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Double Standard: House and Senate Willing to Extend Corporate Tax Breaks Without Paying for Them
Different Rules for Investing in Human Needs

House Ways and Means Committee Chairman Dave Camp (R-MI) wanted to pass a comprehensive tax reform plan. He proposed doing away with many tax breaks in order to pay to continue others and to reduce tax rates. But being specific about ending certain tax breaks wasn't popular among his colleagues. So his Plan B was to take up the permanent extension of six corporate tax expenditures in committee, without any offsetting revenue increases. The package of six bills cost $310 billion over ten years. On April 29, they all passed with almost straight party line votes. On May 9, perhaps the most popular bill in the group, the tax credit for corporate research (H.R. 4438) was taken up on the House floor and got a resounding, veto-proof majority of 274-131. The majority included 62 Democrats, including five of the Ways and Means Democrats who had previously opposed it. The Obama Administration threatened to veto the measure.

Democrats on the Ways and Means Committee were unified in opposing these bills in committee because they selected out a few corporate tax reductions to make permanent, did not pay for them, and left out many other tax cuts that should be renewed (including low-income credits). They objected to taking up these corporate tax cuts while the House was still refusing to restore the expired unemployment insurance program for the long-term unemployed. Rep. Sandy Levin (D-MI), the senior Democrat on the Committee, spoke in opposition to the six tax bills on these grounds, explicitly raising the millions of long-term jobless still awaiting House action and in desperate need of help.

For foster youth, a tiny cost must be paid for. The Committee set up another such contrast when it took up H.R. 4058, a modest bill "to prevent and address sex trafficking of youth in foster care." The bill originally had a price tag of $4 million, including $1 million to defray states' costs in providing youth aging out of foster care with documents they need to get started in life, such as birth certificates, Social Security cards, or medical records. Prior to the mark-up, that provision was deleted because of the cost. Democratic staff were asked for an offsetting cut; they did not provide one, and the section was taken out. Rep. Doggett (D-TX), a strong supporter of the legislation, decried the loss of the funding for documents, and offered an amendment to restore the $1 million. Chairman Camp agreed to try to resolve the problem without making any specific commitments, and Rep. Doggett withdrew his amendment. The foster youth bill was approved by the Committee. Then the Committee went on to pass the unpaid for $310 billion in corporate breaks.

Pressure to extend more tax cuts in the House. The House leadership is taking advantage of the reluctance of many Democrats to vote against popular corporate tax breaks that have been routinely extended in the past without being paid for. By taking them up individually, the price tag for each is easier to swallow. (Although it has been noted that the six bills passed by House Ways and Means would undo about half of the deficit reduction achieved by the upper-income revenue increases in the 2013 fiscal cliff deal.) House Ways and Means member Rep. Pat Tiberi (R-OH) speculated in ***CQ*** that the next bill to reach the House floor might be the permanent increase in small business expense tax breaks (H.R. 4457), costing $73 billion over 10 years. Analysts have noted that making these tax reductions permanent means they will no longer be counted by the Congressional Budget Office as a source of revenue in future years. That will make it easier for House tax writers to cut corporate tax rates as part of a revenue neutral tax reform plan, because they will no longer have to make up the lost revenue by reducing or eliminating other tax breaks.

Senate floor action coming soon. The Senate has also demonstrated a bipartisan majority in favor of extending tax expenditures without paying for them. It has chosen to renew the full package of about 50 expired items (S. 2260, to be attached to a House revenue bill, H.R. 3474) only for two years, at a cost of $85 billion. The Senate Finance Committee approved this package on April 3 (*see April 14* ***Human Needs Report***). Majority Leader Reid (D-NV) filed a cloture motion (to limit debate), setting up a first vote on the Senate floor for May 13. That vote will require at least 60 senators to advance the bill so that it can be debated and voted on. If all goes smoothly, the bill could see final approval in the Senate within two weeks.

There are some signs the bill's path in the Senate may not be altogether smooth. Some Republican senators are trying to collect signatures for a letter seeking an agreement to allow amendments to be offered to the tax extenders bill. Other Republicans are joining with Democrats to oppose amendments, so that the legislation can pass without being tangled up in controversial matters. That dynamic will make it difficult to attach unemployment insurance restoration to the bill. Because of the House leadership's refusal to put the Senate-passed bill to restore UI for five months on the floor, it needs to be attached to a bill the House wants. As reported in ***Roll Call***, Senator Heller (R-NV) announced that he would try to offer such an amendment.

Likely outcomes. Although the full package of tax cuts being considered in the Senate expired in 2013 or 2014, retroactively extending them by the end of the calendar year will prevent corporate losses. Many observers believe the final resolution will therefore be stalled until a lame duck session after the November election. They are also skeptical that Congress will agree to permanent extensions, but is more likely to take the Senate approach of another temporary fix.

Advocates have asked Congress to pay for these tax cuts by other fair revenue increases, and have especially opposed making them permanent. Getting Congress to pay for them at this point looks like a long shot. In addition, tax justice advocates have pointed out that many of the tax breaks up for extension do not contribute to economic growth; some in fact may encourage jobs and corporate income to flow offshore. Two bills approved by House Ways and Means on April 29 continue tax cuts that effectively gut Congress' intent to prevent corporate tax avoidance by sheltering income overseas (H.R. 4429, Subpart F Active Financing Exception and H.R. 4464, Controlled Foreign Corporations (CFC) Look-Through Rules). *(For more on this, see the Coalition on Human Needs' April 28 letter to the Ways and Means Committee.)*

Advocates have watched with dismay as these bills have moved forward without being paid for, while millions of the long-term jobless are still going without benefits, and modest help for youth in foster care is stalled. The Senate's five-month extension was paid for by other cuts. But that bill would provide benefits only through May. If the Senate does not build in more months of long-term unemployment compensation and attach it to a bill the House wants to pass, the hard work of passing the Senate bill will have been in vain. *(For more on unemployment insurance, see April 14 **Human Needs Report**.)*

Minimum Wage Increase Stalls in the Senate

On April 30, Senate Republicans refused to allow a debate on increasing the federal minimum wage by blocking consideration of the Minimum Wage Fairness Act (S. 2223) by a vote of 54-42 (60 votes were required). Senator Bob Corker (R-TN) was the only Republican to join Democrats and Independents in support of the procedural vote. Senator Harry Reid (D-NV) changed his 'yes' vote to 'no' so that he could bring the bill up again. Failure to pass the $10.10 an hour increase means less income for the nearly 28 million workers and their families who would receive a bigger pay check.

Those working full-time at the current $7.25 an hour minimum wage (40 hours a week for 52 weeks) earn $15,080 a year, over $4,000 below the poverty line for a family of three. Increasing the wage to $10.10 would put those families above the poverty line. S. 2223 would increase the minimum wage in three increments of 95 cents each over two and a half years from the date of passage. Thereafter, the wage would rise with the cost of living. The unconscionably low $2.13 wage for the 6 million tipped workers, half of them in the restaurant industry, has not been increased since 1991. Under S. 2223, it would be increased to $3.00 six months after enactment and then annually adjusted until it equals 70 percent of the minimum wage. Small businesses would benefit from the legislation, which extends the tax deduction for up to $500,000 of business expenses including computer software and rental property through 2016.

Whenever Congress debates an increase in the minimum wage, opponents bring out the old argument that it would hurt small businesses. This time they also use a Congressional Budget Office report that says 500,000 jobs *could be* lost if the wage is increased to $10.10. However, the CBO analysis derives its job loss numbers by taking an average of studies, including older ones that have been discredited. Most recent studies by a range of economists show that there has been virtually no job loss after the last two wage increases in 1996 and 2007. Further, the CBO analysis does not take into account the impacts the increase in wages would have on increased worker productivity and reduced turnover resulting in lower hiring costs.

According to a National Employment Law Project report, during the Great Recession, 22 percent of the jobs lost were low-wage jobs, while 44 percent of the new jobs created during the recovery are low-paying. The report finds that today there are nearly two million fewer jobs in mid- and higher-wage industries than there were before the recession took hold, while there are 1.85 million more jobs in lower-wage industries. That means raising the minimum wage is even more critically important, because more and more workers are in low-wage industries.

Senator Susan Collins (R-ME) has been working to garner support for a lesser increase in the minimum wage using the argument that an increase to $10.10 would hurt small businesses. However, the Maine Small Business Coalition representing more than 3,600 small business owners in Maine is urging its members to sign the nation-wide small business leaders' petition in support of increasing the minimum wage to $10.10. The petition reads in part, "Minimum wage increases boost sales at local businesses as workers buy needed goods and services they could not afford before. … A fair minimum wage makes good sense for our businesses, our workforce, our communities and our nation."

Lead sponsors of the House and Senate bills, Senator Tom Harkin (D-IA), and Representative George Miller (D-CA), are adamant that while there may be room to compromise in terms of other business-related provisions that might be added to their bills, they are unwilling to waver on the $10.10 increase, stating that no poverty wage should be passed into law.

It is the intention of the Senate leadership to keep trying to pass the minimum wage increase. After the April 30 vote, Senator Harkin stated, "This is not the only time you will see the Senate vote on the minimum wage bill this year." It will be still more difficult to pass the bill in the House, but pressure to act will increase if the Senate is able to pass the bill.

Momentum to increase the federal minimum wage is strengthening as more states pass higher minimum wages. On May 5, Maryland became the latest state to approve a $10.10 minimum wage, increasing in increments to the new rate by July 2018. Twenty-six states and the District of Columbia will have minimum wage rates above the federal level by next year. DC's will be

$10.50 next year and California’s will be $10. Many cities and counties also have adopted higher minimum wages.

The case for increasing the minimum wage was further strengthened when three 2012 Republican Presidential candidates, Mitt Romney, Tim Pawlenty and Rick Santorum, recently expressed support for increasing the wage. "I part company with many of the conservatives in my party on the issue of the minimum wage. I think we ought to raise it," nominee Romney said on MSNBC's Friday, May 9 *Morning Joe*. In another television interview Pawlenty said, “For all the Republicans who come on and talk about, ‘we’re for the blue-collar worker, we’re for the working person,’ there are some basic things that we should be for. One of them is reasonable increase from time to time in the minimum wage.” Santorum later agreed.