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**BAUCUS BLASTS MEDICARE CUTS, BUDGET SURPLUS PROJECTION  
AT FINANCE HEARING WITH TREASURY'S PAULSON**

*Chairman strikes urgent chord on AMT, Medicare and Medicaid,  
as well as the "tax gap"*

*Washington, DC* – Senate Finance Committee Chairman Max Baucus (D-Mont.) today pushed Treasury Secretary Henry Paulson for answers on the administration's budget surplus prediction in the face of impractical allocations for the Alternative Minimum Tax (AMT) patch and the Iraq war, and as the White House proposed a \$200 billion reduction to Medicare and Medicaid. The Finance panel has jurisdiction over U.S. tax policy, as well as the Medicare and Medicaid programs.

**"It's a cheap trick to advertise a budget surplus at the expense of programs like Medicare and Medicaid. And I am particularly concerned that allocations for AMT assistance and the Iraq war woefully underestimate our needs for the longer term,"** said Baucus. **"The budget deficit is not the result of [Social Security] entitlements as you would have us believe. The root cause is the rising cost of healthcare for millions of Americans who depend on the very programs you want to cut."**

Chairman Baucus also took particular issue with the proposed 16.63 percent cut to business systems modernization at the IRS, noting that the gap between taxes owed and taxes collected is not easily closed using outdated computer systems unable to "talk" to each other.

Baucus and the Senate Finance Committee will hold a second hearing this week in response to the President's budget proposal on Wednesday, February 6, with Secretary Leavitt of the Department of Health and Human Services. The hearing will begin at 10:00 a.m. in Dirksen Senate Office Building 215.

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