

Rich get more in Tax Breaks than the Poor get from Welfare

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All the Federal welfare checks, food stamps, and unemployment benefits don't begin to add up to the more than \$1-trillion in indirect tax breaks awarded annually to America's middle- and upper-classes.

Whereas social benefits such as "welfare" are paid in the form of checks, "tax breaks function by allowing recipients themselves simply to keep more money, reducing the amount they would otherwise owe," observes Suzanne Mettler in the current issue of *The Washington Monthly*.

"As a matter of budgeting, however, there is no difference between a tax break and a social program: both have to be paid for, either by raising tax rates or by adding to the deficit," Mettler points out.

In short, "In the case of social tax expenditures...the most expensive of these subsidies shower their largest benefits on the most affluent Americans," writes Mettler, a professor of government at Cornell University and author of *"The Submerged State: How Invisible Government Policies Undermine American Democracy,"* coming this fall from University of Chicago Press.

Her message: "Beneath the surface of American government lurks a system of social programs for the wealthy that is consuming the federal budget."

For example, in 2004, 69 percent of the benefits of America's home mortgage interest deduction were claimed by households with incomes of \$100,000 or above—the top 15 percent of the income distribution, Mettler demonstrates. "That same group also reaped 55 percent of the benefits emanating from the tax-free status retirement benefits and 30 percent of those from employer-provided health benefits. This is because most tax expenditures reward activities that people with greater resources are better poised to take part in: buying more expensive homes and qualifying for mortgages far bigger than those of the typical home buyer; or obtaining generous employer-provided benefits, whose previously broad coverage has declined sharply, particularly among those with low to moderate incomes."

And while the number of welfare recipients has shrunk since the 1996 "reforms," (meaning many of the poorest of the poor have been lopped off the rolls,) the number of the affluent cashing in on tax breaks has soared. "Over the past few decades, while many standard social benefits have atrophied in real value, those packaged as 'tax expenditures'...have flourished, growing rapidly in value and number," Mettler asserts.

“These tax expenditures for individuals and families represented 7.4 percent of GDP in 2008, up from 4.2 percent in 1976. By way of comparison, Social Security amounted to 4.3 percent of GDP in 2008; Medicare and Medicaid, 4.1 percent,” she added.

Most Americans, Mettler says, “express disdain for government social spending” even when they benefit from it. “Without discussion of what is actually at stake in spending through the tax code, citizens are not told what these subsidies really are: special provisions for particular groups of people, especially the wealthy...”

Mettler goes on to write, “Tax expenditures also exacerbate economic inequality by dramatically reducing the revenues government collects, leaving considerably fewer resources available for the programs like Head Start and Pell grants that benefit lower-income Americans.”

The vested interests that profit from the tax break policies, ranging from the real estate and health care industries to the nonprofit foundation world, Mettler says, “are keenly aware of the and invest heavily in their political capacity to preserve and defend core policies.” Real estate sector giving to political campaigns jumped from \$43 million in 1992 to \$138 million in 2008.

“Ordinary Americans, by contrast, have little awareness of the very existence of such policies, even if they are beneficiaries themselves,” Mettler says. “It’s time for progressives to do battle with tax expenditures.” #

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