
May 16, 2007

STATEMENT BY ROBERT GREENSTEIN: CLAIM THAT CONGRESSIONAL BUDGET CALLS FOR “LARGEST TAX INCREASE IN HISTORY” IS INACCURATE

Some claim that the budget plan from the House and Senate Budget Committee conferees, which the Congress plans to vote on shortly, would constitute “the largest tax increase in history.” That is incorrect. The budget plan does not include a tax increase. If anything, it assumes that Congress will set aside rules enforcing budget discipline and actually cut taxes.

Under current law, the Administration’s tax cuts are slated to expire by the end of 2010. However, under the new Senate “PAYGO” rule, and the new House “Trigger” rule contained in the congressional budget plan, Congress is free to extend any or all of the tax cuts, as well as relief from the Alternative Minimum Tax, if it pays for these extensions through increases in other taxes or reductions in entitlement programs.

The Administration’s tax cuts expire in 2010 because their supporters purposefully designed them that way, in order to fit the tax cuts within the cost constraints of the congressional budget plans adopted in 2001 and 2003. While acknowledging that their ultimate 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 in order to obscure their true cost. Now, a few years from the tax cuts’ expiration, some of these same supporters act as though the tax cuts are already permanent and any proposal to offset the costs of extending them is a “tax increase.”

To extend all the 2001 and 2003 tax cuts without paying for them — and to attack those who seek to require Congress to pay for any extension — would exacerbate the irresponsible fiscal nature of the original actions.

Moreover, the revenue levels in the new budget resolution assume that Congress will waive the rules requiring that all tax cuts be fully paid for; the revenue figures envision that Congress will enact new tax cuts or extend current, temporary tax cuts in the amount of \$175 billion over the next five years and \$109 billion in 2012 alone. Rather than calling for a tax increase, the budget plan lays the groundwork for substantial tax *cuts* within the next five years.

Because the long-term budget picture is grim, we believe the Administration and Congress should not enact new tax cuts or extend existing ones — or expand mandatory programs — without paying for them. We hope Congress will fully adhere to the House and Senate rules against doing so.