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STATEMENT BY ROBERT GREENSTEIN, EXECUTIVE DIRECTOR, ON MISLEADING CLAIMS THAT CONGRESSIONAL BUDGET PLAN CALLS FOR “LARGEST TAX INCREASE IN HISTORY”

Some claim that the budget plan of the conferees — which the House and Senate are scheduled to consider this 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 that Congress adopted last year. This year’s budget plan does not include a tax increase. It actually calls for a \$340 billion reduction in revenues, reflecting its assumption that Congress will extend some parts of the 2001 and 2003 tax cuts without offsetting the costs.

The charge that the conferees’ plan includes a large tax increase arises not from any policy changes that the plan proposes, but instead from policies enacted in 2001 and 2003. Those policies put in place tax cuts that President Bush proposed, but also provided for those tax cuts to expire at the end of 2010. The budget plan assumes that Congress will amend current law to extend some of the expiring tax cuts (especially those affecting middle-class families) and make other changes in tax policy, but it also assumes Congress will partly offset the cost of such changes. The plan does not assume that Congress will increase total revenues above what the federal government expects to collect under current policies — to the contrary, it assumes Congress will reduce total revenues below what is expected under current policies.

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 budget resolutions that Congress 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 to avoid recognizing the cost of permanent tax cuts. Now, a few years from the tax cuts’ expiration, some of these same supporters are acting as though the tax cuts are already permanent and that any proposal to offset any portion of 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 Congress at least partially pay for any extension of the tax cuts — further heightens the irresponsible fiscal nature of the original actions.