



Compact for a Balanced Budget's Balanced Budget Amendment: Section-by-Section

*“**Section 1.** Total outlays of the government of the United States shall not exceed total receipts of the government of the United States at any point in time unless the excess of outlays over receipts is financed exclusively by debt issued in strict conformity with this article.”*

Federal spending is limited to tax cash flow with the sole exception of borrowing under the debt limit specified in Sec. 2.

*“**Section 2.** Outstanding debt shall not exceed authorized debt, which initially shall be an amount equal to 105 percent of the outstanding debt on the effective date of this article. Authorized debt shall not be increased above its aforesaid initial amount unless such increase is first approved by the legislatures of the several states as provided in Section 3.”*

The federal government's currently unlimited borrowing capacity is limited to 105% of the total outstanding debt.

*“**Section 3.** From time to time, Congress may increase authorized debt to an amount in excess of its initial amount set by Section 2 only if it first publicly refers to the legislatures of the several states an unconditional, single subject measure proposing the amount of such increase, in such form as provided by law, and the measure is thereafter publicly and unconditionally approved by a simple majority of the legislatures of the several states, in such form as provided respectively by state law; provided that no inducement requiring an expenditure or tax levy shall be demanded, offered or accepted as a quid pro quo for such approval. If such approval is not obtained within sixty (60) calendar days after referral then the measure shall be deemed disapproved and the authorized debt shall thereby remain unchanged.”*

A referendum of state legislatures is required to approve any increase in the debt limit set by Sec. 2. This provides flexibility for emergencies but ensures the federal debtor will no longer have the unilateral power to set its own credit limit.

*“**Section 4.** Whenever the outstanding debt exceeds 98 percent of the debt limit set by Section 2, the President shall enforce said limit by publicly designating specific expenditures for impoundment in an amount sufficient to ensure outstanding debt shall not exceed the authorized debt. Said impoundment shall become effective thirty (30) days thereafter, unless Congress first designates an alternate impoundment of the same or greater amount by concurrent resolution, which shall become immediately effective. The failure of the President to designate or enforce the required impoundment is an impeachable misdemeanor. Any purported issuance or incurrence of any debt in excess of the debt limit set by Section 2 is void.”*

The President or Congress are required to enforce the debt limit set by Sec. 2 by designating necessary delays in spending months in advance of reaching that limit. If neither acts, spending will be limited to tax cash flow (per Section 1) when the debt limit is reached. The President could be impeached for failing to act. Illegal debt is deemed void.

*“**Section 5.** No bill that provides for a new or increased general revenue tax shall become law unless approved by a two-thirds roll call vote of the whole number of each House of Congress. However, this requirement shall not apply to any bill that provides for a new end user sales tax which would completely replace every existing income tax levied by the government of the United States; or for the reduction or elimination of an exemption, deduction, or credit allowed under an existing general revenue tax.”*

Simple majority approval of taxes is limited to: 1) the replacement of all income taxes with a non-VAT sales tax; 2) the elimination of tax loopholes; and 3) new or increased tariffs and fees. Congress will be forced to run through a narrow gap defended by powerful special interests. This will cause deficits to be closed by spending cuts first.

*“**Section 6.** For purposes of this article, “debt” means any obligation backed by the full faith and credit of the government of the United States; “outstanding debt” means all debt held in any account and by any entity at a given point in time; “authorized debt” means the maximum total amount of debt that may be lawfully issued and outstanding at any single point in time under this article; “total outlays of the government of the United States” means all expenditures of the government of the United States from any source; “total receipts of the government of the United States” means all tax receipts and other income of the government of the United States, excluding proceeds from its issuance or incurrence of debt or any type of liability; “impoundment” means a proposal not to spend all or part of a sum of money appropriated by Congress; and “general revenue tax” means any income tax, sales tax, or value-added tax levied by the government of the United States excluding imposts and duties.”*

These definitions maximize transparency and eliminate or strongly deter all known tactics used to circumvent constitutional debt limits.

*“**Section 7.** This article is immediately operative upon ratification, self-enforcing, and Congress may enact conforming legislation to facilitate enforcement.”*

This section ensures the amendment is effective as soon as it is ratified.