

NFIB Talking Points

Legislative Update

May 18, 2007

Yesterday, the House and Senate both passed S.Con.Res.21, the budget resolution for fiscal years 2008 through 2012. The budget is important to NFIB because it plays a role in determining how Congress will act on tax issues for the rest of the year.

The budget is intended to guide congressional spending for the next five years. It is merely a blueprint of future policy and does not require presidential approval, thus, it does not have the force of law.

Background:

- ✓ Each year, Congress drafts a budget resolution that is designed to guide Congress's spending habits.
- ✓ It is important to understand that the budget resolution is *not law* and, therefore, it only serves as a set of guidelines for Congress.
- ✓ The budget resolution sets the overall amount Congress may spend for the next five years; S.Con.Res.21 caps discretionary spending at \$954 billion for fiscal year 2008.

The budget contains certain rules that will make it more difficult to permanently extend the 2001 and 2003 tax cuts:

- ✓ In the Senate, it implements the pay-as-you-go, or PAYGO, rule.
 - In other words, any new tax cut or mandatory spending bill must be fully offset or receive 60 votes to waive PAYGO.
- ✓ In the House, it implements a new "trigger" mechanism that applies to all proposed tax cuts, including extending the 2001 and 2003 tax cuts past 2010.
 - The "trigger" rule dictates that all tax cuts must be paid for out of the 2012 budget surplus that the Congressional Budget Office (CBO) has projected.

The fiscal year 2008 budget resolution contains several key tax provisions:

- ✓ Provides a one-year AMT "fix".
- ✓ The Budget specifically makes room for \$180 billion of middle-class tax relief, including:
 - Permanent reform of the death tax by raising the exemption level;
 - Extends the 10 percent income tax bracket;
 - Marriage penalty tax relief; and
 - Extends the refundable child tax credit

What is missing from the budget?

- ✓ The budget does not permanently extend some of the 2001 and 2003 tax cuts, specifically the individual tax rates or capital gains and dividends.
- ✓ The budget also does not provide permanent repeal of the death tax.
- ✓ Lastly, the budget only provides one year of AMT relief.
- ✓ Any tax relief not included in this budget will be subject to PAYGO rules and, thus, harder to pass.

NFIB is still hopeful that Congress is able to obtain a permanent extension of the 2001 and 2003 tax cuts, as well as find permanent death tax and AMT relief for small businesses.