

Courier, Express, and Postal Observer: Are Tax Refunds a Bailout to Taxpayers?

<http://courierexpressandpostal.blogspot.com/2011/03/are-tax-refunds-bailout-to-taxpayers.html>

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Conservative thinkers are just beginning to start thinking about what to do with the Postal Service. As those who read this blog know, this is a complicated problem and the solution will likely cause pain for all stakeholders and eliminate protections that many have from the status quo. In a well reasoned article entitled, "[Does the U.S. Treasury Owe \\$75 Billion to the Postal Service?](#)" Michael Schuyler, a Senior Economist at the Institute for Research on the Economics of Taxation reviews the number one topic discussed among postal stakeholders, disputes over Postal Service obligations for retirement obligations.

Mr. Schuyler's conclusions are clear:

- Notwithstanding these budget concerns, the Postal Service should be credited with the money if OPM mistakenly charged the Service more than the law allows. Providing the credit would then be very roughly analogous to the government sending a refund to a taxpayer who overpaid his or her taxes, issuing a check to a contractor for the agreed upon amount in a government contract, or paying restitution after losing a court case.
- However, if OPM's allocation methodology is consistent with the law, Congress should weigh the merits of the proposed transfer against efforts to rein in the federal budget deficit.
- If Congress decides to approve a transfer but not for such a large amount, it should be aware that the budget cost would drop by an order of magnitude if the allocation formula were changed prospectively, not retroactively is clear.

Simply stated, Mr Schuyler states that if the law states that the Postal Service does not owe the money it should be refunded. If the law states that the Postal Service owes the money, then it is a Congressional prerogative to change the law but the budget deficit requires that changes in law should be considered carefully. If Congress determines that the law should be changed but due to the deficit changes cannot be made to fully cover the disputed overpayment then the focus should be elimination of prospective overpayments.

Complicating the politics of resolving this issue is the politics of changing the law. [Tad De Haven](#) of the Cato Institute, has quoted Mr. Schuyler's paper to describe changes in law as a bailout of the Postal Service. As bailout is a politically charged word, its introduction will likely make passage of any changes in law more difficult.

The problem for Congress is that the choice is not so simple. Opposing any changes in law introduces a new problem. The upcoming default by the Postal Service of its payments of its "legal obligations."

Mr. Schuyler lays out clearly the risk of a Postal Service default. "A default would harm the Postal Service's reputation, and there is a nontrivial risk it would reduce investors' confidence in the United States, which would hurt American businesses and the U.S. government when they borrow in security markets."

Mr. Schuyler's only policy recommendation is to restructure the retiree health care obligations currently on the book. If restructuring the retiree health care obligation is not sufficient to prevent default, his conclusion suggests that Congress is right now faced with a real dilemma. Which is worse: default on its obligations by the Postal Service or an increase in the federal deficit?

Finally, Mr. Schuyler recognizes that regardless of what is done to get the Postal Service through next fall, the long-term challenge cannot be ignored. Congress has to determine that if they want a self sufficient Postal Service that provides universal service and then can it be self sufficient under its current business model, under the current business model with full freedom to cut costs and

eliminate facilities and services that create opposition in Congress. If it cannot do so, then alternatives need to be considered.