**Current Trends in Fiscal and Tax Policy in United States of America and Its Impact on Human Rights Especially for Those Living In Extreme Poverty**

1. *Is Government tax policy compatible with the obligation to use maximum available resources to realize economic and social rights? If not, why not?*

* “Tax policy has decreased the amount of revenue generated and therefore the USA has not met its obligations to use the maximum available resources.”[[1]](#endnote-1)
* The tax code gives preferential treatment to income derived from pre-existing wealth rather than income earned from work – investment income (capital gains and dividends) have lower tax rates than income from salaries and wages[[2]](#endnote-2)
  + Lower taxes rates on investment income will cost $160 billion in 2013
  + Corporate income tax revenues declined in terms of their share for federal taxes from 5% in the 1960’s to 1.2% by 2003
  + The tax system discriminates against single mothers because of their lower incomes, child care costs and have a greater tax burden than two parent households with stay at home mothers[[3]](#endnote-3)
* 1.65 million households with 3.5 million children lived in extreme poverty in mid-2011 - living on less than $2.00 per day per person – living at 12% of the poverty line of $17 per day
* Numbers of children in extreme poverty has increased by 156% [[4]](#endnote-4)
  + ¾ of Black and Latino children live in poverty
* 15% of households have incomes below poverty line , 45% of households live in economic insecurity – costs of housing, utilities, food, child care, transportation, health care, essential household items are on the rise
* 55% of children live in economically insecure households
  + 60% black and Hispanic
  + 26% 2 worker households
  + Women more likely to live in economically insecure households [[5]](#endnote-5)
  + Since 2011 the poverty rate among women has been the highest in two decades – 14% of women in poverty compared to 11% for men, rates for Black and Hispanic women are 25%[[6]](#endnote-6)
* 18% increase in number of women over 65 living on less than $5,500 per year - 733,000 women living on $15 per day[[7]](#endnote-7)

1. *In general, would you say that the tax regime is regressive or progressive? Why?*

* Progressivity of the federal tax system is offset by the cap on taxes on earned income at $113,700 - 17% of income of individuals above this level is untaxed meaning a higher overall tax burden for those with lower incomes
* Lower tax rates on capital gains and dividends erode the progressivity of the tax system (UFE) – the top 0.01% of income earners with an average income of $35 million receive over 44% of their income from capital gains[[8]](#endnote-8)
  + Regressive state and local taxes meaneffective tax rates: the top 1% - 5.2%, middle 20% - 9.7%, poorest 20% - 10.9% [[9]](#endnote-9)

1. *What is the tax/GDP ratio of your country?*

* US tax revenue share of GDP is the 3rd lowest of all developed countries at 24.8%[[10]](#endnote-10)
* Corporate income tax revenue as a fraction of GDP have fallen from 3.5% to less than 2% while corporate profits as a share of GDP rose

1. *If the government has recently introduced tax cuts, which sectors of society have benefited most?* 
   * There have been cuts in tax rates at all levels but the deepest in estate and corporate tax rates from 70% to 30%
   * Tax breaks posed for FY 2014 are $1.18 trillion[[11]](#endnote-11)

* Corporate tax system is effected by the shifting of income outside the US tax base through the operation of US corporations in low tax countries under trade agreement regimes[[12]](#endnote-12)

**10.** *Is your government party to international investment or trade agreements that curtail your country’s capacity to levy taxes, or the capacity of your partner country/ies to levy taxes?*

* Under the Korea US Free Trade Agreement Korea(KORUS-FTA) Korea agreed to reduce its 40% tariff on US beef making it possible for lower cost US beef to enter the Korean market underselling Korean beef and forcing many Korean farmers out of work[[13]](#endnote-13)
* Under the North American Free Trade Agreement Mexican corn and other products cannot compete with subsidized US agricultural products which must be treated as local under the trade agreement. Mexican farmers have been forced to abandon the land and seek employment in the US with the same companies whose products drove them out of business [[14]](#endnote-14)

**Spending**

**2.** *Has your government engaged, or is it planning to engage, in austerity measures, such as cutting spending on social services? If so, what safeguards did, or will, it put in place to ensure that such measures are consistent with human rights obligations? …Have the cuts been accompanied by mitigating measures to ensure that vulnerable and marginalized populations are not disproportionately affected? If, yes, provide examples of some of these measures.*

* Fewer workers shielded from extreme poverty due to declines in federal cash assistance programs
* 2005 programs like Supplemental Security Insurance, Temporary Assistance to Needy Families and the Earned Income Tax credit lifted 14 million low income US persons above the poverty line. Universal program – Social security , Unemployment Insurance and Child Tax Credit lifted

2 million above the poverty line in 2005 including 1.2 million children[[15]](#endnote-15) (Center for Budget Priorities)

* Under 2013 mandatory budget Sequestration(austerity fiscal policy) cuts will mean:
  + 40,000 to 65,000 fewer families will receiving housing assistance vouchers in 2013 and if there is no resolution by the end of 2014 between 125,000 and 185,000 low income families could be affected by not receiving assistance or by having to pay more[[16]](#endnote-16)
  + Mandatory cuts in food assistance programs could affect 22 million children in 2014(10 million with family incomes below half of the poverty line), 47 million overall[[17]](#endnote-17)
  + Congressional Budget office estimates that Sequestration cuts cost 900,000 jobs
  + 57,000 fewer low income children will be enrolled in Head Start, the preschool educational assistance program[[18]](#endnote-18)

Recommendation on how to ensure fiscal and tax policy in accordance with human rights obligations[[19]](#endnote-19)

* + Ensure non-discrimination and equality in taxation by prohibiting state and local governments from… placing high rates of taxation on sales items disproportionately consumed by the poor
    - Recompense for past discrimination until there is equality
    - Eliminate tax loopholes and credit that benefit the richer echelons of society
  + Nondiscrimination in Taxes– higher share should come from men than from women – using the principle of ‘ability to pay’ because their share of taxable income is higher than that of women
  + Lower personal income tax for poor racial and ethnic minorities
  + Temporary tax policies VAT and sales tax exemptions for items disproportionally consumed by poor and ethnic minorities
  + States maintaining resources for crisis times
  + Focus budget deficit debate on taxation to support use of the maximum available resources leading to more effective meeting of human rights obligations

Notes

1. “Taxation and Economic and Social Rights in the USA” Radhika Balakrishnan in Economic Policy and Human Rights – Holding Governments Accountable, Radhika Balakrishnan and Diane Elson ed. , Zed Books Ltd. London,2011. [↑](#endnote-ref-1)
2. “Tax Wealth Like Work – Ending Special Tax Breaks for Capital Gains & Dividends”, United for a Fair Economy, [www.faireconomy.org/wealth\_vs\_work](http://www.faireconomy.org/wealth_vs_work) [↑](#endnote-ref-2)
3. Balakrisnan, op.cit [↑](#endnote-ref-3)
4. “Extreme Poverty in the United States, 1996 to 2011”,National Poverty Center, Policy Brief #28, February 2012, Gerald R. Ford School of Public Policy, University of Michigan [↑](#endnote-ref-4)
5. “Almost Half The Country Can’t Afford Basic Needs”, Alan Pike, Think Progress, September 18, 2013,www thinkprogress.org/economy/2013/09/18/2641301/half-country-afford-basics/ [↑](#endnote-ref-5)
6. Chart of the Day: 60% of single women can’t afford basic needs” National Women’s Law Center, September 18, 2013 [↑](#endnote-ref-6)
7. “Soaring number of elderly U.S. women live in extreme poverty” National Women’s Law Center, September 28, 2013 David Ferguson, [www.rawstrory.com/rs/2013/09/28/soaring-number-of-elderly-u-s-women-live-in-extreme-poverty](http://www.rawstrory.com/rs/2013/09/28/soaring-number-of-elderly-u-s-women-live-in-extreme-poverty) [↑](#endnote-ref-7)
8. “Understanding Social Security: Who Benefits, Who Pays, Possibilities for Change” United For a Fair Economy, www.faireconomy.org/ [↑](#endnote-ref-8)
9. “Misconceptions and Realities About Who Pays Taxes” Executive Summary Chuck Marr and Chye-Ching Huang, Center for Policy and Budget Priorities, Updated September 17 2013 [↑](#endnote-ref-9)
10. “The U.S. Continues to Be one of the Least Taxed of Developed Countries”, Citizens for Tax Justice, April 8, 2013 [↑](#endnote-ref-10)
11. U.S. Office of Management and Budget, National Priorities Project [↑](#endnote-ref-11)
12. Balakrisnan, op.cit [↑](#endnote-ref-12)
13. “What Does Pork Have to do with the U.S. Immigration “Problem” Scot Nakagawa, Race Files, April 10, 2013. [www.racewire.com/2013/04/10/what-does-porl-have-to-do-with-the-u-s-immigration-problem/](http://www.racewire.com/2013/04/10/what-does-porl-have-to-do-with-the-u-s-immigration-problem/) [↑](#endnote-ref-13)
14. “What Does Pork Have to do with the U.S. Immigration “Problem” Scot Nakagawa, Race Files, April 10, 2013. [www.racewire.com/2013/04/10/what-does-poor-have-to-do-with-the-u-s-immigration-problem/](http://www.racewire.com/2013/04/10/what-does-poor-have-to-do-with-the-u-s-immigration-problem/) [↑](#endnote-ref-14)
15. “Safety Net Effective at Fighting Poverty But Has Weakened for the Very Poorest” Arloc Sherman, Center for Budget and Policy Priorities, July 6, 2009, [www.cbpp.org/cms/indexcfm?fa=view&id=2859](http://www.cbpp.org/cms/indexcfm?fa=view&id=2859) [↑](#endnote-ref-15)
16. “Sequestration Could Cut Housing Vouchers for as Many as 185,000 Low-Income Families by the End of 2014, Families Using Vouchers May Also Face Rising Rents, Fewer Housing Options” Douglas Rice, Center on Budget and Policy Priorities, November 6, 2013. [www.cbpp.org/cms/index.cfm?fa=view&id=4044](http://www.cbpp.org/cms/index.cfm?fa=view&id=4044) [↑](#endnote-ref-16)
17. “Cut in Food Stamps Forces Hard Choices on the Poor” Kim Severson and Winnie Hu, November 7, 2013, New York Times.www.nytimes.com/2013/11/08/us/cut-in-food-stamps-forces-hard-choices-on-poor.html [↑](#endnote-ref-17)
18. “Insight: Largely out of sight, U.S. Budget Sequester still cuts deep” Andy Sullivan, September 28, 2013, Reuters. [www.reuters.com/article/2013/09/28/us-usa-budget-sequester-insight-idUSBRE98R05K20130928](http://www.reuters.com/article/2013/09/28/us-usa-budget-sequester-insight-idUSBRE98R05K20130928) [↑](#endnote-ref-18)
19. Balakrisnan, op.cit [↑](#endnote-ref-19)