THE REPUBLICAN STUDY COMMITTEE
BUDGET & SPENDING TASK FORCE
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House Appropriations Committee Releases 302b Allocation Proposal

Today, the House Appropriations Committee will adopt the 302(b) allocations for FY 2013, which set the spending cap for each of the 12 appropriations bills. The total spending level proposed is $1.028 trillion, $15 billion or 1.4% less than last year. This level is also $19 billion or 1.8% less than the spending *cap* under the Budget Control Act. The RSC budget proposed a 302(a) allocation of $931 billion.

FY 2013 302(b)
In Billions of Dollars

Subcommittee	FY 12	Committee 302(b) for FY 13	Comparison to FY 12
Agriculture	19.8	19.4	-0.4
CJS	52.8	51.1	-1.7
Defense	518.1	519.2	1.1
Energy and Water	32.0	32.1	0.1
Financial Services	21.5	21.2	-0.3
Homeland Security	39.6	39.1	-0.5
Interior	29.2	28.0	-1.2
Labor-HHS	156.3	150.0	-6.3
Legislative Branch	4.3	4.3	--
MilCon-VA	71.7	71.7	--
State-Foreign Operations	42.1	40.1	-2.0
Transportation-HUD	55.6	51.6	-4.0
Total	**1,043.0**	**1,027.9**	**-15.1**

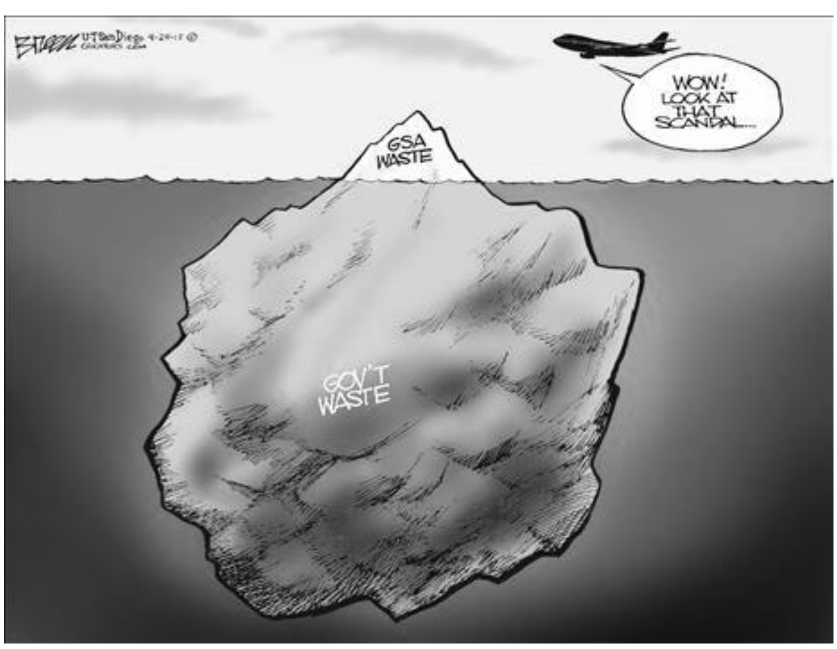
Federal Government Recipient of 0.001% of All Charitable Contributions

In 2009, Americans gave **$300 billion** of their own money, voluntarily, to charitable organizations. The federal Treasury, like many non-profit charitable organizations, currently accepts donations from taxpayers. These contributions amounted to **$3 million**. This amounts to **0.001%** of all charitable contributions made by individuals in America.

The failure of proponents of a larger welfare state to contribute their own money to their cause is in contrast to the great success of large numbers of other charitable organizations. The awkward question for proponents of big government is why almost no one believes this is a cause worth voluntarily contributing to. As George Mason University economist Bryan Caplan put it: “But the Prisoners' Dilemma doesn't explain why the other charities raise so much more money than yours. If you ask ‘Why don't people give more money to my charity?,’ the best answer is that people hold your charity in low esteem.”

Quote of the Week: “I want the people of America to be able to work less for the government -- and more for themselves. I want them to have the rewards of their own industry. This is the chief meaning of freedom.”

-President Calvin Coolidge, 1924



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THE WALL STREET JOURNAL.

Obama's Budget Means a Tax Increase on Everyone

By Glenn Hubbard

The defeat in the Senate of the so-called "Buffett Rule"—that targets millionaires for a tax increase—marks one more step in the election-year discussion about raising taxes on higher-income individuals to close the nation's yawning budget gap.

Since 2008, a rising share of the economy—an estimated 24.3% of GDP in 2012, according to the Office of Management and Budget, up from 20.8% four years earlier—has been devoted to federal spending. The problem gets much worse. The Congressional Budget Office estimates that, absent changes in policy, the nation will spend 10 percentage points of GDP more on Social Security, Medicare, Medicaid and related programs in 2058 than it does today.

President Obama's budget proposes to continue elevated levels of federal spending relative to GDP. So how does the president propose to pay for this?

We are told that the answer is to raise taxes on upper-income workers. Let's put aside that tax-reform advocates, including the Bowles-Simpson Deficit Commission appointed by President Obama, argue for reducing marginal tax rates, making up lost revenue by broadening the tax base. Let's focus on the arithmetic of the president's tax strategy—the Buffett Rule, plus tax increases on dividends and capital gains, plus raising the top income-tax rate to its pre-2001 level.

The Buffett Rule—designed to impose a minimum effective tax rate of up to 30% on taxpayers with annual income exceeding $1 million—would not affect many upper-income taxpayers who already pay a marginal tax rate of 35%. In its official revenue estimate, the Joint Committee on Taxation says the tax would raise about $47 billion over 10 years, or less than $5 billion per year. Maintaining the higher spending suggested by the president totals about $500 billion per year.

Now we come to the higher taxes on dividends and capital gains. The president proposes to increase the tax rate on capital gains by one-third, to 20% from 15%. He proposes to raise dividend taxes to 39.6% from 15%. The Treasury's revenue estimate from taxes on dividends and capital gains is about $242 billion over 10 years.

Next, the president wants to restore the pre-2001 tax rates for high-income individuals, including increasing the top marginal income-tax rate to 39.6% from 35%. Treasury expects this tax increase to net $442 billion over 10 years.

The president's budget also calls for phasing out exemptions and lower-bracket tax rates for higher-income taxpayers. This will raise marginal tax rates for those individuals even higher than the 39.6% described earlier. These two provisions will net $165 billion over the next decade, or some $16.5 billion a year.

Finally, the president would limit certain tax deductions for individuals with incomes over $200,000. This would net $584 billion over the next decade.

Now let's review the math. All these tax increases on upper-income taxpayers are projected to raise $148 billion per year. Viewed next to proposed additional spending of roughly $500 billion per year, or this year's federal budget deficit of $1.3 trillion, the president's budget faces an arithmetic challenge.

How big is that challenge? Maintaining the president's higher spending will require raising taxes for all Americans. Assuming the president favors raising marginal tax rates over broadening the tax base (consistent with his failure to consider the tax proposals from Bowles-Simpson), an across-the-board tax increase of 11% for taxpayers with incomes under $200,000 would be required to raise the money the president proposes to spend.

And the entitlement problem? Failing to slow the growth of Social Security and Medicare spending would require a large, across-the-board increase in the payroll tax for both programs.

Yes, President Obama and Mitt Romney have budgets with competing visions. But Gov. Romney's budget makes tough choices—tax reform that will require broadening the tax base, spending restraint to return federal spending to 20% of GDP by 2016, and reform of Social Security and Medicare to slow the rate of spending growth for more-affluent individuals.

President Obama's budget fails to identify the choices he will ask us to make. But the arithmetic is clear: His path means large tax increases for all Americans.

We need a debate over what we want government's role in society to be. Voters also must have a menu with prices—showing the true cost of the special on offer.

Mr. Hubbard, dean of Columbia Business School, was chairman of the Council of Economic Advisers under President George W. Bush. He is an economic adviser to Mitt Romney.