



COALITION ON HUMAN NEEDS

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What Congress Did – And Didn't – Get Done Before Leaving Washington

Members of Congress wrapped up their pre-election work in Washington on Sept. 18 and headed home to hit the campaign trail. With the exception of a few committee meetings that continue to take place, the official work of Congress is on hold until they return on Nov. 12. Below are highlights of a few important issues they did – and didn't – act on before leaving Washington:

Stopgap Spending Bill Keeps Government Open: Both the House and Senate passed a stopgap spending bill to keep the government funded into the new fiscal year, which started Oct. 1. The \$1.012 trillion temporary spending measure ([H.J. Res. 124](#)), known as a continuing resolution (CR), will keep the government funded and operating through December 11 at current FY 2014 spending levels. The bill

also included an extra \$88 million for efforts to fight Ebola, an extension of the Temporary Assistance to Needy Families program through the duration of the CR, an increase in funding for the Commodity Supplemental Food Program to provide food packages for low-income elders, a reauthorization of the Export-Import Bank through 2015, and authorization language for the U.S. to fight the Islamic State terrorist organization. It did not include additional funding for the child refugee crisis, although it does provide some flexibility sought by the Obama Administration for the Departments of Homeland Security and Health and Human Services to move money within their agencies to continue operations to deal with the crisis. The CR passed the House on Sept. 17 and the Senate the following day, and was signed into law by President Obama on Sept. 19.

When Congress returns to D.C. after the November elections, they will most likely either draft and pass an omnibus bill comprised of all 12 required spending bills or pass another CR that will extend into 2015. If the Republicans take control of the Senate in the upcoming elections, the latter could be a more appealing option to them. However, some Republicans, including House Appropriations Committee Chair Harold Rogers (R-KY), believe it would be best to pass an omnibus bill in the lame duck session so the new Congress does not have to start out by finishing up old work. The longer the CR lasts, agencies and programs are hurt as it severely limits their ability to adjust their spending and activities to respond to changing realities. For more information on the CR, see CHN's **Sept. 15 [Human Needs Report](#)**.

Foster Care and Sex Trafficking Bill Becomes Law: On their last night of legislative action, the Senate passed the Preventing Sex Trafficking and Strengthening Families Act, and the bill was signed into law ([Public Law No: 113-183](#)) by President Obama on Sept. 29. This legislation, which passed the House on July 23, focuses on the needs of older youth in foster care and increases protections against sex trafficking of foster youth and is fully paid for. Addressing a previous point of contention, the law requires states to provide youth aging out of the foster care system with essential documents including a birth certificate, Social Security card, health records, and accompanying insurance information, as well as a driver's license or recognized state ID. It also increases adoption incentives for states, especially for older youth. In addition, the law requires improvements in tracking, screening, and reporting of foster youth that have gone missing and might have been the victims of sexual trafficking during that time. Advocates contend that the state has taken on the responsibility to protect these youth, which includes protection from becoming victims of sex trafficking while within the system. For more information, see CHN's **July 22 [Human Needs Report](#)** and this analysis of the law from [First Focus](#).

One Senator Holds Up Child Care Bill: Senator Patrick Toomey (R-PA) put a [hold](#) on legislation to reauthorize the federal low-income child care program, preventing the Senate from clearing the bill before they left town. The legislation (S. 1086) would reauthorize the Child Care and Development Block Grant (CCDBG) for the first time since 1996 and increase the authorized level of funding for the program the funds state efforts to help low-income families pay for child care. In addition, it would improve the quality and safety of child care by requiring background checks for staff, reporting of child abuse, training for child care workers, and health and safety inspections.

The new legislation would authorize \$2.4 billion in discretionary spending (spending that requires annual funding approval) for FY 2015, up from \$2.36 billion in FY 2014, and rising to \$2.7 billion by FY 2020. As authorized levels, they set a ceiling of what appropriators can approve, but do not force them to provide

the total allowed. Many programs receive less than the authorized level, and in an era of discretionary spending cuts, there will be pressure to appropriate less. Advocates are in favor of the improvements, though they recognize that if the proposed funding increases do not materialize, the quality improvements will result in fewer child care placements being funded. The program also receives \$2.9 billion in mandatory spending, which is not subject to the annual appropriations process. For more information on the legislation, see CHN's **Sept. 15 [Human Needs Report](#)**.

An earlier version of the bill passed the Senate in March, and on Sept. 15 the House passed a compromise version released just days earlier that has bipartisan support from both chambers of Congress. According to CQ, Senator Toomey offered to release his hold on the child care bill in exchange for a floor vote on a bill of his own, which would require teachers in elementary and secondary schools to undergo background checks. Leaders of the Senate Health, Education, Labor, and Pensions Committee said Toomey's bill should go through the normal committee review and approval process before getting a vote on the Senate floor. Advocates were hopeful the reauthorization of the CCDBG would make it to the President's desk in quick fashion; however, Senator Toomey's hold has left the timing of possible Senate passage uncertain.

Action on Tax Policy Possible in Lame Duck; Administration Moves to Reduce Corporate Tax Avoidance

Action on Tax Extenders: During the lame duck session in November and December, Congress may work to extend dozens of temporary tax cuts known as "extenders" that have expired or are scheduled to expire. Business and energy tax breaks comprise approximately 90 percent of the tax extenders, with the remaining going to individuals. On April 3, the Senate Finance Committee passed by a voice vote a retroactive two-year package of tax extenders for 2014 and 2015 that expired at the beginning of this year, costing \$85 billion. Rather than a short-term extension, the Republican-led House has passed several bills making *permanent* some of their high-priority tax extenders. House action began on April 29 when the House Ways and Means Committee passed with almost straight party line votes a permanent extension of six corporate tax cuts at a cost of \$310 billion over 10 years. The Committee proceeded to pass legislation to make permanent a total of 14 tax breaks. The full House has passed permanent extensions of individual extenders, including the two pro-business tax cuts with the highest 10-year costs – bonus depreciation and the research and development credit, costing \$287 billion and \$156 billion respectively. For more information on these cuts, see CHN's **June 17 [Human Needs Report](#)**.

The cost of making permanent all of the tax extenders is more than [\\$700 billion](#) over 10 years. Congress has no appetite for offsetting the cost of renewing these tax cuts by increasing other revenues or cutting spending. This is in stark contrast to the insistence by Republicans that the much less expensive extension of unemployment benefits would have to be paid for. Unable to come to agreement on offsets, Congress has allowed that program to expire. A new [report](#) based on Department of Labor statistics shows that over 3.6 million people have lost benefits due to the program expiring.

Action during the lame duck on tax extenders will likely depend on the outcome of the elections. Both parties could agree to pass the Senate \$85 billion two-year extension. Senate Finance Committee Chairman Senator Ron Wyden (D-OR) and House Ways and Means Chairman Dave Camp (R-MI) are also said to be considering a one-year \$47 billion extension. If the Republicans win the Senate, they may want to wait until early next year to make permanent at least some of the 55 tax extenders. They would need to act quickly to retroactively reinstate the cuts for tax year 2014 so they would be reflected in taxes filed by the April 15 deadline.

Citizens for Tax Justice has been in the forefront of calling for greater scrutiny on the merits of the tax extenders. In a [report](#) released in May, they outline why they believe that many of these tax cuts do not benefit the economy and are poor policy, or should be funded through direct spending, not the tax code.

Corporate Tax Inversions: On September 22, the U.S. Department of the Treasury (DOT) and the IRS announced initial steps to reduce the tax benefits from corporate inversions. A so-called “inversion” results when a larger U.S. corporation merges with a foreign company in a country with lower marginal corporate tax rates and other favorable policies, and on paper calls itself a foreign company for tax purposes. At the same time, the corporation continues in reality to be headquartered in the United States maintaining its management and workers here.

Treasury Secretary Jack Lew and some members of Congress have become alarmed at the growing frequency of inversions. Heightened attention focused on the issue this summer when American icon Burger King announced that it was going to merge with Tim Horton’s, the much smaller Canadian company, and declare itself a foreign company. This activity is problematic because it drains revenue from the Treasury, placing more of the tax burden on individual taxpayers while the corporation continues to enjoy the benefits of U.S. infrastructure, customer base, and legal protections. See CHN’s [August 21 *Voices for Human Needs* blog](#) for more background on inversions. In the early 1950s, businesses accounted for nearly one-third of federal tax revenue. Today, the amount is approximately 10 percent.

Specifically, the joint DOT and IRS [notice](#) reduces the tax benefits of corporate inversions by preventing companies from accessing its foreign subsidiary’s earnings tax free or engaging in a complicated loan structure with them to avoid taxes. It also strengthens the requirement that the former owners of the U.S. company own less than 80 percent of the new combined entity. Secretary Lew acknowledges that these targeted steps make progress in constraining inversions but that the best way to address the issue is through corporate tax reform legislation.

In May, Senator Carl Levin (D-MI), Chairman of the Permanent Subcommittee on Investigations within the Senate Homeland Security and Government Affairs Committee, and Representative Sander Levin (D-MI), Ranking Democrat on the House Ways and Means Committee, introduced the Stop Corporate Inversions Act of 2014 (S. 2360/H.R. 4679). The bill’s provisions include increasing the amount of stock that is foreign-owned in the new merged entity from 20 to 50 percent. The Coalition on Human Needs is a member of Americans for Tax Fairness, which has sent [letters](#) to Senator Levin and Representative Levin in support of their legislation.

Republicans claim to support legislation to address inversions but argue that the issue should be dealt with in comprehensive tax reform. While preferring to act in the context of comprehensive reform, in July Senate Finance Committee Chairman Ron Wyden (D-OR) called for immediate temporary action to stop the erosion of revenue. The Committee's Ranking Member Orrin Hatch (R-UT) paid lip service to the idea but then proposed conditions he knew would not be acceptable to the majority – he insisted the legislation would not increase revenues, would not be “punitive” (which he considers S. 2360 to be), and would move the U.S. tax system closer to one which exempts offshore profits from taxes.

Despite the widespread outrage over inversions, corporate influence will make it difficult to pass this legislation aimed at reining in one form of corporate tax avoidance.