



SBLC WEEKLY

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NEW YEAR'S RESOLUTION

How many New Year's Resolutions have you made and broken over the years? Congress has been known to break a few of their new fiscal year budget resolutions. Will they do so again? They will get their chance to test their will power as the Congress has approved the Fiscal Year 2010 budget resolution.

A budget resolution is an internal congressional document. As a result, it does not require a presidential signature. Congress does not have to adopt a budget resolution. In the years it does not do so, the Congress relies on the budget projections from the most recently passed version. A budget resolution is just a bunch of numbers for revenues and spending. (To give you an idea, here is what it says about revenues: The following budgetary levels are appropriate for each of fiscal years 2009 through 2014: (1) **FEDERAL REVENUES-** For purposes of the enforcement of this resolution, the recommended levels of Federal revenues are as follows: Fiscal year 2009: \$1,532,571,000,000; Fiscal year 2010: \$1,653,682,000,000; Fiscal year 2011: \$1,929,625,000,000; Fiscal year 2012: \$2,129,601,000,000; Fiscal year 2013: \$2,291,120,000,000; Fiscal year 2014: \$2,495,781,000,000. You have to be pretty good at reading tea leaves to translate that into policy assumptions. ☺)

Those numbers are based on a variety of assumptions. The assumptions are the public policy elements behind the budget resolution. In reality, appropriations and tax committees have considerable latitude in constructing legislation that will comply with the budget resolution and its assumptions.

The resolution includes a controversial procedural device known as "budget reconciliation instructions" to allow for health care reform consideration later in the year. The most significant feature of a reconciliation instruction is that any legislation that is permitted by it cannot be filibustered in the Senate. The question is whether a simple majority of Congress can agree on a health care reform proposal? In theory, the budget resolution provides that Congress has until October 15, 2009 to come up with a proposal, although Congress always seems to have a way of getting around deadlines.

The budget resolution does provide an opportunity for Congress to consider a later bill to freeze the estate tax system in its 2009 form which includes an individual estate exemption of \$3.5 million and a top estate tax rate of 45 percent. While the budget resolution leaves room for estate tax relief, any bill brought forth to do so would still be subject to a filibuster and it would have to be offset with tax increases (or spending cuts – yeah right, when has that happened?) elsewhere.

The budget resolution does provide for an extension of the Alternative Minimum Tax (AMT) "patch." The patch is a temporary increase in the income thresholds at which the AMT is applied. The budget resolution allows for five years of AMT "patching" but provides that only the first three years of patch would not have to be offset by tax increases (or spending cuts) elsewhere. House Speaker Nancy Pelosi (D-CA) had to promise the fiscal conservatives in her party, known as the "Blue Dogs," that AMT patch legislation would not be considered in the House without revenue offsets. It is not clear whether she means the entire five years which would mean ignoring the budget resolution, or just the two years.

The budget resolution also requires revenue increases of \$97 billion from unspecified sources. This is why items like LIFO repeal or tax gap closers will surface.

H1N1 FLU

SBLC Board Member Don Wilson of the Association of Small Business Development Centers and SBLC President John Satagaj attended a session at the Old Executive Office Building convened by Presidential Senior Advisor Valerie Jarrett. The purpose was to share information regarding the H1N1 Flu. The Center for Disease Control's site (www.cdc.gov) is the best source for information.