Federal Fiscal Trends

- The 'New Normal'
  - FY 2015 Budget
    - Appropriations
  - Debt Limit
  - Tax Reform
    - Tax Extenders
- Deadline Driven Deals

"This budget is proof that, if we put politics aside and work together, we can accomplish the absolute bare minimum."
Cliffs in ‘14, Action in ‘15?

FY 2014
Oct. 1-16 ’13 – government shutdown
Dec. ’13 – Bipartisan Budget Act
Jan. ‘14 – Consolidated Appropriations Act
Feb. ‘14 – debt limit suspension
July ‘14 – funding for Highway Trust Fund
Sept. ‘14 – continuing resolution

FY 2015
Dec. 11, ‘14 – continuing resolution expires
Dec. ’14 – tax extenders?
March ‘15 – debt ceiling reinstated
May ‘15 – highway bill, HTF runs out
Status quo, now who the @#!% knows?

Calm FY 2015 budget attributed to Murray-Ryan truce, election year, and drop in the federal deficit.

Great unknown in the 114th Congress
• Outcome of election
• Omnibus/continuing resolution
• Tax reform
Source: Congressional Budget Office; Committee for a Responsible Federal Budget
The Federal Budget

Percent of GDP

Source: CBO, CRFB calculations

CRFB.org
Federal Tax Reform

What happened…
• House Ways/Means Chairman Dave Camp releases tax plan
• Spotlight on tax expenditures
• Expiration of “tax extenders”

What to expect…
• Possible reconciliation instructions in budget resolution
• Focus on corporate tax reform
• Comprehensive reform unlikely until 2017 (or later)
Tax Extenders

- Over 50 tax provisions that expired in 2013
- Cost – 1 year: $40 billion; 2 years: $85 billion;
  10 years: $700-800 billion
- Offset? Expire, modify, make permanent?
- State and local deductibility (sales tax)
Other Tax Issues

- Marketplace Fairness Act
- Tax-exemption on municipal bonds
- Inversions
Other fiscal issues for states

- Unfunded Mandates Reform Act
  - H.R. 899 passes in House (Feb., 2014)
- DATA Act
  - S. 994 enacted into law (May, 2014)
- Pension/bailout/bankruptcy legislation
- Office of State and Local Finance (Department of Treasury)
What to look forward to?

• Outcome on FY 2015 budget? (another CR? omnibus? hybrid?)
• Release of FY 2016 budget resolutions/president’s budget
  - Modifications to sequestration?
• Financing for federal infrastructure projects
• More “low-hanging fruit” used for offsets?
• Other budget priorities?
Questions?

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