Center on Budget and Policy Priorities

820 First Street NE, Suite 510
Washington, DC 20002

Tel: 202-408-1080
Fax: 202-408-1056

center@cbpp.org
www.cbpp.org

March 7, 2008

# CLAIM THAT CONGRESSIONAL BUDGET PLANS CALL FOR "LARGEST TAX INCREASE IN HISTORY" IS INACCURATE

Some are claiming that the budget plans adopted this week by the House and Senate Budget Committees — the full House and Senate are scheduled to consider their respective committee's plan next week — would constitute "the largest tax increase in history." This claim is inaccurate, just as the same claim was inaccurate with regard to the budget resolution the Congress adopted last year. Neither of the plans recommended this week by the budget committees include a tax increase. The House plan simply assumes the same level of revenues over the 2008-2013 period as projected by the Congressional Budget Office under its current policy baseline, which essentially assumes no change in current laws governing taxes. The Senate plan actually calls for a small reduction in revenues, reflecting its assumption that Alternative Minimum Tax relief will be extended for one year without any offset of the revenues that will be lost as a result of that extension and that a second stimulus bill this year may include a small tax cut.

The charge that the budget plans proposed by the House and Senate Budget Committees include a large tax increase arises not from any policy changes proposed in those plans, but instead from policies enacted in 2001 and 2003. Legislation enacted in those years put in place tax cuts proposed by President Bush but provided for those tax cuts to expire at the end of 2010, unless current law is changed. Both the House and Senate Budget Committee plans assume that current law will be amended to extend some of the expiring tax cuts (especially those affecting middle-class families) and make other changes in tax policy, but they assume (except in the case of temporary AMT relief and stimulus legislation in the Senate plan) that the cost of such changes will be offset by other changes in policy. They do not assume that total revenues will be increased above what is expected to be collected under current policies.

It should be recalled that the President's tax cuts expire in 2010 because their supporters deliberately designed them that way, in order to fit the tax cuts within the cost constraints imposed by the Congressional budget resolutions adopted in 2001 and 2003. While acknowledging that their real goal was to make the tax cuts permanent, supporters of those measures opted to "sunset" the tax cuts before the end of the ten-year budget window, partly in order to avoid recognizing the cost of permanent tax cuts. Now, a few years from the tax cuts' expiration, some of these same supporters are trying to act as though the tax cuts are already permanent and any proposal to offset the cost of extending them is a "tax increase."

To extend the tax cuts without paying for them — and to attack those who simply seek to require that any extension of the tax cuts be paid for — further heightens the irresponsible fiscal nature of the original actions.