

HOUSE BUDGET COMMITTEE

Democratic Caucus

The Honorable John M. Spratt Jr. # Ranking Democratic Member

214 O'Neill HOB # Washington, DC 20515 # 202-226-7200 # www.house.gov/budget_democrats

July 18, 2001

Dear Democratic Colleague:

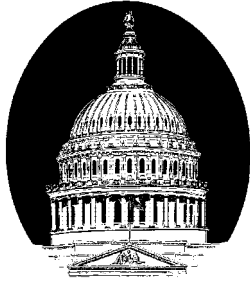
Today, the House of Representatives is scheduled to consider the Community Solutions Act (H.R.7). This bill was intended to embody much of the President's faith-based agenda, which is the centerpiece of his "compassionate conservative" approach to helping the less fortunate in our society. Included in the President's agenda was his promise to support the work of charitable organizations through an estimated \$90 billion in new tax incentives for charitable giving.

However, in their drive to secure the \$1.35 trillion tax cut enacted this May, the President and Congressional Republicans have run out of funds to keep their promises to faith-based and community organizations and the low-income families they serve. The attached report by the Democratic staff of the House Budget Committee explains how the resources provided by H.R. 7 fall short of President Bush's promises.

If you have any questions about his report, please contact me or the Democratic staff of the House Budget Committee at 226-7200.

Sincerely,

John M. Spratt, Jr.
Ranking Democratic Member



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President Bush to Charities: We Gave at the Tax Cut

President Bush promised to make faith-based initiatives the cornerstone of his compassionate conservative agenda. He has promised to rally “the armies of compassion” to combat poverty and other social ills through increased access to federal funding and new tax incentives to encourage additional personal and corporate donations. The President has said that “It’s not sufficient to praise charities and community groups, we must support them,” calling such support “both a public obligation and a personal responsibility.”

Over the past several weeks, Congress has been considering the Community Solutions Act (H.R. 7), which embodies much of the President’s faith-based agenda. Yet, after their drive to achieve a \$1.35 trillion tax cut overwhelmingly tilted toward the well-off, the President and Congressional Republicans have run out of funds to provide significant resources to keep their promises to faith-based and community organizations and the low-income families they serve.

- ***The Tax Cut Crowds Out Funding for Faith-Based Initiatives*** — Analysis conducted by the Democratic Staff of the House Budget Committee indicates that the Bush tax cut enacted by Congress in May invades the Medicare surplus by \$84 billion between 2002 and 2007, even using the implausible spending levels embodied in the Republican budget resolution and assuming no defense buildup beyond the supplemental defense request. The spending assumptions in the budget resolution for 2002 did not include any additional funds for the President’s faith-based initiatives. Therefore, any new resources for these initiatives must be offset, or they will contribute to the raid on the Medicare Trust Fund surplus.
- ***The Administration Promises More Access to Federal Funds, but does not Expand the Pool of Resources*** — The President’s faith-based proposals would allow more groups to compete for federal funding while cutting resources for programs helping low-income families. The President’s 2002 budget requested \$253 million in new technical assistance and program funds aimed at faith-based and community groups. But the Administration also cut over \$2.9 billion from programs primarily designed to help low-income Americans, and allows funding for many other such programs to fall behind the pace of inflation. Ironically, many of these programs, such as the Title XX Social Services Block Grant and Homeless Assistance Grants, already support the work of faith-based and community groups who successfully compete for them under current rules.
- ***No Room for Charity in the Tax Cut for the Wealthy*** — On the campaign trail and in his 2002 budget, the President promised to champion new tax incentives to encourage billions in additional charitable donations from individuals and corporations. The centerpiece of these incentives is the

“non-itemizer” deduction, which would permit those who do not otherwise itemize to deduct charitable contributions. The President argues that this proposal would increase tax fairness, because it would benefit lower- and middle-income taxpayers who are less likely to itemize.

Yet when negotiating elements of the \$1.35 billion tax cut, the President abandoned his charitable donation proposals. The White House did not argue for the charitable provisions in any tax-related Statement of Administration Policy. Nor did the Administration focus attention on charities during Congressional tax cut negotiations, according to Republican sources quoted in the *Washington Post* (5/30/2001). Non-profit groups protesting the Administration’s failure to make its faith-based initiative a priority also pointed out that the elimination of the estate tax will deprive them of \$6 billion per year from bequests.

- ***Congressional Republicans’ Token Support for Faith-Based Initiatives*** — The President requested \$89 million in technical assistance funding to improve faith-based groups’ effectiveness and access to federal funds. H.R. 7 authorizes only \$50 million for this purpose, and even that amount was raised from just \$25 million by a Democratic amendment in committee. The bill authorizes an additional \$25 million for Individual Development Accounts. However, H.R. 7 does not authorize any additional funding for the programs it claims to open to additional applications from faith-based groups.

The Joint Committee on Taxation estimated the cost of the President’s charitable deduction proposals at \$90 billion over ten years, with over \$84 billion attributable to the non-itemizer provision alone. On July 11, Ways and Means Committee Republicans reduced the cost of H.R. 7’s tax provisions to just \$13.3 billion. The committee lowered the cost of the non-itemizer provision to just \$6.4 billion over ten years by capping the deduction at \$50 per family in 2002, rising slowly to \$200 by 2010. In 2002, this deduction translates into tax savings of just \$7.50 per family — at the maximum. The Republican majority rejected a Democratic amendment to offset the cost of H.R. 7 with a 0.05 percentage reduction in the tax cut rate for the wealthiest taxpayers.

These incentives amount to a mere token of the President’s promises to faith-based groups. Yet the Administration issued a statement commending the Ways and Means Committee for approving this legislation.

By devoting so much of the available surplus to tax cuts for the wealthy and shortchanging their own initiatives for the poor, the Bush Administration and Congressional Republicans have made their priorities clear: tax cuts come before charity.

For more information, see the following documents, available on the web:

- *Bush Tax Cut and Defense Spending Divert Medicare Funds*
http://www.house.gov/budget_democrats/analyses/spending/surplus_raid_0626.pdf
- *Uncompassionate Cuts for Low-Income American Families*
http://www.house.gov/budget_democrats/pres_budgets/fy2002/lowinc_report.htm