

Revised January 24, 2007

**STATEMENT OF ROBERT GREENSTEIN,
ON THE BUDGET AND HEALTH CARE TAX ISSUES
IN THE STATE OF THE UNION ADDRESS**

In committing his Administration to a balanced budget by 2012, the President has acknowledged that deficits matter. This is progress. But there are reasons to doubt the strength of the President's newfound interest in fiscal discipline.

- First, his budget is likely to achieve balance in 2012 only on paper — by leaving out key costs such as the cost of continuing relief from the Alternative Minimum Tax beyond the next year and by assuming unrealistically deep and unspecified cuts in domestic discretionary programs in years after 2008.
- Second, and more important, the true test of the President's commitment to fiscal responsibility is whether he is willing to put *all* parts of the budget on the table — including both popular programs and taxes — to meet the nation's serious long-term budget challenges. Yet the President continues to call for Congress to permanently extend all of his tax cuts, which will cost about \$300 billion a year and provide an average tax break of more than \$150,000 a year to people with incomes of over \$1 million.
- Moreover, the claims the President has recently made implying that his tax cuts are paying for themselves and fueling robust economic growth are belied by the government's own figures. While the President did not repeat such claims in his State of the Union address, he continues to make them in other forums. Such claims are more likely to mislead the country than to help prepare Americans for the tough budget choices that lie ahead.

On the subject of health insurance, by contrast, the President has shown leadership in placing the tax treatment of employer-based coverage on the table as part of health care reform, and by implicitly acknowledging that more revenues will be needed over time to help address the problem of the uninsured. But the President has undermined his initiative by tying it to an ill-designed proposal that would erode incentives for employer-based coverage — the primary means of pooling healthier and sicker Americans together to keep insurance affordable — without providing an alternative way of effectively pooling risk.

The President's plan would drive more Americans into the deeply flawed individual health insurance market, where people with health conditions are often refused coverage or can get it only at exorbitant cost.