BUDGET COMMITTEE
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BUDGET PERSPECTIVE:
The Financial Crisis Assessment: A Tax by Another Name

The conference committee on HR 4917, the financial reform bill, would add a new title XVI to establish a Financial Crisis Assessment and Fund. This title, which did not exist in either the House-passed or Senate-passed measure, would require the new Financial Stability Oversight Council to impose an assessment to be collected by the Federal Deposit Insurance Corporation (FDIC).

The risk-based assessment would be imposed on financial companies with assets of $50 billion or more, and hedge funds with $10 billion or more in assets under management. The assessment would be set such that affected firms would pay the lower of $19 billion or 1-1/3 times the estimated cost of the bill the over 2011-2020 period. The full amount of the assessment would be collected over the four-year period 2012-2015.

The Government Accountability Office's *Glossary of Terms used in the Federal Budget Process* states that "revenues result from the government's exercise of its sovereign power to tax or otherwise compel payment."

The Financial Crisis Special Assessment, in budget terms, is a revenue (as opposed to offsetting receipts or collections, which result from "businesslike transactions or market-oriented activities with the public.") While the FDIC does collect offsetting collections for its deposit insurance program, those transactions clearly reflect payment for a service (deposit insurance) banks purchase voluntarily.

In the case of the new special assessments that would be imposed under the conference agreement, the assessment is levied only because the government can compel payment from financial companies and hedge funds. Therefore, the assessment contained in the conference agreement meets the definition of revenue and will be scored as a tax increase by the Congressional Budget Office when the agency's estimate is made available.

The only reason this tax increase is in the bill is to offset other deficit-increasing parts of the bill (like the Consumer Financial Protection Bureau) in the 2010-2020 window, and avoid the House's PAYGO point of order.

Supporters of this new tax argue that it is a satisfactory offset because the proceeds of the assessment would be deposited in a Financial Crisis Special Assessment Fund established within the Treasury, and amounts deposited in the fund would not be available for any purpose. But when did a fund ever exist within the Treasury untouched? Future legislation could be written that would expend amounts out of this fund.

HR 4917, as passed by the Senate, eliminated the pre-payment of bailouts by financial firms included in the measure reported by the Banking Committee (the Senate-passed version instead would have required firms to pay for liquidation costs after they occurred, and CBO scored those fees as revenues as well). The conference agreement would have those firms pay both for any liquidations that may be required in the future, and the costs of today's increased regulation of the financial sector. It is equivalent to imposing the bank tax sought earlier this year by the President — and rejected by the Congress — under another name.

A tax-and-spend regime was rejected once by the Senate — but the conferees want to try again, and think they can fool the Senate by calling this tax an "assessment." It is a new tax, plain and simple.

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