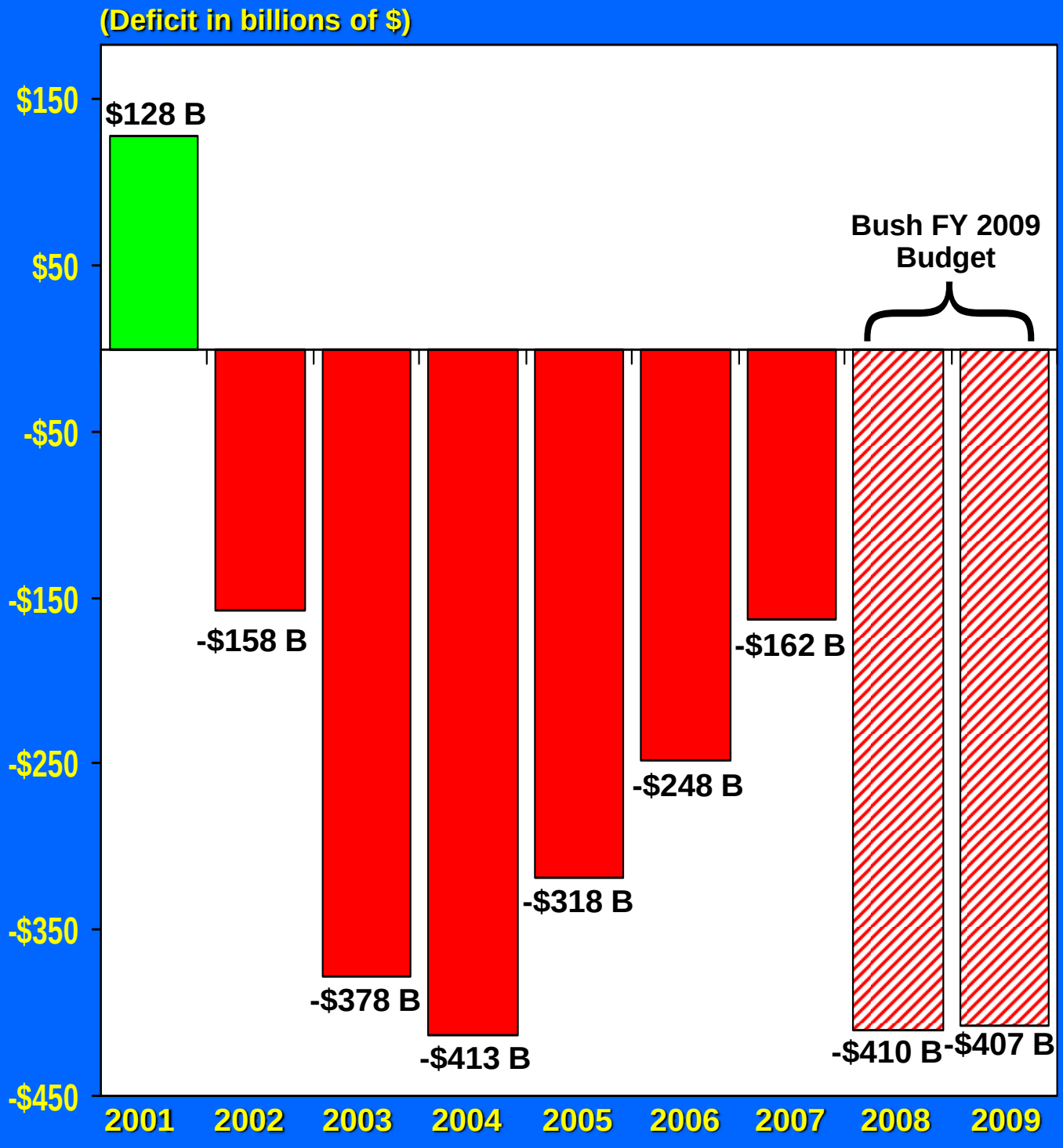
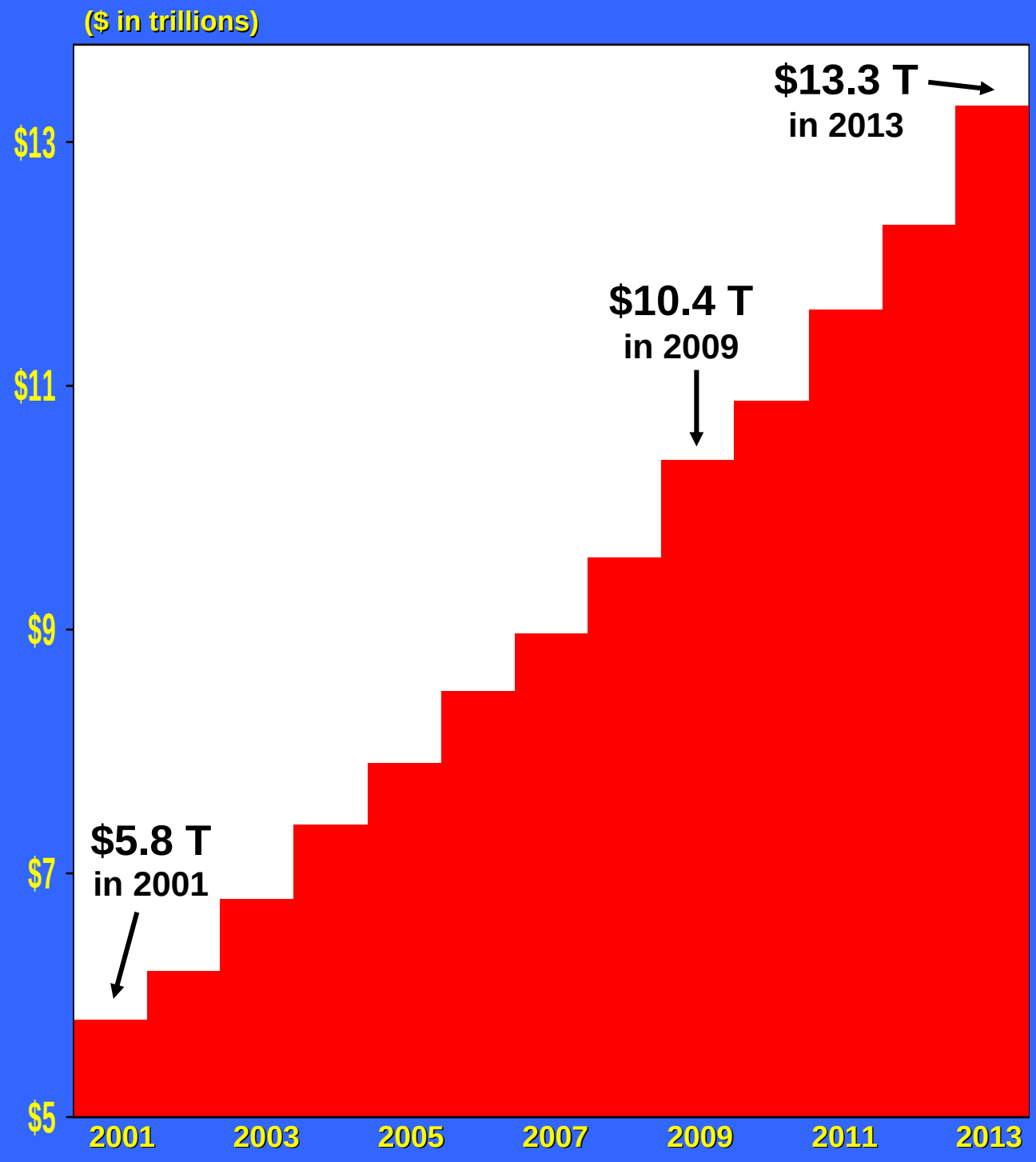
Dramatic Deterioration in Budget Picture



Source: OMB
Note: 2008 and 2009 estimates from Bush FY 2009 Budget.

Building a Wall of Debt

Gross Federal Debt Soars

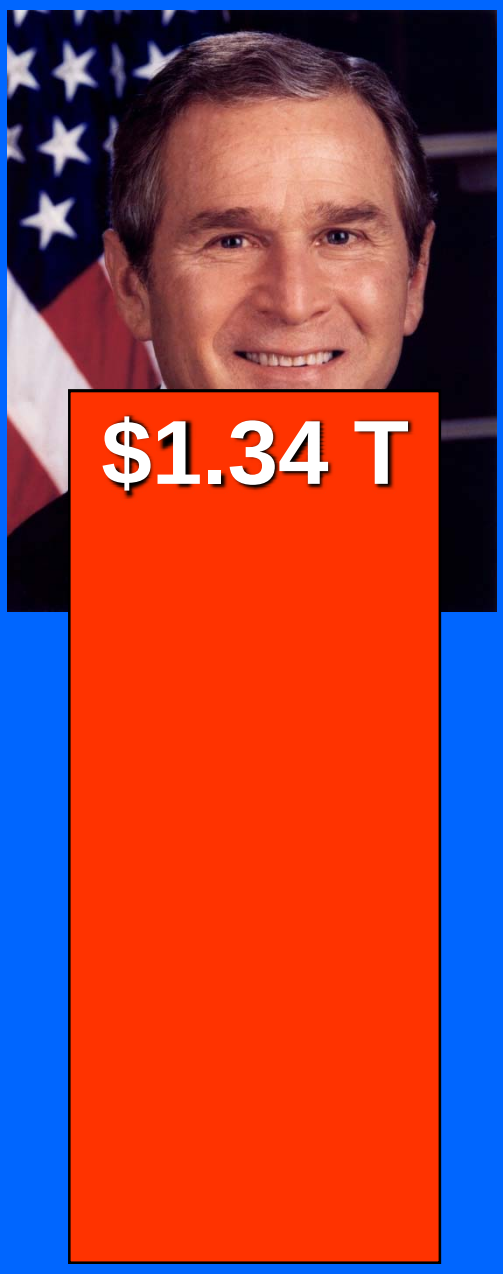


Source: OMB, CBO and SBC
Note: Bush FY 2009 Budget with AMT reform, ongoing war costs, and associated debt service.

President Bush More than Doubles Foreign-Held Debt

It Took 42 Presidents 224 Years to Build Up $1 Trillion of Foreign-Held Debt

224 Years
(1776-2000)



7 Years
(2001-2007)

Source: U.S. Treasury
Monthly data through December 2007.

Budget Resolution Highlights

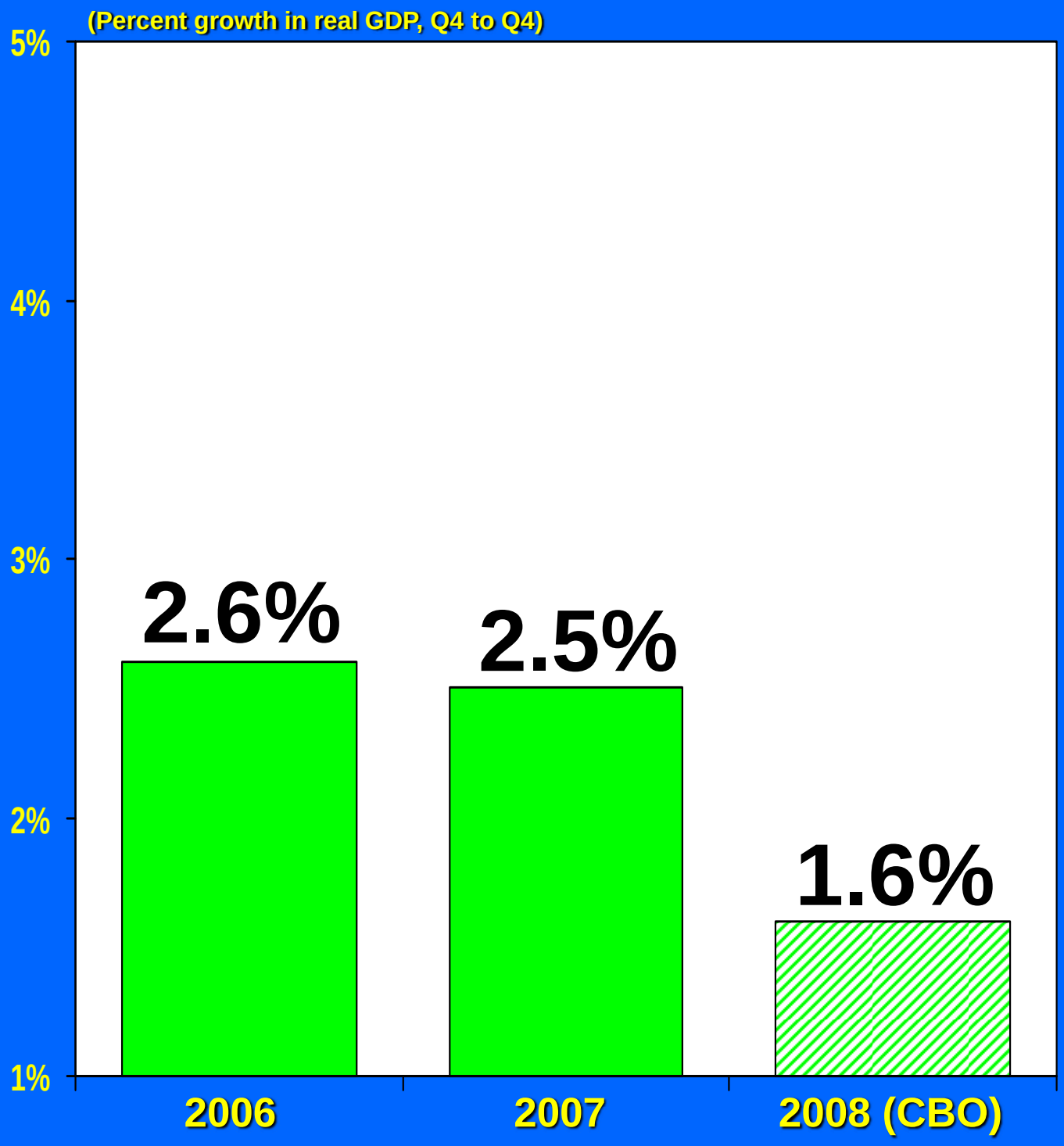
Strengthen Economy and Create Jobs

- Invest in energy, education, infrastructure
- Expand health coverage for kids
- Provide tax cuts for middle-class
- Restore fiscal responsibility; balance in 2012 / 2013

Make America Safer

- Support the troops
- Provide for veterans' health care
- Protect homeland and reject Bush cuts in law enforcement, COPS, first responders

Economic Growth Expected to Slow Sharply in 2008



Source: Bureau of Economic Analysis, U.S. Department of Commerce; and CBO, February 2008

Stimulus in the Budget Resolution

Budget Resolution accommodates $35 B in stimulus

Possible policies could include:

- **Housing relief (including tax provisions)**
- **Extended Unemployment Insurance, Food Stamps, or State fiscal relief**
- **Additional LIHEAP, WIC, or infrastructure funding for 2008**

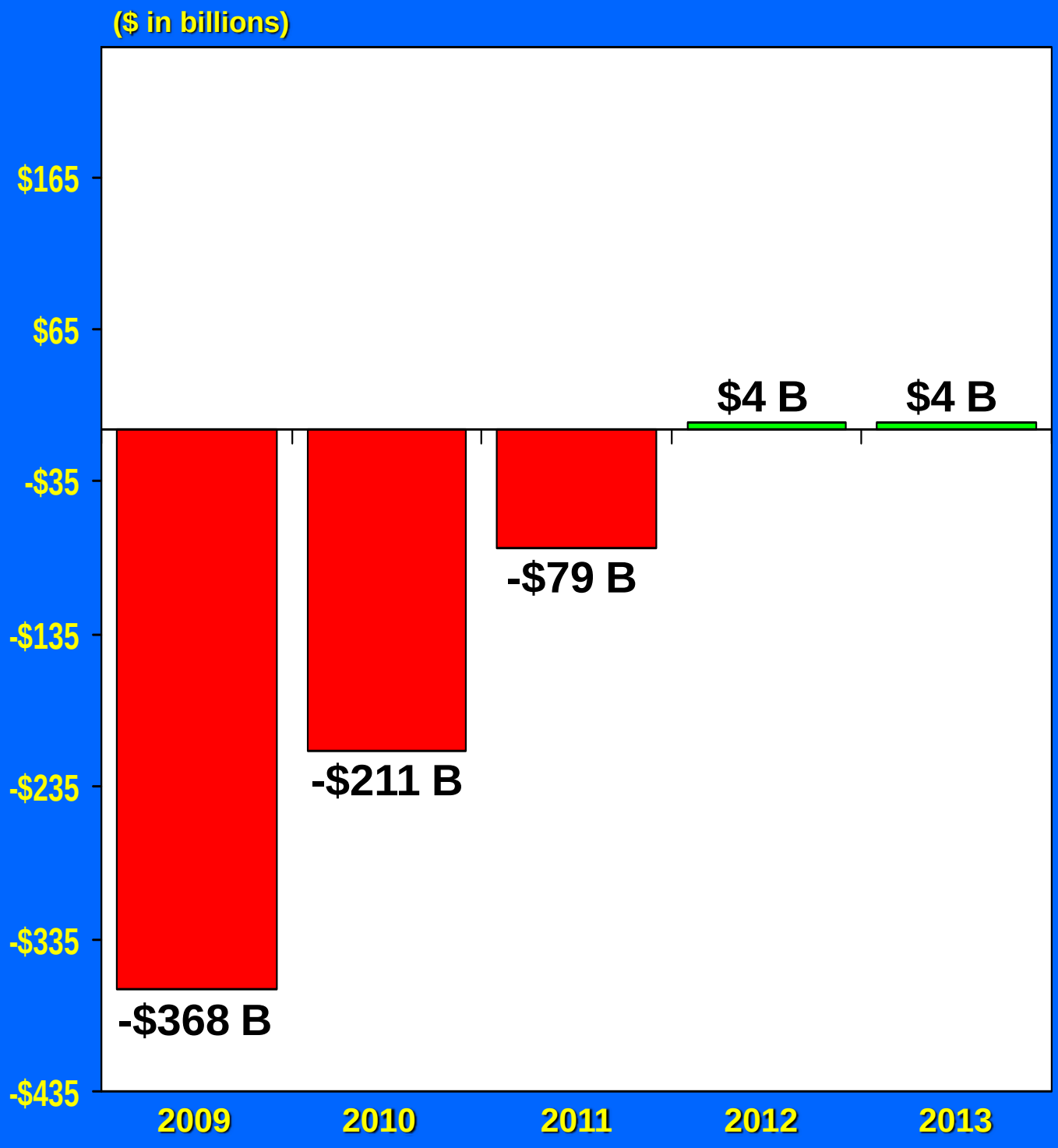
Tax Relief in Budget Resolution

- AMT relief
- Energy tax cuts
- Education tax cuts
- Stimulus
- Extenders

Tax Relief Amendment to Budget Resolution

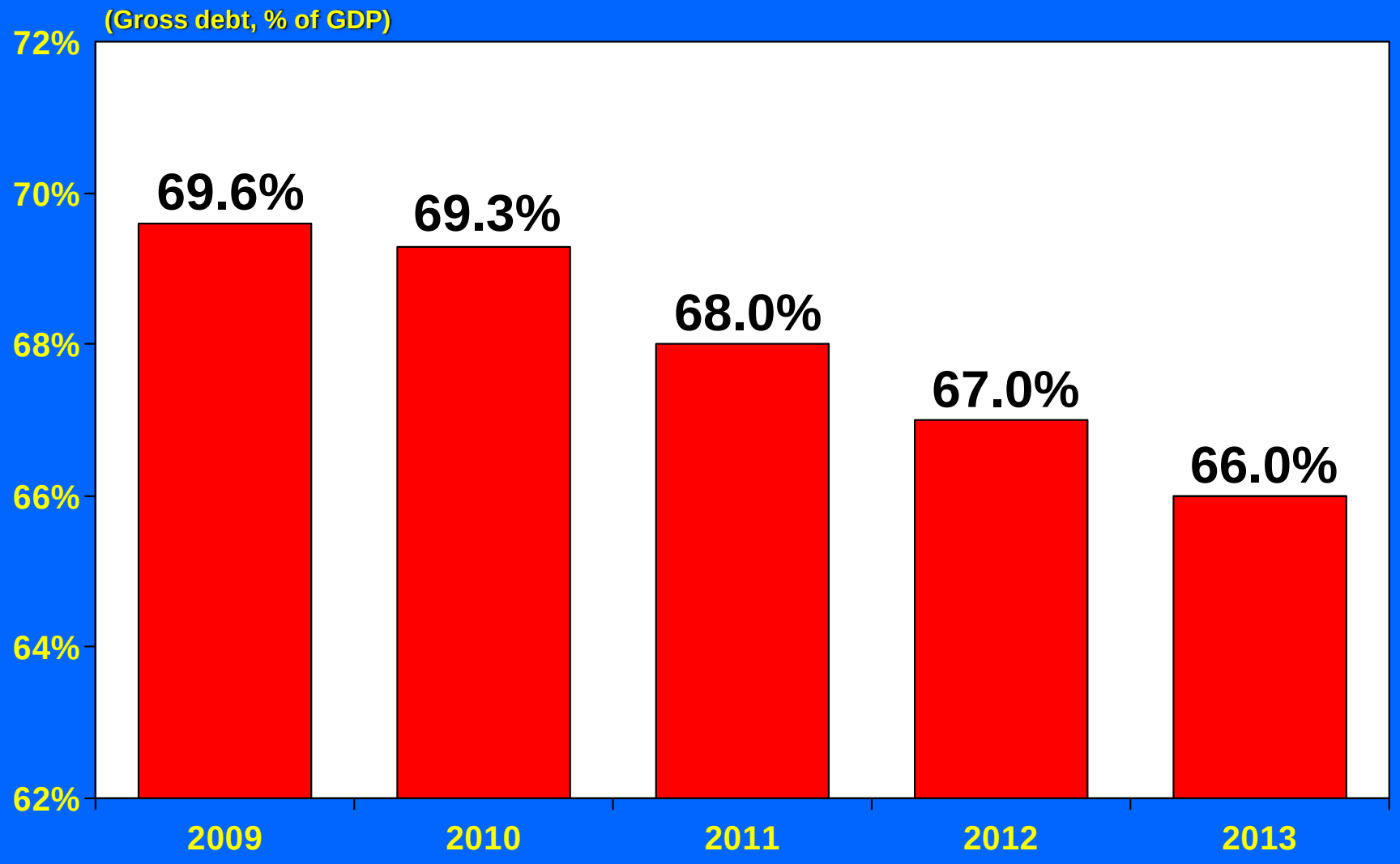
- Extend middle-class tax relief
  – marriage penalty relief
  – child tax credit
  – 10 percent bracket
- Estate tax reform
- Property tax relief
- Tax relief for troops and veterans
- Tax relief for Katrina and Rita victims

Deficit/Surplus Under Budget Resolution



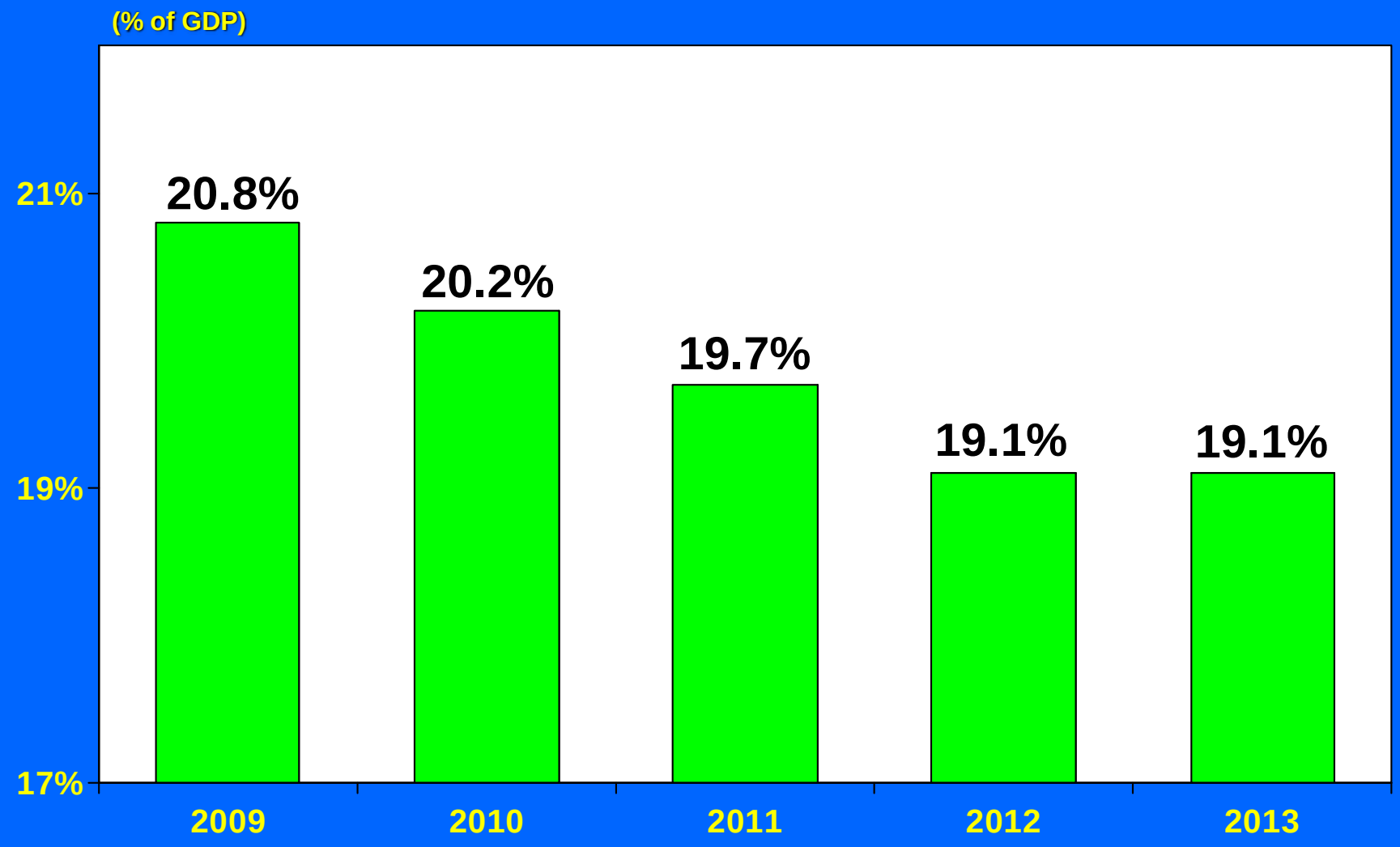
Source: SBC

Debt Under Budget Resolution



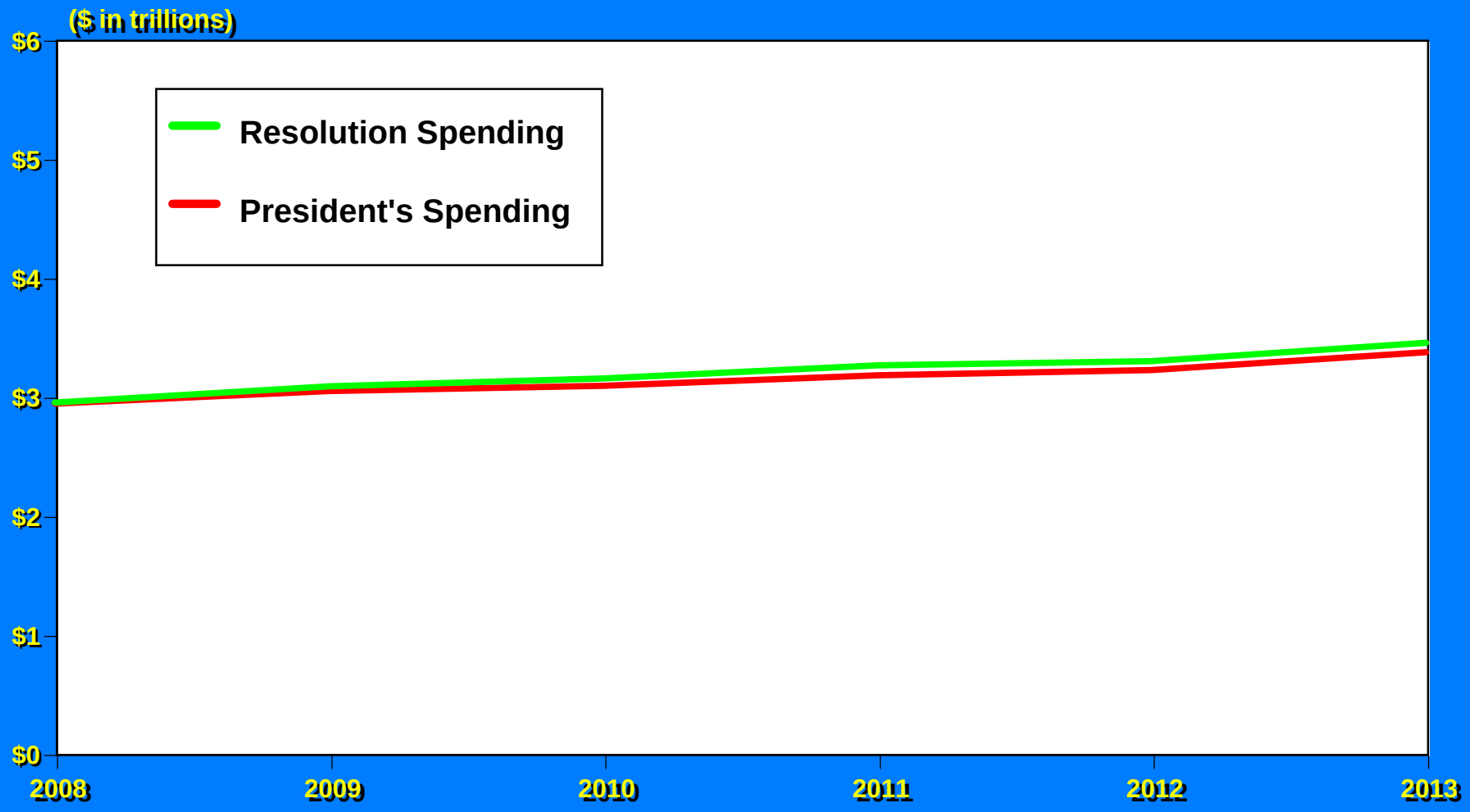
Source: SBC

Spending Under Budget Resolution



Source: SBC

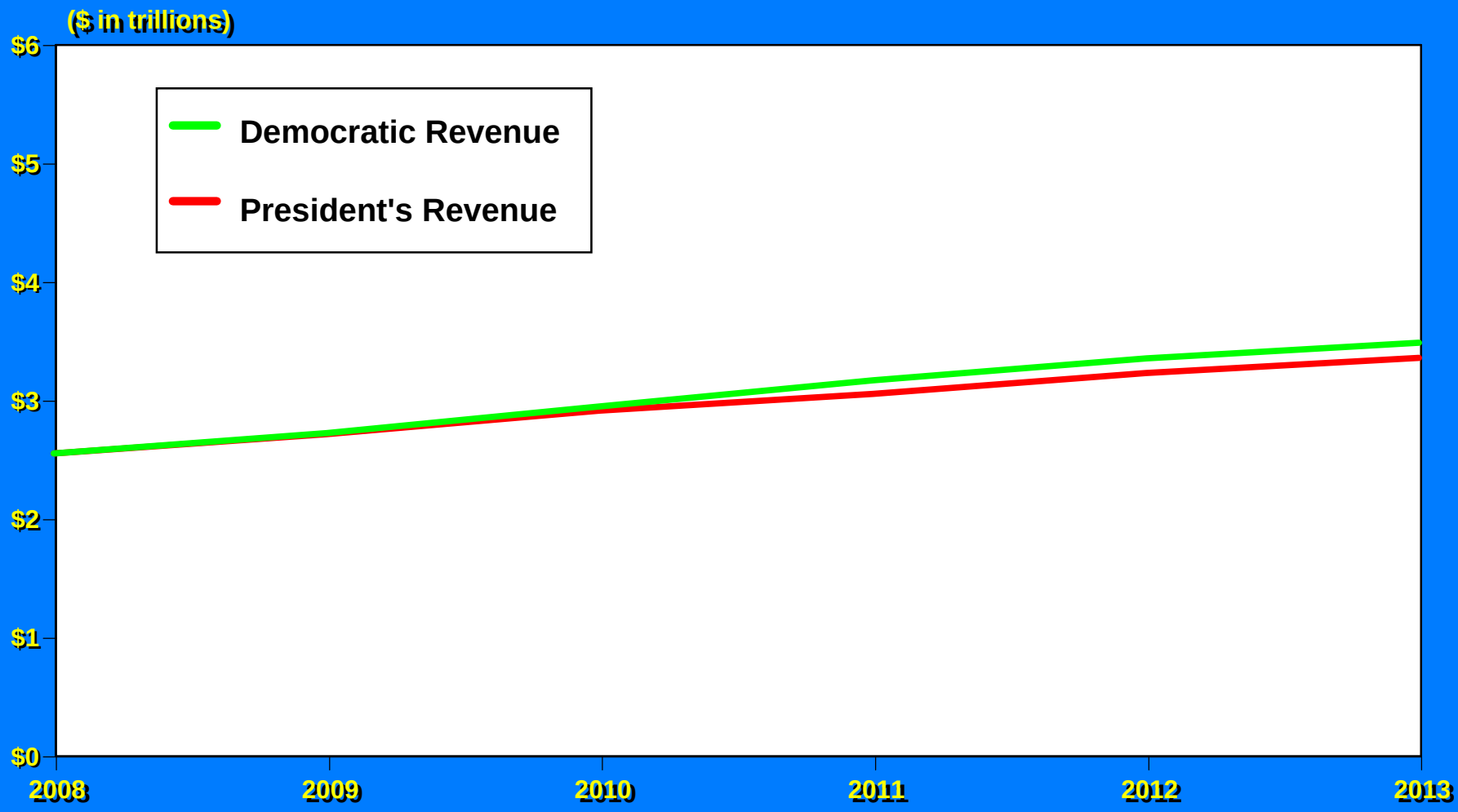
Comparison of Spending Under Resolution and President's Budget



Source: SBC, CBO

1%

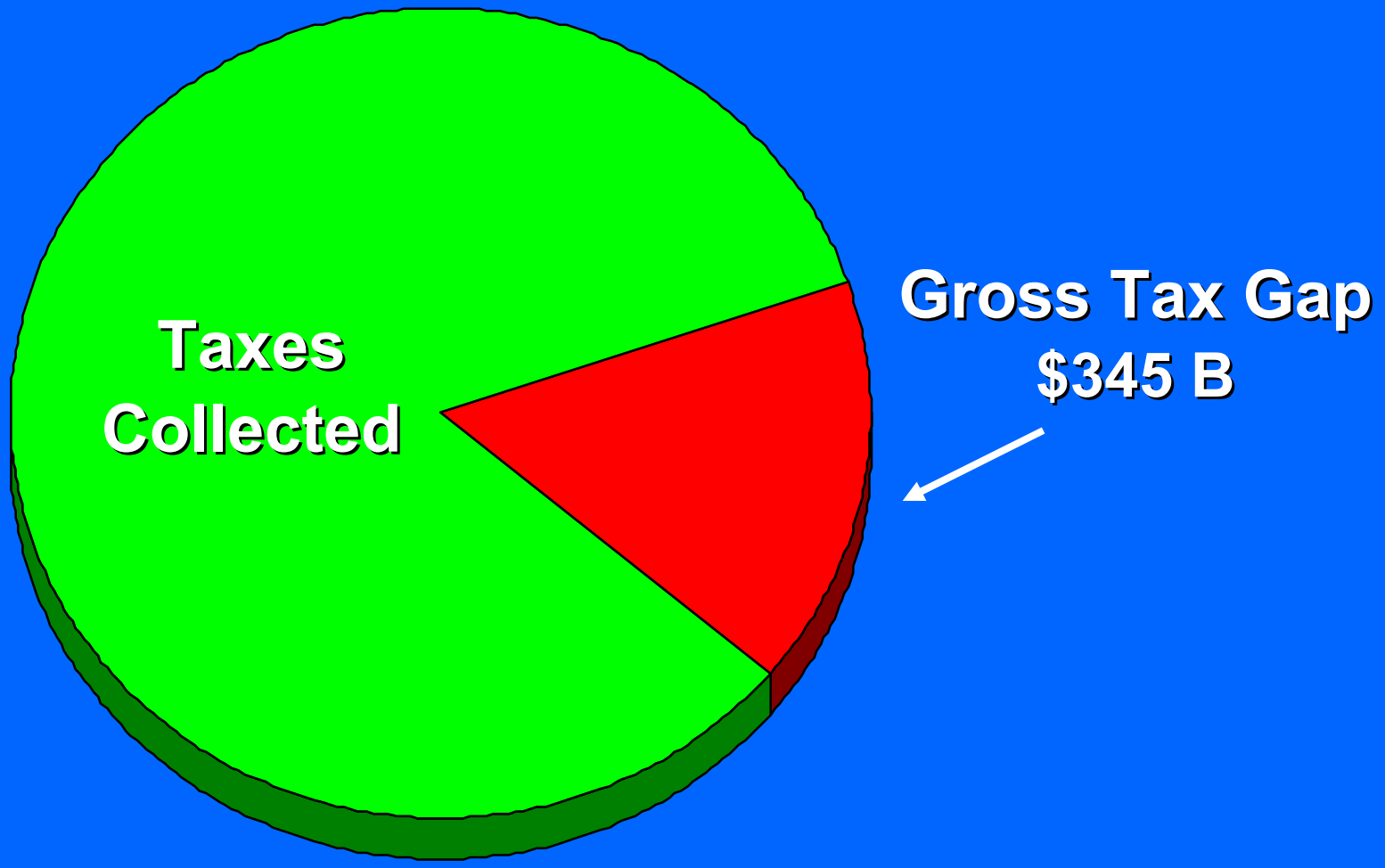
Comparison of Revenues



Source: SBC, CBO
Note: Democratic revenue adjusted to assume extension of middle-class tax cuts and reform of estate tax.

2.6%

IRS Estimates $345 Billion Annual Tax Gap



Source: IRS estimate of 2001 tax gap, February, 2006

Five-Story Cayman Islands Building That 12,748 Companies Call Home

THE BOSTON GLOBE

THURSDAY, MARCH 6, 2008

Top Iraq contractor skirts US taxes offshore

Shell companies in Cayman Islands allow KBR to avoid Medicare, Social Security deductions

By Farah Stockman
GLOBE STAFF

CAYMAN ISLANDS — Kellogg Brown & Root, the nation's top Iraq war contractor and until last year a subsidiary of Halliburton Corp., has avoided paying hundreds of millions of dollars in federal Medicare and Social Security taxes by hiring workers through shell companies based in this tropical tax haven.

More than 21,000 people working for KBR in Iraq — including about 10,500 Americans — are listed as employees of two companies that exist in a computer file on the fourth floor of a building on a palm-studded boulevard here in the Caribbean. Neither company has an office or phone number in the Cayman Islands.

The Defense Department has known since at least 2004 that KBR was avoiding taxes by declaring its American workers as employees of Cayman Islands shell companies, and officials said the move allowed KBR to perform the work more cheaply, saving Defense dollars.

But the use of the loophole results in a significantly greater loss of revenue to the government as a whole, particularly to the Social Security and Medicare trust funds. And the creation of shell companies in places such as the Cayman Islands to avoid taxes has long been attacked by members of Congress.

A Globe survey found that the practice is unusual enough that only one other ma-

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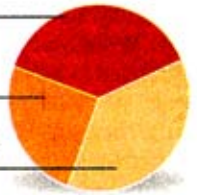
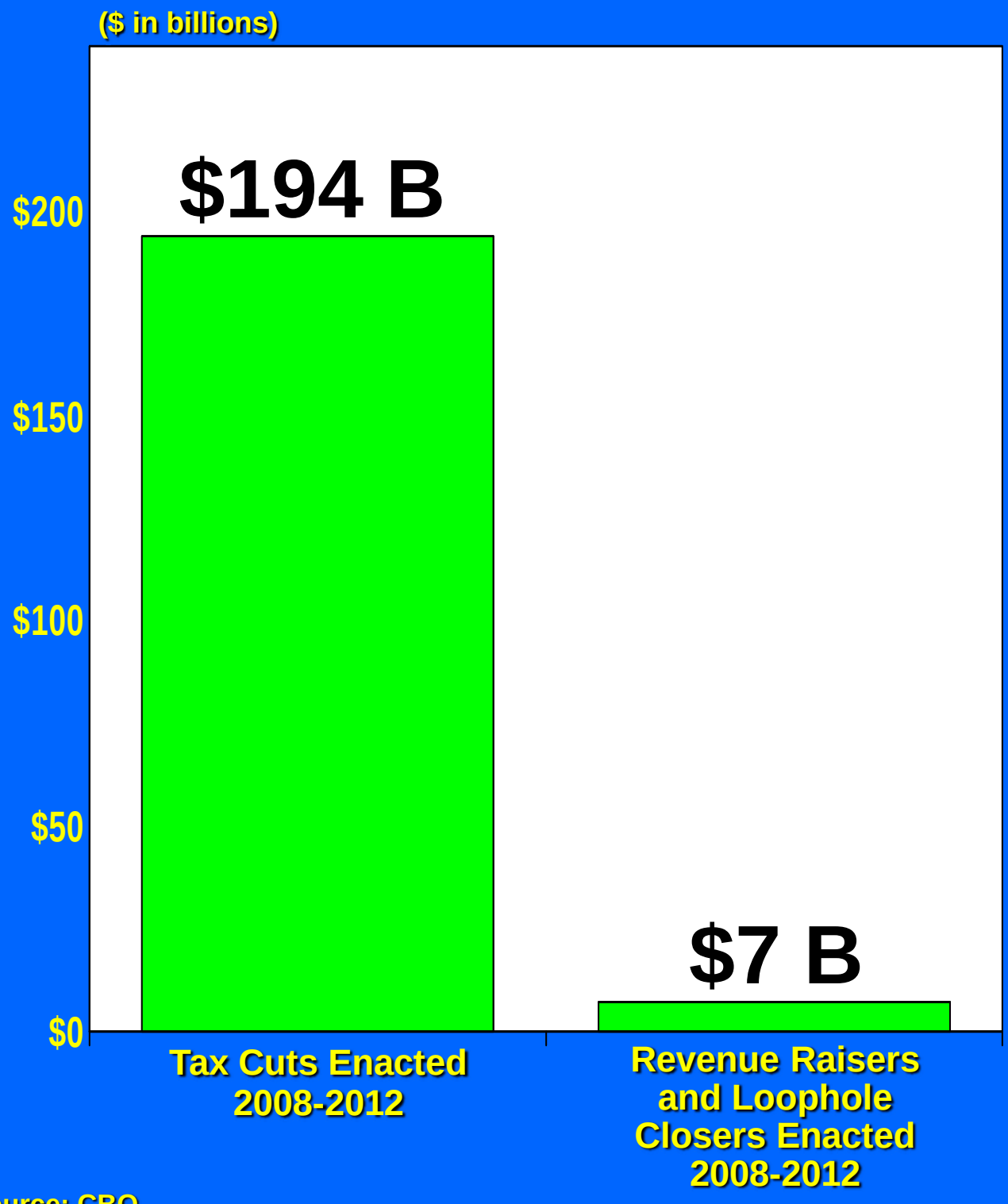
According to US Central Command, there are 163,000 contractors working in Iraq. KBR says that it has 54,000 people working on its projects in Iraq. Of those:



SOURCE: KBR

GLOBE STAFF

Democratic Record on Taxes Since Taking Control of Congress



Source: CBO