

# DARCY BURNER:

## PUTTING THE MIDDLE CLASS FIRST

September 2008

- Strengthen the middle class
- Invest for economic growth
- Return to fiscal responsibility

### INTRODUCTION

The key economic question our country faces is this: How do we fix U.S. economic policy to strengthen and grow the American middle class?

The American tradition is built on a strong middle class: this has been a country where anyone who worked hard and played by the rules could live the American Dream. But the policies of the last seven years have failed the middle class, with income for the average American family declining – down \$1,000 a year since President Bush took office<sup>1</sup> – while prices of staples like gas and food have gone up. At the same time, our financial security is at risk, as the federal debt has ballooned to more than \$9.5 trillion: that's \$31,540 for every man, woman and child in the United States. The costs of government are increasingly being pushed onto the backs of the next generation. We are investing so little in our future that our children risk substantially lower standards of living than we have had.

These problems are serious but solvable. We need a clean break from the failed economic policies of the Bush years, and a focus on rebuilding an America that works for the middle class.

### PROPOSED POLICIES

The middle class is the engine of the American economy. To strengthen those individuals and families, Darcy Burner supports cutting taxes for the middle class. This should include reforming the tax code so that middle-class families are no longer subsidizing the super-wealthy and profitable corporations. She also strongly supports implementing new policies that will encourage economic growth, create good-paying jobs, and put more money into the pockets of middle class families.

This will require substantial changes from the failed policies of the last seven years, which have resulted in most American families being worse off now than they were eight years ago. In particular, we must:

- Reform our tax code so that it is fair to middle class families across the country, ensuring that the benefits of growth and increased wealth are available to all Americans;
- Replace policies that encourage outsourcing and manufacturing decline with those that encourage job creation here at home;
- Establish real fiscal discipline at the federal level to eliminate ballooning deficits; and

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<sup>1</sup> U.S. Census Bureau income data available at <http://www.census.gov/hhes/www/income/histinc/f07ar.html>.

- Invest in next generation green energy technologies which will create good jobs.

## A FAIR AND SENSIBLE TAX POLICY GEARED TO THE MIDDLE CLASS

Cut taxes for the middle class by	
• Doubling the standard deduction	
• Making the sales tax deduction permanent	
• Expanding the child tax credit	

The American middle class pays more than its fair share of taxes in our current tax system. Loopholes in our federal tax policy tilt it heavily in favor of subsidizing profitable corporations at the expense of middle-class families. (Two-thirds of corporations now pay no taxes at all.)<sup>2</sup>

<b>Tax Cuts</b>	
Double the standard deduction	\$2,700
Make the sales tax deduction permanent	\$575
Double the child and dependent care tax credit	\$1,200
<b>TOTAL annual tax savings</b>	<b>\$4,475</b>

### DOUBLE THE STANDARD DEDUCTION

To restore fairness to the system, while rewarding those whose income derives from work, Burner supports a simple proposal – doubling the standard deduction – that will make our tax code fairer by targeting substantial permanent tax cuts to middle class families.

Doubling the standard deduction would provide immediate help to millions of middle class families – and simplify the tax code in the process. When elected, Burner will introduce fiscally responsible legislation to raise the current deduction from \$10,900 for a married couple in 2009 to \$21,800. This will provide immediate and permanent tax relief for the majority of families in the 8<sup>th</sup> Congressional District.

For a couple making the district’s median household income of \$76,115 per year<sup>3</sup> that would be a permanent tax cut of about \$2,700 a year. It will also hugely simplify the tax code by allowing millions more families to take the standard deduction rather than using complex itemized deductions.

Burner would implement the cuts in a fiscally responsible way by closing tax loopholes that allow hedge fund managers to pay a lower tax rate than middle class families; rolling back wasteful corporate welfare subsidies to massively profitable oil companies; and preventing foreign companies from exploiting overseas tax shelters.

### MAKE THE SALES TAX DEDUCTION PERMANENT

Washington’s families have traditionally paid more than their fair share of federal taxes. Because our state derives significant tax revenue from sales taxes rather than an income tax, the bulk of state taxes paid here have not reduced federal taxes owed as they do in most states.

<sup>2</sup> Reuters, “Study Says Most Corporations Pay No Income Taxes,” Aug. 12, 2008; General Accounting Office Study, July 2008: <http://www.gao.gov/new.items/d08957.pdf>

<sup>3</sup> U.S. Census, Fast Facts for Congress, [http://factfinder.census.gov/servlet/ACSCWSFacts?\\_event=ChangeGeoContext&geo\\_id=50000US5308&\\_geoContext=01000US%7C04000US53&\\_street=&\\_county=&\\_cd=50000US5308&\\_cityTown=&\\_state=04000US53&\\_zip=&\\_lang=en&\\_sse=on&ActiveGeoDiv=&\\_useEV=&pctxt=fph&pgsl=040&\\_content=&\\_keyword=&\\_industry=](http://factfinder.census.gov/servlet/ACSCWSFacts?_event=ChangeGeoContext&geo_id=50000US5308&_geoContext=01000US%7C04000US53&_street=&_county=&_cd=50000US5308&_cityTown=&_state=04000US53&_zip=&_lang=en&_sse=on&ActiveGeoDiv=&_useEV=&pctxt=fph&pgsl=040&_content=&_keyword=&_industry=)

Burner supports making permanent the sales tax deduction that can save the average 8<sup>th</sup> District family up to \$575 per year in federal taxes.

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## DOUBLE THE CHILD AND DEPENDENT CARE TAX CREDIT

Burner also supports an expansion of the child and dependent care tax credit,<sup>4</sup> doubling it for middle-class families to help them offset the costs of childcare. This would save 8<sup>th</sup> Congressional District families up to \$1,200 per year for families with two children.

## A RETURN TO FISCAL SANITY

Make government more fiscally responsible by:

- Eliminating the deficit and paying down the debt
- Implementing and supporting pay-as-you-go rules
- Reforming earmarks and requiring earmark transparency
- Reducing waste and increasing efficiency through performance audits

The mounting national debt, which has doubled since 2000, is crippling our country. The costs of war and wasteful spending have been largely pushed onto the backs of the next generation – every child born in the United States today starts out \$31,540<sup>5</sup> in the hole.

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## BRING DOWN THE DEFICIT

We owe it to ourselves and our children to get government spending under control and balance our own budget – just as every household in America must. Our financial future depends on discipline and hard choices to stop spending money we don't have, figure out how to pay for the investments we need and deserve, and pay down the debt so we don't cripple our children and grandchildren.

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## IMPLEMENT PAY-AS-YOU-GO RULES

As part of achieving that fiscal discipline, Darcy Burner strongly supports the recent restoration of the pay-as-you-go (PAYGO) rules requiring that any new federal spending increases must be done in a way that does not increase the federal deficit. *If we spend it, we must identify where the money is going to come from, and if we eliminate the money, we have to identify what spending we're going to cut*<sup>6</sup>.

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<sup>4</sup> On child tax credits, Burner supports *H.R. 1871, the Family Care Act of 2007*. This bill **doubles** the Child and Dependent Care Tax Credit (DCTC) for middle class families. This credit can be claimed to offset the costs of any type of child or dependent care—in a center, a family day care home, a church, or by your neighbor, for example—and you qualify as long as you paid the expenses, the primary purpose of the care was for the person's well-being and protection, and the care was necessary for you to work or look for work in paid employment. [<http://thomas.loc.gov/cgi-bin/bdquery/z?d110:h.r.01871:>]

<sup>5</sup> Total debt as of August 22, 2008 is \$9,618,734,657,724 according to [www.treasurydirect.gov](http://www.treasurydirect.gov). Population according to [www.census.gov](http://www.census.gov) as of August 25, 2008 is 304,970,918. Simple division yields \$31,540 per person.

<sup>6</sup> Congressman Reichert has voted repeatedly against the restoration of pay-go rules, including 2006 roll call votes #153 [5/18/06] (a provision to reinstitute PAYGO rules for the budget) and #157 [5/18/06] (a substitute amendment to the fiscal 2007 budget resolution that would institute pay-as-you-go rules), and 2007 roll call votes #9 [1/5/07] (which would have required legislation and conference reports to be accompanied by a list of earmarks and limited tax or trade benefits, and their sponsors) and #377 [5/17/07] (the adoption of the conference report for the fiscal 2008 budget resolution that would reinstate PAYGO rules).

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## REFORM EARMARKS AND IMPLEMENT EARMARK TRANSPARENCY

Earmark abuse has been a clear problem in the Congress for many years. Darcy Burner is one of a small number of members of Congress or candidates who has gone far enough to sign the Sunlight Foundation's earmark transparency pledge<sup>7</sup>: if she asks for money to benefit her district, voters will know what she's asked for. Championing appropriate investment in her Congressional district is a key role for each member of the U.S. House, but they should be *fully and publicly accountable* for every request.<sup>8</sup>

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## CREATE PERFORMANCE AUDITS FOR GOVERNMENT SPENDING

Burner also supports the creation of a system of performance audits for federal agencies and programs. Such audits have been successful in curtailing waste and improving the efficiency of local and state governments across the country and here in Washington State. Streamlining bureaucracy, identifying public priorities and refocusing attention on the delivery of needed services will create new efficiencies and a more responsive, cost-effective government.

## INVESTING AT HOME IN THE FOUNDATIONS OF A NEW PROSPERITY

Create lasting American economic prosperity by:

- Investing in new clean energy technologies to free us from our dependence on oil
- Crafting trade agreements that create a level playing field for American businesses and workers
- Encouraging American innovation

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## GAS PRICES AND RENEWABLE ENERGY

With crude oil now costing well over \$100 per barrel and a gallon of gas now costing families in the 8<sup>th</sup> District about \$4 a gallon, middle-class American families are being pressed to the limit. The typical American family was paying more than \$1,000 a year more for gasoline in 2006 relative to five years ago (an 85 percent increase).<sup>9</sup> At the same time, oil companies have been registered astronomical profits while they push for policies to undermine new energy technologies that might free us from our dependence on oil.

Darcy Burner advocates for a more a sensible approach that would reduce gasoline demand by promoting environmentally friendly renewable energy sources, easing the upward pressure prices as a result. Substantial investment in sustainable energy technologies and focusing on the infrastructure of energy delivery will create new American jobs and industries while freeing us from our vulnerabilities which result from our oil dependence.

In particular, policies should assist in:

- Helping to **bootstrap new technologies** to the point where they are economically sustainable. This can be done by boosting early demand through tax credits or deductions for the use of these new technologies; and
- **Leveling the playing field** between the new technologies and oil by cutting the ongoing taxpayer-funded subsidies to oil companies, and by providing incentives to open the supply chain to consumers to new energy sources.

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<sup>7</sup> See [http://www.americansforprosperity.org/includes/filemanager/files/pdf/earmark\\_transparency\\_pledge\\_final.pdf](http://www.americansforprosperity.org/includes/filemanager/files/pdf/earmark_transparency_pledge_final.pdf)

<sup>8</sup> Congressman Reichert has also voted against meaningful earmark reform. In 2007, he voted against new House rules to reform the process of creating earmarks in legislation, which would have required legislation and conference reports to be accompanied by a list of earmarks and limited tax or trade benefits, and their sponsors. Members would have to provide information about the recipient and purpose of an earmark. The earmark reforms passed over his objections, 280-152. [HRS 6, Vote #9, 1/5/07]

<sup>9</sup> [http://www.consumersunion.org/pub/core\\_other\\_issues/004482.html](http://www.consumersunion.org/pub/core_other_issues/004482.html)

- Creating cost effective **tax credits** for energy conserving building retrofits.

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## PROMOTE FAIR TRADE POLICIES THAT BENEFIT THE MIDDLE CLASS

Darcy Burner is committed to supporting policies that will create good-paying jobs in the 8<sup>th</sup> District and across Washington State. She understands the importance of trade to the state economy – and favors expanded trade agreements with our global trading partners – but those trade agreements need to be fair to American workers and the middle class. That means such agreements must include adequate environmental and worker protection standards. We should encourage the rest of the world to rise to our standards.

We should promote currency policies that allow our exports to better compete in world markets. At present, our dollar policy makes U.S. goods uncompetitive in many markets. A more competitive dollar will help a wide range of manufacturing and exporting firms.

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## PROMOTE INNOVATION BY MAKING THE RESEARCH AND DEVELOPMENT TAX CREDIT PERMANENT

Innovation is one of our country's biggest strengths, and benefits our country through the creation of new industries and jobs here. We should help companies to make investments in the research that fuels such innovation by making the R&D tax credit permanent.

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## END THE WAR AND REDIRECT RESOURCES AT HOME

The war in Iraq is costing the American taxpayer \$5,000 every second. Already, Congress has spent more than \$600 billion on Iraq in direct appropriations, and a recent analysis by Nobel Prize-winning economist Joseph Stiglitz determined the total cost of the war to the American economy will be \$3 trillion. That represents a serious drag on the American economy, and a substantial diversion of resources away from priorities at home. Ending the war responsibly will free up tens of billions of dollars that can be used to benefit middle-class Americans here at home.

## CONCLUSION

The success of the United States economy should be measured by the success of our middle-class. The policies of the last seven years have failed the middle-class, lowering wages while prices go up.

We can do better.

By fixing the tax system to relieve undue burden on the middle class while making investments in economic growth, we can once again have a country where everyone who works hard and plays by the rules will have real shot at prosperity. Darcy Burner will work tirelessly to make that happen.