

President Obama's FY 2011 Budget: Supporting Women and Children in Tough Times

President Obama's Fiscal Year 2011 budget supports vital programs for women and children in an economic climate that demands exactly that. With unemployment projected to average 9.5 percent in 2011 and nearly one half of single-mother families expected to be poor, help is needed to create jobs and provide support for women and their families.

The President's budget includes additional funding for safety net programs to help those most in need and boost the economy, as struggling families quickly spend this income to purchase goods and services in their communities. It calls for the comprehensive health care reform women need, provides states with the resources to preserve vital Medicaid services, and modestly increases funding for some women's health programs. The budget makes critical investments in education, from early childhood through college. President Obama's budget also moves to restore balance to the tax code, extending tax benefits for middle- and lower-income families while allowing tax breaks for the wealthiest taxpayers to expire and closing corporate tax loopholes. These measures would help reduce long-term deficits and provide revenue to invest in our country's future and support families in difficult times.

NWLC analyzes provisions in the budget of special importance to women and families:

- Health and Reproductive Rights
- Early Childhood Care and Development
- Education
- Employment and Training
- Assistance to Unemployed Workers
- Civil Rights and Worker Protections
- Tax Benefits for Working Families
- Safety Net Programs
- Violence Against Women
- Retirement Security
- Tax Reforms

HEALTH AND REPRODUCTIVE RIGHTS

The FY 2011 budget reflects the President's commitment to protecting and improving the nation's health. It calls for the comprehensive health care reform that women and their families urgently need, extends funding for health programs that help those most affected by the economic recession, and increases support for programs that provide critical women's health services. Unfortunately, however, the budget leaves barriers to abortion care in federal health programs intact.

- The President's budget reiterates the need for **health care reform** that will provide stability to those who have health insurance, expand coverage to the uninsured, and improve the nation's economic security. Specifically, the budget estimates that the passage of comprehensive health reform will lead to a \$150 billion reduction in the deficit by 2020. To continue laying the groundwork for comprehensive health reform, the budget makes investments that strengthen the health care provider workforce, promote prevention and wellness, expand the health care safety net, and advance the adoption of health information technology.
- In addition to extending the COBRA assistance program described [elsewhere](#), to help keep women and families insured, the President's budget expands another important health provision of the American Recovery and Reinvestment Act of 2009 with its proposed \$25.5 billion six-month **extension of the Medicaid funding increase** (i.e. an increase in the federal matching rate for state Medicaid programs, or "FMAP"). Increasing the FMAP eases strain on state budgets and protects access to this critical health insurance program, which covers 17 million low-income women nationwide.
- The budget increases funding for several **programs that provide essential reproductive and preventive health care** for women. Highlights include:
 - A \$10 million increase for the **Title X family planning** program, which provides comprehensive family planning and related preventive health services to low-income women. Though a welcome increase given the tight budget climate, the additional funding is not enough to meet current needs.
 - An \$11 million funding boost for the **Maternal and Child Health block grant** that provides prenatal, primary, and preventive health care to women and children.
 - An increase of over \$19 million in grants for medically accurate, age-appropriate programs to **prevent teen pregnancy**, and an allocation of \$50 million in mandatory funds for States, territories, and tribes to use for teen pregnancy prevention.

- We are disappointed that the President did not indicate a commitment to removing the multiple **restrictions on access to abortion care** for women with government-sponsored health insurance. These harmful barriers continue to leave women in the Federal Employees Health Benefits Program (FEHBP), Peace Corps, Indian Health Service, and Medicaid without access to the comprehensive reproductive health care they need.
- More than one in ten women care for a family member that is chronically ill, disabled or elderly—these caregivers often have multiple responsibilities and struggle with economic and health challenges of their own. To ease burdens on family caregivers, the President’s budget proposes an increase of over \$102 million for programs that **support families caring for aging relatives** with services such as counseling, training, and respite care.

EARLY CHILDHOOD CARE AND DEVELOPMENT

The President's budget includes significant new investments in several major programs that help families gain access to affordable, high-quality child care and early education opportunities for their children. For example, the proposed funding levels for the Child Care and Development Block Grant represent the single largest increase in funding for the program in more than 20 years and the funding levels for Head Start and Early Head Start will allow these programs to sustain increases in the number of children served due to the American Recovery and Reinvestment Act. Highlights include:

- A \$1.6 billion increase for the **Child Care and Development Block Grant (CCDBG)**, to a total of \$6.644 billion. (The comparison is to FY 2010 funding levels, excluding any additional ARRA funding.) The increase would include \$800 million in discretionary funds (which are appropriated on an annual basis and do not require a state match) and \$800 million in mandatory funds (which require a state match). Mandatory funding would be adjusted each year for inflation after FY 2011. The additional funding for CCDBG would allow for an increase in funding set aside for quality improvement activities, to \$373 million (from \$271 million), of which \$137 million would be for activities that improve the quality of infant and toddler care (up from \$99.5 million previously). The set-aside for child care resource and referral and school-age activities would be increased to \$26.09 million (from \$18.96 million). Funding for the Child Care Aware toll-free hotline would remain at \$1 million. The Administration proposes to use the additional CCDBG funding to support a reauthorization of the program that would encourage the establishment of a high standard of quality across child care settings, an expansion of professional development opportunities for the child care workforce, and coordination among early childhood education programs.
- A \$989 million increase for **Head Start and Early Head Start**, for a total of \$8.2 billion. (The comparison is to FY 2010 funding levels, excluding any additional ARRA funding.) Head Start would serve an estimated 971,000 children, an increase of approximately 66,500 children over FY 2008, and Early Head Start would serve approximately 116,000 infants and toddlers, nearly twice as many as were served in FY 2008.
- Approximately \$9 billion over 10 years for a new [Early Learning Challenge Fund](#), similar to the amount included in a bill passed by the House last year and that is under consideration in the Senate. The initiative would make competitive grants to states to improve the quality of early learning programs to help children enter kindergarten ready to succeed
- A \$10 billion increase over 10 years for **child nutrition programs** to support their reauthorization, including the **Child and Adult Care Food Program**.

- An \$87 million increase, to \$1.3 billion, for U.S. **military child development centers** to expand availability for affordable, high-quality child care services at over 800 centers both in the United States and overseas.
- An increase in the **Child and Dependent Care Tax Credit** for families earning up to \$113,000. Families earning up to \$85,000 would be eligible for a tax credit equal to 35 percent of qualified child care expenses, with the percentage phasing down to 20 percent for families earning \$113,000 or more. For a family earning \$50,000, the change could increase the maximum credit from \$1,200 to \$2,100. However, the proposal would not make the credit refundable, so families with little or no federal tax liability would continue to receive little or no benefit from the credit.
- The President's FY 2011 budget, unlike the President's FY 2010 budget, does not include a specific proposal for a new **home visiting initiative** that would support families with young children. However, the budget does call for enactment of [health care reform](#) and the health care reform bills passed by the House and Senate in 2009 each included provisions for such an initiative.

At the same time, funding for several other child care and early education programs would be frozen at existing funding levels (not keeping up with inflation next year), consolidated with other programs, or eliminated:

- Funding for **Individuals with Disabilities Education Act (IDEA) Part C Grants for Infants and Families** and **Part B/Section 619 Preschool Grants** would remain at \$440 million and \$374 million, respectively.
- Funding for **Child Care Access Means Parents in School (CAMPIS)**, a competitive grant program supporting the participation of low-income parents in postsecondary education through campus-based child care services, would remain at \$16 million.
- Funding for **21st Century Community Learning Centers**, which supports before- and after-school opportunities for children, would remain at \$1.166 million.
- A new \$250 million **Striving Readers literacy program** would consolidate a number of existing programs into a comprehensive birth through high school literacy grant program. Fifteen percent of funds that state educational agencies subgranted to local agencies would have to be used for serving children birth to kindergarten age. Even Start would be eliminated as a separate program.

EDUCATION

To reform public schools and help foster an educated and highly-skilled workforce, the President's budget proposes a new strategy for federal K-12 education policy supported with additional funding. At the college level, the budget also increases aid for low-income students, reforms Federal student aid programs, and strengthens support for community colleges. (Budget proposals for [early childhood development and education](#) are discussed in a separate section).

- The budget proposes to restructure the **Elementary and Secondary Education Act** (ESEA) and provides the largest increase in history for ESEA programs. It includes a \$3 billion increase in competitive funding, and up to \$1 billion more if Congress completes a reauthorization of ESEA consistent with the President's proposed reforms. The proposal also includes \$300 million to expand the teaching and learning of Science, Technology, Engineering, and Mathematics (STEM) subjects, particularly in high-need schools, which would help develop more opportunities for students from diverse backgrounds in these areas.
- To make college more accessible and affordable, the budget proposes an increase of \$7.1 million in **Pell Grant funding**. The President's proposals to improve Pell Grants include raising the maximum awarded per student to \$5,710, making the Pell Grant program mandatory, and making permanent the indexing of Pell grants to the Consumer Price Index plus 1%, to outpace inflation. The budget also streamlines the student aid application process and supports legislation that would **ensure better access to student loans** by eliminating wasteful subsidies to banks and providing loans directly to students. In addition, the budget provides \$7.5 billion over 10 years to expand the **Income-Based Repayment (IBR) plan** to help borrowers in the Federal postsecondary student loan programs who are overburdened with student loan debt. The proposal would make loan repayment more affordable for those with high debts and low incomes, and allow more students to take advantage of IBR options by reducing the maximum monthly payments and the length of time necessary for loan forgiveness.
- The budget includes \$10.6 billion over 10 years for the new American Graduation Initiative, which aims to improve and modernize **community colleges**, increase focus on college completion, and graduate 5 million more students by 2020.

EMPLOYMENT AND TRAINING

To prepare workers for good jobs and increase opportunity, the budget includes provisions to enable more states to provide paid family leave to workers, help underserved populations enter emerging industry sectors, and improve workforce data collection. Such measures are needed to adapt to the changing nature of our economy, which now depends upon significant participation from women, and to prepare workers to build an American economy that will successfully compete in the world marketplace of tomorrow.

- The budget proposes a \$50 million **State Paid Leave Fund** within the Department of Labor to provide competitive grants to help states launch paid-leave programs, enabling more workers to take time off without having to choose between caring for their families and receiving a much-needed paycheck. The budget also includes a slight increase in spending for the Women's Bureau, which is the only federal office exclusively concerned with serving and promoting the interests of female workers.
- The budget more than doubles the funding on **green jobs training** from \$40 million to \$85 million, an initiative which includes helping underserved populations move into green careers. The funds will be used to award approximately 40-50 grants to train an expected 14,110 participants. However, the proposed budget fails to address needed increases in job training programs for women in nontraditional occupations, as the funding for the **Women in Apprenticeship and Non-Traditional Occupations Act** remains flat at \$1 million. This program funds projects that improve the recruitment, selection, training, employment, and retention of women in the construction industry, and the emerging green industries and occupations.
- The budget provides an increase of \$1.25 million for the **Workforce Data Quality Initiative** (WDQI), which provides resources for state workforce agencies to build longitudinal data systems that match workforce data with education data. The development of comprehensive data systems which link demographic information, high school transcripts, college transcripts, and quarterly wage data, can provide valuable information to policymakers and others about the performance of education and workforce development programs and training providers.

ASSISTANCE TO UNEMPLOYED WORKERS

The President's FY 2011 budget would allow for an extension of the additional unemployment insurance benefits and COBRA subsidies (help for jobless workers to maintain their health insurance coverage) provided by the American Recovery and Reinvestment Act (ARRA). Unemployment is at its highest in decades; unemployment among women who head families is even higher than overall unemployment; and those out of work are going longer without new jobs. These ARRA benefits alleviate hardship for jobless workers and their families and provide a boost to the economy – but they are currently scheduled to expire on February 28, 2010.

- The budget would provide \$49 billion for **extending enhanced unemployment benefits**, including funding for additional weeks of benefits and an additional \$25 per week. Though this investment would provide much-needed relief to unemployed workers and their families, the amount is insufficient to extend these benefits through the end of 2010.
- The budget would extend ARRA's **COBRA assistance** through the end of 2010, and provide twelve months of COBRA assistance to individuals involuntarily terminated after February 28, 2010. The ARRA COBRA assistance subsidizes 65 percent of the cost of maintaining health insurance for up to 15 months. The budget provides a total of \$8.7 billion for FY 2010 through FY 2012 for COBRA assistance.

CIVIL RIGHTS AND WORKER PROTECTIONS

The budget strengthens enforcement of civil rights and increases protection for vulnerable populations, by providing the resources necessary to combat discrimination through enhanced investigation, litigation, outreach, and training efforts. In addition, the budget provides for improved enforcement of labor standards, increasing protection for the health, safety, wages, working conditions, and retirement security of working women and men.

- The budget provides a \$17 million increase in funding for the **Civil Rights Division of the Department of Justice**, including \$1.5 million to be devoted to employment pattern or practice litigation. The budget also proposes an \$18 million increase to support the enforcement activities of the **Equal Employment Opportunity Commission**, and a modest increase in funding for **civil rights enforcement for the Departments of Education and Health and Human Services**.
- To continue to restore the capacity of worker protection programs, the budget proposes a substantial \$67 million increase for the **Department of Labor's worker protection agencies**, enabling a return to 2001 staffing levels for all of these programs. This proposal also includes an \$8 million increase for **the Office of Federal Contract Compliance Programs (OFCCP)**, which is responsible for enforcing equal opportunity and promoting diversity in the federal contract workforce.
- The budget proposes a new joint Department of Labor and Treasury initiative to **stop the misclassification of employees** as independent contractors. Misclassification denies workers the protection of workplace protection laws, unemployment insurance coverage, and employer contributions toward Social Security and Medicare. The program will focus on fields where women are disproportionately represented, such as child care, home health care, grocery stores, and janitorial jobs. To support this initiative, the budget also includes an additional \$25 million for the Department of Labor to target misclassification. In addition, the budget proposes legislation to ensure the proper classification of employees, including shifting the burden of proof to employers to demonstrate that their employees are classified correctly and making misclassification a violation of the Fair Labor Standards Act.

TAX BENEFITS FOR WORKING FAMILIES

The budget would extend and expand tax assistance for middle- and lower-income families. It would renew provisions of the 2001 and 2003 tax cuts that benefit households with incomes below \$250,000. The budget also would extend important improvements in refundable tax credits for lower-income families established by the [American Recovery and Reinvestment Act \(ARRA\)](#) for 2009 and 2010. The budget would make permanent the ARRA improvements in the refundable Earned Income Tax Credit, Child Tax Credit, and American Opportunity Tax Credit for higher education expenses, and extend the Making Work Pay Credit through 2011. In addition, the budget would increase the Child and Dependent Care Tax Credit for many families, but would not make the credit refundable; it would restructure the Savers Credit and make it refundable.

- The budget would extend the 2001 to 2003 **tax cuts that benefit households with incomes below \$250,000**. These include an increase in the Child Tax Credit, marriage penalty relief, reductions in tax rates for households with incomes below \$250,000, and improvements in the Child and Dependent Care Tax Credit.
- The budget would make permanent a number of refundable tax credits created or expanded in ARRA. The earnings threshold for the refundable **Child Tax Credit** would be set permanently at \$3,000. The expansion of the **Earned Income Tax Credit** for families with three or more children and additional marriage penalty relief would be made permanent. The newly refundable **American Opportunity Tax Credit for higher education expenses**, which replaced the Hope Scholarship Credit, would become permanent.
- The budget would extend the Making Work Pay Credit for one year, 2011. The fully refundable Making Work Pay Credit, established by ARRA, is worth up to \$400 for an individual, \$800 for a couple. However, the budget does not make any proposals for improving the Earned Income Tax Credit for low-income workers without qualifying children after the Making Work Pay Credit expires.
- The Saver's Credit would be modified and made refundable, as described under [Retirement Security](#).
- The budget would increase the **Child and Dependent Care Tax Credit** for families earning up to \$113,000. Families earning up to \$85,000 would be eligible for a tax credit equal to 35 percent of claimable child care expenses, with the percentage phasing down to 20 percent for families earning \$113,000 or more. For a family with two children earning \$50,000, the change would increase the maximum credit from \$1,200 to \$2,100. However, the proposal would not make the credit refundable, so families with little or no federal tax liability would continue to receive little or no benefit.

SAFETY NET PROGRAMS

While there are some signs of economic recovery, unemployment is expected to average 9.5 percent in 2011 and one in four children and nearly one half of single-mother families are expected to be poor. Without bold strategies, experts predict it could take a decade for poverty to return to pre-recession 2007 levels, much less the lower levels of 2000. The President's budget provides some much-needed increases in direct assistance for people in need and help to states and localities to avert deeper cuts in public services, building on many investments of the American Recovery and Reinvestment Act (ARRA). However, even more is required to address immediate needs and avert lasting damage to women and children.

- The American Recovery and Reinvestment Act (ARRA) **boosted the Supplemental Nutrition Assistance Program (SNAP)/Food Stamps**, helping families to put food on the table and providing stimulus to local economies. The budget projects an increase of \$7.6 billion to provide these enhanced benefits in FY 2011. The budget also proposes to extend ARRA improvements in SNAP/Food Stamp policies to make benefits more accessible to needy individuals and families.
- The budget increases funding for the **Women, Infants and Children program**, which provides nutritious foods to pregnant women, new mothers, and young children, by about \$350 million compared to the base FY 2010 funding level (not including ARRA).
- The budget proposes to extend enhanced **Medicaid** funding for states for six months; this not only protects vital [health](#) services for women and children, but will provide some help in averting cuts to other services in states facing budget shortfalls.
- The budget proposes to change the way the **Low-Income Home Energy Assistance Program (LIHEAP)** is funded, reducing discretionary funding by \$1.8 billion, but providing \$2 billion in new mandatory funding so that additional assistance can be triggered more rapidly in response to increases in energy prices and poverty rates.
- While the Administration's budget does not include a plan for the reauthorization of the **Temporary Assistance for Needy Families (TANF)** program, it does propose a \$2.5 billion increase for the TANF Emergency Fund created by ARRA, with some changes, to cover increased expenditures on cash assistance, employment-related services, and other related services. The budget also proposes \$500 million for a new Fatherhood, Marriage, and Families Innovation Fund, which will provide competitive grants to states to conduct and evaluate comprehensive responsible fatherhood programs as well as demonstrations aimed at improving outcomes for custodial parents experiencing serious barriers to self-sufficiency.
- To avert cuts in state child support services for over 17 million children, the budget would protect **child support enforcement** services by restoring, for one year, federal funds cut from the program by the Deficit Reduction Act. The Budget also includes

proposals to improve child support collections and increase funding for visitation grants.

- To address the shortage of affordable housing, the budget proposes to restore funding to the **Housing Trust Fund** through legislation directing \$1 billion to finance grants to states to increase and preserve the supply of safe, decent, affordable housing for low-income and very low-income families. The funding will finance the development, rehabilitation, and preservation of affordable rental housing and housing for homeownership. The budget also substantially increases funding for the **Housing Choice Voucher program** and other rental assistance, and provides funds to enforce fair housing practices and combat predatory lending, which has a disproportionate impact on women and minorities.
- The budget proposes significant increases in [tax credits for working families](#), including refundable tax credits. However, families that save part or all of their refund could lose eligibility for Medicaid, Food Stamps, Supplemental Security income and other means-tested programs because of restrictive asset limits. The Administration proposes to **reform asset tests in federally funded means-tested programs** by universally excluding refundable tax credits from countable assets for 12 months.
- The budget affirms the Administration's continued commitment to a comprehensive approach to transform our energy supply and slow climate change. Unlike the FY 2010 budget, it does not assume a specific amount of revenue from climate change legislation, nor does it direct any of that revenue to particular initiatives. Importantly, however, the budget notes that revenue from the sale of carbon emission permits will be used to **compensate vulnerable families, communities and businesses during the transition to a clean energy economy**.

VIOLENCE AGAINST WOMEN

Although crimes of domestic and sexual violence are highly underreported, studies have found that approximately one in four women will experience domestic violence in her lifetime, and one in six women will be a victim of rape or sexual assault. During the first ten years after the passage of the original Violence Against Women Act in 1994, non-fatal intimate partner violence declined by more than 60 percent, but the threat to women's safety is far from over. During the recession, family economic pressures have escalated intimate partner violence and made it more difficult for women to leave abusive situations. Meanwhile, several states, their own budgets tight, have cut funding for resources that combat domestic and sexual violence, even as demands for shelters, hotlines, counseling, and legal assistance have skyrocketed in many parts of the country. The National Domestic Violence Hotline experienced a 21 percent increase in calls in 2008, and 64 percent of callers reported that the abusive behavior they were experiencing had increased during the past year. At this critical time, the President's budget proposes significant increases in funding for services to combat violence against women.

- For the first time, the **Office for Victims of Crime** would set aside funds specifically to address violence against women. The budget provides \$100 million for emergency shelter, transitional housing, and other local services to meet the immediate safety and housing needs of victims of domestic violence and sexual assault.
- The budget doubles funding—from \$15 million to \$30 million—for the **Sexual Assault Services Program**, which provides crisis intervention, criminal justice advocacy, and support during forensic exams.
- Funding for **civil legal assistance for victims of domestic violence and sexual assault** would be increased by \$9 million, for a total of \$50 million.
- There is an \$11 million increase in the FY 2011 budget for family violence prevention services. These services include the **National Domestic Violence Hotline**, which currently does not have enough resources to answer all incoming calls before the callers hang up.
- The budget also includes \$7 million in additional funding to expand the staff of the **Office of Violence against Women** by over 60 percent.

RETIREMENT SECURITY

Achieving a secure retirement was already more difficult for women than men because of women's lower lifetime earnings and longer lifespans, and the recession has made it even harder. The value of retirement savings and homes has dropped, traditional pensions have disappeared at an accelerated rate, many employers have cut back or eliminated contributions to workplace savings plans, and jobs are harder to find for those who seek to remain in or return to the workforce. Social Security remains the foundation of a secure retirement, especially for women – but its benefits are modest, and even with Social Security, many older women are poor.

President Obama's budget includes proposals to increase savings for retirement by making the Savers Credit refundable and increasing workplace retirement plans. It also would provide \$250 Economic Recovery Payments in 2011 to recipients of Social Security, Supplemental Security Income, and certain other benefits. The budget affirms President Obama's commitment to preserve Social Security and oppose privatization, and does not propose any changes in Social Security policy. However, President Obama has announced a plan to appoint a commission to develop a plan for reducing federal deficits to be submitted to Congress by the end of 2010, and it is not clear how the commission would approach Social Security.

- The budget would **simplify the Saver's Credit and make it fully refundable** to provide greater savings incentives to low- and moderate-income households, many of whom receive little or no benefit from the current credit. The revised credit would match 50 percent of the first \$500 in contributions to a savings plan by an individual (\$1,000 per couple), for a maximum credit of \$250 for an individual and \$500 for a married couple. Single filers with income up to \$32,500 (\$65,000 for a married couple) would be eligible for the maximum credit. Above those levels, the credit phases down. Single taxpayers with income up to \$42,500 and couples with income up to \$85,000 would be eligible for some portion of the credit.
- The budget proposes to require employers with more than 10 workers who do not offer retirement plans to offer an **automatic IRA** (Individual Retirement Account) option to which contributions could be made by payroll deduction. Employees would be automatically enrolled, but could choose to opt out or increase or reduce their contributions. Employers could claim a temporary tax credit for establishing auto-IRAs. The proposal is likely to expand retirement savings, but it is unclear how much it would increase retirement income for lower-income workers, especially women.
- As ARRA did in 2009, the budget would provide a \$250 **Economic Recovery Payment** in 2010 to individuals eligible for Social Security benefits, Supplemental Security Income benefits, Railroad Retirement benefits, or veterans' benefits. The budget would also make a \$250 refundable tax credit available to retired public employees who are not eligible for Social Security benefits or the Economic Recovery Payment. Retirees who have earned income and receive the Making Work Pay Credit

would have that credit reduced by the amount of the Economic Recovery Payment or refundable tax credit.

TAX REFORMS

Years of tax policies that have disproportionately benefited higher-income Americans and corporations have left the country with a tax code that is both unbalanced and insufficient to meet national needs. The President's budget proposals would provide [tax benefits to working families](#) while requiring large financial institutions to fully repay taxpayers, closing tax loopholes that benefit corporations and the very wealthiest, eliminating subsidies for the oil and gas industries, cracking down on tax evasion, and requiring the very wealthiest to pay their fair share of taxes. The proposals would provide revenue needed to support vital investments and help bring deficits under control.

- The budget would impose a new “**financial crisis responsibility fee**” on the largest banks and other financial institutions (those with assets of at least \$50 billion) to ensure that taxpayers are fully compensated for the extraordinary support they provided during the Wall Street bailout, while providing a deterrent to the risky practices that contributed to the economic crisis. The fee would be assessed against excess liabilities (generally, liabilities less deposits, in the case of a bank) at the rate of 15 basis points (0.15%) and, with other reforms, would raise an estimated \$90 billion over 10 years.
- The budget proposes to **allow many of the 2001 and 2003 tax cuts for couples making more than \$250,000 per year (or individuals making more than \$200,000) to expire**. The 39.6% and 36% top tax rates would be reinstated, and the 28% tax bracket would be expanded. Limitations on personal exemptions and itemized deductions would also be reinstated. Compared to extending current policy, these proposals would preserve \$573 billion in revenue over 10 years.
- In 2003, the maximum **tax rate on long-term capital gains** was reduced from 20% to 15%. The maximum tax rate on **dividends**, which had been taxed as ordinary income, was also reduced to 15%. The Obama administration is proposing that couples with incomes above \$250,000 (and individuals above \$200,000) be subject to a maximum tax rate of 20% on both capital gains and dividends; lower rates would remain in effect for lower-income taxpayers. Compared to extending current policy, this proposal would preserve \$105 billion in revenue over 10 years.
- The budget would **limit the tax subsidies the wealthiest taxpayers get from itemized deductions** to 28%. For example, under current law, a wealthy taxpayer in the 35% tax bracket who makes a \$1,000 charitable contribution gets a tax saving of \$350. A middle-income taxpayer in the 15% tax bracket who makes the same \$1,000 contribution gets a tax saving of \$150. The proposal would reduce the tax subsidy for taxpayers with incomes above \$250,000 for a couple (\$200,000 for an individual) to 28%. This proposal would raise \$291 billion over 10 years.

- The budget includes **international tax reform** proposals that: target corporate tax avoidance, reduce incentives for corporations to shift jobs and profits offshore, and crack down on tax havens where corporations and wealthy individuals evade taxes. These proposals would raise \$122 billion over 10 years.
- The budget proposes to **eliminate funding for inefficient fossil fuel subsidies** that impede investments in clean energy sources and undermine efforts to deal with the threat of climate change. Closing tax loopholes and eliminating tax breaks for oil, gas, and coal companies would raise nearly \$39 billion over 10 years.
- The President's budget proposes to close the tax loophole that currently allows **multi-millionaire managers of private investment funds** to pay a lower tax rate on their compensation than ordinary working Americans by reporting "carried interests" (certain partnership profits) as capital gains income rather than as ordinary income. The proposal is estimated to raise \$24 billion over 10 years.
- When **employees are misclassified as independent contractors**, they are deprived of [workplace benefits and protections](#) to which they are legally entitled. Misclassification also has a budgetary impact, reducing employment tax revenue, including Social Security, Medicare, and Federal Unemployment Tax Act receipts. The President's budget calls for a new joint Treasury-Department of Labor initiative to protect workers by ensuring proper classification as either employees or independent contractors and legislation to enhance the ability of the IRS to reclassify workers for employment tax purposes. The proposal would increase revenues by \$7.3 billion over 10 years.
- The budget also proposes reforms and enforcement measures aimed at **reducing the estimated \$345 billion gap** between what is owed by individuals and corporations under the tax law and what is actually paid on time. The new provisions would expand information reporting requirements, improve tax compliance by businesses, strengthen tax administration, expand penalties, and close loopholes in estate and gift taxation. Together, these provisions would raise more than \$49 billion over 10 years.
- The budget would **reinstate the estate tax at 2009 levels**. The 2001 tax cut repeatedly reduced the estate tax, repealing it entirely for 2010. The proposal would restore the tax on the largest estates for 2010, at the already-reduced 2009 levels. The first \$3.5 million per individual (\$7 million per couple) would be exempted, so 99.75% of estates would not be subject to the tax. The taxable portion of estates would be taxed at a rate of 45%. This proposal would preserve about one-half of the revenue that would be lost by permanent repeal of the estate tax.