

Revised February 14, 2001

OVERVIEW ASSESSMENT OF PRESIDENT BUSH'S TAX PROPOSAL

In assessing the tax cut package proposed today by President Bush, two questions loom large. Are the benefits of the tax cuts distributed in a desirable fashion? Is the size of the tax cut appropriate and prudent? This analysis assumes, as appears to be the case, that the Bush administration has made no significant changes to its proposal, and thus reflects the Bush campaign proposal as recently introduced by Senators Gramm and Miller.

No matter how the benefits of the tax cut are measured, those at the top of the income spectrum benefit the most. Not only would the highest-income individuals receive by far the largest average tax benefit in actual dollars, the degree to which their taxes are cut in percentage terms would be larger than among any other group. The top one percent of the population would receive about 40 percent of the tax cuts from the proposal, which is double the share of federal taxes that they pay. In addition, the share of the tax cuts that would be received by the top one percent of the population significantly exceeds the share that would be received by the bottom 80 percent of the population combined.

When properly measured, the Bush tax cut costs at least \$2.1 trillion over ten years, rather than the often-cited \$1.6 trillion figure. The primary reason for the larger estimate is that it accounts for the extra federal interest costs automatically generated by the tax cut. If the full effect of the rate cuts were accelerated forward to this year and not offset by reductions in the remainder of the tax package, the costs would increase an additional several billion dollars over 10 years. A tax cut of more than \$2 trillion would exceed the surplus that is likely to be available outside Social Security and Medicare when realistic budget assumptions are used.

The issues of the distribution of the Bush tax cut plan and its size are explored below. In addition, Appendix 1 includes a list of recent Center on Budget and Policy Priorities analyses on which this overview paper is based.

How are the Benefits of the Bush Tax Plan Distributed?

The package of tax cuts President Bush has proposed are heavily skewed toward those at the top of the income spectrum. The broad middle class would receive substantially less relief.

- The one percent of the population with the highest incomes would receive between 36 percent and 43 percent of the tax cut, depending on the calculation used. The bottom 80 percent of the population would receive 29 percent of the tax cut.

- The Bush plan would deliver an average tax reduction of at least \$39,000 to the top one percent of the population (in 1999 dollars). The Administration claims the typical family of four would receive \$1,600 when the plan is fully in effect. The Administration's family is hardly typical. When the income tax cuts take full effect in 2006, Citizens for Tax Justice has found that 85 percent of households would receive a tax cut of less than \$1,600 in that year.¹
- The Treasury Department has reported that the top one percent of the population pays 20 percent of all federal taxes under current law. Under the Bush plan, the share of the tax cut that would go to the top one percent — 36 percent to 43 percent — is about double the share of the federal taxes they pay.
- The proposal would repeal the estate tax, even though IRS data show that the estate tax is levied only on two percent of all estates and that in 1997 half of all estate taxes were paid by the 2,400 largest taxable estates. If the estate tax had been repealed in 1997, these 2,400 estates would have received an average tax cut of about \$3.5 million apiece. In addition, of those estates that are subject to tax, very few include family-owned farms or businesses.

Of the approximately 2.3 million people who died in 1998, only 47,482 (or two percent) left estates subject to any estate tax. Only 1,418 of the estates that were taxable — or three percent of them — were estates in which family-owned businesses or farms formed the majority of the estate. This means that only six of every 10,000 people who died in 1998 left an estate that was taxable and consisted primarily of a family-owned farm or business. A Treasury analysis found that these estates paid *less than one percent* of all estate taxes. Estate tax relief can be directed at these estates at a small fraction of the cost of repealing the estate tax.

- White House officials have claimed that lower-income families would receive the largest percentage tax reductions. Such claims focus only on *income* taxes. Low- and moderate-income families pay more in other federal taxes — principally payroll taxes — than in income taxes. It is possible to eliminate a large percentage of the small income tax liability that many moderate-income families incur and register only a small impact on the total federal taxes that such families pay.

For example, a two-parent family of four with income of \$26,000 would indeed have its income taxes eliminated under the Bush plan, which is being portrayed as a 100 percent reduction in taxes. The family, however, owes only \$20 in income

¹The income tax cuts are phased in over five years. In 2002, the maximum tax cut for most middle-income families would be \$320. In addition, due to inflation, a "\$1,600 tax cut" in 2006 is worth less than \$1,600 in today's dollars. Citizens for Tax Justice finds that even when the package is fully in effect, 90 percent of families would receive a tax cut of less than \$1,600 in today's dollars.

taxes under current law. As a percentage of all taxes paid (considering only the effects of income and payroll taxes and counting the benefits the family would receive from the Earned Income Tax Credit), the family would have its taxes reduced by less than one percent. Its net tax bill would still exceed \$2,680.²

Figures that the Bush campaign issued, which showed the top one percent receiving a *smaller* share of the tax cut than the share of taxes this group pays, reflected only federal *income* taxes. Those figures omitted payroll, estate, and other taxes. As a result, the figures provided an incomplete picture. Leaving payroll taxes out of the analysis makes the share of taxes that the top one percent pays look larger, while leaving out the estate tax makes the share of the tax cut they will receive appear smaller.

Relief to Low-income Families?

Over the past week President Bush and his Administration have repeatedly emphasized that his plan will provide tax relief to low-income families and help them enter the middle class. The proposal, however, would provide no assistance to working poor families or to many families modestly above the poverty line. (As described below, these families can pay substantial amounts in other taxes, such as payroll and excise taxes, even after the Earned Income Tax Credit is taken into account.) To estimate the number of families with children who would not benefit from the Bush proposal, we tabulated the latest data from the Census Bureau. These data are for 1999. This analysis considers the effects of the plan on families with children under age 18 as if it were in full effect that year. We found:

- An estimated 12.2 million low- and moderate-income families with children — 31.5 percent of all families with children — would not receive any tax cut from the Bush proposal. Some 80 percent of these families have workers.
- Approximately 24.1 million children — 33.5 percent of all children — live in the excluded families.
- Among African-Americans and Hispanics, the figures are especially striking. While one-third of all children would not benefit from the Bush tax plan, *more than half* of black and Hispanic children would not receive any assistance. An estimated 55 percent of African-American children and 56 percent of Hispanic children live in families that would receive nothing from the tax cut.

Even the Bush proposal to double the child tax credit — the feature of his tax plan that one might expect to provide the most assistance to children in low- and moderate-income families — would provide the largest tax reductions to families with incomes in the \$110,000 to

²This family's current tax bill consists of income taxes of \$20, payroll taxes of \$3,978, offset by an Earned Income Tax Credit of \$1,289. Its current net federal tax bill, not considering excise taxes, is \$2,709. Under the Bush plan, its tax bill would be \$2,689.

\$250,000 range, and confer a much larger share of its benefits on upper-income families than on low- and middle-income families. Under the plan, the maximum child credit would be raised from \$500 per child to \$1,000. Also, the proposal raises the income level above which the child credit begins to phase out from \$110,000 to \$200,000, extending the credit for the first time to those in this income category. For many of these relatively affluent taxpayers, the child credit would rise from zero to \$1,000 per child. By contrast, millions of children in low- and moderate-income working families would continue to receive no child credit, or their credit would remain at its current level of \$500 per child or rise to less than \$1,000 per child.

Since the reason 12 million families and their children would not benefit from the Bush plan is that they do not owe federal income taxes, some have argued that it is appropriate they not benefit. "Tax relief should go to those who pay taxes" is the short-hand version of this argument. This line of reasoning is not persuasive for several reasons.

1. Many of these families owe taxes other than federal income taxes, often paying significant amounts. For most families, their biggest federal tax burden by far is the payroll tax, not the income tax. Data from the Congressional Budget Office indicate that in 1999, three-quarters of all U.S. households paid more in federal payroll taxes than in federal income taxes. (This comparison includes both the employee and employer share of the payroll tax; most economists concur that the employer's share of the payroll tax is passed along to workers in the form of lower wages.) While the Earned Income Tax Credit offsets these taxes for most working families with incomes below the poverty line, many families with incomes modestly above the poverty line who would not benefit from the Bush plan are net taxpayers.

Consider two types of families earning \$25,000 a year in 2001, an income level the Administration has used in some of its examples:

- A two-parent family of four with income of \$25,000 would pay \$3,825 in payroll taxes (counting both the employee and employer share) and lesser amounts in gasoline and other excise taxes. The family pays various state taxes as well. The family's Earned Income Tax Credit of \$1,500 would offset well under half of its payroll taxes.

Even if just payroll taxes and the EITC are considered, the family's net federal tax bill would be \$2,325. Nonetheless, this family would receive no tax cut under the Bush plan.

- The Administration has used the example of a waitress who is a single-mother with two children and earns \$25,000 a year. If this waitress pays at least \$170 a month in child care costs so she can work and support her family — an amount that represents a rather modest expenditure for child care — she, too, would

receive no tax cut under the Bush plan despite having a significant net tax burden. In her case as well, her payroll taxes would exceed her EITC by \$2,325.³

2. *While many workers would see their marginal tax rates reduced, the Bush plan fails to reduce marginal rates at all for the working families that face the highest marginal rates of any families* — working families with children that have incomes between about \$13,000 and \$20,000. For each additional dollar these families earn, they lose up to 21 cents in the EITC, 15.3 cents in payroll taxes, 24 cents to 36 cents in food stamp benefits, and additional amounts if they receive housing assistance or a child care subsidy or pay state income tax. Ways to reduce marginal rates on these families are well known. The Bush plan does not include them.

3. *Low-income working families face some of the most severe marriage tax penalties.* The Administration's plan, however, departs from a bipartisan consensus formed in Congress over the past two years to reduce marriage tax penalties for low-wage working families, not just for middle- and upper-income families. Analysts generally concur that some of the most serious marriage penalties in the tax code are those that can face low-income working individuals as a result of the way the phase-out of the EITC is designed. Every major tax bill from both parties in the last year and a half — including major tax bills that Congress passed and President Clinton vetoed in 1999 and 2000 — has contained EITC reforms to provide marriage penalty relief for low-income working families. (Clinton vetoed the bills for other reasons; his budget, too, proposed EITC marriage penalty relief.)

4. *Children in low-income working families would benefit from the added income that tax benefits could provide.* A major new study issued by the well-respected Manpower Demonstration Research Corporation (MDRC) finds that increases in employment among former welfare recipients need to be accompanied by increases in family incomes if the lives of the poor children in these families are to register significant improvement. MDRC examined five studies covering 11 welfare reform programs and found that increased employment among parents did not by itself significantly improve their children's lives. Only in programs where the parents experienced increased employment *and* increased income were there positive effects, such as better school achievement, for elementary-school-age children. This suggests that tax measures that increase the disposable income of these families could have significant positive effects on children.

³If the single-mother waitress with two children who earns \$25,000 has child care costs of \$100 a month, she would receive a small income tax cut — less than \$200 a year. If she has no child care costs, does not itemize deductions, and makes no pension contributions, she could receive a total tax cut of \$447. In both scenarios, the waitress would receive a tax cut of less than \$500 per child (the amount of the expansion in the child tax credit) and her net tax bill (including payroll and other taxes) would be in the neighborhood of \$2,000.

The Size of the Tax Cut

The Bush tax cut is often described as costing \$1.6 trillion over the ten-year period from 2002-2011. This figure, however, fails to account for the nearly \$400 billion in additional interest payments on the debt that would ensue. This is because CBO's budget projections assume that no tax cuts or spending increases will be enacted over the next decade and therefore that the debt will fall rapidly. As a result, the costs of interest on the debt — a sizable component of federal spending — also will fall rapidly. If a ten-year, \$1.6 trillion tax cut is enacted, however, surpluses will be smaller and the debt larger than CBO projects, and interest costs will be almost \$400 billion higher than CBO assumed when developing its estimate of the surplus.

Once the additional debt costs of nearly \$400 billion as well as the additional amounts necessary to ensure that the value of the new tax cuts are not diluted by the Alternative Minimum Tax are accounted for,⁴ the cost of the Bush tax package rises to \$2.1 trillion over 10 years. The price tag could rise even further if the plan were accelerated forward. When President Bush announced his tax package on February 8, he expressed support for accelerating a portion of his tax cuts to the beginning of 2001. He did not specify which aspects of the plan should be accelerated, but offered to work with Congress to achieve this goal. If the rate cuts in his plan, which are not scheduled to become fully effective until 2006, are made fully effective retroactive to January 1, 2001, and these added costs are not offset by scaling back other parts of the plan, the ten-year cost of the plan increases another \$400 billion, to \$2.5 trillion.

Some would argue that even a tax cut in excess of \$2 trillion over 10 years is affordable given the expected size of the expected surplus, and would refer to the recent surplus projections of the Congressional Budget Office. A closer look at the CBO estimates, however, suggests the opposite.

Under the new CBO forecast, the projected surplus excluding Social Security is \$3.1 trillion over 10 years. However, as earlier analyses by the Center on Budget and Policy Priorities, the Brookings Institution, and the Concord Coalition all have explained, there is a difference between CBO's estimate of the size of the non-Social Security surplus and the amount that actually is available for tax cuts.

In making its surplus estimates, CBO follows certain rules under which it assumes that various tax increases and program reductions that neither party favors — and that are very unlikely to take place — will go into effect. For example, about 20 popular tax credits and other

⁴The AMT was established to prevent wealthy taxpayers from engaging in so much tax shelter activity that they owe little or no income tax. Some 1.3 million taxpayers were subject to the AMT last year. Due to a flaw in the AMT's design, however, it will encroach heavily upon the middle class in the coming years if Congress does not act to prevent that from occurring, causing 15 million taxpayers to be subject to the AMT by 2010. Virtually all observers agree policymakers will act to prevent that from taking place. This anticipated action to remedy the flaw in the AMT will increase the cost of the Bush tax plan by \$200 billion over 10 years.

tax preferences — such as the research and experimentation tax credit — are typically renewed for only a few years at a time. There is no question that the tax credits will be extended. The CBO projections, however, assume that these tax credits all will expire and the beneficiaries of the credits will thus be subject to tax increases. Furthermore, CBO includes the temporary surpluses building in the Medicare Hospital Insurance trust fund in its estimate of the non-Social Security surplus. Both chambers of Congress voted last year by large bipartisan margins to set these Medicare surpluses to the side and not use them to finance tax cuts or program increases.

Setting the Medicare surpluses to the side — and using the more prudent and more realistic assumption that the tax increases and program reductions reflected in the CBO projections will not occur — produces an estimate of the available surplus that is about \$1.1 trillion lower. This leaves an available surplus of \$2.0 trillion over the next 10 years.

The Bush tax cut would consume all, or more than all, of this available \$2.0 trillion. This is problematic for four reasons.

First, the \$2.0 trillion estimate of the available surplus is only a projection. Any number of events — such as slower-than-forecast economic growth or faster-than-expected growth in health care costs — could cause these projections to be too high. Based on its own track record, CBO concludes that “the estimated surpluses could be off in one direction or the other, on average, by about \$52 billion in 2001, \$120 billion in 2002, and \$412 billion in 2006.” Committing all or more than all of the available projected surplus to a tax cut is not prudent in the face of such uncertainty.

A second reason that it would be unwise to consume all of the \$2.0 trillion available surplus is that even if the surplus forecast proved correct, acting now to commit all of the available surpluses for the next 10 years would leave no funds available for subsequent Congresses to use to address needs that cannot be foreseen but inevitably will arise. Such needs could be military, international, or domestic. While we cannot know today what these needs will be, we can count on some new problems emerging that will have to be addressed. A third reason that passing a tax cut that consumed all, or more than all, of the projected \$2.0 trillion would be imprudent relates to Social Security and Medicare. If legislation to restore long-term Social Security solvency is to be enacted, a transfer of non-Social Security, general revenues from the Treasury to the Social Security Trust Fund (or to private, individual retirement accounts) almost certainly will be required. Without such a transfer, the magnitude of the reductions in retirement benefits that would be required — regardless of whether a solvency plan includes individual accounts — would almost surely make the plan impossible to pass. As a result, policymakers ought to set aside, or reserve, a portion of the projected non-Social Security surplus funds for this purpose. Earlier Center analyses estimated that to be prudent, a minimum of \$500 billion over 10 years should be reserved for this purpose.⁵

⁵Any claim that this problem can be addressed without a transfer of funds because the projected Social Security surpluses can be used to shore up the Social Security system would be spurious; the Social Security surpluses already are taken into account in the Social Security trustees' estimate that the program will become insolvent in the late 2030s. Addressing the solvency problem entails reducing Social Security benefits or increasing revenues to the Social Security system.

Former Treasury Secretary Robert E. Rubin on the Tax Cut

An opinion editorial by former Treasury Secretary Robert E. Rubin appeared in *The New York Times* on February 11. In the article, Rubin called the Bush Administration's proposed tax cut a "serious error in economic policy" for both the short- and long-term economic health of the country. He observed.

Package Undermines Essential Fiscal Discipline

Rubin stated: "The proposed tax cut of roughly \$2 trillion...would substantially diminish the fiscal position of the federal government and would create a serious threat of deficits....That, in turn, could increase interest rates and recreate the loss of consumer and business confidence associated with the deficits of the late 80's and early 90's.

"Over the last 20 years, our nation has seen the benefits of fiscal discipline, and also the adverse consequences of lack of fiscal discipline. From these experiences, there are lessons that should guide policymakers. First, we gain greatly when our nation is clearly committed to budgetary discipline and lose greatly when it is not. Second, it is wise to be prudent — we should avoid committing ourselves to dramatic courses of action that are hard to reverse in the face of the inherent uncertainties of any projections. Third, we have a duty not to pass on burdens to the next generation when we act today. The size of the proposed tax cut fails all these tests."

Tax Cut Largely Irrelevant as an Economic Stimulus

"There is a broad agreement amongst virtually all mainstream economists that a tax cut this year is unlikely to provide meaningful economic stimulus to deal with whatever adverse circumstances may occur this year. Moreover, if a tax cut is desired for short-term stimulative purposes, the vast preponderance of the one proposed [by the Bush Administration] — which affects later years — is largely irrelevant..."

Tax Cut Entirely Consumes Realistically Available Surplus

"The serious threat of the proposed tax cut to fiscal soundness becomes apparent when you look at the numbers a little more closely. The surplus of \$5.6 trillion as projected by the C.B.O. is roughly \$2.1 trillion after deducting Social Security and Medicare surpluses — as many members of Congress in both parties have advocated — and making realistic adjustments to better represent future spending on current discretionary programs and tax revenues. Since the proposed tax cut would cost \$2 trillion, or \$2.2 trillion if an alternative minimum tax adjustment is included, it would entirely use up the remaining surplus, with no additional debt reduction. And that leaves nothing for special programs that already have broad support, like a prescription drug benefit or a greater increase in defense spending for a missile defense system, or other purposes or additional tax cuts, all of which are almost sure to happen this year or over the next few years. These spending increases and the additional tax cuts could well cost between \$500 billion and \$1 trillion, leading to a deficit under this analysis of the C.B.O. projections."

Basing the Tax Cut on Unreliable 10-year Forecasts is Imprudent

"Moreover, five-year budget forecasts, to say nothing of 10-year forecasts, are highly unreliable — just look at the forecasts that were made five or 10 years ago. Thus, even if you favored a very large tax cut as the preferred use for available surplus — which I emphatically do not — even a moderate degree of prudence would suggest waiting a few years to see whether or not the projected surpluses are actually occurring, meanwhile paying down debt."

Finally, dissipating all of the projected available surplus in the form of a tax cut is not prudent because it fails to achieve a balance between tax cuts and other critical needs. Spending all of the available surplus on a tax cut precludes our ability to make critical investments in spending programs. It would also make it impossible to enact new initiatives that have already drawn bipartisan support, such as a new prescription drug benefit or efforts to reduce the ranks of the uninsured. More of these potential tradeoffs will become clear once the President's budget is introduced, and a better sense of how the tax cut influences others aspects of the budget will be obtainable. Even at this stage, however, it is clear that devoting the entire available surplus to a tax cut fails to achieve a reasonable balance between tax cuts and other critical needs.

Conclusion

Income disparities in the United States are at their widest point in at least a quarter century and probably since the end of World War II. Congressional Budget Office data, currently available for the years from 1977 to 1995, show that the average after-tax income of the bottom fifth of the population fell 14 percent during this period, after adjusting for inflation, and the average after-tax income of the middle fifth of households was stagnant. But the average after-tax income of the top fifth of households rose 27 percent, while the average after-tax income of the top one percent soared, climbing 87 percent. (Official Census data are not helpful here because they do not examine after-tax income and do not break out measurements for incomes for the top one percent.)

In addition, the Internal Revenue Service has issued data on changes in adjusted gross incomes and federal income taxes from 1995 to 1997, indicating that the average after-tax income for the top one percent of tax filers climbed a remarkable 31 percent in this two-year period. By contrast, this measure of income rose an average of only three percent for the bottom 90 percent of filers. The average *increase* in the after-tax income of the top one percent of filers from 1995 to 1997 was \$121,000, itself substantially larger than the incomes of the vast majority of American families and several times larger than the income of the typical family.

Especially in light of these trends, the Bush tax proposal is of dubious design. It would be likely to absorb the entire non-Social Security surplus that is realistically available, restricting if not preventing the nation from addressing other, more pressing priorities. At the same time that after-tax income gains have been dramatic for the richest among us and that income disparities are likely wider than at any point since the end of World War II, the tax plan would devote about 40 percent of its benefits to the top one percent of the population, which is considerably more than the broad middle class of the population would receive. This is not the best use of the available surplus.

Appendix

RECENT CENTER ANALYSES RELATED TO THE WHITE HOUSE TAX PLAN

(Below the titles of the analyses, the short, one-page fact sheets are listed on the left, the full reports are listed on the right.)

Those \$1,600 Tax Cut Checks

by Isaac Shapiro and Robert Greenstein

February 14, 2001

This paper examines the Administration's claim that the typical American family of four would receive a \$1,600 tax cut under the White House tax proposal. Specifically, it explains how the figure is calculated, how many families would receive checks of this size, in what year families would receive a tax cut of this amount, and how much of the White House package is necessary to provide \$1,600 tax cuts.

<http://www.cbpp.org/2-14-01tax.pdf>
<http://www.cbpp.org/2-14-01tax.htm>

Cost of the Bush Tax Cut Rises

by Robert Greenstein

February 13, 2001

This report explains how the estimated ten-year cost of the Administration's tax cut proposal could escalate to as much as \$2.5 trillion when properly measured. These estimates include additional interest costs, the costs of fixing the Alternative Minimum Tax (AMT), and the proposal to accelerate the rate cuts.

<http://www.cbpp.org/2-7-01costshort.pdf>
<http://www.cbpp.org/2-7-01costshort.htm>

<http://www.cbpp.org/2-6-01tax.pdf>
<http://www.cbpp.org/2-6-01tax.htm>

Taking Down the Toll Booth to the Middle Class? Myth and Reality Governing the Bush Tax Plan and Lower-Income Working Families

by Robert Greenstein and Isaac Shapiro

February 8, 2001

This analysis examines the extent to which the Administration's tax proposals would benefit lower-income families, and explains why many families in this economic group would not benefit from the proposed tax cuts.

<http://www.cbpp.org/2-7-01tollboothshort.pdf>
<http://www.cbpp.org/2-7-01tollboothshort.htm>

<http://www.cbpp.org/2-5-01tax.pdf>
<http://www.cbpp.org/2-5-01tax.htm>

An Estimated 12 Million Low- and Moderate-Income Families, with 24 Million Children, Would Not Benefit from Bush Tax Plan

by Isaac Shapiro, Allen Dupree and James Sly

February 7, 2001

This paper considers which American families with children would benefit from the President's tax proposals. It explains that, based on an examination of recent Census data, one-third of families and their children would not benefit from the Bush tax cut proposal.

<http://www.cbpp.org/2-7-01leftoutshort.pdf>
<http://www.cbpp.org/2-7-01leftoutshort.htm>

<http://www.cbpp.org/2-7-01tax.pdf>
<http://www.cbpp.org/2-7-01tax.htm>

How Would Families at Different Income Levels Benefit from the Bush Tax Cut?

by Robert Greenstein

February 7, 2001

This report analyzes how families at differing income levels would fare under the Bush tax cut plan and the degree to which those with the highest incomes would benefit from the proposals.

<http://www.cbpp.org/2-7-01inclvlshort.pdf>
<http://www.cbpp.org/2-7-01inclvlshort.htm>

<http://www.cbpp.org/2-6-01tax3.pdf>
<http://www.cbpp.org/2-6-01tax3.htm>

How the Bush Tax Cut Compares in Size To the Reagan Tax Cuts

by Peter R. Orszag

February 6, 2001

This paper analyzes claims by the National Taxpayers Union that the Bush tax cuts are actually smaller than those of the Reagan Administration. It explains that after taking into account the impact of inflation as well as the subsequent 1982 tax increase (which reduced the size of the 1981 tax cut), the Bush tax cut is about the same size as the Reagan one.

<http://www.cbpp.org/2-7-01reaganshort.pdf>
<http://www.cbpp.org/2-7-01reaganshort.htm>

<http://www.cbpp.org/2-6-01tax2.pdf>
<http://www.cbpp.org/2-6-01tax2.htm>

Estate Tax Repeal: A Costly Windfall for the Wealthiest Americans

by Iris J. Lav and Joel Friedman

February 6, 2001

This report explores the Administration's proposal to repeal the federal, gift, and generation-skipping transfer tax by 2009. It examines the cost of repealing the estate tax to federal and state governments and the impact of the repeal on small businesses and farmers, and explains why the wealthiest Americans would benefit most from the repeal.

<http://www.cbpp.org/2-7-01estateshort.pdf>
<http://www.cbpp.org/2-7-01estateshort.htm>

<http://www.cbpp.org/5-25-00tax.pdf>
<http://www.cbpp.org/5-25-00tax.htm>

Surpluses or Deficits: Projections are Uncertain

by Richard Kogan

February 6, 2001

This report points out that CBO believes its own surplus projections are highly uncertain, and that even without tax cuts or spending increases, there is a noticeable chance the government will run *deficits* outside of Social Security and Medicare, rather than surpluses.

<http://www.cbpp.org/2-6-01bud.htm>

Taxes on Middle Income Families Are Declining

by Iris Lav and Joel Friedman

January 10, 2001

This analysis, based on data from the Congressional Budget Office and the Joint Committee on Taxation, finds that taxes on middle-income families have fallen over the past few years.

<http://www.cbpp.org/4-10-00tax-rev.htm>

CBO Assumes Faster Economic Growth than Previously, and Therefore a Larger Ten-Year Surplus

by Richard Kogan

January 31, 2001

This report explains that the reason CBO ten-year surpluses are larger than earlier projected is that it expects faster economic growth than previously expected. The report also summarizes the standard view of economists that the Federal Reserve and the budget's "automatic stabilizers" are generally better at fighting economic slowdowns than deliberate policy actions by Congress such as tax cuts.

<http://www.cbpp.org/1-30-01bud.htm>

What the New CBO Projections Mean: Can the New Surplus Projections Accommodate a Large Tax Cut?

by Robert Greenstein and Richard Kogan

January 31, 2001

This report suggests that the amount of CBO's projected ten-year surplus actually available for policy initiatives such as tax cuts is about \$2.0 trillion, less than commonly understood, while the Bush tax cut is between \$2.1 trillion and \$2.5 trillion over the same period.

<http://www.cbpp.org/1-31-01bud.htm>