Center on Budget and Policy Priorities

820 First Street NE, Suite 510
Washington, DC 20002

Tel: 202-408-1080
Fax: 202-408-1056

center@cbpp.org
www.cbpp.org

December 8, 2005

KEY QUESTIONS FOR JUDGING THE OUTCOME OF HOUSE-SENATE RECONCILIATION NEGOTIATIONS

By Isaac Shapiro, Sharon Parrott, and Robert Greenstein

The House and Senate now are engaged in negotiations over the differences between the budget-cut reconciliation bills the two chambers have passed. Further, negotiations may begin soon over the Senate and House tax reconciliation bills that have also passed in both chambers.

In assessing the outcomes of these negotiations, three key questions should be considered.

- **To what degree will the House's sharp cuts in low-income programs be maintained?** The House budget-cutting bill would ask low-income families to shoulder a large share of the budget-cutting burden, leaving them with less access to health care and basic food aid. In addition, children would receive less of the child support they are owed. The House bill also would impose inflexible and burdensome new welfare-to-work requirements on states and low-income families. Further, many poor individuals with disabilities would have to wait longer to receive back payments they are owed. The Senate budget reconciliation bill includes none of these provisions; unlike the House bill, it does not include any cuts that would make the lives of low-income families lives harsher or push them into (or deeper into) poverty.

- **To what degree will powerful special interests be asked to contribute to deficit reduction?** Another key distinction between the House and Senate bills, in both the budget cutting and tax-cutting areas, is that the Senate bills include measures that would generate significant savings by scaling back some government subsidies (on both the spending and the tax sides of the budget) for powerful special interests, including pharmaceutical companies, the managed care industry, and large oil companies. Such provisions are either entirely absent from the House reconciliation bills or contained there only in relatively modest form. Nevertheless, the Senate could have gone much farther in this regard; it could have produced sufficient savings from special interest tax breaks to offset the costs of its tax-cut bill, but did not do so.

- **To what degree will the tax cuts benefit high-income households?** Under both the House and Senate tax bills, a large share of the tax cuts would go to high-income households. The tax cuts in the House tax reconciliation bill are heavily tilted toward people at the very top of the income spectrum. The single largest provision of the House tax bill is the extension, beyond its scheduled expiration at the end of 2008, of the capital gains and dividend tax cut enacted in 2003. According to the Urban Institute-Brookings Institution Tax Policy Center, in 2009 some 45 percent of the tax-cut benefits from this extension would go to the tiny fraction of households with annual incomes of more than $1 million, and 72 percent of the benefits would

Under House Approach, Millionaires to be Net Winners, Low-income Households to be Net Losers

Households with annual incomes over $1 million are likely to gain enormously from the House reconciliation bills. The tax cuts in the House bill would reduce the taxes of individuals in this elite group by about $20 billion over the next five years.* In 2009, according to data from the Tax Policy Center, millionaires will receive average tax cuts of $32,000 just from the extension of the capital gains and dividend tax cut. The size of these tax cuts dwarf the effects that the House budget cuts would have on people in this income stratum.

By contrast, over the next five years, the average *total* tax cut received by households with incomes of less than $30,000 would be only about $30 under the House bill.* The tax cuts these households would secure would be dwarfed by the budget cuts imposed upon them.

The combined effect of the House tax-cut and budget-cut reconciliation bills — with millionaires receiving lavish tax cuts that increase their already large incomes while low-income families are made worse off (and in many cases, pushed deeper into poverty) — is inconsistent with the notion of shared sacrifice to tackle the nation's fiscal woes.

*CBPP calculations based on data from the Joint Committee on Taxation and the Tax Policy Center.

go to the four percent of households making over $200,000 a year. The Senate-passed measure does not include this extension.

A final point about the bills also should be borne in mind. The likely combined effect of the House and Senate budget and tax reconciliation bills would be to *increase* the deficit over the next five years. The tax cuts total nearly $60 billion over five years in both chambers, exceeding the size of the spending cuts, which amount to $35 billion in the Senate and $50 billion in the House. This means that, in effect, the budget cuts in the spending reconciliation bill are being used not to reduce the deficit but to offset a portion of the cost of the tax cuts. (Further, on December 7, the House passed $38 billion in tax cuts outside of the reconciliation process, bringing the total cost of tax cuts supported by the House to more than $90 billion.)

This use of the budget reconciliation process to increase the deficit is at odds with the use of the process for most of the past quarter century. Until very recently, the reconciliation process was used exclusively to reduce the deficit.

These issues are discussed in more detail below.

The Low-Income Program Cuts

While the Senate budget reconciliation bill would largely hold low-income programs harmless, the House bill would impose significant sacrifices on low-income people, including:

- **Children owed child support from non-custodial parents.** The House bill would cut deeply into federal funding for child support enforcement efforts, reducing that funding by $5 billion over the next five years and $16 billion over the next 10 years. When the cuts are fully in effect, federal support for child support enforcement efforts would be cut by *40 percent.* CBO projects that while states would replace a portion of the lost federal funds with their own funds, they would be forced to cut back their efforts to ensure that non-custodial parents meet their child support obligations and to collect child support payments that are owed. CBO estimates that *$24 billion* in child support payments that would otherwise be collected over the next ten years *would go uncollected as a result of the House cuts.*

- **Low-income Medicaid beneficiaries, including children, parents, the elderly, and people with disabilities.** The House bill would allow states both to charge many low-income beneficiaries substantially more for health care services and needed medications and to restrict the health care services that Medicaid covers. CBO estimates that these changes would reduce federal Medicaid expenditures by nearly $30 billion over ten years.

  Children's coverage would be hit hard. The House bill would allow states to raise the cost and reduce the benefits of Medicaid coverage for about six million of the children who rely on Medicaid for their health care. The children in question are those age six and older who have incomes above 100 percent of the poverty line and those under age six who have incomes above 133 percent of the poverty line. These children, often living just above the poverty line, would no longer be guaranteed coverage for certain basic health care services they need. States would be able to terminate their coverage for eyeglasses, dental care,[1] mental health services, and a range of other services. States also could charge premiums to these children to participate in Medicaid and could require them to make co-payments for prescription drugs, doctor visits, and other health services.

  Low-income parents, seniors and people with disabilities with income just above the poverty line, as well, could be required to pay premiums and sharply higher co-payments for health care services and prescription drugs. In addition, these individuals — in addition to many parents and people with disabilities with incomes *below* the poverty line — could lose coverage for many health care services.

  These represent large changes in the Medicaid program. Currently, children *can not* be charged co-payments and are assured coverage for all medical services and treatments that they need. In addition, Medicaid beneficiaries generally may not be charged premiums now, and co-payments are limited to nominal levels. The current rules reflect an extensive body of research demonstrating that when low-income beneficiaries are charged significant co-payments (of the type that the House bill would authorize), many forgo needed health care medications, and that when they are charged premiums, many do not enroll and become uninsured. The research also indicates that when low-income individuals forgo health care because of co-payments or premiums, many end up in worse health as a consequence.

  The House cuts aimed at low-income Medicaid beneficiaries thus are likely to restrict access to needed care. In fact, CBO estimates that about 80 percent of the savings from the bill's increases in co-payments are expected to come from decreases in the use of services such as doctors' visits and prescribed medications. Ultimately 17 million low-income beneficiaries a year would be subject to higher co-payments, CBO predicts. CBO also estimates that more than 100,000 people ultimately would lose coverage altogether because they would have trouble paying the premiums.

[1] Some dental coverage would be assured to children with incomes below 133 percent of the federal poverty line, including those ages six and over. The many children with incomes just above this level could lose all dental coverage if a state chose to terminate this coverage.

- **Low-income food stamp recipients:** According to the Congressional Budget Office (CBO), the House bill would eliminate food stamps for an average of 255,000 people a month by 2008, including:

  √ 185,000 people, many of them in low-income working families with children who have substantial housing, child care or other work-related expenses that drop their disposable incomes below the poverty line; and

  √ 70,000 *legal* immigrants who have been in the United States between five and seven years, primarily working-poor parents and poor elderly individuals. (Some 50,000 of these legal immigrants would be cut off right away; the full 70,000 would be terminated by 2008.)

- **Children in low-income working families who need child care assistance and parents who need effective welfare-to-work services.** The House bill would significantly increase the percentage of parents receiving cash assistance through the Temporary Assistance for Needy Families (TANF) block grant that states are required to place in welfare-to-work programs. CBO estimates it would cost states $8.3 billion over five years to comply with these new requirements, if they tried to meet the requirements by increasing the number of parents participating in activities, rather than reducing the number of individuals receiving federally-funded assistance.[2] Yet the House bill provides *no* new money to states to expand their work programs and provides insufficient child care funding just for states to continue to serve the same number of children in their child care subsidy programs as they currently serve. (The bill provides $500 million in funding for child care; that funding is insufficient simply to maintain the *current* number of child care slots, after taking inflation into account.)

  States thus likely would divert existing child care resources away from low-income working families that are not receiving cash assistance, in order to cover the cost of providing child care to the increased numbers of TANF recipients who would be participating in welfare-to-work programs. As a result, an estimated 330,000 fewer children in low-income working families not on cash assistance would receive child care aid in 2010 than in 2004.[3]

  The House bill's new work mandates also are poorly designed.[4] First, the bill would increase the percentage of recipients required to participate to levels that likely exceed what states' can realistically achieve even if they operate sound programs. This is because there are many reasons in any particular month that recipients cannot participate for a specified number of hours in welfare-to-work activities, including situations where a parent is ill, a parent is caring

---

[2] These costs reflect both the cost of operating expanded work programs and the cost of providing child care for children whose parents are placed in these programs.

[3] This figure was computed with the assistance of Danielle Ewen of the Center for Law and Social Policy and is based on CBO data on the projected child care costs associated with the new work requirements, 2001 HHS data on the per-slot cost of child care, the CBO estimate of how much the cost of child care increases each year due to wage and general inflation, and the child care funding levels under the House bill.

[4] For more information about the TANF-related provisions of the House spending reconciliation bill, see "House Budget Reconciliation Bill Includes Highly Flawed TANF Provisions that have Repeatedly Failed to Garner Support," www.cbpp.org/11-29-05tanf.htm.

for a sick child, and a parent is waiting for a welfare-to-work program to begin. In addition, the bill would sharply increase the number of hours in which parents must be engaged in work activities to 40 hours per week. (Under current law, recipients must participate 30 hours if they do not have children under the age of six, and 20 hours if they do have young children.) That 40-hour total must include 24 hours of work in a subsidized or unsubsidized job. This significantly restricts the flexibility states now have to assign recipients to vocational educational training programs and other activities designed to address barriers to employment, such as disabilities, substance abuse or very low basic literacy skills.

This set of work requirements runs counter to lessons learned from two decades of welfare-to-work research. That research has shown that programs that tailor activities to the circumstances of individual recipients rather than adopting a one-size-fits-all approach are more successful at helping parents move from welfare to work. That research also has shown that workfare programs — which states likely would need to rely upon to meet the requirement that recipients work in private or unsubsidized jobs for 24 hours each week — are relatively expensive and yet are ineffective at helping parents transition from welfare to unsubsidized employment.

- **Poor adults and children with disabilities.** The House bill would require people with disabilities who are owed back benefits from the Supplemental Security Income (SSI) program — the program that provides basic income assistance to poor people with disabilities as well as elderly people — to wait up to an additional year to receive all of the benefits they are owed.

  Non-elderly SSI recipients with disabilities often are owed back benefits that accrue while they wait for the Social Security Administration to determine whether their medical conditions meet SSI's stringent disability standard, a process that can take many months. The House bill would require SSI recipients who are owed more than three months of back benefits to receive them in installments, rather than in a single lump sum that would enable them to pay bills that accrued while they were waiting for SSA to process their application. Recipients who die before receiving these back benefits would never receive them and their families could not use those back benefits even to meet their funeral expenses.

- **Foster children living with grandparents and other relatives.** The House bill would eliminate federally funded foster care benefits for some children who do not meet the foster care eligibility criteria based on their *biological parents'* circumstances, but who *do* meet those criteria based on the circumstances of the relatives with whom they now reside. In some cases, grandparents and other relatives could receive TANF benefits on behalf of these children instead of foster care benefits (the TANF benefits are significantly lower). In other cases, states may continue to provide foster care benefits but would have to fund those benefits entirely with state resources, often forcing states to reduce other benefits and services to abused and neglected children and troubled families. (This cut affects the nine western states which now provide foster care benefits to children in this situation because the Ninth Circuit Court of Appeals ruled that failing to provide such benefits violated federal law. Some other states had hoped that this Ninth Circuit decision would be extended to other parts of the country.)

The Senate reconciliation bill, in contrast, contains *no* cuts to food stamps, child support enforcement, SSI, or foster care. The Senate bill does include Medicaid reductions, but those reductions are designed in a way that protects low-income beneficiaries. The Senate does not impose premiums or increased co-payments on low-income Medicaid beneficiaries or reduce the health care services that Medicaid covers and instead secures savings from reducing the prices Medicaid pays for prescription drugs.

It also may be noted that a number of the cuts in the House bill would undermine the goal, broadly shared by policymakers of both parties, of encouraging and supporting work. The large majority of the 255,000 people who would be cut off of food stamps in an average month are in working households; the children most likely to face increased Medicaid fees are those in working families; the vast majority of the child support that would go uncollected because of the cut in child support enforcement funding would have gone to working families; and nearly all of the estimated 330,000 children who would lose child care assistance in 2010 are in working families.

Tackling Special Interests

While the House proposals would force low-income families — a politically weak constituency — to shoulder significant cuts, the House shied away from numerous other savings measures that represent sound policy but would affect politically powerful constituents. The Senate budget bill differs in this respect.

Health care is a prime example. As noted, the Senate avoided changes that would harm low-income Medicaid beneficiaries, instead taking on interests such as managed care providers that receive excessive reimbursements from Medicare as well as drug companies that charge high prices to Medicaid. The Senate budget bill obtains significant savings by scaling back unwarranted payments made to Medicare managed care plans, as recommended earlier this year by the Medicare Payment Advisory Commission (MedPAC), Congress' official expert advisory body on Medicaid payment policy. Such provisions are absent from the House bill.

In addition, although both the House and Senate achieve savings by reducing the prices the Medicaid program pays for prescription drugs, the Senate approach is more comprehensive and achieves much greater savings. The Senate achieves $8.2 billion in savings over five years from using Medicaid's purchasing power to secure lower drug prices; the House achieves $2.2 billion in savings in this area.

The House bill fails to secure greater savings in this area primarily because the House Energy and Commerce Committee declined to increase the rebates that pharmaceutical companies pay the Medicaid program for prescription drugs provided to Medicaid beneficiaries. The Senate bill includes such a rebate increase, which was recommended by the National Governors Association. The NGA recommendation reflects a broad consensus among governors that Medicaid is paying too much to pharmaceutical companies for prescription drugs, because the rebates are set too low. Not surprisingly, the pharmaceutical industry is adamantly opposed to this cost-reduction measure.

The Senate tax-cut reconciliation bill also includes several revenue-raising measures that target powerful interests such as oil companies and large multinational corporations. The Senate's revenue raisers amount to $18.8 billion over five years, although even with these provisions, the Senate tax bill still carries a net cost of $58 billion over five years. The House tax bill does not include any revenue-raising provisions.

Both the Senate and the House could have offset the cost of their tax cuts by adopting a modest share of the revenue-raising measures put forward earlier this year in a study by Congress' Joint

Committee on Taxation.[5] That study details more than 70 steps that could be taken to improve tax compliance, make the tax code more consistent, and close loopholes. The Joint Committee estimated these steps could save about $190 billion over the next five years.

Alternatively, the Senate and House could have offset the cost of their tax-cut bills by trimming back a modest fraction of the extremely generous tax cuts given to upper-income households in recent years. The Urban Institute-Brookings Institution Tax Policy Center reports that households with incomes of over $1 million are now receiving tax cuts from the 2001 and 2003 tax-cut legislation that average $103,000 per year.

Yet another option that the House and Senate could have considered, but did not, would have been to defer or cancel two costly tax cuts that will exclusively benefit high-income households and that are scheduled to start taking effect on January 1, 2006.[6] The Urban Institute-Brookings Institution Tax Policy Center reports that nearly all — 97 percent — of the benefits from these two new tax cuts will go to the four percent of households with incomes over $200,000, and 54 percent of the benefits from these new tax cuts will go to the 0.3 percent of households with incomes over $1 million. The costs of these two new tax cuts total $27 billion over the next five years, more than enough to replace the savings the House secures through cutting assistance for low-income families.

Distribution of the Tax Cuts

Both the tax-cut reconciliation passed in the House and the tax-cut package that the Senate has approved would primarily benefit upper-income taxpayers.

- When the bills are fully in effect, more than 75 percent of the tax-cut benefits from the major provisions of both bills would go to households with incomes over $100,000 a year, according to the Tax Policy Center. Some 14 percent of U.S. households have incomes this high. (See Table 1.)

- By contrast, only three to four percent of the tax cuts would go to households with incomes below $30,000. Some 44 percent of households have incomes in that range.

The House package is substantially more skewed to taxpayers at the very highest income levels than the Senate bill is. Some 8 percent of the gains from the Senate bill would go to people with incomes over $1 million. By comparison, *40 percent* of the tax-cut benefits of the House reconciliation package would go to people with incomes that high. Only 0.2 percent of U.S. households make more than $1 million a year.

---

[5] Joint Committee on Taxation, "Options to Improve Tax Compliance and Reform Tax Expenditures," JCT-02-05, January 27, 2005.

[6] One of the two new tax cuts repeals a provision of the tax code under which the personal exemption is phased out for people at high income levels. The other repeals a tax-code provision under which limits are placed on the total amount of itemized deductions that taxpayers with high incomes may claim. Both of these tax-code provisions were signed into law by President Bush's father as part of the landmark, bipartisan deficit-reduction law of 1990.

TABLE 1: DISTRIBUTION OF MAJOR PROVISIONS IN THE HOUSE AND SENATE RECONCILIATION TAX CUT PACKAGES			
		Percent Distribution of Tax Cut Benefits	
	Percent of Total Tax Units	Senate	House
Less than $30,000	44.2%	3.1%	3.6%
$30,000-$50,000	18.7%	3.2%	4.0%
$50,000-$100,000	22.9%	16.7%	13.8%
$100,000-$200,000	10.4%	41.0%	16.3%
$200,000-$500,000	2.7%	25.5%	13.9%
$500,000-$1 million	0.5%	2.4%	8.1%
Over $1 million	0.2%	8.0%	40.1%
Total	100%	100%	100%

Source: Urban-Brookings Tax Policy Center. Estimates are for the distribution of the tax cuts when they are fully in effect.

The primary reason for the House measure's more skewed distribution is that the House bill extends the capital gains and dividend tax cuts but not relief from the Alternative Minimum Tax, while the Senate bill does the opposite. A larger share of the benefits of the capital gains and dividend tax cuts than of AMT relief goes to people at the very top of the income spectrum. The benefits of AMT relief are concentrated among those near — but not at — the top of the income scale. While about 87 percent of the benefits of extending AMT relief in 2006 would flow to households with incomes over $100,000, virtually all of these benefits would be concentrated on households with incomes between $100,000 and $500,000. Less than 1 percent of the benefits of the AMT relief would go to households with incomes in excess of $500,000. In contrast, 55 percent of the benefits from extending the capital gains and dividend tax cuts would go to this small group.

Effects on the Deficit

If the budget and tax reconciliation bills are enacted, the effect of the reconciliation process this year will be to increase the deficit rather than reduce it. This stands in stark contrast to how the reconciliation process traditionally has been employed. A recent Congressional Research Service study reports that through 1998, the reconciliation process always was used in a manner consistent with enforcing fiscal discipline.[7] During this period, reconciliation instructions always facilitated the adoption of changes that would *reduce* the deficit. This year, as in all years since 2001, the reconciliation process has been turned on its head and used instead to push through measures on a fast-track basis that would make deficits larger.

The House budget reconciliation bill would reduce spending by $50 billion over five years. The Senate bill would reduce spending by $35 billion. However, both the Senate-passed tax

[7] Robert Keith and Bill Heniff Jr., *The Budget Reconciliation Process: House and Senate Procedures, Congressional Research Service*, August 10, 2005.

reconciliation measure and the companion measure approved by the House would reduce revenues by nearly $60 billion over five years. In combination, the reconciliation packages would raise the deficit by about $10 billion to $20 billion over the next five years.

Furthermore, the ultimate cost of the tax cuts may rise well above $60 billion, increasing the deficit still more. It is uncertain how the House and Senate will resolve the differences in their tax bills, but the capital gains and dividend tax-cut extension may well be included in the ultimate conference agreement between the House and Senate. Senate conservatives have indicated they are unlikely to support a final tax package that does not include the extension of the capital gains and dividend tax cuts, and Senate Majority Leader Bill Frist has announced he will insist on the inclusion of these tax cuts in the final tax bill that comes out of conference. At the same time, the House has previously rejected many of the $19 billion in revenue-raising measures in the Senate bill, and Ways and Means Committee Chairman Bill Thomas has stated he believes it is inappropriate to include revenue-raising measures in reconciliation legislation. Moreover, the White House has declared its opposition to major revenue-raising provisions in the Senate measure.

The House just took concrete steps towards raising the total cost of the tax cuts that might be enacted in the near future. On December 7, separate from the reconciliation process, it passed AMT relief costing $31 billion over the next five years and a hurricane-relief tax package costing $7 billion. (The Senate included both AMT and hurricane relief in its reconciliation bill).

It thus is distinctly possible that over the next month or two, tax cuts costing $90 billion or more over the next five years may be enacted. No more than $70 billion of such tax cuts could be enacted directly through the reconciliation process. But it looks increasingly possible that the capital gains and dividend tax cuts will be included in the tax reconciliation bill adopted in conference, and that AMT relief and certain other tax cuts will be passed separately by Congress, at an additional price tag of tens of billions of dollars.

FOR FURTHER INFORMATION: This synthesis analysis was based on a series of recent Center on Budget and Policy Priorities reports on the reconciliation bills. These reports can be found in a special section of our web site dedicated to the reconciliation process. Please see: http://www.cbpp.org/pubs/fedbud.htm

APPENDIX I. KEY ISSUES IN THE SPENDING RECONCILIATION CONFERENCE: A COMPARISON OF THE HOUSE AND SENATE BILLS

Issue	House (H.R. 4241)	Senate (S. 1932)
Low-Income Cuts		
Medicaid	Amongst others, changes in Medicaid include (1) allowing states to charge low-income beneficiaries new co-payments and premiums and (2) restricting the health care services Medicaid covers, by allowing states to deny many children important services like eyeglasses, hearing aids, dental care, speech therapy, and crutches. According to CBO, the subsequent cuts will total nearly $30 billion over the next 10 years, with many low-income people going without needed health care services and 100,000 losing Medicaid coverage altogether. CBO has also said that the result will be more emergency room visits and higher emergency care costs.	No such provisions (Saves $9 billion over 5 years in both Medicaid and Medicare primarily by reducing payments to pharmaceutical companies and the managed care industry, rather than imposing new costs on low-income people.)
Child Support Enforcement	Cuts funding for child support enforcement efforts by $5 billion over 5 years and $16 billion over 10 years. As a result, CBO estimates, $24 billion in child support payments that would have been collected over the next 10 years in the absence of these cuts would go uncollected.	No provision.
Food Stamps	Cuts about $700 million over 5 years by eliminating food stamps for an average of 255,000 people a month, including 70,000 legal immigrants and an additional 185,000 individuals largely in low-income working families with children.	No provision.
TANF and Child Care	Includes a full reauthorization of TANF, including expensive and rigid new work rules on states that could force states to operate less effective welfare-to-work programs. The bill provides only $500 million in additional child care funding, far less than is needed to keep pace with inflation or to meet the much higher work requirements in the bill, according to CBO. As a result, 330,000 children in low-income families would lose their child care subsidies by 2010.	No provision. Senate Finance Committee passed a standalone TANF reauthorization bill (S.667) in March that included more reasonable work requirements and $6 billion in additional child care funding.

Supplemental Security Income (SSI)	Cuts about $700 million over five years by: (1) requiring people who are owed back benefits from SSI to wait up to an additional year to receive all of the benefits they are owed and (2) requiring additional reviews of applicants determined eligible, before SSI benefits can be approved.	No provision.
Foster Care	Cuts about $600 million over 5 years through several provisions that will reduce the number of children eligible to receive federally funded foster care assistance and services.	No provision.
Housing	Cuts about $300 million over 5 years by cutting grants provided for affordable housing preservation by the Federal Housing Administration.	Same.
LIHEAP	Provides an additional $1 billion in funding for FY06.	No provision.
Other Major Controversial Provisions		
Drilling in the Arctic National Wildlife Refuge (ANWR)	No provision	Allows drilling in ANWR, which would generate fees totaling an estimated $2.4 billion over 5 years.
Student loans	Saves about $14 billion over 5 years.	Saves about $9 billion over 5 years.
"Byrd" Amendment	Repeals a provision (that has been ruled to be inconsistent with World Trade Organization rules) that distributes duties collected as a result of trade disputes to industries impacted by the unfair trade practices that triggered the duties. This saves $3.2 billion over five years.	No provision.

APPENDIX II. KEY ISSUES IN THE TAX RECONCILIATION CONFERENCE: A COMPARISON OF THE HOUSE AND SENATE BILLS

Issue	**House (H.R. 4297)**	**Senate (S. 2020)**
Total Five-Year Cost	**$56.1 billion**	**$57.8 billion**
Tax Cuts		
Capital Gains and Dividends	Extends the capital gains and dividend tax cuts for two years beyond 2008, at a cost of $51 billion, of which $21 billion would occur in the five years covered by reconciliation.	No provision.
AMT Exemption Level	No provision in the reconciliation bill. In a separate bill, the House extended the higher AMT exemption level and indexed it for inflation, at a cost of $31 billion.	Extends the higher AMT exemption level and increases it (by slightly more than an inflation adjustment) to prevent the number of AMT taxpayers from growing, at a cost of $31 billion.
Katrina-Related Relief	No provision in the reconciliation bill. In a separate bill, the House passed a $7 billion package of Katrina-related tax cuts.	Includes $7 billion in Katrina-related tax reductions.
Charitable Giving	No provision.	Includes several provisions related to charitable giving, with a total cost of $500 million. One provision establishes a new charitable deduction for non-itemizers (financed by a small reduction in the deduction for itemizers).
Other	Contains an additional $36 billion in tax cuts, the most costly of which are the extensions of Section 179 expensing and the research and experimentation (R&E) tax credit. Extends Saver's Credit for two years and higher education deduction for one year.	Contains an additional $38 billion in tax cuts, the most costly of which are the extensions of Section 179 expensing and the R&E tax credit. Extends Saver's Credit for three years and higher education deduction for four years.
Revenue-Raising Offsets		
Offsets	No revenue-raising offsets.	$18.8 billion of revenue-raising offsets, including cracking down on tax shelters and closing a tax loophole for oil companies.