

December 12, 2007

WASHINGTON, DC- Congressman Peter DeFazio (D-Springfield) stood up for fiscal responsibility this week. DeFazio, along with several members of the Progressive Caucus, sent a letter to Speaker Pelosi and Majority Leader Hoyer urging the House of Representatives to abide by the pay-as-you-go (PAYGO) rules when patching the Alternative Minimum Tax (AMT).

Congressman Peter DeFazio (D-Springfield) stood up for fiscal responsibility this week. DeFazio, along with several members of the Progressive Caucus, sent a letter to Speaker Pelosi and Majority Leader Hoyer urging the House of Representatives to abide by the pay-as-you-go (PAYGO) rules when patching the Alternative Minimum Tax (AMT).

"I authored this letter to send a message of Democratic unity on PAYGO. I believe that when Members of the Progressive Caucus and the fiscally conservative Blue Dog Caucus agree, the House Democrats must stand firm. Congress needs to put away the credit card and stop passing debt on to future generations by abiding with PAYGO rules."

Congressman DeFazio has been a long time supporter of PAYGO rules. These rules require that all new spending and tax cuts be offset to prevent increasing the federal deficit. Without the PAYGO rules, the Republican Congress ran up a record deficit of \$2.4 trillion in under seven years.

"Granting this tax cut without offsets means the federal government will borrow \$52 billion, obligating the government to repay \$3 billion a year for 30 years. That money could instead fund half the annual cost of Head Start or the full annual costs for veteran's mental health and substance abuse programs."

Yesterday, the House of Representatives passed a one year solution to the AMT-that abided by the PAYGO rules-with a bipartisan vote of 226 to 193. The House paid for the AMT fix by closing tax loops holes exploited by large corporations and hedge funds. The Senate is currently considering its version of the legislation which does not abide by PAYGO. DeFazio and his colleagues in the Progressive Caucus sent the Speaker and Majority Leader the

following letter urging them to remain strong on the principles of PAYGO when the two bills are reconciled.

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Speaker of the House

The Honorable Nancy Pelosi

H 232 Capitol

Washington DC 20515

Dear Speaker Pelosi:

As progressive members of the Democratic Caucus, we wish to make clear our concern with

any AMT patch that does not adhere to the House PAYGO rules. We believe House Democrats must remain united on this principle.

One of the first acts of the new Congress under your leadership was to reinstate PAYGO rules, a key step to restoring fiscal responsibility. The new Congress is taking away the government credit card to balance the budget and protect Social Security, Medicare, veteran's benefits, and other federal programs critical to our future.

Since 2001, we have had the worst fiscal reversal in our nation's history. In 2000, the projected surplus was \$5.6 trillion (over 10 years). The Republicans flipped that surplus into a \$2.4 trillion deficit, an \$8 trillion change for the worse, and they did it in less than seven years.

As progressives who see the necessity for increased spending on health, housing, education and other social needs, the PAYGO rules have required us to seek offsets for this new spending. To ensure the deficit does not increase, the same must remain true for any tax cuts.

We all voted for the H.R. 3996 that would pay for AMT relief for almost 23 million Americans. To comply with the PAYGO rules this bill also required a miniscule group of wealthy investment managers to pay the same tax rates as average working families. Under current law, executives at hedge funds make millions, but pay taxes at about the half the rate of an Army captain or an experienced teacher. This must change. The bill also makes it harder for multinational corporations to shift their U.S. profits offshore to avoid taxes.

These offsets ensured H.R. 3996 makes the tax code more progressive and adheres to the PAYGO rules. Citizens for Tax Justice argues that not offsetting AMT relief effectively shifts tax burden from the wealthy to the middle class.

"AMT relief, by itself, would not be particularly progressive ... Most of the benefits would go to the richest fifth of taxpayers, and if it's deficit financed,

the cost could be borne in the future by middle-income Americans in the form of cuts in public services or higher taxes. But AMT relief can be progressive if the costs are offset with

revenue-raising provisions that target the very wealthiest Americans, those who have benefited the most from the Bush tax cuts. Almost all of the benefits of AMT relief (91 percent) will go to taxpayers in the top fifth of the income scale, excluding those in the top one percent. Specifically, that means those making \$84,000 to \$455,000 a year. The cost of paying for AMT relief will be borne almost entirely by a small subset of the best-off one percent of taxpayers — those making more than \$455,000 a year."

We remain open to other offsets, so long as they don't fall on the backs of the middle class and those with even less. Working families are struggling to pay for food, gas, utilities, school, and other basics with stagnant or declining take-home pay. Meanwhile, the wealthy continue to prosper.

The average working family making \$40,000 a year struggling to make ends meet and working paycheck to paycheck gets an average tax cut of about \$500 from the

President's past tax cuts, while millionaires get tax breaks in the hundreds of thousands. Unlike President Bush's tax cuts for the super wealthy, future tax cuts must be progressive and cannot be financed with borrowed money.

We urge you to stand up for the principles of PAYGO and stand up to the Senate. We support a patch to the AMT, but the House proposed offsets or other progressive offsets must be included.

Sincerely,