



# CENTER ON BUDGET AND POLICY PRIORITIES

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*Revised March 10, 2003*

## **NEW CBO REPORT PUTS DEFICIT UNDER ADMINISTRATION POLICIES AT \$1.8 TRILLION OVER TEN YEARS**

### **Factoring in Costs Omitted from President's Budget Raises Likely Deficits Close to \$3 Trillion**

The Congressional Budget Office's analysis of the President's budget, released today (Friday, March 7), shows that under the President's budget:

- Deficits would total \$1.8 trillion over the next ten years;
- the budget would run deficits of at least \$100 billion in every one of these years; and
- the tax cuts and program increases in the President's budget would cost a total of \$2.7 trillion over the next ten years, turning a projected \$0.9 trillion net surplus over this period (in the absence of any tax cuts or program increases) into \$1.8 trillion in deficits.

#### **The President's Fiscal Year 2004 Budget Plan**

CBO estimates of the cumulative 2004-2013 deficits or surpluses, in trillions of dollars

<b>Total net surpluses under current laws, projected forward (CBO "baseline")</b>	<b>0.9</b>
Proposed tax cuts (and interest on them)	-1.9
Proposed program increases, e.g. prescription drugs and defense spending increases (and interest on them)	<u>-0.8</u>
Total cost of President's proposals	-2.7
<b>Resulting deficits under President's budget policies</b>	<b>-1.8</b>

Unfortunately, even the CBO analysis paints too rosy a picture. The CBO estimates do not include three major costs that are either inevitable or very likely. These costs are not included because the Administration did not show them in its budget.

- The cost of a war in Iraq and the subsequent costs of occupation, which could last for a number of years.
- The cost of extending relief from the swelling individual Alternative Minimum Tax beyond 2005. The President's budget includes AMT relief through 2005, and senior Treasury officials have said that in 2005, the Administration will submit a proposal for ongoing relief. But the cost of the ongoing AMT relief is not included in the budget.

Enactment of ongoing AMT relief is inevitable. Without it, the number of taxpayers subject to the AMT will soar from two million today to 43.5 million by 2013, according to calculations by the Urban Institute-Brookings Tax Policy Center. Based on Tax Policy Center estimates, extending the AMT relief that the Administration has proposed through 2005 so that it remains in effect through the rest of the decade would add over \$750 billion more to the deficit over the next ten years.

- The budget also fails to include the cost of extending various tax credits that expire every couple of years or so and always are extended with overwhelming bipartisan support. The virtually certain extension of these provisions will add \$100 billion to projected deficits over the next ten years.

Adjusting the new CBO estimates to include these three costs adds about \$1 trillion to deficits over the next ten years, raising the likely ten-year deficits under the President's policies close to \$3 trillion. And this \$3 trillion total includes \$2.6 trillion in *surpluses* in the Social Security trust fund. Not counting these Social Security surpluses, deficits are likely to total approximately \$5.5 trillion over the next ten years and to exceed \$400 billion in every year.

Finally, in a report issued March 5, the Committee on Economic Development — a respected group of corporate executives and university presidents — concludes that CBO's projections of appropriated (or "discretionary") spending understate likely defense expenditures in coming years as well as the long-term historical pattern for non-defense spending. If CED's view of the likely course of discretionary spending proves correct, the projection that deficits will total nearly \$3 trillion over the next ten years will itself prove too low by a sizeable margin.