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CBO DATA CONFIRM THAT EXTENDING TAX CUTS WOULD MORE THAN DOUBLE THE SIZE OF ITS OWN OFFICIAL DEFICIT PROJECTIONS

The new Congressional Budget Office budget projections show deficits of \$1.9 trillion over the next ten years, fiscal years 2005 – 2014. As CBO has acknowledged, however, the baseline projections are unrealistically optimistic, since they do not include the costs of continuing various existing policies, such as the recent tax cuts and relief from the Alternative Minimum Tax. Table 1-3 on page 6 of CBO's new report, along with footnote 13 of the report, show that extending the tax cuts and AMT relief would themselves add another \$2.9 trillion to deficits over the next ten years — bringing the total ten-year deficit to \$4.8 trillion.

In recent months, four different analyses have been conducted of deficits over the decade from 2004 – 2013 if current policies — such as the tax cuts and AMT relief — are continued. All four analyses — a joint analysis by the business-backed Committee for Economic Development, the Concord Coalition, and the Center on Budget and Policy Priorities, as well as analyses by the Brookings Institution, Goldman Sachs, and Decision Economics (a Wall Street forecasting firm), found deficits of \$5 trillion or more.

The Brookings analysis, issued earlier this month, also includes a projection for the years 2005 – 2014. It projects deficits of \$5.3 trillion over this period.

The Center on Budget and Policy Priorities is currently preparing a new analysis of projected deficits for 2005 – 2014, based on the CBO projections issued today and incorporating the costs of continuing current policies, as noted above. This analysis will be completed later on January 26 or on January 27. But the bottom line is clear — a more realistic projection shows actual deficits over the next ten years will be about \$3 trillion above CBO's official \$1.9 trillion figure and will be roughly \$5 trillion.