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2/03/10 – Obama Unveils New 2011 Budget – A Taxing Matter

If you thought the 2010 budget was unsustainable, the newly released 2011 blueprint for the federal government makes the old plan look like a model of responsibility and sobriety. With record amounts of spending, taxes, and debt as its toxic brew the new budget seems to endorse House Majority Whip James Clyburn (D-SC) view that “We’ve got to spend our way out of this recession.” And spend it does! Here are some of the facts: the proposed budget over the next decade would rack up \$45.8 trillion (that’s with a “T”) in new spending, \$9.1 trillion in deficits, and more than \$2 trillion in higher taxes (on upper income earners and small businesses as well disfavored segments of the economy that will have their tax schedules changed for the worse).

The net result of all of this spending: the national debt will double to over \$18 trillion; with outlays having increased at an alarming 54% over the decade so that they will average 24% of GDP (well above the traditional level of about 20% that has been fairly consistent since WWII), and a federal workforce (mostly unionized) over 2.15 million strong (the most ever). Moreover, and possibly more troubling, the revised taxing scheme places heavier burdens on the more successful (productive) citizens while reducing taxes for targeted groups lower on the income scale – thus removing at least half (if not slightly more) of all Americans from the tax rolls. This means a permanent majority of people who don’t pay taxes can use their numerical superiority to elect governments that impose ever heavier tax burdens on those that must pay the taxes (i.e., the minority of Americans).

The White House’s views/emphasis on the budget, not surprisingly, speak to tax breaks (for targeted groups), the freeze on non-security discretionary spending (which covers \$447 billion of the total \$3.8 trillion in proposed spending for FY-2011; AND represents where almost all of the infrastructure programs are located in the budget), and job creating short-term incentives as part of an overall plan for “A New Era of Responsibility.” This emphasis can be found in the recently released “General Explanations of the Administration’s Fiscal Year 2011 Revenue Proposals” (the so-called “Greenbook”); by the U.S. Department of the Treasury.

Key Administration Priorities in FY2011 Greenbook

- **Tax Cuts to Jumpstart Job Growth and Support the Economic Recovery**
 - § An Immediate Small Business Jobs and Wages Tax Cut in 2010
 - § Tax Incentives for Small Businesses to Make Immediate Investments
 - § Bonus Depreciation for Business Investment in 2010
 - § Tax Credits for Investment in Advanced Energy Manufacturing Projects
 - § Extending the Making Work Pay Tax Credit
- **Tax Cuts to Encourage Innovation, Investment and Sustained Economic Growth**
 - § Eliminating Capital Gains Taxes for Investments in Small Businesses
 - § Making Permanent the Research and Experimentation Credit
 - § Making Permanent the Successful Build America Bonds Program
- **Permanent Middle Class Tax Relief**
 - § \$10,000 For a Four-Year College Education by Making Permanent the American Opportunity Tax Credit
 - § Nearly Doubling the Tax Cut for Middle Class Families to Pay for Child Care Expenses
 - § Increasing Matching Credits to Encourage Retirement Saving and Providing for Auto-IRAs
- **Reform, Responsibility and Fiscal Discipline**
 - § Financial Crisis Responsibility Fee to Recoup TARP Losses and Reduce Financial Risk
 - § Reforming the International Tax System by Reducing Transfer Pricing Abuses, Tax Evasion, and Incentives to Shift Investment Overseas
 - § Allowing the 2001 and 2003 Tax Cuts for Households Making more than \$250,000 to Expire
 - § Eliminating Inefficient Fossil Fuel Tax Subsidies and Closing Additional Loopholes to Make the Tax Code More Fair