 percent	15	14	23
Top 20 percent	13	72	52

Source: JEC Democratic staff calculations using CBO's analysis of the President's FY 2007 budget, House budget resolution report, Census Bureau public use files for the Current Population Survey, and Urban-Brookings Tax Policy Center Tables T06-0043 and T05-0281.

Note: \$52 billion of cuts in allocated payments for individuals and \$223 billion of allocated tax cuts from Table 1.

Chart 1: Distributional Impact of Proposed Tax and Spending Cuts on Families

2007-2011 Tax and Spending Cuts Affecting Families in the House Budget Resolution, by Family Income Group



Source: JEC Democratic staff calculations using CBO's analysis of the President's FY 2007 budget, House budget resolution report, Census Bureau public use files for the Current Population Survey, and Urban-Brookings Tax Policy Center Tables T06-0043 and T05-0281.