COALITION ON HUMAN NEEDS

The Human Needs Report

February 9, 2015

SPECIAL EDITION: PRESIDENT OBAMA'S FY2016 BUDGET REQUEST

WE APPRECIATE YOUR INPUT
Give us your thoughts on our Human Needs Report or any of our other services at feedback@chn.org.

PLEASE VISIT THE COALITION ON HUMAN NEEDS JOB ANNOUNCEMENTS PAGE for employment opportunities and the Calendar of Events on upcoming conferences, briefings, and meetings.

The FY 2016 Federal Budget: President Obama's Budget Makes Useful Investments Towards Raising Incomes and Restoring Opportunity

The President's FY 2016 budget is built from a recognition that America's middle class has suffered serious losses, and that the routes to a middle class living standard are increasingly blocked. The budget's "Middle Class Economics" provides a set of multi-generational investments: helping today's workers and improving children's life chances. The budget takes modest but useful steps to create jobs and economic growth through infrastructure repair and invests in apprenticeships, other proven forms of job training, and subsidized jobs to prepare workers for better jobs. It recognizes that economic security requires reduced costs for child care, health insurance, and paid leave. It makes education a priority, taking steps to realize a vision of universal pre-school and universal community college and undoing some of the past cuts to K-12 education. It also makes it easier to save for retirement, addressing another economic security gap.

The budget would also modestly shift the tax code towards better benefiting the middle class and the poor who aspire to be in it. It makes permanent the improvements to low-income tax credits and expands one credit for workers without dependent children. It adds middle class tax cuts for child care and for married couples. It pays for its investments in part through increased taxes on corporations and wealthy individuals. *(See section on revenues below.)*

The investments in jobs and education in the budget would not be possible if the deep cuts required by sequestration were allowed to continue. The Center on Budget and Policy Priorities estimates that another year of sequestration would leave domestic and international appropriations 17 percent below their FY 2010 levels, taking inflation into account. "Sequestration" is the imposition of deep cuts, primarily to appropriations, required by the Budget Control Act if Congress does not agree to other means of reducing the deficit. The President complies with the Budget Control Act by proposing other means: a combination of increased revenues and reduced spending.

As the table on the right shows, the new investments ($900 billion over a decade) are well exceeded by the more than $3 trillion combination of revenues, cost savings, and the expected boost to the economy provided by immigration reform. In addition to the revenue increases described below, there are over $400 billion in health care savings, primarily affecting Medicare, as well as reduced spending on crop insurance subsidies and a 10-year $557 billion reduction in Overseas Contingency Operations (OCO), the pot of money augmenting Defense Department funding intended to carry out the wars in Iraq and Afghanistan, but also used to beef up regular Pentagon spending.

The President's FY 2016 Budget

	FY15 Enacted	FY16 Request	FYs 16-25
Total Spending	$3.76T	$3.99T	
Total Spending as a % of GDP	21%	21%	22%
New Investments		$83.0B	$900B
Savings/New Revenues		$158.0B	$3.07T
Defense, including War Funding	$595B	$619B	$6.27T
NDD (Domestic/ International)*	$506B	$526B	$5.69T
Deficit, % of GDP	3.2%	2.5%	3.4%

***subtracts $4B for Surface Transportation, proposed to be reclassified as mandatory spending. Source: President's FY 2016 Budget, Summary Tables**

By ending sequestration, the FY 2016 budget adds $37 billion domestic and international appropriations (aka "non-defense discretionary" spending), $37 billion to defense, and $18 billion to prevent a 2 percent cut to Medicare and cuts to other mandatory programs not exempted by the Budget Control Act. The extra $37 billion leaves room to begin to reverse some of the cuts of the past five years, notably in housing, education and training, and public health. *(See details below.)* Nevertheless, it is worth pointing out that the budget's turn for the better still leaves domestic/international discretionary spending 11 percent below FY 2010 levels, adjusted for inflation.

The President's budget would also allow the shifting of funds from the main Social Security trust fund – the Old-Age and Survivors Insurance (OASI) fund – to the **Social Security Disability Insurance (SSDI)** trust fund. Without action, SSDI will run out of money by late 2016, and after that, beneficiaries will only receive roughly 80 percent of their benefits. House Republicans passed a rule in January effectively barring this shift, even though this moving of funds has been used several times in the past to prevent benefit cuts.

A note on budget terminology: throughout, you will see references to the two main categories of federal spending: "**discretionary**" and "**mandatory**." Discretionary spending refers to those programs that require annual appropriations by Congress. Most defense, education, and housing fall into this category, plus many social service, environmental and community development programs. Mandatory spending includes programs like Social Security, Medicare, Medicaid, SNAP/food stamps, and other basic safety net programs that do not need annual appropriations. Instead, Congress authorizes the ways they spend money by legislation. Congress can cut or expand these programs by amending the legislation that authorizes them.

Select Departmental Budget Requests

The Coalition on Human Needs compiled information from the President's FY16 budget request for select government departments that most directly impact low-income and other disadvantaged populations.

Department of Housing and Urban Development:

The President's request for programs in the Department of Housing and Urban Development (HUD) reflects his unwillingness to propose a budget that imposes deep additional sequestration cuts. The Administration's $49.3 billion discretionary request for HUD for FY 2016 is $4 billion above HUD's enacted FY 2015 level.

President's FY16 Budget Request for HUD, in billions		
	FY15 Enacted	FY16 Request
Gross, Discretionary	$45.3	$49.3
Less Receipts	$10.5	$8.3
Net Discretionary	$34.8	$41.0
Mandatory	$9.0	$7.3
Total:	$43.8	$48.3

The Administration is asking Congress for $848 million over the current funding level to renew existing **housing choice vouchers** (tenant-based Section 8) and restore the 67,000 vouchers lost because of the BCA's sequester cuts in 2013. Of these, 30,000 would be targeted for special populations: 22,500 for homeless families, veterans, tribal families and survivors of domestic or dating violence; 5,000 to implement the Violence Against Women Act's emergency housing transfer provision; and 2,500 for the Family Unification Program, as estimated by the National Low Income Housing Coalition. The remaining 37,000 vouchers would be allocated "based on relative need." The President's budget also increases by $1.03 billion (10.6 percent) funding for project-based **rental assistance contracts** with private owners who maintain affordable housing for long-income families. Together, the two programs would provide housing for 3.6 million families. The HUD budget also includes increases of $160 million in the **public housing operating fund (**bringing its total to $4.6 billion) and $95 million in **capital subsidies** to preserve affordable public housing for 1.1 million families.

Homeless assistance grants would increase by $345 million to $2.48 billion to continue progress toward the Administration's goals of ending chronic homelessness and homelessness among veterans and families. **Housing for the elderly** increases by $35 million (8.3 percent more than this year) and **housing for persons with disabilities** by $42 million (a 31.1 percent increase) in the President's budget. The **Choice Neighborhoods** program would increase by $170 million, and the **HOME Investment Partnerships** program would increase by $160 million to $1.06 billion. One program that is decreased in the budget is the **Community Development Block Grant (CDBG)** program, which receives $186 million less in FY 2016 than in FY 2015 (for a proposed total of $2.88 billion). CDBG and HOME funds could be pooled in combination with two block grant programs from the Department of Health and Human Services as part of the Administration's new Upward Mobility Project. The goal is to test new approaches to reducing poverty while promoting opportunity and economic development in 10 communities or states.

For more information, see this chart from the National Low Income Housing Coalition comparing funding levels for HUD programs from FY 2010 through FY 2015 and the President's request for FY 2016.

Department of Health and Human Services:

In total, the budget request for the Department of Health and Human Services (HHS) accounts for $1.09 trillion – roughly one quarter of the President's total $4 trillion FY16 budget request. While the vast majority of this is marked for Medicare and Medicaid, the HHS budget covers a wide variety of programs, from the Affordable Care Act and research to child care and vital services for low-income people.

President's FY16 Budget Request for HHS, in billions		
	FY15 Enacted	FY16 Request
Total, Discretionary	$79.0	$83.8
Total, Mandatory	$969.2	$1,009.2
Total Budget Auth:	$1,048.2	$1,093.0

Key initiatives in the HHS budget proposal focus on children. One of them is a new investment of $82 billion over 10 years in mandatory funding to ensure all low-income families with children under age 4 have **access to child care**. Out of a total proposed increase of $370 million in discretionary child care funding, $266 million is included to help states implement policies passed as part of last fall's reauthorization of the **Child Care and Development Block Grant**. All told, the Child Care and Development Fund would see a 75 percent increase over FY15 funding. The budget also includes an additional $1.5 billion over FY15 levels for **Head Start/Early Head Start** (a large increase above its $8.6 billion funding this year), the majority of which would be used to enable all Head Start programs provide full-day, full-year services.

The proposal would extend the **Children's Health Insurance Program** through 2019 at a cost of $11.9 billion over 10 years, which would be paid for by increasing tobacco taxes. There are also a number of new **Medicaid** initiatives, such as making it easier to provide continuous Medicaid eligibility for adults, requiring tobacco cessation services for Medicaid beneficiaries, and certain improvements for children who need psychiatric care. The budget would also extend the increased payments to primary care physicians through FY 2016 and make permanent "express lane eligibility" for children (enrolling children in Medicaid or CHIP if they have already established eligibility for programs such as TANF or SNAP). Of course, the budget request would continue to fund the **Affordable Care Act's** marketplaces and subsidies.

Many programs and services critical to low-income and other vulnerable populations are funded through HHS. Unlike previous years, the Administration did not propose cuts to the **Low Income Home Energy Assistance Program (LIHEAP).** While it received the same discretionary funding as in FY15, an additional $1.1 billion (a third of its $3.39 billion budget) would go to a new mandatory contingency fund (that is, not subject to annual appropriations once it is approved by Congress) to address increased need if necessary. Shifting to mandatory funding would free up dollars within the discretionary cap, still tight even without sequestration. Congress has not been willing to go along with many previous Administration proposals to move to mandatory funding.

The Budget requests $875 million for **nutrition services for older Americans**, an increase of $60 million over FY 2015. In combination with state and local funding, $40 million of this increase will allow states to continue to provide meals to over 2 million older individuals nationwide through home delivery and in senior centers, halting the decline in service levels for the first time since 2010.

The **Office of Refugee Resettlement Programs** would see its budget rise to $1.63 billion, up $69 million over FY 2015, which is said to support 143,000 new refugees with short-term cash and medical assistance, social services, and language instruction. Another contingency fund would be created to help additional **unaccompanied minors** fleeing violence if needed, increasing the FY 2015 funding level by $19 million, to $967 million.

The budget would also transfer most of the funds from the **Temporary Assistance for Needy Families (TANF)** contingency fund ($598 million of the $608 million) into a Pathways to Jobs Initiative within the program to fund subsidized employment. A similar program operating during and just after the Great Recession succeeded in placing more than 260,000 people in jobs.

Nearly $100 million in new funding is included to reduce **substance abuse**. The new initiatives are targeted at heroin and prescription opioids, with funding at the Centers for Disease Control and the Substance Abuse and Mental Health Services Administration (SAMHSA). However, it is worth noting that the overall discretionary budget for SAMHSA would decline by $78 million, compared to FY 2015, down to just under $3.4 billion. Total funding for substance abuse treatment and prevention declines a slight $5 million, to $2.35 billion.

The request also outlines a new "**Upward Mobility Project**" that would allow a select few states or communities to combine funds from four existing block grant programs, including HHS's **Social Services Block Grant and Community Services Block Grant**, the Department of Housing and Urban Development's Community Development Block Grant, and HOME Investment Partnerships Program. President Obama's budget level-funds the Community Services Block Grant (CSBG) at $674 million. Other funding for community services is reduced from $55 million in FY 2015 to $19 million, in part by ending funding for Rural Community Facilities ($6.5 million in FY 2015) and Community Economic Development (now funded at $29.9 million). In the past, the Administration has sought greater cuts in CSBG, which Congress has rejected. However, this request also adds $1.5 billion in new funds over five years. The new funds would be welcome, but if the new consortia propose to divert existing funds now used to administer community action agencies' as they implement Head Start, LIHEAP, and many other programs, the results could be problematic.

There are also substantial savings within the HHS budget, including $350 billion over 10 years from **Medicare** providers and another $84 billion from structural reforms to Medicare, the majority of which comes from reducing federal subsidies for higher income beneficiaries. However, the National Council on Aging points out that this could eventually impact beneficiaries with incomes as low as $50,000. NCOA also notes that several other proposals in the budget would also negatively impact low-income seniors, including doubling name-brand prescription drug copayments for beneficiaries with incomes below 150 percent of the poverty level beginning in 2017, and instituting a new home health copayment in 2019. Beneficiaries with incomes between 100-200 percent of the poverty level already spend roughly 26 percent of their income on health care costs.

Annually appropriated **child welfare programs** would receive an additional $89 million as compared to FY 2015 (for a total of $958 million), and mandatory programs protecting children from abuse or neglect show a net increase of $133 million (to about $7.9 billion).

After taking into account the proposed expansions throughout HHS, its budget proposal would result in net savings of over $275 billion over 10 years.

Department of Labor:

President Obama's FY2016 budget proposal for the Department of Labor (DOL) includes $13.2 billion of discretionary funding (a $1.3 billion increase from the FY2015 enacted budget), $36.6 billion to carry out current law requirements in mandatory funding, plus another $28.9 billion in mandatory funding to carry out new job training and paid leave proposals in the budget. The boost in the Department of Labor budget is intended to support working families, advance job initiatives, provide needed reform in the efficiency of the federal extended benefits program for the long-term unemployed, and toughen enforcement of wage regulations and protections for workers.

President's FY16 Budget Request for DOL, in billions

	FY15 Enacted	FY16 Request
Total, Discretionary	$11.9	$13.2
Total, Mandatory	$37.2	$65.5
Total:	49.1	$78.7

The President's budget encourages **paid sick leave** by adding $2.2 billion in new mandatory funding to the Paid Leave Partnership Initiative to assist as many as five states that want to begin a paid leave program. Participating states can use the funds to set up their fund and to pay 50 percent of benefit costs over three years. The discretionary (annually appropriated) budget also includes a new $35 million Paid Sick Leave Fund to provide technical assistance and to help states lay the foundation for paid leave programs in the future.

The budget for DOL also supports implementation of the bipartisan **Workforce Investment and Opportunity Act** (WIOA). It provides a $500 million increase in discretionary funding to support the delivery of job training and placement services, including services for the long-term unemployed and veterans. The budget includes a more than 8 percent increase from 2015 FY in training and employment services under the **Employment and Training Administration**, including $100 million in new funding for **apprenticeship grants** to states, industry, and community-based organizations to build capacity and expand apprenticeship programs. The Administration proposes to discontinue the small Women in Apprenticeship program (just under $1 million in FY 2015), but would fund such needs through its new Apprenticeship Grants.

Further investments in job training are provided to support the **Connecting Disconnected Youth with Opportunity Initiative and Reintegration of Ex-Offenders** programs. The budget provides $3 billion in mandatory funding for summer and year-round jobs programs and workforce pathways for disconnected youth, and $95 million (up 16 percent) to improve outcomes for people returning to the community after incarceration through job readiness and training programs.

President Obama's budget also seeks to modernize **Unemployment Insurance (UI)** by improving the efficiency of state programs and encouraging states to implement programs that promote reemployment and reach more workers. There would be $5 billion in federal incentive funds for states that take a number of steps to make eligibility for UI fairer. It would also make the program more responsive in hard times by proposing a permanent Extended Benefits program that would kick in when states experience a sharp rise in unemployment, without needing Congress to approve the extended benefits. There are important incentives for states to halt the considerable reduction in benefits which has occurred since the recession. The National Employment Law Project has reported that only 27 percent of unemployed workers got UI last year, a record low. In one improvement, the Extended Benefits program would be financed entirely by the federal government in states that provide at least 26 weeks of regular UI benefits, but only half of the extended benefits will be federally funded in states that have made their regular programs shorter than 26 weeks. The President plans to raise revenues for the UI overhaul by reimposing the 0.2% surtax on employers and require other increases in employer taxes in order to stabilize UI funding.

In addition, the President's budget provides nearly $1.9 billion for DOL's **worker protection agencies,** a nearly 10 percent increase from FY15. $277 million will go for the Wage and Hour Division – a 21.8 percent increase over FY15 – to ensure workers receive appropriate wages and overtime pay, as well as take job protected leave for family and medical leave proposes. Other budget plans include expanding **retirement saving options** for long-term, part-time workers by requiring employers to provide savings options to workers who work more than 500 hours per year for at least three years. Employers with more than 10 employees that don't have an existing retirement plan would be required to offer automatic enrollment in Individual Retirement Accounts (IRA), and $6.5 million will be used to help states pilot and evaluate state-based 401(k)-type programs or automatic enrollment IRAs.

Department of Agriculture:

The Department of Agriculture's budget request consists of $25 billion in discretionary funds – a $0.8 billion increase above FY 2015 levels – and $131 billion in mandatory funds. In addition to supporting a variety of rural and agricultural programs, the Department of Agriculture's budget funds a variety of nutrition assistance programs for people with low incomes.

President's FY16 Budget Request for Ag, in billions		
	FY15 Enacted	FY16 Request
Total, Discretionary	$24.2	$25
Total, Mandatory	$128.0	$131
Total:	$152.0	$156.0

The Department of Agriculture's budget includes $83.7 billion for the **Supplemental Nutrition Assistance Program (SNAP)/food stamps,** an increase of $1.9 billion over FY 2015**.** New initiatives are modest, including $9 million to help states improve access and streamline the application process for low-income elderly individuals who qualify for SNAP, as well as $25 million in new funding to help states provide employment and training opportunities for SNAP recipients who are able-bodied and without dependents ("ABAWD"'s). These individuals are subject to denial of SNAP benefits after only 3 months if they cannot find work or training. In addition, the budget proposes $67 million to expand summer EBT pilots, essentially debit cards provided to low-income families with children in rural or other areas unserved by summer food programs, to help them cope with the lack of school meals during the summer months.

The SNAP caseload is expected to decline by 1.3 percent, while average food costs are projected to rise by 1 percent (to $129.23 per person/per month, or averaging about $4.25 per person/per day. While benefit costs are expected to decline by $140 million in FY 2016, other administrative and payment accuracy measures are increasing.

The budget request includes $6.6 billion for the **Special Supplemental Nutrition Program for Women, Infants, and Children (WIC),** the same amount as in FY15, to serve the projected 8.5 million WIC participants. It also includes a $150 million contingency fund should the need for WIC benefits grow (increasing the contingency fund by $25 million over current funding).

To better enable **schools to provide healthy meals** and meet the new nutrition standards set in the Healthy, Hunger-Free Kids Act of 2010, the budget includes $35 million in school equipment grants. The Department estimates 14.6 million school breakfasts and 30.3 million school lunches will be served each day.

The President's budget also proposes a **Rural Child Poverty Initiative** for FY16. The initiative proposes $20 million to support demonstration projects that will be aimed at developing strategies to combat rural child poverty. The funding for this initiative will be available through grants to non-profit organizations and local governments who will bring the skills and tools necessary to combat poverty in rural areas.

The **Commodity Supplemental Food Program (CSFP)**, which distributes meals almost exclusively to low-income home-bound seniors, would receive an increase of $9.8 million, to $288.3 million. This year, the program was expanded by 7 states, bringing the total to 46 states, the District of Columbia, and two

Indian Tribal Organizations. Administrative funding for **The Emergency Food Assistance Program (TEFAP)** is level-funded at $49.4 million (actual food costs are provided through mandatory funding).

Department of Education:

The President's FY 2016 budget for education increases funding for programs serving low-income students from pre-school through college. The President continues his commitment to provide pre-kindergarten programs for all children and introduces a new initiative to make tuition free at community colleges.

President's FY16 Budget Request for DOE, in billions		
	FY15 Enacted	FY16 Request
Total, Discretionary	$67.1	$70.7

Pre-school: Repeating his proposal to provide pre-school education to all low- and moderate-income four-year-olds, the President's budget calls for investing $75 billion in **Preschool for All** over ten years, with $1.3 billion in FY 2016, to cover universal pre-kindergarten. The expansion, in the mandatory funding category, would be paid for by an increase in the tobacco tax. Last year, Congress did not approve this initiative, but it did provide $250 million in discretionary funding to continue **Preschool Development Grants** in FY 2015. The new FY 2016 proposal would increase this to $750 million, allowing expansion beyond the 18 states using the funds since 2014. Preschool grants for children with disabilities are increased by $50 million (up 14 percent), and special education funding for infants and families is increased nearly 15 percent, to $504 million.

K-12: The new budget would begin to reverse the five-year 10 percent reduction in aid to schools serving low-income children (**Title I**) by adding $1 billion, raising the total to $15.4 billion. In all, programs under the Elementary and Secondary Education Act (ESEA) are increased by $2.75 billion, an 11.8 percent increase. The increase for **special education (IDEA)** programs is more modest. IDEA grants to states rises $175 million, to $11.7 billion, only a 1.5 percent increase, after a five year reduction of 9.6 percent. The budget requests new mandatory funding of $1 billion for its **Teaching for Tomorrow** initiative ($5 billion over 10 years), providing grants to states to improve recruiting, training and supporting effective teachers.

College and Vocational Education: America's College Promise is a new mandatory proposal to fund free tuition for two years of community college, costing $60.3 billion over the next ten years. The cost in FY 2016 would be $1.36 billion. The budget emphasizes college completion as well as cost reduction. To this end, it proposes the **College Opportunity and Graduation Bonus** fund, providing $7 billion in mandatory funding to colleges over 10 years ($647 million in FY 2016) to encourage on-time graduation for low- and moderate-income students. The **TRIO** program, which provides supports and services to help low-income and first-generation students aim for and succeed in college, is increased by $20 million, to $860 million, reversing a five-year decline of 11 percent. In addition, the budget would continue funding for college **Pell Grants** for low-income students, with $5,775 as the maximum grant for the 2015-2016 school year, and calling for inflation-adjusted increases in 2016-2017 and beyond. Without action by Congress, the annual inflation adjustment for Pell grants will expire in 2017. The budget also proposes to consolidate various education tax credits and expand the value of the American Opportunity Tax Credit for low-income students, providing up to $2,500 a year for five years. As part of an overall emphasis on improved career-focused education, the budget would add $200 million to **Career and Technical Education**, to a little over $1.3 billion, to create a new **American Technical Training Fund** to train workers for high-demand fields. This program would be jointly administered with the Department of Labor. **Adult Basic Education** would increase by only $6 million, to $588.7 million, with the increase supporting improved adult education standards in states. From FYs 2010 to 2015, federal adult basic education funding had declined nearly 18 percent.

Taxes and Revenues

The President's budget would raise revenue to reduce the deficit and pay for new investments through reforms to the business tax system and by making changes that would require the wealthiest individuals to pay a fairer share of taxes.

Corporate Tax Reform

Corporations are currently parking an estimated $2 trillion in overseas tax havens to avoid paying taxes in the United States. The President's budget proposes taxing those holdings at 14 percent. This one-time provision would raise $238 billion regardless of whether the corporations keep the income overseas or return it to the U.S. It would be used to pay for nearly half of the $478 billion cost of reauthorizing the six-year transportation bill. Without a new injection of money, the Transportation Trust Fund will run short of funds this year. The Fund pays for repairing existing roads and bridges and modernizing our infrastructure with investments in highways, freight, bus, subway, and passenger rail systems. The budget proposes that in the future, profits held offshore would be taxed a 19 percent minimum rate, again, whether or not they are brought back to the United States.

Aside from the revenue the temporary 14 percent offshore provision would bring, the President continues to call for revenue-neutral corporate tax reform. Revenue garnered from the 19 percent minimum tax and other changes to eliminate loopholes in the system would be used to lower the current maximum 35 percent corporate rate to 28 percent. The maximum rate for domestic companies would be lowered to 25 percent. Dave Camp (R-MI), retired former chairman of the House Ways and Means Committee, and other Republicans have also called for taxing corporate money stockpiled offshore but at a rate significantly lower than 14 percent, and for lowering the maximum corporate rate to 25 percent. While there are significant differences between the President's corporate tax plan and that of Republicans, perhaps the common ground on taxing overseas holdings could be a starting place for reforming the corporate tax system now riddled with loopholes. Some large profitable corporations are using those loopholes to pay zero taxes, or in the case of General Electric for example, getting a tax rebate from the government. Advocates for low-income programs believe strongly that corporate tax reform must result in increased revenue to help pay for needed investments in infrastructure and human capital, including health, nutrition, housing, education, and other social programs.

Changes to the Individual Tax Code

The President's budget calls for changes in the individual tax system to help pay for new investments in his budget, including expanded tax credits for middle-class and working families and investments in community college and preschool. First, his proposal would raise the top rate on capital gains and dividends for high-income individuals and couples to 28 percent, the rate in effect under President Reagan. Second, the budget would eliminate a provision that lets the wealthy avoid capital gains taxes on inherited, appreciated assets. Under current law, capital gains on assets held until death are never subject to income taxes, and the basis of inherited assets is immediately increased ("stepped up") to the value at the date of death. The President's proposal would end stepped-up basis, triggering a tax liability for capital gains. Exemptions would be included to avoid tax and compliance burdens for middle-class families. Third, the budget makes it more costly for large, highly-indebted financial firms to finance their activities with excessive borrowing by imposing a "financial crisis responsibility fee," reducing the risk and burden on individual taxpayers. The capital gains changes and fee on the largest financial firms will bring in an estimated $320 billion over 10 years.

As in his previous budgets, the President would limit the tax subsidies the wealthiest taxpayers get from itemized deductions and other tax provisions to 28 percent. Under current law, a wealthy taxpayer in the 39.6 tax bracket who pays $10,000 in mortgage interest gets a tax savings of $3960. A middle-income taxpayer in the 15 percent tax bracket gets a tax savings of only $1500 on the same mortgage.

The budget also includes other provisions aimed at addressing now legal tax avoidance measures that significantly lower wealthy individual's tax liability. Among them is the Fair Share Tax, also known as the 'Buffett Rule' named after billionaire Warren Buffett who called for reforming the tax code that allows him to pay a lower tax rate than his secretary. It would require very high-income taxpayers to pay a minimum of 30 percent of Adjusted Gross Income less a credit for charitable contributions, and would generate $35.2 billion over 10 years.

Advocates were deeply disappointed when the 2013 "Fiscal Cliff Deal" did not make permanent the positive changes made in 2009 to the **Earned Income Tax Credit (EITC) and Child Tax Credit**. These changes will expire in 2017 if Congress fails to act, moving 16 million people – including 8 million children – into or deeper into poverty. The President's budget proposes to make these provisions permanent, and also expands and makes permanent the American Opportunity Tax Credit, which helps low-income college students. His budget also expands EITC for low-income workers without dependent children who currently can be eligible for only a very small EITC and who are the only group that can be taxed into poverty by the federal code. The new House Ways and Means Committee Chairman Paul Ryan (R-WI) agrees with the President on expanding EITC for childless workers.

Republicans have for many years resisted proposals to increase revenues. As pressure builds to reform the tax system, advocates will continue to work in support of new revenue from progressive funding sources.