



For Immediate Release
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**Hearing Statement of Senator Max Baucus (D-Mont.)
Regarding Part One of the President's Budget**

The book of Deuteronomy commands: "You must have completely honest weights and completely honest measures, if you are to endure long in the land that the Lord your God is giving you."

This is a very good budget, because it's an honest budget.

The budget is honest about the cost of the wars in Iraq and Afghanistan, in all of the ten years that it covers.

The budget is honest about the cost of fixing the Alternative Minimum Tax, in all ten years.

The budget is honest about the need for health care reform. As President Obama told Congress last week, health care reform "cannot wait, it must not wait, and it will not wait another year." This budget makes good on that promise.

The budget is honest about the growth rates for discretionary spending, in all ten years.

The budget is honest about providing estimates for ten years, not just five.

The budget is honest about providing a placeholder for additional funds that might be needed this year for financial stabilization.

And the budget is honest about the need for revenues to fund the government.

Now just because this is an honest budget does not mean that this is an easy budget. The budget presents some difficult realities. And it presents some hard choices.

But this budget is fiscally responsible.

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For the first several years of this budget, the economy will be in a recession. During a recession, revenues fall. During a recession, spending on unemployment insurance, Medicaid, and other means-tested benefits automatically increases. And to spur the economy, we enacted a powerful fiscal stimulus program. All these things cause the deficit to increase.

But most economists agree that during a recession, running deficits is the right thing to do. The decreased revenues and increased spending help to lessen the harm of the recession. And almost all of the effect of these measures on the deficit goes away, once the recession is over.

The honest measure of whether a budget is fiscally responsible is not the size of the deficit during the recession. The honest measure is the size of the deficit once the recession is over.

And the honest measure of whether the deficit is high is the size of the deficit relative to the size of the economy.

On that basis, once the recession is over, the deficits projected in this budget are fiscally responsible. By fiscal year 2013, the deficit is projected to be three percent of the economy. And it remains at this level throughout the remaining years of the budget.

Why is it a responsible level? Because debt held by the public will remain stable as a share of the economy. Debt held by the public is projected to be about 66 percent in 2013. And it will be about 67 percent in 2019. And keeping the debt stable is fiscally responsible.

And this budget is responsible because it addresses the most important challenge to our fiscal future: the growth in health care spending.

Our number-one objective this year is to enact comprehensive health care reform. We need health care reform that provides coverage to all Americans, improves the quality of health care delivered, and contains the growth of health care spending.

The budget provides a down payment for reform. The budget includes explicit policy proposals whose proceeds would go into this fund. In the coming months, this Committee will explore these proposals.

We will also need to look at other ways to make the health care system more efficient. This includes examining the enormous role that taxes play in promoting health care.

Currently, the law does not include the value of employer-subsidized insurance in employees' taxable income. And there are numerous deductions from income for people who save for health costs, contribute toward employer-provided health care plans, and incur out-of-pocket medical expenses.

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These exceptions are projected to reduce income tax receipts by more than \$200 billion in 2009. And that amount is projected to grow every year thereafter. Thus, one of the first places to begin tax reform is with health care reform.

I am also glad to see that the budget would help lower- and middle-income American families. The budget makes permanent many of the tax cuts enacted in 2001 and 2003. These include lower tax rates; marriage penalty relief; and the expansions to the child tax credit, adoption credit, and child care credits.

The budget also makes permanent the zero percent and 15 percent capital gains rates for low- and middle-income taxpayers. And to help family businesses and farms, the budget would provide certainty under the estate tax, setting the exemption and tax rate at 2009 levels.

The budget also makes permanent several provisions enacted as part of the economic recovery bill. The Making Work Pay credit will allow working Americans to take more of their hard earned money home. The American Opportunity Tax credit will help students pay for college. Families with children will get assistance from the expansion of the Earned Income Tax Credit and the refundable Child Tax Credit.

And the budget promotes savings for families by expanding the Saver's Credit and making it refundable, and by providing for automatic 401(k) and IRA enrollment.

The budget provides tax cuts for businesses as well.

The President's budget also proposes several provisions that would raise revenues. And the Committee will explore them this year.

I am pleased to see that the President's budget includes a proposal to codify the "Economic Substance Doctrine." That is something that Senator Grassley and I have been trying to do for several years. It is an important tool in cutting back abusive tax transactions.

Secretary Geithner, I know that you are focused on offshore tax evasion because of the international revenue proposals in the budget. Any background that you could give us today on those proposals would be welcome. And I look forward to working with you on legislation to recover the tens of billions of tax revenue hidden overseas.

I am pleased to see that this budget includes funds for additional efforts by the IRS for reducing the tax gap. Every year, more than \$345 billion of Federal taxes are owed but go uncollected. Each additional dollar spent wisely on enforcement returns five dollars to the Treasury. The budget includes seven point two billion for a multi-year enforcement effort by the IRS.

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Along the same lines, I am pleased to see proposals in the budget to provide for reducing fraud in health care, Social Security disability payments, and unemployment insurance payments.

And Secretary Geithner, we will also have questions for you today beyond the budget. Stabilizing our financial system is one of the greatest public policy challenges facing the government. I hope that today you can give us an update on capital injections into banks; aid to the auto industry, AIG, and Citigroup; and the mortgage foreclosure relief program.

And I would also like to hear about any plans you may have to ask for the additional \$750 billion for financial stabilization that was included in the budget on a contingent basis.

And so, I commend the President and Secretary Geithner on the honesty of the budget. I commend them for taking on the tough challenges of the work ahead of us. And I look forward to all of us rolling up our sleeves and getting that work done.

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