



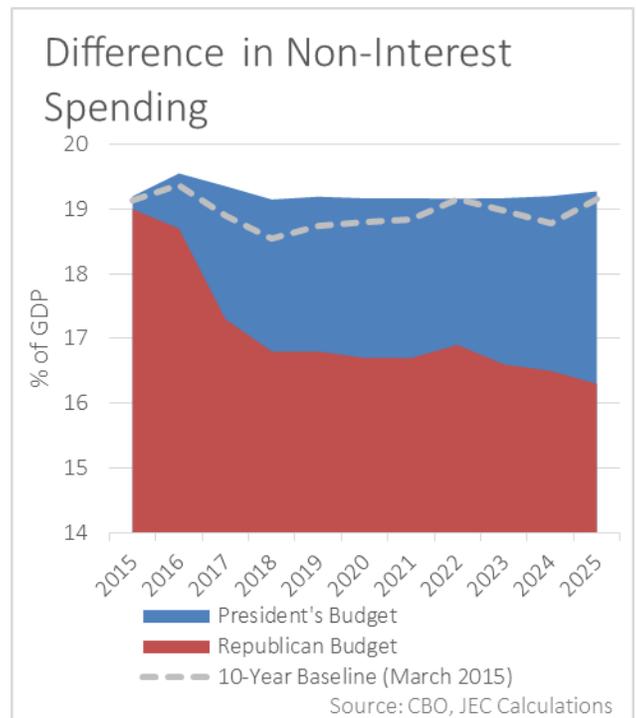
5 Biggest Ways the Republican Budget Differs from the President's Budget

1) Taxes

Although the President has spoken in support of tax reforms, his budget relies on burdensome tax policies and corporate rate reductions that don't go far enough to make American businesses and workers more competitive in the global market. In addition, the President presents many new taxes to decrease the gap between spending and revenue. The President's budget seeks to increase the top tax rate on capital gains to 28 percent, which has already risen 60 percent above the previous 15 percent top rate under this Administration. Such a rate increase would put the United States at the unenviable top spot for taxing capital gains at the highest rate in the developed world.¹ The President's proposed plans for corporate tax reform don't lower the rate far enough for American businesses competing in the global market, and his planned tax changes on pass-through businesses, inheritance, and capital would have damaging effects on the goals of increased productivity and economic growth that the Administration hopes to achieve. The Republican budget, in contrast, does not impose any new taxes or tax increases, repeals the medical device tax, and reforms the Internal Revenue Code.²

2) Entitlements

The federal government has a spending problem, not a revenue problem, and its largest spending obligations are entitlements. The President's budget does very little to address growing entitlements. Based on the details provided by the Congressional Budget Office (CBO) for the President's budget plan and the Republican's budget plan,³ the adjacent figure shows that the Administration will continue non-interest spending close to or above the current baseline as a percent of gross domestic product (GDP), largely ignoring the long-term deterioration of the U.S. fiscal outlook. Rather than delay important actions to ensure that trust funds remain solvent and spending becomes fiscally sustainable, the Republican budget seeks to preserve Social Security by reducing spending in other areas of the budget and starts the dialogue for bipartisan reform to avoid the impending 25 percent across-the-board benefit cuts that are scheduled to occur under current law. In addition to addressing Social Security, the Republican budget extends Medicare trust fund solvency by an additional five years, which by CBO's estimates, is otherwise expected to run dry within a decade. In addition, the Republican budget seeks to increase state flexibility and modernize Medicaid based on the Children's Health Insurance Program model.

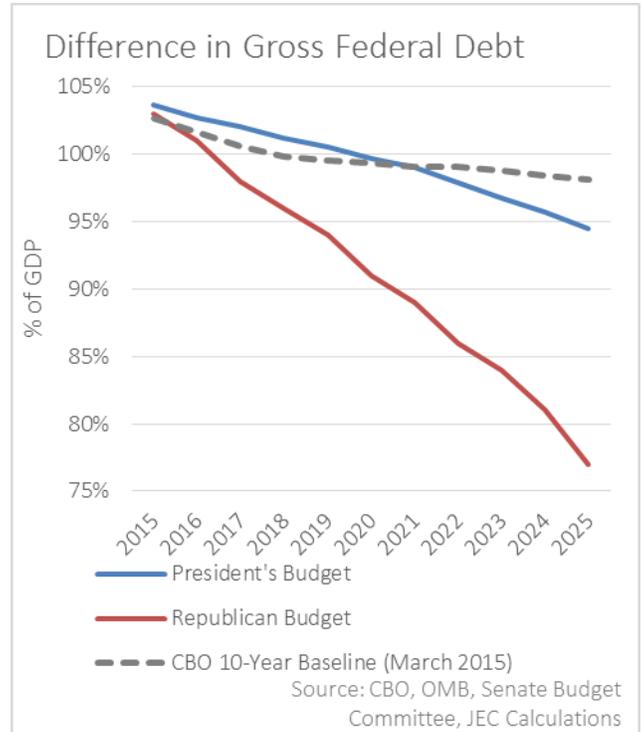


3) Deficits and a Balanced Budget

The President's budget does not go far enough to undo the current high level of debt that resulted from massive annual deficits that the Administration racked up over the course of the recent recession and recovery. Furthermore, the President's budget would remove the spending caps in place, and in 2016 alone, would increase federal spending by eight percent beyond the caps. In contrast, the Republican budget would reinforce the discretionary spending caps and balance the budget in 10 years by slowing spending growth and avoiding tax increases.

4) Debt

Bringing deficits to zero would temper debt accumulation and allow for a return to more stable and sustainable levels of debt, such as the Republican budget does. The Obama Administration has doubled publicly-held debt and increased gross debt by more than half since the President first took office. As shown in the adjacent figure, within the 10-year window, the Senate Budget Committee estimates that the Republican budget would beget dramatic declines in gross federal debt relative to the Office of Management and Budget's estimate of the President's budget and the CBO's current-law estimate. In addition, the President's 73 percent publicly-held debt-to-GDP by the end of the decade, as estimated by the CBO, would still remain a high level of debt left in the wake of the recent recession, falling only one percentage point in the timeframe. The CBO warns that the current historically high debt could have "serious negative consequences for both the economy and the federal budget."⁴ The Republican budget, in stark contrast, would reduce publicly-held debt by 18 percentage points in the 10-year window, according to CBO's estimates.⁵



5) Obamacare

Despite the best of intentions, Obamacare has proved detrimental for many individuals and families who have witnessed their premiums and deductibles significantly increase; some have lost access to specific doctors, and still more have lost their employer-provided insurance. In addition, the CBO estimates that over the next decade Obamacare on net would reduce hours worked by two percent in aggregate and decrease participation in the workforce to the tune of nearly 2.5 million jobs,⁶ and it stopped scoring many of the law's provisions, so that policymakers cannot fully determine the law's estimated cost.⁷ Economist Casey Mulligan estimates that if fully implemented, by 2017, Obamacare's long-term effect will translate to roughly three percent less in weekly employment, three percent fewer total hours worked, and two percent less in labor income.⁸ Thus, Obamacare undermines the very thing that the President's budget is depending on: a more productive, participatory workforce. The Republican budget aims to repeal Obamacare and stem the havoc it has wreaked on families, businesses, and labor market incentives for employers and employees alike. Further, the Republican budget supports legislation to replace Obamacare that aims to improve doctor and patient relationships, lower costs, and expand options.

¹ http://www.jec.senate.gov/republicans/public/?a=Files.Serve&File_id=d36dc000-f59f-4016-97f4-81cf9c4f0235, p. 72.

² In reference to the Republican budget throughout this document:

http://www.budget.senate.gov/republican/public/index.cfm?a=Files.Serve&File_id=81b01032-186d-4166-b21b-8035b89853d9

³ http://www.cbo.gov/sites/default/files/cbofiles/attachments/49976-Enzi_Budget_Resolution.pdf;

http://www.cbo.gov/sites/default/files/cbofiles/attachments/49979-Analysis_Of_Presidents_Budget-2.pdf

⁴ <https://www.cbo.gov/sites/default/files/cbofiles/attachments/49892-Outlook2015.pdf>, p. 8.

⁵ The CBO's estimate of the Republican budget's publicly-held debt-to-GDP accounts for macroeconomic effects.

⁶ <http://www.cbo.gov/publication/45096>

⁷ <https://www.cbo.gov/sites/default/files/cbofiles/attachments/49892-Outlook2015.pdf>, p. 115.

⁸ <http://www.wsj.com/articles/casey-b-mulligan-the-myth-of-obamacares-affordability-1410218437>