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HATCH ON PRESIDENT'S FISCAL YEAR 2014 BUDGET

WASHINGTON – U.S. Senator Orrin Hatch (R-Utah), Ranking Member of the Senate Finance Committee, today called the President's Fiscal Year (FY) 2014 Budget that was released two months late a "disappointment" that includes almost a trillion dollars in new spending, \$1.1 trillion in new tax and revenue increases, and raises the nation's near \$17 trillion debt by more than \$8 trillion.

"What a disappointment this budget is. Not only is it two months late, but the President's budget is a rehash of the same tax hikes, spending increases and deceptive budget gimmicks that have already been rejected by Democrats and Republicans alike. What's more, it barely makes a dent in our sky-high debt, while not doing enough to fundamentally reform Medicare, Medicaid and Social Security. Any reasonable person understands that our \$17 trillion debt - which represents a burden of over \$55,000 for every man, woman, and child in America – is a crisis that demands addressing," **said Hatch.**

"Falsely claiming \$1.8 trillion in deficit reduction, as the President proposes, isn't the kind of leadership the people of Utah and America deserve. Confronting our debt crisis with such an unbalanced set of massive tax increases, as the President does in his budget, will only result in less economic opportunity for middle-class families and small businesses, and more government spending from Washington. After last week's dismal job numbers where the labor force dipped by a half-a-million workers and the labor force participation rate fell to the lowest since the early years of the Carter Administration, we need policies that grow our economy, the paychecks of the American people, and opportunities for our children and grandchildren – not grow our government as the President proposes in his budget," **Hatch continued.**

THE OBAMA BUDGET INCLUDES A TAX OVERHAUL FOR CORPORATIONS, NOT SMALL BUSINESSES AND MIDDLE-CLASS FAMILIES:

The President's budget proposes a revenue neutral corporate tax overhaul, while calling for tax increases on families and small businesses. Hatch believes a comprehensive tax overhaul – of both the corporate and individual side of the tax code – needs to be undertaken and is working with Finance Committee Chairman Max Baucus (D-Mont.) and committee members going through every aspect of the tax code working toward a comprehensive tax reform proposal.

"A corporate tax overhaul is important. Our corporate tax rate is the highest in the world and puts American businesses and workers at a global disadvantage," **said Hatch.** "However, I cannot

understand how the President can propose corporate tax reform that is revenue neutral while advocating even more tax hikes on American families and small businesses. That's not fair."

THE OBAMA BUDGET INCLUDES \$1.1 TRILLION IN TAX AND REVENUE INCREASES THAT WILL HURT ECONOMIC GROWTH:

The President's budget includes \$1.1 trillion in new revenues, including \$972 billion in tax hikes and \$111 billion in other revenue increases.

"This Administration just can't get enough of taking the American people's money," **said Hatch.**

"The fact is we are facing a debt crisis not because Americans are taxed too little, but because Washington spends too much. And, as demonstrated by history when tax hikes occur in the name of deficit reduction, that money is used for more spending."

The budget blueprint includes the President's proposal to limit the value of itemized deductions at 28 percent. This will reduce the value of itemized deductions such as the charitable deduction and home mortgage interest deduction for small business owners and other individual Americans. It also includes the so-called Buffett Tax, which would impose a minimum 30 percent tax on incomes of more than \$1 million. This creates what would be a second Alternative Minimum Tax (AMT) within the tax code.

Furthermore, The President's budget includes a cap on tax-favored retirement accounts that claims to prohibit taxpayers from accumulating more than \$3 million in an individual retirement account.

"In reality, the President is changing the rules on small business owners that have been playing by the rules, saving within federally-dictated contribution limits, providing matching and other contributions to their employees, and is now punishing them for doing right by their workers and saving and investing successfully," **said Hatch** "The Administration seems to have forgotten the lessons of the 1990s when the so-called 'success tax' was repealed when Congress reached a bipartisan consensus to stop attacking taxpayers that successfully save for retirement while helping their employees save too."

The tax hikes included in the President's budget are on top of the more than \$1 trillion in new taxes that were included in the President's health spending law and the more than \$600 billion in tax increases that were a part of the fiscal cliff package that was enacted into law in January.

THE OBAMA BUDGET MAKES MODEST CHANGES TO AMERICA'S ENTITLEMENT PROGRAMS, BUT NOT ENOUGH TO PUT MEDICARE, MEDICAID, SOCIAL SECURITY ON A PATH TO SOLVENCY:

Senator Hatch believes that the inclusion of what's called the "chained CPI," which would slightly restrain the future growth of entitlement benefits, is a good start. However, adoption of chained CPI along with health care provider cuts are not even close to the structural reforms needed to make Social Security, Medicare and Medicaid sustainable programs.

“Make no mistake, adopting the chained CPI does not solve the structural problems in Social Security’s finances. It’s a good start, but much more needs to be done to address our entitlement crisis and ensure these benefits are there for future generations,” **said Hatch.**

The Social Security and Medicare Trustees have repeatedly warned that the entitlement Trust Funds are on a path to exhaustion. None of the proposals in the Obama budget will put Medicare, Medicaid and Social Security on a path to long-term solvency. The President’s budget includes \$401 billion in Medicare and Medicaid savings, but most of those savings come from health care providers and restrictive government price controls on prescription drugs for seniors. To put these cuts in perspective, this amounts to less than a four percent reduction in total Medicare and Medicaid spending.

“Trying to reduce costs by cutting what doctors and hospitals get paid or introducing price controls for prescription drugs doesn’t change the fundamental problems with Medicare and only threatens seniors’ health care,” **said Hatch.** “There are reasonable bipartisan solutions - which I have consistently talked about and even shared with the President last month - to put Medicare, Medicaid and Social Security on more sound fiscal footing, but none of them were included in this budget.”

Earlier this year, Hatch [introduced](http://www.finance.senate.gov/newsroom/ranking/release/?id=b9f2e6eb-658a-4014-8a18-5c93d995e60e) (<http://www.finance.senate.gov/newsroom/ranking/release/?id=b9f2e6eb-658a-4014-8a18-5c93d995e60e>) five bipartisan reforms to Medicare and Medicaid that have garnered praise as being a real way of helping to solve America’s entitlement crisis.

While the President’s budget includes modest reforms to the Social Security Disability Trust Fund, Senator Hatch believes those reforms will prove too modest since the Social Security Disability Insurance (SSDI) program is slated to go bankrupt by 2016.

“It is unconscionable to propose a budget that ignores the impending insolvency of the Disability Trust fund in just a few short years. It is not fair to disabled American workers or to anyone relying on federal disability insurance as part of their safety net,” **said Hatch.**

THE OBAMA BUDGET INCLUDES SEVERAL TRADE RELATED PROVISIONS:

The President’s budget reiterates the flawed proposal to merge the Office of the United States Trade Representative with the Department of Commerce and other agencies. Furthermore, it proposes the consolidation of the Trade Adjustment Assistance (TAA), a program designed for workers who may have lost their jobs due to trade, and the Workforce Investment Act (WIA) into a Universal Displaced Worker Program. Hatch has long questioned the effectiveness of TAA and has sought whole-sale reforms to the program.

“The President’s proposal to consolidate Trade Adjustment Assistance and the Workforce Investment Act into a Universal Displaced Workers Program is a long-overdue acknowledgement that workers who may have been displaced by trade should not receive special benefits. I look forward to the details and hope the proposal is not just a backdoor way to increase government spending,” **said Hatch.**

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