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THE SENATE BUDGET COMMITTEE'S TAX CUT IS ONLY 7½ PERCENT SMALLER THAN THE ADMINISTRATION'S

The Administration has proposed tax cuts that would cost \$1.59 trillion through 2013, according to the Congressional Budget Office. At first blush, it may appear that the Senate Budget Committee has proposed a noticeable reduction in that figure. The Committee's prepared material indicates that its plan contains a ten-year tax cut of \$1.28 trillion. This would suggest the Committee has reduced the size of the Administration's tax cut by about \$300 billion.

But appearances can be deceiving. Closer examination shows that the tax cuts in the Senate Budget Committee plan are only \$121 billion — or 7.6 percent — below the Administration's figure, when compared on an apples-to-apples basis.

- Under both the Administration's budget and the Senate Budget Committee plan, the tax cuts would start in fiscal year 2003. The CBO figure of \$1.59 trillion for the cost of the Bush tax-cut proposal includes the 2003 costs. The Budget Committee's \$1.28 trillion figure, however, does *not* include those costs, which are listed elsewhere in the Budget Committee documents. Accounting for the costs in 2003 raises the cost of the Budget Committee's tax cut through 2013 to \$1.32 trillion.
- Both the Administration's budget and the Budget Committee plan include tax cuts that would result in increases in the amount of "refundable" tax credits (such as the Child Tax Credit) that some families receive. For technical reasons, the refundable portion of such tax cuts is "scored" as an expenditure. CBO's figure of \$1.59 trillion for the Bush tax proposals includes the cost of the increases in refundable tax credit payments that would result from the proposed tax cuts. Such costs also are part of the Senate Budget Committee plan, but are not included in the Committee's \$1.28 figure for its tax cut. Here, too, these costs are shown elsewhere in the Committee's budget documents. Including these costs raises the price tag on the Budget Committee's tax-cut proposals to \$1.37 trillion through 2013.
- The Committee plan includes a \$50 billion "reserve fund" over ten years for measures to expand health insurance. The Budget Committee documents list this \$50 billion as an expenditure. But the "reserve fund" language in the Committee plan explicitly states that these funds may be used for health insurance tax credits, as the Administration has proposed. Moreover, the Budget Committee's table summarizing the policies in its budget resolution explicitly calls this item "health tax credits." The CBO figure of \$1.59 trillion for the Bush tax-cut proposals includes the cost of the Administration's proposed health tax credits. Accounting

for the Budget Committee's \$50 billion for health tax credits increases the cost of the Committee's tax cut to \$1.42 trillion through 2013.

- Finally, in fashioning its plan, the Senate Budget Committee omitted the cost of an Administration proposal to make the Research and Experimentation tax credit permanent. This long-time tax credit is due to expire at the end of 2004, but it clearly will be extended; it has overwhelming bipartisan support and always is extended when it comes up for renewal. There is little question that the tax credit will be extended by the end of 2004, whether or not the Budget Committee shows the cost of doing so in this year's budget resolution.

The Budget Committee plan essentially contains a gimmick here. The plan omits this certain cost from *this year's* budget resolution. The Committee can leave the cost out, since the credit does not have to be extended until next year. But the cost of extending the credit is inevitable. Accounting for it, so that the costs of the tax cuts in the Administration's budget and the tax cuts in the Budget Committee plan can be examined on a comparable basis, places the cost of the Budget Committee's tax cuts at \$1.47 trillion through 2013.

As a result, when compared on an apples-to-apples basis, the tax cuts reflected in the Budget Committee plan are only \$121 billion — or 7.6 percent — smaller than the tax cuts in the Administration's budget.

Tax Cuts in the President's Budget and the Senate Budget Plan Cumulative totals in billions

	President's Budget (CBO est.)	Senate Budget Committee's Plan
Stated total size	\$1,591	\$1,277
include 2003 costs	already included	+39
show "refundable" share of Child Credit as a tax provision	already done	+50
show "health tax credits" as a tax provision	already done	+50
include extension of R&E tax credit	<u>already included</u>	<u>+56</u>
Actual total size	\$1,591	\$1,470

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