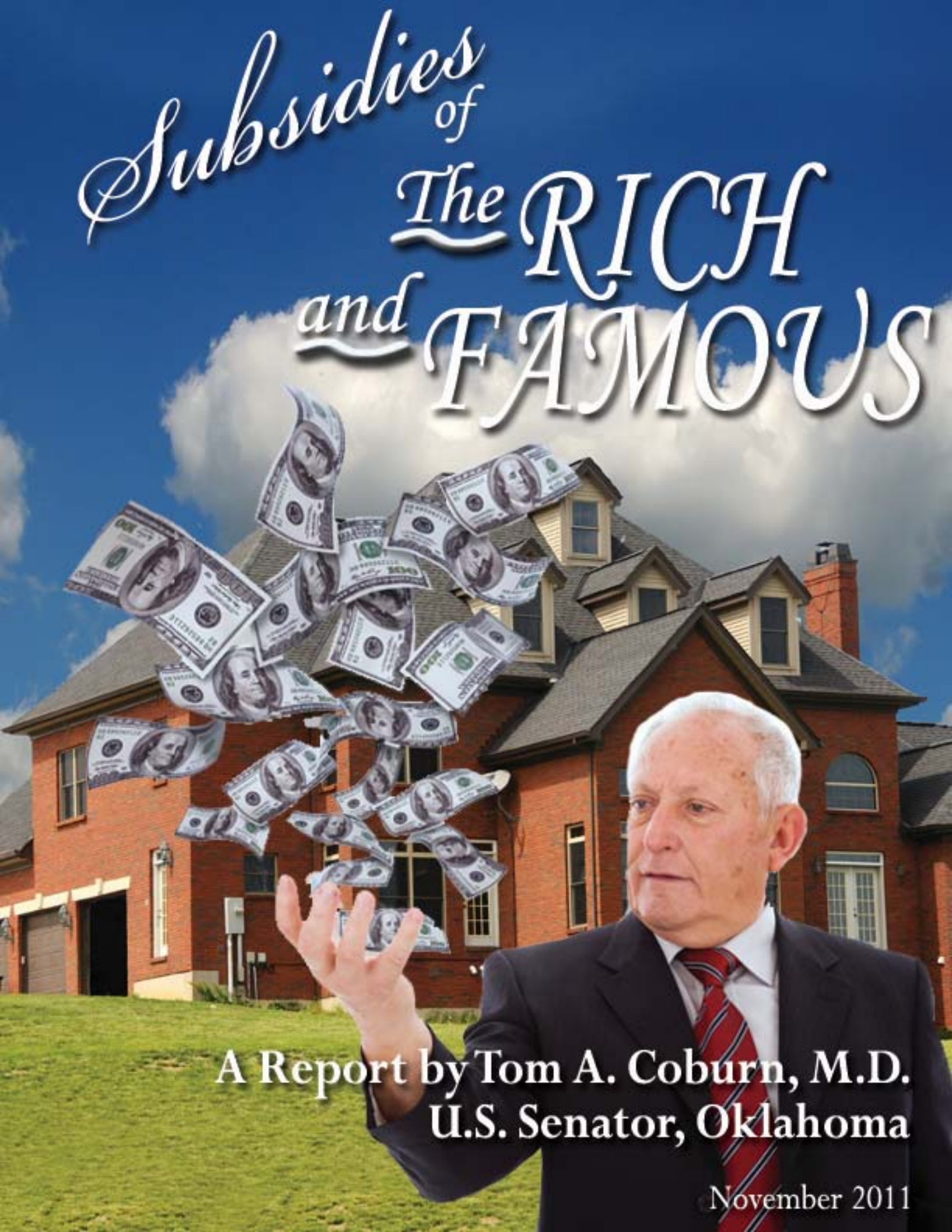
Subsidies of The RICH and FAMOUS



A Report by Tom A. Coburn, M.D.
U.S. Senator, Oklahoma

November 2011

Dear Taxpayer,

Americans are facing tough times. Millions are still out of work. Wages remain stagnant, while health care costs, tuition, and other household cost continue to rise. Many homeowners owe more for their houses than they are worth.

With families across the country struggling to make ends meet during these economically trying times, many are left with few options so they are turning to the government – some very reluctantly – for assistance. The government safety net has been cast far and wide, with almost half of all American households now receiving some form of government assistance.[1] But most taxpayers will be asking why when they learn who is receiving what.

From tax write-offs for gambling losses, vacation homes, and luxury yachts to subsidies for their ranches and estates, the government is subsidizing the lifestyles of the rich and famous. Multi-millionaires are even receiving government checks for not working. This welfare for the well-off – costing billions of dollars a year – is being paid for with the taxes of the less fortunate, many who are working two jobs just to make ends meet, and IOUs to be paid off by future generations.

This is not an accidental loophole in the law. To the contrary, this reverse Robin Hood style of wealth redistribution is an intentional effort to get all Americans bought into a system where everyone appears to benefit.

"Everybody can have a free lunch," explains Howard Leikert, supervisor of school nutrition programs for the Michigan Department of Education, [2] where a new federal program is providing all students, regardless of their families' incomes, free school meals in select areas.

But not everyone *can* have a free lunch. Ultimately someone must pay for each of the lunches being given away. Furthermore, not everyone *needs* a free lunch. The real result of serving everyone a piece of the pie is less is leftover for those truly in need.

Some economists argue "if we think that the rich are getting too much of the economic pie, then they should be taxed more."[3] This is no different than taking a dollar from one pocket and putting it into another in the same pair of pants.

We should never demonize those who are successful. Nor should we pamper them with unnecessary welfare to create an appearance everyone is benefiting from federal programs.

Even in these difficult times, the United States remains a land of opportunity and not everyone is in need of government hand outs. The income of the wealthiest one percent of Americans has

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[1] Brian Faler, *More Americans Receive Government Benefits*, Bloomberg, October 28, 2011; http://www.bloomberg.com/news/2011-10-28/americans-hooked-on-government-as-record-number-get-benefits.html .

[2] Lynn Moore, *Under new federal program, all Muskegon Heights students get free meals*, The Muskegon Chronicle, September 30, 2011; http://www.mlive.com/news/muskegon/index.ssf/2011/09/all_muskegon_heights_students.html .

[3] Dean Baker and Mark Weisbrot, *Social Security: The Phony Crisis*, University Of Chicago Press, 2000.

risen dramatically over the last decade. Yet, the federal government lavishes these millionaires with billions of dollars in giveaways and tax breaks.[4]

The government's social safety net, which has long existed to catch those who are down and help them get back up, is now being used as a hammock by some millionaires, some who are paying less taxes than average middle class families. Comprehensive information on the full range of government benefits enjoyed by millionaires has never been collected previously.[5] This report provides the first such compilation. What it reveals is sheer Washington stupidity with government policies pampering the wealthy costing taxpayers billions of dollars every year.

These billions of dollars for millionaires include $74 million of unemployment checks, **$316 million in farm subsidies**, $89 million for preservation of ranches and estates, $9 billion of retirement checks, $75.6 million in residential energy tax credits, and $7.5 million to compensate for damages caused by emergencies to property that should have been insured. All and all, over **$9.5 billion** in government benefits have been paid to millionaires since 2003. Millionaires also borrowed **$16 million** in government backed education loans to attend college.

On average, each year, this report found that millionaires enjoy benefits from tax giveaways and federal grant programs totaling **$30 billion**. As a result, almost 1,500 millionaires paid no federal income tax in 2009.[6]

Fleecing the taxpayer while contributing nothing is not the American way.

Americans are generous and do not want to see their fellow citizens go without basic necessities. Likewise, we expect everyone to contribute and to demonstrate personal responsibility. Government policies intended to mainstream wealth redistribution are undermining these principles. The tragic irony is the wealth in these cases is trickling up rather than down the economic ladder. The cost of this largess will thus be shared by those struggling today and the next generation who will inherit $15 trillion of debt that threatens the future of the American Dream. These consequences are the results of shortsighted spending and tax policies like those outlined in this report that should be eliminated.[7]

Sincerely,
Tom A. Coburn, M.D.
U.S. Senator

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[4] For purposes of this report, unless otherwise noted, "millionaire" is defined as an individual reporting an annual adjusted gross income ("AGI") of $1 million or more. AGI is generally defined as an individual's taxable income after any allowance for personal exemptions or itemized deductions.

[5] For more information on the methodology used for this report, *see* Section XII.

[6] Los Angeles Times, *IRS: Nearly 1,500 Millionaires Paid no Federal Income in 2009*, August 8, 2011, http://latimesblogs.latimes.com/money_co/2011/08/nearly-1500-millionaires-paid-no-taxes-in-2009-says-irs.htm.

[7] While this report focuses on benefits paid to individuals with an AGI of $1 million, for some of the programs discussed, the appropriate AGI level to reduce or eliminate the benefit may be lower. This is a policy question that Congress should address.

Summary of Total Payments and Tax Breaks to Millionaires

Total Amount of Government Payments to Millionaires

Program	Years	Total Amount Paid to Millionaires
Social Security Retirement Benefits	2004-2009	$9 billion
Unemployment Insurance	2005-2009	$74 million
Farm Program Payments	2003-2009	$316 million
Conservation Program Payments	2009-2010	$89 million
Disaster Housing Payments	2007-2010	$7.5 million
Total Amount of Payments		**$9.5 billion**

The annual average amount of government payments to millionaires is **$1.6 billion**.

Total Amount of Tax Breaks Claimed by Millionaires

Tax Breaks	Years	Total Amount Deducted by Millionaires
Mortgage Interest Deduction	2006-2009	$27.7 billion
Rental Expenses Deduction	2006-2009	$64.3 billion
Gambling Losses Deducted	2006-2009	$21 billion
Cancelled Debt Deduction	2008-2009	$128 million
Business Entertainment Expenses Deduction	2006-2009	$607.7 million
Electric Vehicle Credit	2009	$12.5 million
Childcare Tax Credit	2007-2009	$18.15 million
Renewable Energy Credit	2009	$75.6 million
Total Taxpayer Cost to the Treasury of all Credits and Deductions		**$113.7 billion**

The annual average amount of tax breaks claimed by millionaires is **$28.5 billion**.

Subsidies of the Rich and Famous:
Federal Programs and Tax Breaks That Help Millionaires

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I. Retirement Payments for Millionaires

The Social Security retirement program is the federal government's largest program, in part because it provides benefits to every American, regardless of need.[8] Social Security is financed by payroll taxes paid by covered workers and their employers.[9] The program was originally intended to be self-funded, but now receives general revenues to provide benefits to retired and disabled workers and certain family members.

Millionaires received over $9 billion in Social Security Retirement benefits from 2006-09.

The 2011 Annual Report of the Social Security Board of Trustees ("Trustees Report") stated that at the end of 2010, about 54 million people were receiving Social Security benefits, including 37 million retired workers and dependents of retired workers, 6 million survivors of deceased workers, and 10 million disabled workers and dependents of disabled workers. Not everyone, however, pays into the Social Security program. An individual is required to pay into Social Security through the payroll tax only if they report an adjusted gross income ("AGI") of annual earnings of $25,000 for an individual or $32,000 for a married couple that files jointly. In 2010, 157 million individuals earned these amounts or more and paid taxes into the Social Security Trust Funds.[10]

The sheer size of the beneficiary pool has placed a huge strain on the solvency of the Social Security trust funds. The Trustees Report made clear that "the combined…trust funds are projected to increase through 2022, and then to decline and become exhausted and unable to pay scheduled benefits in full on a timely basis in 2036."[11]

The Trustees Report recently estimated the Social Security Trust Funds will be exhausted by 2036, at which point there will only be sufficient revenue to pay 77 percent of benefits.[12] Millionaires, who have paid into the program and therefore receive benefits, add to the strain on the Trust Funds. In fact, the Internal Revenue Service ("IRS") found that in 2009, **38,217 individuals** with an AGI of $1 million or more received more than **$1.142 billion** in Social Security benefits. Moreover, the IRS reports that in 2009, **1,430 individuals** with an AGI of $10

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[8] Congressional Budget Office, *CBO's Long-Term Projections for Social Security: Additional Information*, August 2011, http://www.cbo.gov/doc.cfm?index=12375.

[9] Dawn Nuschler, *Social Security Primer*, Congressional Research Service, October 4, 2011, http://www.crs.gov/pages/Reports.aspx?PRODCODE=R42035&Source=cli.

[10] The 2011 Annual Report of the Board of Trustees of the Federal Old-Age and Survivors Insurance and Federal Disability Insurance Trust Funds, page 2, http://www.ssa.gov/oact/tr/2011/tr2011.pdf.

[11] The 2011 Annual Report of the Board of Trustees of the Federal Old-Age and Survivors Insurance and Federal Disability Insurance Trust Funds, http://www.ssa.gov/oact/tr/2011/tr2011.pdf.

[12] The 2011 Annual Report of the Board of Trustees of the Federal Old-Age and Survivors Insurance and Federal Disability Insurance Trust Funds, http://www.ssa.gov/oact/tr/2011/tr2011.pdf.

million or more received a total of **$47.23 million** in Social Security benefits or an average of **$33,027 per recipient.**[13]

Social Security Retirement Benefits Paid to Millionaires in 2009

Reported Adjusted Gross Income ("AGI")	Number of Millionaires	Amount of Social Security Benefits Paid	Average Annual Social Security Benefit Received by Each Beneficiary
$1,000,000 to $1,500,000	16,667	$481,366,000	$28,881
$1,500,000 to $2,000,000	7,305	$220,894,000	$30,238
$2,000,000 to $5,000,000	10,338	$315,347,000	$30,503
$5,000,000 to $10,000,000	2,477	$77,299,000	$31,206
$10,000,000 or more	1,430	$47,298,000	$33,075
Total	**38,217**	**$1,142,204,000**	**$30,780**

Source: Internal Revenue Service, All Returns: Sources of Income, Adjustments, and Tax Items, Table 1.4, http://www.irs.gov/taxstats/indtaxstats/article/0,,id=96981,00.html#_grp1.

While the number of millionaires collecting Social Security benefits has fluctuated in recent years, limiting these benefits would help protect the Social Security Retirement Trust Fund:

Social Security Retirement Benefits Paid to Millionaires (2004-08)

Year	Number of Millionaires	Amount of Social Security Benefits Paid	Average Social Security Benefit Received by Each Millionaire
2008	56,587	$1,542,238,000	$27,254
2007	76,858	$2,014,430,000	$26,209
2006	70,582	$1,793,158,000	$25,405
2005	58,937	$1,427,873,000	$24,227
2004	46,375	$1,095,336,000	$23,619
Total Amount of Social Security Benefits Paid to Millionaires: $7,873,035,000			

Source: Internal Revenue Service, All Returns: Sources of Income, Adjustments, and Tax Items, Table 1.4, http://www.irs.gov/taxstats/indtaxstats/article/0,,id=96981,00.html#_grp1.

The total amount of Social Security retirement benefits paid to millionaires from 2004 through 2009 was more than **$9 billion.** This high number of high-earners receiving benefits from the Social Security Trust Fund was never contemplated when the program was created because the program was intended as a safety net for low-income earners.[14] Returning the purpose of the

[13] Internal Revenue Service, All Returns: Sources of Income, Adjustments, and Tax Items, Classified by: Size of Adjusted Gross Income, 2009 Individual Complete Report (Publication 1304), Table 1.4, http://www.irs.gov/taxstats/indtaxstats/article/0,,id=96981,00.html#_grp1.

[14] *See* Andrew G. Biggs, *The Case Against Raising the Social Security Tax Max*, AEI, March 2011, http://www.aei.org/outlook/101039.

program to a need-based service instead of one available universally may help keep Social Security solvent for future generations.

Canada's government implements such a feature in its retirement program, and it may be a reason it is not facing a similar fiscal crisis. In Canada, once a retiree's income exceeds $67,000 in Canadian dollars, their benefit payment is reduced, until it is completely eliminated at approximately $150,000 in Canadian dollars. Samuel C. Thompson, Jr., professor at Penn State's Dickinson School of Law, argues this should be adopted in the United States, stating "[t]his is a sensible approach that is consistent with the safety-net purpose of Social Security. Interestingly, this phase-out feature of the Canadian Social Security system is apparently one of the reasons Canada does not face the same long-term budgetary problems the U.S. faces."[15]

With the Social Security Retirement Trust Fund scheduled for exhaustion, reforms are needed. It must be acknowledged, however, that millionaires paid into the trust fund. That said, with the Social Security retirement program spending more than it collects, the way benefits are paid needs to be reevaluated. To preserve the program, instead of increasing taxes on the well-off, Congress should instead consider reducing their payments.[16] By doing so, wealthy individuals would not lose their benefits. Benefits would be available as a safety-net where benefits would kick-in when their AGI fell below $1 million.

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[15] Samuel C. Thompson, Jr., *The Missing Ingredient in the Budget Debate: Phasing Out Social Security and Medicare for High Income Retirees*, Penn State Law, Legal Studies Research Paper No. 11-2011, http://taxprof.typepad.com/taxprof_blog/2011/06/thompson-.html.

[16] Sen. Tom Coburn, *Back in Black, Preserving Social Security for Future Generations*, pages 531-557, http://coburn.senate.gov/public//index.cfm?a=Files.Serve&File_id=90fe9124-5865-425c-b7c0-5d9dad48fbb9.

II. Health Coverage for Millionaires

In June 2011, 60,000 millionaires were enrolled in Medicare Part B.

Medicare is one of the largest federal programs, providing health care services for virtually all individuals over the age of 65 and disabled individuals of all ages. When Medicare was proposed, President John F. Kennedy made clear that the purpose of the program was a safety net to cover people "who have saved and worked and then get hit" with a medical problem that costs that person their life savings.[17] Since its creation, however, Medicare's coverage has expanded. In 2011, Medicare will cover an estimated 48 million individuals (40 million aged and 8 million disabled). The Congressional Budget Office estimates that total Medicare spending for 2011 will be about $569 billion, making up 3.7 percent of the gross domestic product.

Individuals over the age of 65 may choose to enroll in Medicare Part B (Supplemental Medical Insurance or "SMI"). This voluntary portion of Medicare requires participants to pay a monthly premium to cover physician services, outpatient services, and some home health and preventative services.

In 2003, Congress enacted the Medicare Prescription Drug Improvement and Modernization Act that – among other things – introduced the concept of income testing into Medicare, with higher-income persons paying larger Part B premiums beginning in 2007. While initially over 98 percent of the population voluntarily enrolled in Part B, in recent years that percentage has fallen to 93 percent. The program generally pays 80 percent of the approved amount for covered services in excess of the annual deductible. The beneficiary is liable for the remaining 20 percent.[18] Part B premiums are based on a person's income as shown by the chart below:

	Yearly Income		
2011 Part B Monthly Premium	Beneficiaries who file **individual** tax return with income	Beneficiaries who file **joint** tax returns with income	**Percent of Beneficiaries (June 2011)**
$115.40	$85,000 or less	$170,000 or less	96.5%
$161.50	$85,001 to $107,000	$170,001 to $214,000	1.4%
$230.70	$107,001 to $160,000	$214,001 to $320,000	1.1%
$299.90	$160,001 to $214,000	$320,001 to $428,000	0.4%
$369.10	Above $214,000	Above $428,000	0.6%

Source: Patricia A. Davis, et. al, Medicare Primer, Congressional Research Service, July 12, 2011, http://www.crs.gov/Products/R/PDF/R40425.pdf.

[17] President John F. Kennedy, *Address at New York Rally in Support of the President's Program of Medical Care for the Aged*, May 20, 1962, http://www.presidency.ucsb.edu/ws/index.php?pid=8669#axzz1c04nyPc9.
[18] Patricia A. Davis, et. al, *Medicare Primer*, Congressional Research Service, July 12, 2011, http://www.crs.gov/Products/R/PDF/R40425.pdf.

Even with the income testing for Part B premiums, however, beneficiaries at the high end of the income scale still receive subsidized health care through reduced premiums. It was announced recently that Part B premiums for wealthy seniors will fall in the coming year. A couple on Medicare with a $428,000 AGI will benefit from a 13 percent decrease in their Part B premium payments.[19] At the same time, the majority of Medicare Part B participants who pay the lowest premiums will see their monthly premiums fall $15.50, from $115.40 to $99.90.[20]

According to the Centers for Medicare & Medicaid Services ("CMS"), income information that determines the amount of monthly premiums paid by Medicare Part B recipients is not maintained by CMS, but is instead coordinated through the Department of Treasury and maintained by the Social Security Administration ("SSA").[21] The SSA Chief Actuary, directly accessing SSA data, found that approximately **60,000 Medicare Part B enrollees** had reported modified adjusted gross incomes of $1,000,000 or more.[22]

Congress should reduce subsidies for health care for those with more than enough means to pay for themselves.[23] Wealthy individuals should be required to pay the full cost of their Medicare Part B and Part D coverage.[24]

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[19] Janet Novack, *Medicare Premiums Rise Less Than Expected; Surcharges for Wealthy to Fall*, Forbes, October 27, 2011, http://www.forbes.com/sites/janetnovack/2011/10/27/medicare-premiums-rise-less-than-expected-surcharges-for-wealthy-to-fall/.

[20] United States Department of Health and Human Services, *Medicare Part B Premiums for 2012 Lower Than Expected*, New Release, October 27, 2011, http://www.hhs.gov/news/press/2011pres/10/20111027a.html.

[21] *See* Letter from Amy Hall, Department of Health and Human Services, Director, Office of Legislation, to Sen. Tom Coburn (undated). When Sen. Coburn requested the number of millionaires receiving Part B benefits, SSA Commissioner Michael Astrue did not provide the information. *See* April 21, 2011 Letter from Commissioner Michael Astrue to Sen. Tom Coburn. Therefore, staff contacted SSA Chief Actuary Steve Goss, who provided the information requested by accessing SSA data.

[22] *See* August 23, 2011 Letter from Steve Goss, SSA Chief Actuary, to Sen. Tom Coburn.

[23] The Veteran's Health Administration also identified 496 veterans that received health benefits and also self-reported income of $1 million or more during the period of 2007 to 2010. Information provided by the Department of Veterans Affairs.

[24] Sen. Tom Coburn, *Back in Black, Medicare and Medicaid*, pages 514-530, http://coburn.senate.gov/public//index.cfm?a=Files.Serve&File_id=4d81849a-33fa-40c0-a995-e7f17b1d8a47.

III. Jobless Benefits to Those Earning Millions

Countless Americans have benefited from the Unemployment Insurance ("UI") program, helping them get by between jobs. Some making millions of dollars, even without a job, are among those collecting unemployment payments.

From 2005-09, millionaires collected over $74 million in unemployment benefits.

The UI program is a joint federal-state program financed by federal and state unemployment taxes. In FY2011, the federal government will collect an estimated $6.7 billion in federal UI unemployment taxes and $44.7 billion will be collected in state unemployment taxes. At the same time, in FY2011, states will spend an estimated $61.0 billion on regular UI benefits, producing a total program deficit of $9.83 billion.

Recent reports regarding the payment of UI make clear that the program is fraught with problems. In September 2011, the Department of Labor, the federal agency responsible for managing the program, reported that last year, states improperly paid **$17.5 billion** in UI to ineligible recipients, including both underpayments and overpayments.[25] The majority of overpayments went to individuals that were working, but continued to claim UI checks (30 percent) and individuals not actively looking for a job, as required by program rules (30 percent).[26]

A spokesman for the Labor Department made clear recently the "first priority in 2010 was to get money out the door…integrity efforts became a distinct second." As such, the Labor Department did not aggressively recover the overpayments, getting back only $474 million (or less than 3 percent) of the $16.5 billion overpaid.[27]

The purpose of the UI program has traditionally been to help bridge the gap between jobs,[28] however, some people in the program are collecting UI and also earning millions of dollars in the same year. In 2009, the Internal Revenue Service reported that **2,362 millionaires** collected a total of **$20,799,000** in UI. Eighteen individuals reporting an adjusted gross income of $10,000,000 or more also received **$12,333** on average in UI in 2009, for a total of $222,000.[29]

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[25] Office of Management and Budget, High Error Payments, Unemployment Insurance, http://www.paymentaccuracy.gov/programs/unemployment-insurance#learnmore.

[26] Michelle Hirsch, *Unemployment Cheats Raked in $16.5 Billion Last Year*, The Fiscal Times, September 22, 2011, http://www.thefiscaltimes.com/Articles/2011/09/22/Unemployment-Cheats-Raked-in-16-Point-5-Billion-Last-Year.aspx#page1.

[27] The UI programs in Indiana and Louisiana were so poorly administered that over **43 percent** of last year's payments were improper. Michelle Hirsch, *Unemployment Cheats Raked in $16.5 Billion Last Year*, The Fiscal Times, September 22, 2011, http://www.thefiscaltimes.com/Articles/2011/09/22/Unemployment-Cheats-Raked-in-16-Point-5-Billion-Last-Year.aspx#page1.

[28] *See*, for example, Franklin Roosevelt, *Presidential Statement Signing the Social Security Act*, August 14, 1935, http://www.ssa.gov/history/fdrstmts.html#signing.

[29] Information on the number of millionaires receiving UI each year was originally requested directly from the Department of Labor. The agency was unable to provide the requested data because it did "not collect or maintain

Unemployment Insurance Paid to Millionaires By Adjusted Gross Income in 2009

Range of Adjusted Gross Income	Number of Millions Reporting UI Benefits	Amount of Millionaires Receiving Benefits	Average Amount Received by each Millionaire
$1,000,000 to 1,500,000	1,297	$11,341,000	$8,744
$1,500,000 to $2,000,000	349	$2,782,000	$7,971
$2,000,000 to $5,000,000	624	$5,096,000	$8,166
$5,000,000 to $10,000,000	74	$1,358,000	$18,351
$10,000,000 or more	18	$222,000	$12,333
Total	**2,362**	**$20,799,000**	**$11,113**

Internal Revenue Service, All Returns: Sources of Income, Adjustments, and Tax Items, Table 1.4, http://www.irs.gov/taxstats/indtaxstats/article/0,,id=96981,00.html#_grp1.

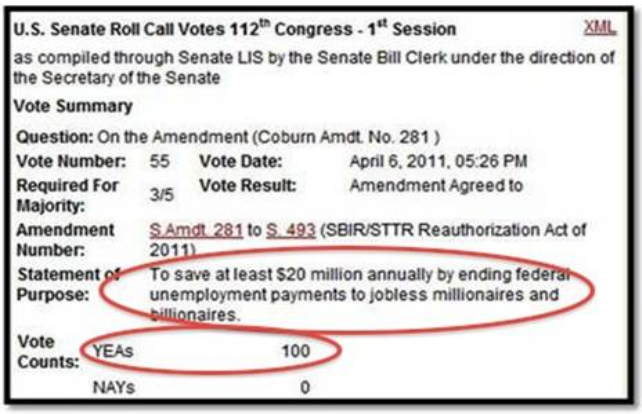
Unemployment Insurance Paid to Millionaires By Adjusted Gross Income (2005-08)

Year	Number of Millionaires Claiming UI Benefits	Amount of UI Received	Average Amount Received
2008	2,840	$18,615,000	$6,554
2007	2,182	$13,056,000	$5,983
2006	1,972	$12,078,000	$6,124
2005	1,647	$9,546,000	$5,796
Total Amount Claimed by Millionaires		**$53,295,000**	**$6,114**

Internal Revenue Service, All Returns: Sources of Income, Adjustments, and Tax Items, Table 1.4, http://www.irs.gov/taxstats/indtaxstats/article/0,,id=96981,00.html#_grp1.

In total, from 2005 to 2009, millionaires collected over **$74 million** in UI benefits.

In April 2011, the Senate unanimously approved an amendment to end UI payments to those earning one million dollars or more,[30] but the underlying bill containing the provision was not passed and is now in limbo. Congress should complete the work begun by the Senate and enact this legislation.


U.S. Senate Roll Call Votes 112th Congress - 1st Session XML

as compiled through Senate LIS by the Senate Bill Clerk under the direction of the Secretary of the Senate

Vote Summary

Question: On the Amendment (Coburn Amdt. No. 281)

Vote Number: 55 Vote Date: April 6, 2011, 05:26 PM

Required For Majority: 3/5 Vote Result: Amendment Agreed to

Amendment Number: S.Amdt. 281 to S. 493 (SBIR/STTR Reauthorization Act of 2011)

Statement of Purpose: To save at least $20 million annually by ending federal unemployment payments to jobless millionaires and billionaires.

Vote Counts: YEAs 100

NAYs 0

individual claimant benefit and wage data." *See* January 24, 2011 Letter from Jane Oates, Department of Labor, Assistant Secretary of Employment and Training Administration, to Sen. Tom Coburn.

[30] *See* Sen. Jon Tester, *Senate Unanimously Approves Tester's Plan to End Unemployment Insurance for Millionaires*, April 6, 2011, http://tester.senate.gov/Newsroom/pr_040611_millionaires.cfm. *See also* Vicki Needham, *Lawmakers Introduce Bill to End Unemployment Benefits for Millionaires*, The Hill, February 8, 2011, http://thehill.com/blogs/on-the-money/budget/142895-lawmakers-introduce-bill-to-end-unemployment-benefits-for-millionaires.

IV. Farm and Conservation Payments for Millionaires

The United States Department of Agriculture ("USDA") provides a number of programs for American farmers. The price tag for this support is not cheap, but many in Congress argue it is necessary to help small, family farms. This could be due to the fact that data collected by the Internal Revenue Service ("IRS") and Government Accountability Office ("GAO") shows that from 2003 to 2009, millionaires received **over $316 million** in farm program payments.[31]

When the 2008 Farm Bill was enacted, the Congressional Budget Office estimated the total cost of the farm bill would be $284 billion over five years, including $42 billion to support commodity crops, $24 billion to support mandatory conservation programs, and $22 billion to support crop insurance.[32]

Millionaires received over $316 million in farm program payments from 2003 to 2009.

The 2002 Farm Bill. Congress attempted to limit the number of farm payments that went to wealthy farmers by establishing income limits. Under the Farm Security and Rural Investment Act of 2002 ("2002 Farm Bill") an individual or entity with an AGI of over $2.5 million was ineligible for farm program payments unless at least 75 percent or more of the AGI was farm income.[33] The AGI limitations in the 2002 Farm Bill applied to crops years 2003 through 2008, and applied to most farm payments and conservation programs. USDA's Farm Service Agency ("FSA") is responsible for ensuring that ineligible individuals do not receive payments. To enforce the AGI eligibility requirements, FSA relies on recipients' one-time self-certification they do not exceed income eligibility caps.[34]

The agency's reliance on self-certification, along with other issues, resulted in program mismanagement and significant losses for taxpayers. From 2003 to 2006, FSA overpaid a number of individuals that reported income in excess of the statutory $2.5 million AGI maximum. Of the 1.8 million individuals receiving farm payments, **2,702** payments were made

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[31] By combining GAO data for years 2003-2005 and IRS data for years 2006-2009, this report concludes that millionaires received at least $316,035,000 in farm program payments during that time period. This number likely understates total farm payments to millionaires, since GAO data was only compiled for recipients with an AGI above $2.5 million. *See* information provided by the Internal Revenue Service and Government Accountability Office, *Federal Farm Programs: USDA Needs to Strengthen Controls to Prevent Payments to Individuals Who Exceed Income Eligibility Limits*, GAO-09-67 (October 2008), http://www.gao.gov/new.items/d0967.pdf. IRS data includes farm payments made through state-sponsored programs.

[32] Renee Johnson, *The 2008 Farm Bill: Major Provisions and Legislative Action*, Congressional Research Service, November 6, 2008, http://www.crs.gov/Products/RL/PDF/RL34696.pdf.

[33] Farm income is defined as income derived from farming, ranching, or forestry operations.

[34] Government Accountability Office, Federal Farm Programs: USDA Needs to Strengthen Controls to Prevent Payments to Individuals Who Exceed Income Eligibility Limits, GAO-09-67 (October 2008), http://www.gao.gov/new.items/d0967.pdf.

to beneficiaries with an AGI of $2.5 million or more. Over the four years reviewed by the GAO, FSA overpaid almost **$49.4 million** to ineligible farming recipients.[35]

Farm Payments Received by Individuals with an AGI Exceeding $2.5 Million (2003-06)

Year	Number of Individuals with AGI Exceeding $2.5 Million Receiving Farm Payments	Amount of Farm Program Payments Received
2003	1,379	$10,900,000
2004	1,154	$8,200,000
2005	1,328	$13,300,000
2006	1,617	$16,900,000
Total	**2,702**	**$49,400,000**

Source: Government Accountability Office, Federal Farm Programs: USDA Needs to Strengthen Controls to Prevent Payments to Individuals Who Exceed Income Eligibility Limits, GAO-09-67 (October 2008) (total does not add due to rounding), http://www.gao.gov/new.items/d0967.pdf.

Of the $49.4 million in improper payments, $39 million were made through the Direct and Counter-Cyclical Payments Program and the Conservation Reserve Program.

A review of the tax returns filed by these 2,702 individuals found **78 percent** listed a metropolitan area as their primary address, nowhere near land suitable for farming. Further, GAO identified several individuals receiving payments whose professions had nothing to do with farming or agricultural:

- A founder and former executive of an insurance company improperly received more than $300,000 in farm program payments in 2003, 2004, 2005, and 2006; and

- A part-owner of a professional sports franchise received total of more than $200,000 in farm program payments in 2003, 2004, 2005, and 2006.

In fact, the single biggest recipient of farm subsidies is a multi-millionaire that does own some farm land, but spends the majority of his time developing land by building homes and offices.[36] Other millionaires that have collected farm subsidies are a NBA star and a billionaire media titan.[37]

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[35] Government Accountability Office, *Federal Farm Programs: USDA Needs to Strengthen Controls to Prevent Payments to Individuals Who Exceed Income Eligibility Limits*, GAO-09-67 (October 2008), http://www.gao.gov/new.items/d0967.pdf.

[36] For more information on Maurice Wilder, *see* David M. Kinchen, *TV PROGRAM NOTE: John Stossel's "Freeloaders' Special Takes on Billionaires, Poor People, Indians, Everybody*, Huntington News, March 27, 2011, http://www.huntingtonnews.net/2795.

[37] These individuals include Scottie Pippen and Ted Turner, respectively. Millionaires also receive state tax breaks on farm land. For example, Jon Bon Jovi paid property taxes of only $100 last year on his extensive real estate holdings in New Jersey that he uses to raise bees. At the same time, Bruce Springsteen received farm subsidies because he leases his property to an organic farmer. *See* David M. Kinchen, *TV PROGRAM NOTE: John Stossel's "Freeloaders' Special Takes on Billionaires, Poor People, Indians, Everybody*, Huntington News, March 27, 2011, http://www.huntingtonnews.net/2795.

This may be due to the fact that GAO had previously found USDA lacked adequate management control of farm program payments to prevent payments to individuals that exceeded the eligibility income caps.[38]

The 2008 Farm Bill. Congress attempted to rein in payments made to wealthy farmers in the next Farm Bill. The Food, Conservation, and Energy Act of 2008 ("2008 Farm Bill") revised the income eligibility caps for farm program payments.[39] The 2008 Farm Bill established that an individual is ineligible for:

- Direct farm payments if the individual's farm income exceeds $750,000;
- All crop subsidy benefits, noninsured crop assistance, and disaster payments if the individual's non-farm income exceeds $500,000; and
- All conservation program payments if the individual's non-farm income exceeds $1 million, unless 66.66 percent of the individual's AGI is from farm income.

The 2008 Farm Bill also specified the types of income or benefits that must be included in determining farm income and required the Secretary of Agriculture to conduct audits of persons likely to exceed the AGI caps.[40]

Farm Program Payments for Millionaires. The IRS collects information on individuals that report receiving farm program payments. Its data shows that from 2006 to 2009, taxpayers reporting an AGI of $1 million or more disclosed receiving **over $283 million** in farm program payments.[41]

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[38] USDA also fails to properly manage farm program payments in other ways. In July 2007, GAO found that USDA paid $1.1 billion over six years to 172,801 deceased farmers. *See* Government Accountability Office, *Federal Farm Progams: USDA Needs to Strengthen Controls to Prevent Improper Payments to Estates and Deceased Individuals*, GAO-07-818 (July 2007). In December 2010, USDA claimed that it had strengthened program integrity and asserted that less than two percent of payments made to deceased individuals were improper. *See* Prevention of Payments to Deceased Persons, 75 Fed. Reg. 81832 (Dec. 29, 2010). A review by the USDA OIG, however, found USDA's assertion to be unreliable due to "a number of data inconsistencies and inaccuracies that affected FSA's reported improper payment error rate." *See* June 29, 2010 Letter from Inspector General Phyllis K. Fong to Sen. Tom Coburn.
[39] The Congressional Budget Office estimated the total cost of the 2008 Farm Bill at just under $284 billion over five years (FY2008-FY2012). This includes about $42 billion in projected spending to support commodity crops; $189 billion to support the cost of domestic nutrition programs; $24 billion to support conservation programs; and $22 billion to support crop insurance. Renee Johnson, *The 2008 Farm Bill: Major Provisions and Legislative Action*, Congressional Research Service, November 6, 2008, http://www.crs.gov/Products/RL/PDF/RL34696.pdf.
[40] *See* Government Accountability Office, *Federal Farm Programs: USDA Needs to Strengthen Controls to Prevent Payments to Individuals Who Exceed Income Eligibility Limits*, GAO-09-67 (October 2008), http://www.gao.gov/new.items/d0967.pdf.
[41] According to the Internal Revenue Service, these amounts include farm payments made through state-sponsored programs.

Millionaires Receiving Farm Program Payments (2006-09)

Year	Number of Millionaires Receiving Farm Program Payments	Taxpayer Cost to the Treasury of Farm Program Payments Received
2006	5,923	$85,001,000
2007	6,242	$78,374,000
2008	5,436	$74,536,000
2009	3,432	$45,724,000
Total	**21,033**	**$283,635,000**

Source: Information provided by the Internal Revenue Service

Therefore, from 2003 to 2009, USDA paid millionaires **$316,035,000** in farm program payments.[42]

In October 2011, the Senate voted to end these farm payments to millionaires in 2012, but for only one year. The House of Representatives has not yet considered the bill.

Paying Millionaires to Conserve Land. While the USDA has a weak track record of effectively preventing farm payments from going to millionaires, at times it encourages it. Special rules allow the USDA to waive income limitations for certain programs, which it does on a regular basis. The result is millions paid to otherwise ineligible millionaires each year. Most of these payments are through conservation programs that pay landowners to refrain from developing their land to encourage conservation of resources, as well as specific endangered species.

In fact, over the past two years, USDA waived the $1 million AGI cap for the programs discussed below and paid a total of **$89,032,263** to individuals or entities with an AGI of $1 million or more.

USDA paid over $10 million to protect the Riparian Brush Rabbit.

Wetland Reserve Program ("WRP"). WRP is a voluntary program that pays landowners to protect and restore wetlands on their property. Essentially, the USDA pays a landowner not to use the property, except to preserve it. In exchange, USDA receives an easement on the property that limits the property's use for a number of years. To date, over 11,000 private landowners have enrolled over 2.3 million acres into WRP.[43]

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[42] As stated, by combining GAO data for years 2003-2005 and IRS data for years 2006-2009, this report concludes that millionaires received at least $316,035,000 in farm program payments during that time period. This number likely understates total farm payments to millionaires, since GAO data was only complied for recipients with an AGI above $2.5 million. *See* information provided by Internal Revenue Service and Government Accountability Office, *Federal Farm Programs: USDA Needs to Strengthen Controls to Prevent Payments to Individuals Who Exceed Income Eligibility Limits*, GAO-09-67 (October 2008), http://www.gao.gov/new.items/d0967.pdf.

[43] United States Department of Agriculture, Natural Resources Conservation Service, Wetlands Reserve Program, http://www.nrcs.usda.gov/wps/portal/nrcs/main/national/programs/easements/wetlands.

To properly qualify to receive WRP benefits in 2009 and 2010, a recipient's AGI could not exceed $1 million unless USDA granted the recipient a waiver signed by the Chief of the Natural Resources Conservation Service ("NRCS"). In 2009, the USDA waived program requirements and paid two millionaires a total of **$10,234,520**, which consisted mainly of a **$10 million** payment to an investment company in California for restoring wetlands to protect the Riparian Brush Rabbit.[44] The remaining amount of **$234,520** went to a company in New Hampshire for wetland restoration.[45]

In 2010, through the WRP, the government waived the program limit and paid **eight individuals** with an AGI of $1 million over **$74 million**. These included almost **$22 million** to a ranch in Florida.[46] The company that owns the ranch describes itself as a "privately held, family-owned company with agricultural, commercial real estate, and asset management operations."[47] That company also states that it owns a number of commercial real estate properties in New Jersey and Florida. The company also claims holdings that include multi-tenant office buildings, parking lots, a for-profit educational institution, restaurants, and retail property.[48]

A ranch in Florida was recently listed for sale for $18.2 million and also received $31 million to protect land along Fisheating Creek.

In 2010, USDA also paid over **$31 million** to another ranch in Florida.[49] The payment was part of an $89 million purchase by USDA of an easement that places deed restrictions on the use of the land along 26,000 acres of the Fisheating Creek Watershed, partially located on the ranch. USDA claimed that the easement purchase would provide support for the crested caracara, Florida panther, and the red-cockaded woodpecker.[50]

Recently, the owners of the ranch listed 2,600 acres for sale for $18.2 million. The property is described as a working ranch with "tremendous recreation and hunting attributes."[51] The local newspaper has also reported that same ranch was slated for a new 12,000-unit planned community.[52]

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[44] Information provided by the United States Department of Agriculture, waiver as to Lyons Investment LP.
[45] Information provided by the United States Department of Agriculture, waiver as to Joseph Falzone of Harbor Street Limited Partnership.
[46] Information provided by United States Department of Agriculture, waiver as to Westby Ranch.
[47] Westby Corporation, Cattle-Citrus-Real Estate-Nursery, http://www.westbyllc.com/.
[48] Westby Corporation, Commercial Real Estate, http://www.westbyllc.com/commercial-real-estate/.
[49] Information provided by the United States Department of Agriculture, waiver as to Blue Head Ranch.
[50] United States Department of Agriculture, *USDA Announces Major Wetland Restoration Project in the Northern Everglades Watershed*, Release No. 0376.10, July 19, 2010, http://www.usda.gov/wps/portal/usda/usdahome?contentidonly=true&contentid=2010/07/0376.xml.
[51] Florida Real Estate, LandSale Listings, Blue Head Ranch, http://www.landsalelistings.com/usa/florida/blue-head-ranch/
[52] Ed Baldridge, *USDA Purchases Rights Along Fisheating Creek*, July 21, 2010, http://www.newssun.com/0721-eb-fish-eating-creek.

Other entities and individuals with an AGI of $1 million or more that received WRP payments in 2010 include:

- **$7.92 million** to a company in Texas for "restoration and protection of critical and unique wetlands" on a property known as East Nest Lake and Osceola Plantation;[53]
- **$5.8 million** to a farm in North Carolina to promote a "habitat for migratory birds and wetland dependent wildlife;"[54]
- **$5.4 million** to a ranch in Florida for land with "high potential to significantly improve waterfowl and wading bird habitat;"[55]
- **$900,853** to an individual in Kansas to "protect and [for] restoring…valuable wetland resources…for migratory birds and other wildlife;"[56]
- **$227,203** to a company in New Hampshire for "wetland restoration;"[57] and
- **$80,000** to two individuals in Mississippi to "restore, protect and enhance wetlands."[58]

In total, through WRP, over these two years, USDA waived program requirements and awarded over **$84 million** to individuals and entities with an AGI of $1 million or more.

Grassland Reserve Program ("GRP"). Another program through which USDA provides funds for an easement from a private landowner to limit the use of the land is the Grassland Reserves Program. USDA pays voluntary participants to limit development of the land, but the landowner retains the right to conduct common grazing practices and operations.[59] Just like WRP, to participate, program applicants with an AGI of $1 million or more are required to obtain a waiver signed by the Chief of the NRCS. In 2010, USDA waived the $1 million AGI requirement and paid a ranch holding company over **$2.7 million** through GRP for "protection of critical and unique grasslands."[60]

USDA paid millionaires $749,509 to protect the Sage Grouse.

Environmental Quality Incentive Program ("EQIP"). Through EQIP, USDA provides financial assistance for landowners to improve soil, water, plant, animal, air and related resources on farm lands. To date, USDA has

[53] Information provided by the United States Department of Agriculture, wavier as to Cumberland & Western Resources LLC.
[54] Information provided by the United States Department of Agriculture wavier as to Lux Farms LLC.
[55] Information provided by the United States Department of Agriculture, waiver as to Little Ranch LLC.
[56] Information provided by United States Department of Agriculture, waiver as to William A. Borchardt.
[57] Information provided by the United States Department of Agriculture, waiver as to Joseph Falzone of Harbor Street Limited Partnership. This amount was in addition to the aforementioned $234,520 awarded in 2009.
[58] Information provided by the United States Department of Agriculture, waiver as to W.M. Yandell, III and G. Ruffner Page, Jr.
[59] United States Department of Agriculture, Natural Resources Conservation Service, Grassland Reserve Program, http://www.nrcs.usda.gov/wps/portal/nrcs/home.
[60] Information provided by the United States Department of Agriculture, waiver as to Portilla Ranch Holdings, LTD.

obligated over $514 million in 24,866 active contracts.[61]

Last year, USDA paid four millionaires a total of **$592,097** through EQIP, **$299,847** of which was aimed at protecting the Sage Grouse by a ranch in California.[62] In addition, **$50,000** went to a farm.[63] That farm is owned by the W.C. Bradley Company, which is best known for producing Char-Broil outdoor grills and Zebco fishing supplies.[64] Remaining amounts of $35,250 and $210,000 went to two family trusts.[65]

Wildlife Habitat Incentive Program ("WHIP"). USDA seeks to protect land for certain wildlife through WHIP by providing up to 75 percent cost-share assistance to improve habitats for fish and wildlife.[66] Over the past two years, WHIP doled out **$737,000** to three millionaire recipients, with the majority of the funds (**$449,662**) going to protect the Sage Grouse by a family trust in California.[67] A farm in Georgia also received $100,000 through WHIP for "promotion of at-risk species habitat conservation."[68] The remaining $187,540 went to a company in New Jersey.[69]

USDA prevented Raspberry Farm in New Hampshire from development by paying a millionaire $630,000.

Farm and Ranch Land Protection Program ("FRPP"). Yet another program providing payments to landowners for conservation purposes is the FRPP. This program provides funds to help purchase development rights to restrict land to certain agricultural uses. USDA provides up to 50 percent of fair market easement value of the conservation easement.[70] The program is not available to individuals with an AGI of $1 million or more, unless a waiver is signed by the Chief of the NRCS. Despite this, FRPP paid **$630,000** to a company in 2009 to protect Raspberry Farms in Hampton Falls, New Hampshire.[71] Raspberry Farms formerly operated as a "popular pick-your-own berries and retail farm stand" in the 1980s and early 1990s. The former farm was scheduled to be developed for

[61] United States Department of Agriculture, Natural Resources Conservation Service, Environmental Quality Incentives Program, http://www.nrcs.usda.gov/wps/portal/nrcs/main/national/programs/easements/grassland.
[62] Information provided by the United States Department of Agriculture, wavier as to SX Lowry Ranch.
[63] Information provided by the United States Department of Agriculture, wavier as to W.C. Bradley Farms, Inc.
[64] W.C. Bradley Co., Our Companies, http://www.wcbradley.com/divisions.aspx.
[65] Information provided by the United States Department of Agriculture, waivers as to Rice Family Trust and Sam S. Jaksick Jr. Family Trust.
[66] United States Department of Agriculture, Natural Resources Conservation Service, Wildlife Habitat Incentive Program, http://www.nrcs.usda.gov/wps/portal/nrcs/detail/national/programs/financial/ccpi/?&cid=nrcs143_008423.
[67] Information provided by the United States Department of Agriculture, waiver as to Sam S. Jaksick Jr. Family Trust.
[68] Information provided by the United States Department of Agriculture, waiver as to W.C. Bradley Farms, Inc.
[69] Information provided by the United States Department of Agriculture, waiver as to TALC LLC.
[70] United States Department of Agriculture, Natural Resources Conservation Service, Farm and Ranch Lands Protection Program, http://www.nrcs.usda.gov/wps/portal/nrcs/main/national/programs/easements/farmranch.
[71] Information provided by the United States Department of Agriculture, waiver as to Joseph Falzone of the Harbor Street Limited Partnership.

housing, but instead, NRCS, in partnership with local entities, paid a total of $1.6 million to ensure the land will never be developed.[72]

Conservation Reserve Program ("CRP"). A landowner can receive annual rental payments and cost-share assistance for conservation on eligible farmland through the CRP.[73] In 2010, through CRP, USDA paid four individuals and entities with an AGI of $1 million or more a total of **$75,540**.[74]

Total Amount Paid to Millionaires. In just two years, USDA waived the $1 million AGI cap for the programs above and paid a total of **$89,107,803** to individuals or entities with an AGI of $1 million or more.

[72] United States Department of Agriculture, *NRCS Helps Protect Raspberry Farm*, http://www.nh.nrcs.usda.gov/news/raspberry_farm.html.
[73] United States Department of Agriculture, Farm Services Agency, Conservation Programs, Conservation Reserve Program, http://www.fsa.usda.gov/FSA/webapp?area=home&subject=copr&topic=crp.
[74] Information provided by the United States Department of Agriculture, waivers as to Jack Alexander, Dennis P. Francis, K2L Company, and one recipient USDA did not identify.

V. Paying to Send Millionaires to School and Take Care of Their Children

The cost of a college education is increasing much faster than inflation.[75] While tuition and fees at public universities have increased approximately 130 percent over the past 20 years, middle class incomes have remained the same.[76]

From 2007-10, millionaires borrowed over $16 million in federally subsidized school loans.

To help individuals afford the cost of college tuition and associated expenses, the Department of Education ("ED") administers a number of loans to undergraduate and graduate students and the parents of dependent undergraduate students. The primary program in which ED administers student loans is the William D. Ford Federal Direct Loan ("DL") program. For 2012, ED estimates that it will loan $124.3 billion to 25.1 million students and parents through the DL program, making it the largest federal program providing direct aid for postsecondary education.[77] Under the DL program, low interest loans are made with capital provided by taxpayers, with maximum interest rates set by statute. These loans offer terms and conditions more favorable to borrowers than private and other non-federal loans.

Since income is not a factor in determining student aid eligibility for unsubsidized Stafford Loans under these programs, millionaires are eligible for these loans. Nor is income a factor in determining aid eligibility for PLUS loans for parents or graduate students.

The number and amount of loans to millionaires through the DL program has continued to increase over the past four years. The average amount loaned to millionaires through the DL program was $19,405.[78]

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[75] Archibald and Feldman, *Why Does College Cost So Much?*, Forbes, August 11, 2010, http://www.forbes.com/2010/08/01/rising-cost-education-opinions-best-colleges-10-feldman-archibald.html.

[76] Annalyn Censky, *Surging College Costs Price Out Middle Class*, June 13, 2011, http://money.cnn.com/2011/06/13/news/economy/college_tuition_middle_class/index.htm.

[77] Until July 2010, student loans were also available through the Federal Family Education Loan ("FFEL") program. While no new loans can be made through the program, approximately $384 billion in loans remain outstanding. Under the FFEL program, loans were made by private lenders, but guaranteed by the federal government against borrower default. At present, the DL program has essentially completely replaced the FFEL program. David P. Smole, *Federal Student Loans Made Under the Federal Family Education Loan Program and the William D. Federal Direct Loan Program: Terms and Conditions for Borrowers*, Congressional Research Service, August 9, 2011, http://www.crs.gov/Products/R/PDF/R40122.pdf.

[78] At the same time, a number of millionaires received student loans through the FFEL program. And in 2009, the average loan amount disbursed to millionaires through the FFEL program was $19,842.

Millionaires Receiving Taxpayer Subsidized Student Loans (2007-10)

Year	Number of Loans	Total Amount Disbursed
2007	182	$2,986,254
2008	188	$3,428,881
2009	265	$4,693,996
2010	270	$5,326,800
Total Amount Loaned to Millionaires: $16,435,931		

Source: Information provided by the Department of Education

In total, the federal government loaned **$16,435,931** to millionaire college students, parents of college students, and graduate students for tuition and related costs in the past four years.[79]

From 2007-09, millionaires deducted over $18 million through the child care tax credit, reducing tax liabilities dollar-for-dollar.

Babysitting for Millionaires. Under the current tax code, individuals are able to claim a credit for child care expenses for children under the age of 13. The credit can also be taken for expenses related to care provided for individuals that are "physically or mentally incapable of self-care."[80] An individual is allowed to count up to $3,000 in child-care expenses for one child, or up to $6,000 for two or more children. The credit is a percentage of the amount spent on child care, and that percentage gradually decreases as income increases. Families that earn less than $15,000 can claim a credit for 35 percent of qualifying expenses. Families that earn $43,000 or more are only able to deduct 20 percent of costs, meaning millionaires take the same credit as families that make $43,000. No income limits exist on claiming the credit.[81]

IF your 2009 adjusted gross income is: Over:		But not over:	THEN the decimal amount is:
$ 0	—	$15,000	.35
15,000	—	17,000	.34
17,000	—	19,000	.33
19,000	—	21,000	.32
21,000	—	23,000	.31
23,000	—	25,000	.30
25,000	—	27,000	.29
27,000	—	29,000	.28
29,000	—	31,000	.27
31,000	—	33,000	.26
33,000	—	35,000	.25
35,000	—	37,000	.24
37,000	—	39,000	.23
39,000	—	41,000	.22
41,000	—	43,000	.21
43,000	—	No limit	.20

Source: Internal Revenue Service, Child and Dependent Care Expenses, Publication 503, http://www.irs.gov/pub/irs-pdf/p503.pdf.

[79] The Department of Education also identified two FFEL subsidized loans that were provided to students in 2010, who had income of $1 million or more. Subsidized loans do not take into account the borrower's financial need. The agency disbursed one of these loans due to limitations in the agency's eligibility fields that masked the student's true income and ability to make independent contributions. *See* August 4, 2011 Letter from James W. Runcie, Department of Education, Acting Chief Operating Officer, to Sen. Tom Coburn.

[80] Internal Revenue Service, *Topic 602 – Child and Dependent Care Credit*, http://www.irs.gov/taxtopics/tc602.html.

[81] Kimberly Lankford, *FAQs on the Child Tax Credit, Kiplinger*, August 5, 2010, http://www.kiplinger.com/columns/ask/archive/faqs-on-the-childcare-tax-credit.html#ixzz1cZUMheL2.

Also deductible under the credit are expenses paid for household services if the services are even partly for the well-being of the qualifying child or dependent. Household services are defined as "ordinary and usual services done in and around your home that are necessary to run your home. They include the services of a housekeeper, maid, or cook." Also included as qualifying expenses are meals the housekeeper eats in the taxpayer's home because of their employment.[82]

Millionaires Claiming the Child Care Tax Credit (2007-09)

Year	Number of Millionaires Claiming Child Care Credit	Taxpayer Cost to the Treasury of Child Care Tax Credit by Millionaires	Average Amount of Credit Claimed
2007	11,437	$6,990,000	$611.17
2008	10,301	$6,273,000	$608.97
2009	7,752	$4,887,000	$630.41
Total Amount of Child Care Tax Credit Claimed by Millionaires: $18,150,000			

Source: Internal Revenue Service, All Returns: Tax Liability, Tax Credits, and Tax Payments, Table 3.3, http://www.irs.gov/taxstats/indtaxstats/article/0,,id=96981,00.html.

From 2007 to 2009, millionaires received tax credits, resulting in dollar-for-dollar reductions in taxes owed, totaling over **$18 million** through the child care tax credit.[83]

[82] Internal Revenue Service, *Child and Dependent Care Expenses - Publication 503*, http://www.irs.gov/pub/irs-pdf/p503.pdf.

[83] According to IRS data, in 2009, five of the 7,752 individuals that claimed the child care tax credit paid no taxes at all. In 2007 and 2008, nine individuals claiming this credit paid no taxes at all. Internal Revenue Service, All Returns: Tax Liability, Tax Credits, and Tax Payments, Table 3.3, http://www.irs.gov/taxstats/indtaxstats/article/0,,id=96981,00.html.

VI. Subsidizing Millionaires' Mansions, Yachts, and Vacation Homes

Encouraging Millionaires to Buy Primary and Vacation Homes. Allowing taxpayers to deduct interest paid through a home mortgage is one of the most popular and expensive tax deductions. According to the Joint Committee on Taxation, federal tax benefits for homeowners cost an estimated $140.1 billion each year between 2010 and 2014. Of this amount, the mortgage interest deduction costs the federal government $96.8 billion.[84]

A homeowner can deduct the interest paid on a mortgage covering a primary or secondary home, which, in turn, reduces that taxpayer's income tax. Limits on the deduction do exist, though. Under current law, homeowners can deduct the interest paid on home mortgages for primary residences and vacation home loans up to $1 million. Current law also allows homeowners to deduct mortgage interest on an additional $100,000 home equity line of credit. The amount of an individual's mortgage interest deduction generally increases as that individual's income increase. This is due to the fact that paying a higher marginal tax rate results in greater savings when mortgage interest is deducted and individuals with higher income generally purchase more expensive homes, which require a larger mortgage.[85]

The beach house featured in the original Beverly Hills 90210 series was recently listed for sale for close to $9 million. As a second home, it could qualify for the home mortgage interest deduction.

While most assume the mortgage interest deduction largely benefits middle and lower income earners, economist Martin Sullivan points out this is actually not the case. Sullivan asserts, "[t]he tax benefit provided by the mortgage interest deduction flows overwhelmingly to rich families like those portrayed in the hit television series Beverly Hills, 90210."[86] Data from the Internal Revenue Service further emphasizes this discrepancy. In 2008 alone, millionaires across the country took advantage of more than $7 billion in mortgage interest deduction tax breaks. Sullivan explains the disparity, "[f]irst, the rich have larger houses and larger mortgages than the poor. Second, the deduction is available only to itemizers. While almost all high-income taxpayers itemize deductions on their returns, very few of the poor do. Finally, the rich have much higher marginal income tax rates than the poor."[87]

The provision of the mortgage interest deduction relating to second homes further highlights that those benefitting from this tax break are among the most well off. Even a yacht can be

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[84] Mark P. Keightley, *The Mortgage Interest and Property Tax Deductions: Analysis and Options*, Congressional Research Service, January 18, 2011, http://www.crs.gov/Products/R/PDF/R41596.pdf.
[85] Mark P. Keightley, *The Mortgage Interest and Property Tax Deductions: Analysis and Options*, Congressional Research Service, January 18, 2011, http://www.crs.gov/Products/R/PDF/R41596.pdf.
[86] Martin Sullivan, , *The Rich Get 100 Times More Mortgage Subsidy Than the Poor*, TaxProf Blog, March 7, 2011, http://taxprof.typepad.com/files/130tn1110.pdf.
[87] Martin Sullivan, *The Rich Get 100 Times More Mortgage Subsidy Than the Poor*, TaxProf Blog, March 7, 2011, http://taxprof.typepad.com/files/130tn1110.pdf.

Under the current tax code, a yacht is considered a second residence, allowing an owner to deduct mortgage interest.

considered a second residence, as long as the luxury boat has a sleeping, cooking, and toilet facility and an individual lives in it for at least two weeks a year.[88]

Since there is no AGI limit on who can take advantage of the mortgage interest deduction, millionaires also use the deduction to reduce their taxable income. From 2006 to 2009, millionaires deducted over **$27 billion** in mortgage interest paid on primary and secondary homes.[89]

Mortgage Interest Deducted by Millionaires (2006-09)

Year	Number of Millionaires Deducting Mortgage Interest	Taxpayer Cost to the Treasury of Mortgage Interest Deducted by Millionaires	Average Amount of Deduction Per Millionaire
2006	227,079	$7,549,494,000	$33,246
2007	251,493	$8,640,633,000	$34,357
2008	209,116	$7,065,350,000	$33,786
2009	143,441	$4,445,994,000	$30,995
Total Taxpayer Cost to the Treasury of Mortgage Interest Deducted by Millionaires: $27,701,471,000			

Source: Information provided by the Internal Revenue Service

Reforms are needed to ensure this deduction is not abused to provide tax breaks for vacation homes, yachts, and mansions. The President's National Commission on Fiscal Responsibility and Reform proposed eliminating the deduction for second homes and equity lines of credit, combined with lowering the cap for the primary deduction to homes worth $500,000.[90] This would better target the mortgage deduction to those with the most need, while resulting in significant savings.

Helping Millionaires Maintain Investment Properties. Expenses a taxpayer incurs by renting a property can also be deducted from that taxpayer's gross rental income. For example, if a taxpayer owns a property, the following expenses can be deducted:

[88] Internal Revenue Service, *Publication 936, Part 1*, http://www.irs.gov/publications/p936/ar02.html.
[89] Information provided by the Internal Revenue Service.
[90] The Commission plan included this recommendation as part of the illustrative comprehensive tax reform proposal. *See* National Commission on Fiscal Responsibility and Reform, *Moment of Truth: Report of the National Commission on Fiscal Responsibility and Reform*, December 1, 2010, http://www.fiscalcommission.gov/news/moment-truth-report-national-commission-fiscal-responsibility-and-reform.

- Depreciation of the property;
- Cleaning and maintenance;
- Travel and transportation expenses related to the property; and
- Mortgage interest.[91]

Millionaires deducted **over $64 billion** in rental expenses from 2006 to 2009.

Rental Expenses Deducted By Millionaires (2006-09)

Year	Number of Millionaires Deducting Rental Expenses	Taxpayer Cost of Rental Expenses Deduction by Millionaires	Average Amount of Rental Deduction Per Millionaire
2006	105,966	$17,050,076,000	$160,901
2007	114,484	$18,641,646,000	$162,831
2008	96,254	$16,058,841,000	$166,838
2009	69,074	$12,501,897,000	$180,992
Total Taxpayer Cost of Rental Expenses Deducted by Millionaires: $64,252,460,000			

Source: Information provided by the Internal Revenue Service, All Returns: Sources of Income, Adjustments, and Tax Items, Table 1.4, http://www.irs.gov/taxstats/indtaxstats/article/0,,id=96981,00.html.

Disaster Relief for Uninsured Millionaires. The Federal Emergency Management Agency ("FEMA") is tasked with the responsibility preparing and executing a comprehensive system for disaster response that will reduce the loss of life and property. These disasters include both natural and man-made disasters, as well as acts of terrorism.[92] FEMA provides money and services to people in the disaster area when losses are not covered by insurance and property has been damaged or destroyed. Aid is distributed through a number of programs, including programs that provide temporary housing assistance.

According to a Department of Homeland Security Inspector General ("DHS OIG") report, as of November 2010, FEMA had distributed $834.1 million in housing assistance to 62,134 individuals. That same report questioned the effectiveness of the program, pointing to the high cost of the program. FEMA failed to obtain data that could be used to analyze whether the program was cost-effective. The DHS OIG found the program lacked any meaningful requirements for tracking and reporting costs and program effectiveness.[93]

[91] Internal Revenue Service, *Publication 527: Rental Income and Expenses (If No Personal Use of Dwelling)*, http://www.irs.gov/publications/p527/ch01.html#en_US_2010_publink1000218984.
[92] United States Department of Homeland Security, Federal Emergency Management Agency, About FEMA: FEMA Mission, http://www.fema.gov/about/.
[93] United States Department of Homeland Security, Office of Inspector General, *Effectiveness and Costs of FEMA's Disaster Housing Assistance Program*, OIG-11-102, August 2011, http://www.oig.dhs.gov/assets/mgmt/OIG_11-102_Aug11.pdf.

Disaster Assistance Claimed by Millionaires Self-Certifying Income (2007-10)

Year	Amount of Disaster Assistance Claimed by Millionaires
2007	$564,163.52
2008	$1,444,883.03
2009	$3,149,031.98
2010	$2,369,594.33
Total Amount of Disaster Housing & Other Needs Claimed by Millionaires:$7,527,672.86	

Source: Information provided by the Department of Homeland Security, Federal Emergency Management Agency

From FY2007 through FY2010, FEMA paid **over $7.5 million** in disaster assistance to individuals that self-certified they had an AGI of $1 million or more through FEMA's housing and other needs programs.[94]

Congress has also created the National Flood Insurance Program to cover homes that are not covered by insurance. Congress created the program because individuals did not want to buy flood insurance "because greedy private companies charged too much." Therefore, taxpayers may foot the bill "if a flood destroys Derek Jeter's new mansion in Florida, or the Kennedy Compound in Massachusetts."[95]

In fact, John Stossel details his own experience in receiving funds from the program:

> Eventually, a storm swept away my first floor. But I didn't lose a penny. Thanks! I never invited you there, but you paid for my new first floor. A few years later, the whole house went. Again, government flood insurance covered my loss. Rich people freeload off…taxpayers all the time, because the over-promisers in Washington make deals for politically favored groups. Those groups tend to be the affluent, because the rich can afford lobbyists to persuade Congress to give them special tax credits – like the one for electric cars. Because of that tax credit, I got a FREE golf cart. Buy a cart for $6,000 and get a $6,000 tax credit. I also put solar panels on the roof of my new home.[96]

Millionaires can clearly afford insurance coverage for their homes and property and should not need disaster aid.

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[94] It should also be noted that these individuals volunteered to report their income, making it possible the actual number of millionaires receiving disaster assistance could be much higher. Information provided by Department of Homeland Security, Federal Emergency Management Agency.

[95] David M. Kinchen, *TV PROGRAM NOTE: John Stossel's "Freeloaders' Special Takes on Billionaires, Poor People, Indians, Everybody*, Huntington News, March 27, 2011, http://www.huntingtonnews.net/2795.

[96] David M. Kinchen, *TV PROGRAM NOTE: John Stossel's "Freeloaders' Special Takes on Billionaires, Poor People, Indians, Everybody*, Huntington News, March 27, 2011, http://www.huntingtonnews.net/2795.

VII. Paying Energy Costs for Millionaires

Residential Renewable Energy Credits. The Residential Renewable Energy Tax Credit provides a 30 percent credit to homeowners for renewable electricity generating property. The credit is comprised of two components. The first is the Non-Business Energy Property Tax Credit (26 U.S.C. §25C), which originally provided a 10 percent credit up to $500 for appliance upgrades to existing homes. The stimulus bill, however, expanded the credit to 30 percent up to $1,500. This has since returned to its original value and is extended through the end of 2011. The second component is the Residential Renewable Generation Tax Credit, which provides a 30 percent credit for renewable electricity generating property (26 U.S.C. §25D) for solar panels, small wind turbines, and geothermal systems. This component expired at the end of 2010.

Examples of energy efficient improvements that qualify for the credit include:

- Insulation material that is specifically designed to reduce heat loss or gain;
- Exterior windows (including storm windows), skylights, and doors; and
- Any metal roof specifically designed to reduce the heat gain of a home that meets or exceeds Energy Star program requirements.[97]

In 2009, the IRS reported that **17,340 millionaires** took a total of **$75,652,000** in residential energy credits. Of these 17,340 millionaires, **13 individuals** paid no taxes at all.[98]

Taxpayers Paying to Heat Millionaires Homes. Some millionaires also take advantage of a federal program, Low-Income Home Energy Assistance Program ("LIHEAP"), designed to provide financial assistance to heat and cool the homes of low-income individuals.

A study of the program by GAO found the program is plagued with fraud and abuse, making payments to not only millionaires, but also to the deceased, prison inmates, and federal employees whose salary exceeds the statutory maximum to participate in the program. In fact, GAO identified several individuals collecting LIHEAP payments while living in million-plus dollar homes in Potomac, Maryland and the Chicago suburbs. GAO even identified one such person living in a home valued at $2 million, who also owned a Mercedes. That same individual won a multimillion dollar settlement in the mid-2000s, which was under appeal at the time of the report.[99]

The Department of Health and Human Services ("HHS") appropriates LIHEAP funds to states to disperse to low-income populations. HHS and the states must work together to make sure LIHEAP funds do not end up in the hands of individuals that do not need support, including millionaires.

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[97] Internal Review Service, *Residential Energy Credits*, Form 5695, http://www.irs.gov/pub/irs-pdf/f5695.pdf.
[98] Internal Revenue Service, All Returns: Tax Liability, Tax Credits, and Tax Payments, Table 3.3 (2009), http://www.irs.gov/taxstats/indtaxstats/article/0,,id=96981,00.html.
[99] Government Accountability Office, *Low-Income Housing Energy Assistance Program: Greater Fraud Prevention Controls Are Needed*, GAO-10-621 (June 2010), http://www.gao.gov/new.items/d10621.pdf.

Helping Millionaires Afford Electric Cars. Recently, several car manufacturers have begun producing plug-in electric vehicles. These include the $41,000 Chevrolet Volt and $32,780 Nissan Leaf. To help encourage taxpayers to purchase these cars, the government offered a tax credit of up to $7,500. The credit applies to both passenger vehicles and light trucks. To qualify, vehicles must be acquired after February 17, 2009, and before January 1, 2012.[100] As such, the credit is currently set to expire on December 31, 2011, but could be extended.

Millionaries claimed over $12 million in tax credits for purchasing eletric plug-in vehicles.

The rules surrounding the use of the credit appear to be somewhat unclear. A government audit found that 20 percent of tax credits for plug-in vehicles and alternative-fuel vehicles were filed in error. Most of the erroneous credits – totaling $33 million – went to individuals that owned vehicles that did not qualify for the credit, such as Hyundai's Sonata and GM's Buick Enclave. Prisoners and IRS employees were among those claiming the erroneous credits.[101]

Taxpayer Cost to the Treasury for Millionaires Purchasing Qualified Electric Plug-In Vehicles (2009)

AGI of Individuals Claiming Electric Car Credit	Number of Millionaires Claiming Credit	Total Amount Claimed by Millionaires
$1 million to $1.5 million	493	$6,931,000
$1.5 million to $2 million	225	$1,734,000
$2 million to $5 million	366	$2,668,000
$5 million to $10 million	80	$579,000
$10 million or more	58	$573,000
Total Taxpayer Cost to Treasury of Qualified Plug-In Vehicle Credit: $12,485,000		

Source: Internal Revenue Service, All Returns: Tax Liability, Tax Credits, and Tax Payments, Table 3.3, http://www.irs.gov/taxstats/indtaxstats/article/0,,id=96981,00.html.

In 2009, **1,222 millionaires** claimed almost **$12.5 million** in tax credit through the Qualified Plug-In vehicle program.[102]

[100] Internal Revenue Service, *Plug-In Electric Vehicle Credit*, http://www.irs.gov/businesses/article/0,,id=214841,00.html.
[101] Richard Rubin, *IRS misfired on plug-in tax credit claims, U.S. Government audit discovers*, Bloomberg, February 3, 2011, http://www.bloomberg.com/news/2011-02-03/irs-misfired-on-plug-in-tax-credit-claims-audit-finds-update1-.html.
[102] Internal Revenue Service, All Returns: Tax Liability, Tax Credits, and Tax Payments, Table 3.3, http://www.irs.gov/taxstats/indtaxstats/article/0,,id=96981,00.html.

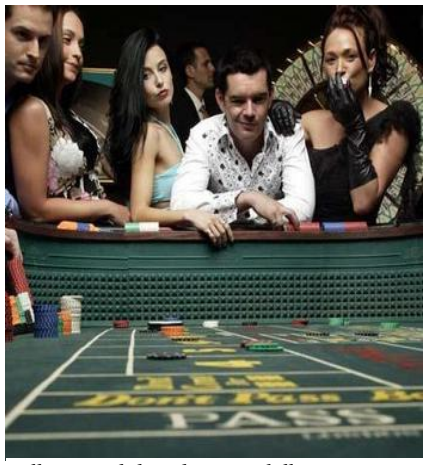
VIII. Helping Millionaires Succeed In Business

Forgiving Debt for Millionaires. Under the tax code, if an individual's personal debt is cancelled or forgiven, the taxpayer must include the amount forgiven as income. There are, however, certain types of forgiven debt that one is not required to report as income. Examples of cancelled debt that can be excluded from income include:

- Debt cancelled in a Title 11 bankruptcy case; and
- Certain cancelled farm debt.[103]

Millionaires that cannot afford their financial obligations are able to exclude forgiven debt from their income. In fact, in 2008, 78 individuals with an AGI of $1 million or more reported **$23,974,000** in cancelled debt that qualified for exclusion from their income. In 2009, the number rose to 126 millionaires that excluded **$104,264,000** in cancelled debt from their gross income.[104] To be clear, over two years these millionaires excluded **$128,238,000** in cancelled debt in the same year they also reported making $1 million or more.

Easing the Burden on Millionaires that are Bad Gamblers. The economic recession has taken a harsh toll on the gambling industry. The Nevada Gaming Control Board recently reported that profits in August 2011 were down 6.1 percent for casinos in Las Vegas.[105] At the same time, in Atlantic City, New Jersey, profits for the city's 11 casinos fell eight percent, compared to the same time last year.[106]



Millionaries deducted over $20 billion in gambling losses from 2006-09.

Under the current tax code, casual gamblers (as opposed to those gambling as a business) are required to report gambling winnings, which are fully taxable. This includes winnings from lotteries, raffles, horse races, and casinos. Gambling winnings also includes any cash winnings and the fair market value of prizes such as cars and trips. At the same time, casual gamblers may deduct gambling losses. A taxpayer's gambling losses, however, may not be more than the amount of gambling income reported.[107]

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[103] Internal Revenue Service, *Cancelled Debts, Foreclosures, Repossessions, and Abandonments, Publication 4681* (2010), http://www.irs.gov/pub/irs-pdf/p4681.pdf.
[104] Information provided by the Internal Revenue Service.
[105] Howard Stutz, *Nevada Gaming Revenues Decline 6.1 Percent in August*, Las Vegas Review Journal, October 11, 2011, http://www.lvrj.com/business/nevada-gaming-revenues-decline-6-1-percent-in-august-131512903.html.
[106] Derek Harper, *Atlantic City Casino Profits Down 8 Percent in 2nd Quarter*, August 17, 2011, http://www.pressofatlanticcity.com/news/breaking/atlantic-city-casino-profits-down-percent-in-nd-quarter/article_22f1be12-c94c-11e0-b585-001cc4c03286.html.
[107] Internal Revenue Service, *Topic 419 – Gambling Income and Losses*, Tax Topics, http://www.irs.gov/taxtopics/tc419.html; *see also* 26 C.F.R. §1.65-10.

Gambling Losses Deducted by Millionaires (2006-09)

Year	Number of Millionaires Deducting Gambling Losses	Taxpayer Cost to Treasure of Gambling Losses Deducted by Millionaires	Average Amount of Gambling Losses Deducted Per Millionaire
2006	10,181	$4,849,702,000	$476,348
2007	10,791	$6,550,945,000	$607,074
2008	9,891	$5,421,402,000	$548,114
2009	8,225	$4,151,841,000	$504,783
Total Taxpayer Cost to the Treasury of Losses Deducted by Millionaires: $20,973,890,000			

Source: Information provided by the Internal Revenue Service

The economic slowdown has not stopped millionaires from rolling the dice. In total, millionaires deducted over **$20 billion** in gambling loses over the past four years.[108]

[108] Information provided by the Internal Revenue Service.

IX. Arts and Entertainment for Millionaires

Tax Deductions for Millionaires to Entertain Clients. Under the current tax code, individuals are able to deduct entertainment expenses that are both "ordinary and necessary" and directly related or associated with the entertainment of a client, customer, or employee.[109]

The IRS definition of what is considered entertainment is broad:

Entertainment includes any activity generally considered to provide entertainment, amusement, or recreation. Examples include entertaining guests at nightclubs; at social, athletic, and sporting clubs; at theaters; at sporting events; on yachts; or on hunting, fishing, vacation and similar trips.[110]

From 2006-09, millionaires deducted over $607 million in business entertainment expenses.

Individual millionaires take full advantage of this deduction and from 2006 to 2009 deducted over **$607 million** in business entertainment expenses on their tax returns.

Business Entertainment Expenses Deducted by Millionaires (2006-09)

Year	Number of Millionaires Deducting Business Entertainment Expenses	Total Amount of Business Entertainment Expenses Deducted by Millionaires	Average Amount of Business Entertainment Expenses Deducted Per Millionaire
2006	39,208	$168,038,000	$4,286
2007	42,181	$174,654,000	$4,141
2008	34,348	$162,676,000	$4,736
2009	22,596	$102,337,000	$4,529
Total Taxpayer Cost to the Treasury of Entertainment Expenses Deducted by Millionaires: $607,705,000			

Source: Information provided by the Internal Revenue Service.

Grants for Millionaires to Pursue the Arts. In addition to leading the world in science, the United States boasts the world's greatest arts community. Some of the most renowned and successful contemporary artists – singers, dancers, painters, poets, photographers, actors and actresses – hail from the United States.

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[109] Internal Revenue Service, *Topic 512 – Business Entertainment Expenses*, September 23, 2011, http://www.irs.gov/taxtopics/tc512.html.

[110] Internal Revenue Service, *Travel, Entertainment, Gift, and Car Expenses*, Publication 463 (2010), http://www.irs.gov/publications/p463/ch02.html#en_US_2010_publink100033878.

Even during these difficult economic times, annual **philanthropic giving to the arts is robust.** In 2009, total private giving to the arts was $12.34 billion and the federal government spent $1.96 billion on the arts.[111]

Among the government initiatives, the National Endowment for the Arts ("NEA") grants at least two awards recognizing individuals making important contributions in certain music fields. Both of these awards include a $25,000 cash award.[112] Because the recipients are regarded as the top of their respective artistic fields, many of them are also millionaires.

Past award recipients include:

- An American music icon,[113] who has won 27 Grammy Awards[114] and produced of the top selling record of all time; [115] and

- A legendary composer and arranger whose decades of contributions have earned him five Grammy awards in addition to an Oscar and an Emmy.[116]

Like the other recipients of these NEA awards, these artists are unmatched in their fields which is why have been celebrated by the public and recognized by their peers. The rewards of their successful contributions have also made them wealthy. They deserve to be recognized and celebrated as role models for others pursuing similar career paths in the arts. They do not, however, need a $25,000 cash award from the government.

The number of college students graduating with arts degrees is rising steadily,[117] but these up and coming artists who may not even be able to afford to go to college are struggling to breakthrough in the midst of a harsh economy. A sum of $25,000 maybe not seem significant to an accomplished artist whose work is recognized the world over, but it could make a real difference for those who have not yet broken through who are still waiting for an opportunity.

In total, NEA has distributed **$1.1 million** through these programs since 2007. The prestige of the awards themselves makes the monetary payment unnecessary. Perhaps the best way to honor and recognize the accomplishments and contributions of these and all the others engaged in the arts is to redirect the limited resources towards those undiscovered artists with great potential but little financial means.

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[111] Roland Kushner and Randy Cohen, "National Arts Index 2010," Americans for the Arts, http://www.americansforthearts.org/pdf/information_services/art_index/NAI_report_w_cover_opt.pdf.
[112] The NEA Opera Honors "celebrate visionaries and luminaries who, by making extraordinary contributions to opera in the United States, have become cultural treasures" and the NEA Jazz Masters Fellowship Awards, is considered "the nation's highest honor to those who have devoted their lives and careers to jazz, an art form uniquely rooted in American history and culture." National Endowment for the Arts, http://www.nea.gov/honors/opera/index.html.
[113] Academy of Achievement, Quincy Jones, http://www.achievement.org/autodoc/page/jon0bio-1.
[114] The Official Website of Quincy Jones, Biography, http://www.quincyjones.com/about-2/about.
[115] Entertainment Weekly, *The 25 Top-Selling Albums of All Time*, March 3, 1996, http://www.ew.com/ew/article/0,,292340,00.html.
[116] Songwriters Hall of Fame, Johnny Mandel, http://songwritershalloffame.org/exhibits/C6034.
[117] Roland Kushner and Randy Cohen, *National Arts Index 2010*, Americans for the Arts, http://www.americansforthearts.org/pdf/information_services/art_index/NAI_report_w_cover_opt.pdf.

X. Other Agencies

A number of other federal agencies provide benefits without requesting individual income information at all or do not provide benefits directly to individuals. These include:

Department of the Interior. Since 2007, the Department of the Interior has awarded **$1,661,108** to individuals through fellowships, research grants, and other cooperative agreements without considering the individual's adjusted gross income.[118]

Environmental Protection Agency ("EPA"). Since 2007, the EPA has awarded **$44,952,907** to individuals through fellowships, grants, and agreements without considering the individual's adjusted gross income.[119]

Department of Justice ("DOJ"). The W.E.B. DuBois Fellowship Program, administered by DOJ, makes limited grants to individuals. The remaining grants made by the agency are made to organizations that received congressional earmarks from 2008 to 2010; grants were distributed with agency discretion in 2007.[120]

Small Business Administration ("SBA"). While SBA runs a number of programs targeted at small businesses, the SBA's Disaster Home Loan program awards benefits to individuals. From 2006 to 2010, this program loaned **$34,459,800** to individuals or businesses that also reported over $1 million in "cash available." No records existed for SBA Disaster Home Loans to individuals with an AGI of $1 million or more.[121]

Other Agencies. The Department of State and Department of Energy do not collect income information for individuals that receive grants through its programs.[122] The Department of Transportation states that agency programs do not award funds to individuals.[123]

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[118] *See* June 9, 2011 Letter from Rhea Suh, Department of the Interior, Assistant Secretary of Policy, Management, and Budget, to Sen. Tom Coburn (with attachments).
[119] *See* June 10, 2011 Letter from Craig E. Hooks, Environmental Protection Agency, Assistant Administrator, to Sen. Tom Coburn.
[120] *See* August 24, 2011 Letter from Ronald Weich, Department of Justice, Assistant Attorney General, to Sen. Tom Coburn.
[121] *See* March 31, 2011 Letter from Nicholas J. Coutsos, Small Business Administration, Assistant Administrator, Office of Congressional and Legislative Affairs, to Sen. Tom Coburn (with attachments).
[122] *See* September 26, 2011 Letter from David S. Adams, Department of State, Assistant Secretary, Legislative Affairs, to Sen. Tom Coburn; June 8, 2011 Letter from Ingrid Kolb, Department of Energy, Director, Office of Management, to Sen. Tom Coburn.
[123] *See* June 13, 2011 Letter from Secretary, Department of Transportation, Ray LaHood to Sen. Tom Coburn.

XI. Recommendations

With a national debt at $15 trillion,[124] the federal government must contain its spending. Ending the federal safety net Congress has created for millionaires would save billions each year.

Reduce or Eliminate Payments Made to Millionaires. While millionaires have paid into certain programs, such as Social Security and Unemployment Insurance, their dependency on these programs is questionable, at best. Therefore, as the United States Senate voted unanimously, UI benefits for millionaires should be terminated. Further, as part of comprehensive Social Security reforms, retirement payments for higher income earners should be restrained.[125]

End Farm Program and Conservation Payments to Millionaires. Farm program payments were designed to encourage individuals to engage in agricultural pursuits. Farmers that are millionaires no longer need this encouragement. Further, a millionaire land owner should not be paid by the government to preserve their land. Payments by the USDA to millionaires through its farm and conservation programs, as voted on by the Senate, should cease.

Means-Testing Should Be Considered for Other Government Programs. Some programs are essential for individuals without adequate financial means. Individuals with adequate means should not be taking from the federal government just because the money or benefit is available. Congress should consider means-testing these types of programs to ensure the payments go to the Americans that need them most.

Reduce or End Certain Tax Deductions and Credits For Millionaires. The incentives created by certain tax deductions, such as the mortgage interest deduction that encourages home ownership, are lost on millionaires. Congress should take a hard look at the tax code and reduce or eliminate a number of confusing and misplaced tax breaks, including those utilized by millionaires.[126]

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[124] http://www.usdebtclock.org/

[125] *See* Sen. Tom Coburn, *Back in Black, Preserving Social Security for Future Generations*, http://coburn.senate.gov/public//index.cfm?a=Files.Serve&File_id=90fe9124-5865-425c-b7c0-5d9dad48fbb9.

[126] *See* Sen. Tom Coburn, *Back in Black, Reforming Tax Expenditures & Ending Special Interest Giveaways*, http://coburn.senate.gov/public//index.cfm?a=Files.Serve&File_id=90c095d7-12e7-4e29-af57-4b83e0ddcb74.

XII. Process for Collecting Information

Information on federal benefits available to millionaires was gained through the Catalog of Federal Domestic Assistance ("CFDA").[127] The CFDA lists programs, by agency, available to individuals, as well as other entities. The CFDA also provides information on applicant and beneficiary eligibility, including whether the programs are means-tested or generally available to any applicant. A letter was then sent to each agency listing all programs that were not means-tested and available to individuals. This letter requested the agency provide data on benefits paid to individuals with an adjusted gross income (or any other measure of income maintained by the agency) of $1 million or more. Congressional Research Service assisted in developing the list of non-means-tested programs available through each agency.

Staff also worked with the Internal Revenue Service to gain specific information collected through individual tax returns. Information on certain programs was also gained through the review of reports published by the Government Accountability Office and Offices of the Inspector General.

Information requests on program recipients also reporting income of $1 million or more were sent to the following agencies. Each letter also identified the programs administered by that agency that are available to individuals. The number of programs administered by each agency is identified in the associated parentheses below.

- United States Department of Commerce (11);
- United States Department of Defense (5);
- United States Department of Homeland Security (6);
- United States Department of the Interior (23);
- United States Department of State (4);
- United States Department of Justice (2);
- United States Department of Education (13);
- United States Department of Labor (5);
- United States Department of Veterans Affairs (19);
- United States Institute of Peace (3);
- United States Department of Transportation (5); and
- United States Department of Agriculture (37).
- United States Department of Housing and Urban Development (26);
- United States Environmental Protection Agency (13);
- United States Department of Health and Human Services (21);
- United States Department of Energy (5);
- Centers for Medicare and Medicaid Services (4);
- Christopher Columbus Fellowship Foundation (6);
- Social Security Administration (4);
- Farm Credit System (3);
- Internal Revenue Service (general program requests);

[127] Catalog of Federal Domestic Assistance, https://www.cfda.gov/.

- National Endowment for the Arts (all grants to individuals);
- National Endowment for the Humanities (all grants to individuals);
- Small Business Administration (21).

In total, information on 236 programs from 24 agencies was requested.

Challenges in Obtaining Information. While some agencies cooperated with the data request and timely produced requested information, others were less than forthcoming or even sought to limit the information produced. For example, included in the Department of the Interior's response was an email from Pam K. Haze, Deputy Assistant Director for Budget, Finance, Performance, and Acquisition, suggesting that information provided in response to the data request should be limited. Ms. Haze's reason for doing so included Sen. Coburn staff's "proclivity for poking at programs that they do not think are meritorious. For example the Rock Art Inventory."[128]

The Department of Commerce provided a wholly deficient response after a significant delay. The agency took over five months to report the one program it administered that made benefits available to individuals did consider recipient income, but "information [was] not readily retrievable and…largely personal privacy information; therefore we are unable to disclose it."[129] The agency then referred to usaspending.gov for further information about recipients of its grants programs. Sen. Coburn's staff requested further information on individuals that received program benefits and the difficulty in obtaining that information; agency staff has yet to respond. Sen. Coburn's staff is still waiting for an answer to basic questions about just one program administered by the Department of Commerce.

Some agencies were extremely slow to respond. For example, the Department of Homeland Security received the data request from Sen. Coburn on May 5, 2011, which requested a response by May 19, 2011. Sen. Coburn's staff continually contacted DHS to request when the information would be produced; DHS consistently responded that the data was not ready for production. DHS finally produced the requested information on October 4, 2010, almost five months later. The excel spreadsheets included in the response, however, were dated May 27, 2011. It is unclear why DHS held the information for so long before its production.

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[128] *See* attachment to June 9, 2011 Letter from Rhea Suh, Department of the Interior, Assistant Secretary – Policy, Management, and Budget to Sen. Tom Coburn.

[129] *See* September 30, 2011 Letter from April Boyd, Department of Commerce, Assistant Secretary for Legislative and Intergovernmental Affairs to Sen. Tom Coburn.