The Debt Buy-Down Act of 2010 (H.R. 5536/S. 3496)

Background & Summary

- Taxpayers have watched record levels of deficit spending and the level of the national debt soar to unprecedented levels. With global economic upheaval, concern over federal spending is palpable.
- With Congress seemingly unwilling or unable to rein in spending, the time has come to give taxpayers the opportunity to take action and the flexibility to direct their tax dollars to deficit reduction if they choose. The time has come to bring taxpayers into the budgeting process directly.
- The Debt Buy-Down Act would require the IRS to include a check-off on tax forms providing taxpayers the flexibility to voluntarily designate that up to 10% of their tax liability be put toward debt reduction. In order to ensure that reductions in the debt are protected, the bill also requires an equal amount of permanent reductions in federal spending.
- This bill is supported by the Council for Citizens Against Government Waste, Americans for Tax Reform and the Center for Fiscal Accountability, National Taxpayers Union, Club for Growth, Americans for Prosperity, Committee for a Responsible Federal Budget, and FreedomWorks.

Bill Language

- The bill provides for the IRS to include a line on tax returns that enables taxpayers to direct up to 10% of their tax liability to debt reduction. The bill establishes a trust fund in which to put those funds pending their use to retire debt obligations.
- The bill requires spending reductions for the coming year (in order to ensure that gains in debt reductions are protected in the coming year). Congress has an opportunity to pass spending reductions equal to the amount of debt reduction designated by taxpayers. Otherwise, the spending reductions are gained via an across-the-board cut in program spending levels.
- The bill provides several exemptions in the event of an across-the-board cut, including Social Security benefits, benefits for the uniformed services, and payments for net interest.
- While revised slightly, the Debt Buy-Down Act was originally introduced in the House by Rep. Bob Walker (R-PA, H.R. 6114) and in the Senate by Sen. Bob Smith (R-NH, S. 3158) in the 102nd Congress.

Debt Facts

- Over the last several decades, federal spending has grown eight times faster than the median income.
- Federal spending has been on the rise and is projected to continue its climb, reaching nearly $36,000 per every household in the U.S. by 2020.
- The deficit for fiscal year 2009 was more than $1.4 trillion, pushing deficit spending to a historic peak and more than three times the 2008 deficit of $455 billion.
- The fiscal year 2010 deficit is estimated to be the second record breaker in history at an estimated $1.5 trillion and CBO estimates that, based on the President's budget, deficits will average nearly $1 trillion for a decade.
- In May of 2010, the national debt hit a historic milestone – surpassing $13 trillion. According to the Washington Post, that works out to be more than $40,000 worth of debt for every U.S. resident.
- U.S. debt will triple from nearly $6 trillion in 2008 to more than $20 trillion by the end of the decade.
- As a share of GDP, public debt is expected to exceed 60 percent this year and, according to the CBO's analysis of the President's budget, reach 90 percent by 2020.