Who should pay for fixing the debt?

4 reasons Congress should close corporate loopholes

Tax Day 2013

As both houses of Congress continue to debate the next steps in the federal budget, new revenue must be part of the balanced approach to "fixing" the national debt. **We all want to "fix the debt" and put our nation's fiscal house in order, but the real challenge facing our federal policy makers is *how* we accomplish this goal—and perhaps most importantly, who should pay for deficit reduction**.

Six weeks into the beginning of automatic, across-the-board sequestration spending cuts, it's also never been clearer that **without new revenue, middle class North Carolinians will continue to be hit hard by spending cuts** to core initiatives like education, job training, and healthcare. The broader economy is also likely to suffer as these cuts erode the foundation of a strong middle class and fail to support the still slow economic recovery.

Here are four reasons why a balanced approach that includes new revenues is the right way to "fix the debt" and put our nation's fiscal house in order:

1. **We only need to reduce the short-term deficit by $1.5 trillion in order to stabilize the national debt, and as a result, deep spending cuts to core domestic programs are unnecessary.** Thanks to previous rounds of deficit reduction and improvements in the national economy, most economists believe that we only need to reduce the federal budget deficit by another $1.5 trillion over the next decade in order put our debt on a sustainable path as a share of the economy. Raising one dollar in new revenues for every dollar in additional, strategic spending cuts represents the most balanced approach to deficit reduction.

2. **While tax increases on the wealthiest 2% have accounted for only 30% of federal deficit reduction since 2011, spending cuts have already borne the brunt of more than 70%, in effect unfairly asking working families to pay for the overwhelming majority of deficit reduction.** The Budget Control Act of 2011 enacted $2.5 trillion in spending cuts to key domestic discretionary spending initiatives like K-12 education, job training, food safety, air traffic control, and healthcare—programs that support middle class and working families. Only 30% of deficit reduction has come in the form of new revenues—$450 billion raised from the expiration of the Bush Tax Cuts on incomes over $450,000 in January 2012.

3. **Domestic discretionary spending is the smallest share of the budget and is not a driver of our short- or long-term deficits**. As a result of all these cuts, spending on these programs is at the lowest point as a share of the economy since 1962—all while the country tries to grapple with the demands of 21st century economy. Additional revenues are essential in order to protect these initiatives from further cuts—cuts that would not yield significant deficit reduction since they constitute such a small portion of the budget, but would certainly eliminate their ability function.

4. **Tax expenditures—special loopholes, credits, and deductions for corporations and individuals—represent the largest portion of the federal budget, a portion almost entirely spared from deficit reduction.** Reforming corporate and personal tax expenditures—an area of the budget that costs more than $1 trillion in foregone revenue every year and $10 trillion over ten years—is one of the best opportunities available to policymakers. This cost surpasses every other major function of the budget, including Medicare, Social Security, and national defense, and is almost double the cost of domestic discretionary programs. As a result, tax expenditures represent a far better place to achieve balanced deficit savings than the domestic discretionary programs targeted by sequestration. While many of these tax expenditures represent tax breaks that are genuinely beneficial to working and middle class families and should be preserved, a significant portion constitute special tax loopholes, deductions, and credits available almost exclusively to corporations and the wealthiest Americans that are not effectively generating economic growth or promoting broadly shared prosperity.

North Carolina needs a balanced approach to deficit reduction that asks the wealthy and corporations to pay their fair share so that together all North Carolinians can contribute to a stronger economy for all.