



## Construction Industry Round Table

## Business / Legislative News

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### **2/03/15 – President Obama Unveils \$4.0 Trillion Fiscal 2016 Budget**

As has been widely reported, the Obama Administration released details of its proposed \$4.0 Trillion budget, a 7.0 percent spending increase, for fiscal year 2016 that begins in October. The proposal, which most view as “DOA” (dead on arrival) at the Capitol Building, seeks big tax hikes on multi-national corporations and top income earners (with a 28% capital gains tax and increases to the inheritance tax), although the blueprint does drop a “trial balloon” that would have taxed 529 education saving plans, of all things. The new spending supports a healthy expansion for federal agencies (redistribution of the wealth in what the White House calls its “middle-class economics” e.g., child-care and free community college), and a six-year \$478 billion public works program would provide upgrades for the nation’s highways, bridges and transit systems – which is of particular interest to the design/construction community. The key funding mechanism to bolster the Highway Trust Fund, so as to attain the approximately \$80 billion per year expenditures, is a proposed one-time 14 percent tax imposed on profits held overseas – outside of the reach of the IRS [as well as, a permanent 19% minimum tax on a U.S. firm’s overseas earnings]. Naturally, the President’s budget and spending priorities will run up against strong scrutiny and skepticism from the Republican controlled Congress. Although infrastructure spending has enjoyed bi-partisan support, the exact annual expenditure levels and how to fund the needs has not found a consensus and are still widely debated.

In his message to Congress that accompanied the new budget proposal, President Obama proclaimed that he “want(s) to work with Congress . . . to replace mindless austerity with smart investments.” [Emphasis added]. Of course, the “mindlessness” of the sequestration cuts was HIS IDEA, and while you could call the last six federal budgets a lot of things, it would be very difficult to call them “austere” by any objective measure. In fact, during the Obama years the nation’s debt has expanded some \$6.7 trillion (more than any other President in history), with last year’s budget of \$3.45 trillion some 18% more in government spending than in 2008.