

On September 26, 2008, Senator Grassley delivered a floor speech on the deficit impact of Senator McCain's and Senator Obama's tax relief and spending plans. The text of the speech and charts used in the speech are available at <http://finance.senate.gov/press/Gpress/2008/prg092608a.pdf>. The speech makes the following points:

1. When adjusted for unspecified and un-scored revenue raisers, using Tax Policy Center ("TPC") data, Senator McCain's plan would lose \$4.32 trillion and Senator Obama's would lose \$3.65 trillion against current law.
2. When looking at the deficit impact, the candidates, pundits, think tanks and media have applied to the deficit impact of the candidates' tax policy proposals.
3. By contrast, the spending plans of the candidates have not received much scrutiny.
4. A true accounting of the deficit impact of the plans should combine the impact of the tax policy plans and spending plans.
5. The National Taxpayers Union Foundation ("NTUF") has estimated the proposals in each candidate's spending plans.
NOTE: The Committee for a Responsible Budget has performed an analysis of Senator McCain's and Obama's spending plans; that analysis looks to fiscal year 2013. For that fiscal year, the Committee for a Responsible Budget concludes that Senator McCain's tax and spending plans would add \$190 to \$245 billion to the budget deficit and Senator Obama's plan would add \$286 billion to the budget deficit.
6. According to NTUF, Senator McCain's spending plans would score \$92.4 billion per year in new spending.
7. According to NTUF, Senator Obama's spending plans would score \$293 billion per year in new spending.
8. That means Senator Obama's new spending would exceed Senator Obama's new spending by about \$200 billion per year.
9. A President Obama's tax and spending plans' deficit impact would exceed a President McCain's tax and spending plans' deficit from day one of the first Presidential term (this is a very favorable assumption to Senator Obama since it assumes the revenue loss is upfront).
10. Another way to look at this difference would be to multiply the deficit difference of \$200 billion (leaving aside the inflation effect) and you'll total up at least \$2 trillion *higher* spending than Senator McCain's plans.
11. When comparing Senator Obama's tax and spending plan to Senator McCain's tax and spending plan, Senator Obama's plan increases the deficit by \$1.33 trillion more than Senator McCain's plan.

10-10-08

Questions and Answers on the deficit impacts of Senators McCain's and Obama's tax and spending plans (Senator Grassley's September 26, 2008 floor speech. It is available at <http://finance.senate.gov/press/Gpress/2008/prg092608a.pdf>)

Question #1: What are the estimates of the deficit impacts of Senators McCain's and Obama's tax relief plans?

Answer #1: As against current law, the Tax Policy Center ("TPC"), states that Senator McCain's plan would lose revenue of \$4.17 trillion over 10 years. TPC states Senator Obama's plan would lose revenue of \$2.947 trillion over 10 years. As against current policy, Senator McCain's plan would lose \$600 billion over 10 years. TPC states that Senator Obama's plan would raise \$600 billion over 10 years.

Question #2: Are there unspecified proposals included?

Answer #2: Yes. Both Senators' plans contain unspecified revenue raising proposals. Senate Finance Committee Republican Staff tabulated the shortfall attributable to unspecified revenue raisers for both plans. According to that tabulation, Senator McCain's plan overstates revenue raisers by \$145 billion. The same tabulation finds that Senator Obama's plan overstates revenue raisers by \$705 billion.

Question #3: How does these overstated revenue raisers affect both Senators' plans' deficit impacts?

Answer #3: If the TPC current law baseline is used, then the deficit impact of Senator McCain's plan is adjusted to \$4.32 trillion. Senator Obama's plan's deficit impact is adjusted to \$3.65 trillion. NOTE: In recent weeks, Senator Obama has indicated that he might defer the marginal rate increases, including the top capital gains and dividend rates, that his plan would implement if he believed the country were in a recession. If Senator Obama were elected President and he were to decide to defer action on raising marginal rates, then his plan would add more to the deficit than the current deficit impact.

Question #4: Is the deficit impact of Senator McCain's and Senator Obama's plans limited to tax policy issues?

Answer #4: A dollar of forgone federal revenue affects the federal budget in the same way as a dollar of additional spending. So, it is fair to combine the fiscal results of Senator McCain's and Obama's tax and spending plans.

Question #5: What are the deficit impacts of the spending plans of Senators McCain and Obama?

Answer #5: The Congressional Budget Office ("CBO") has not estimated of Senators McCain's and Obama's spending plans. The National Taxpayers Union Foundation ("NTUF") and the Committee for a Responsible Budget ("CRB") have estimated both Senators' spending plans.

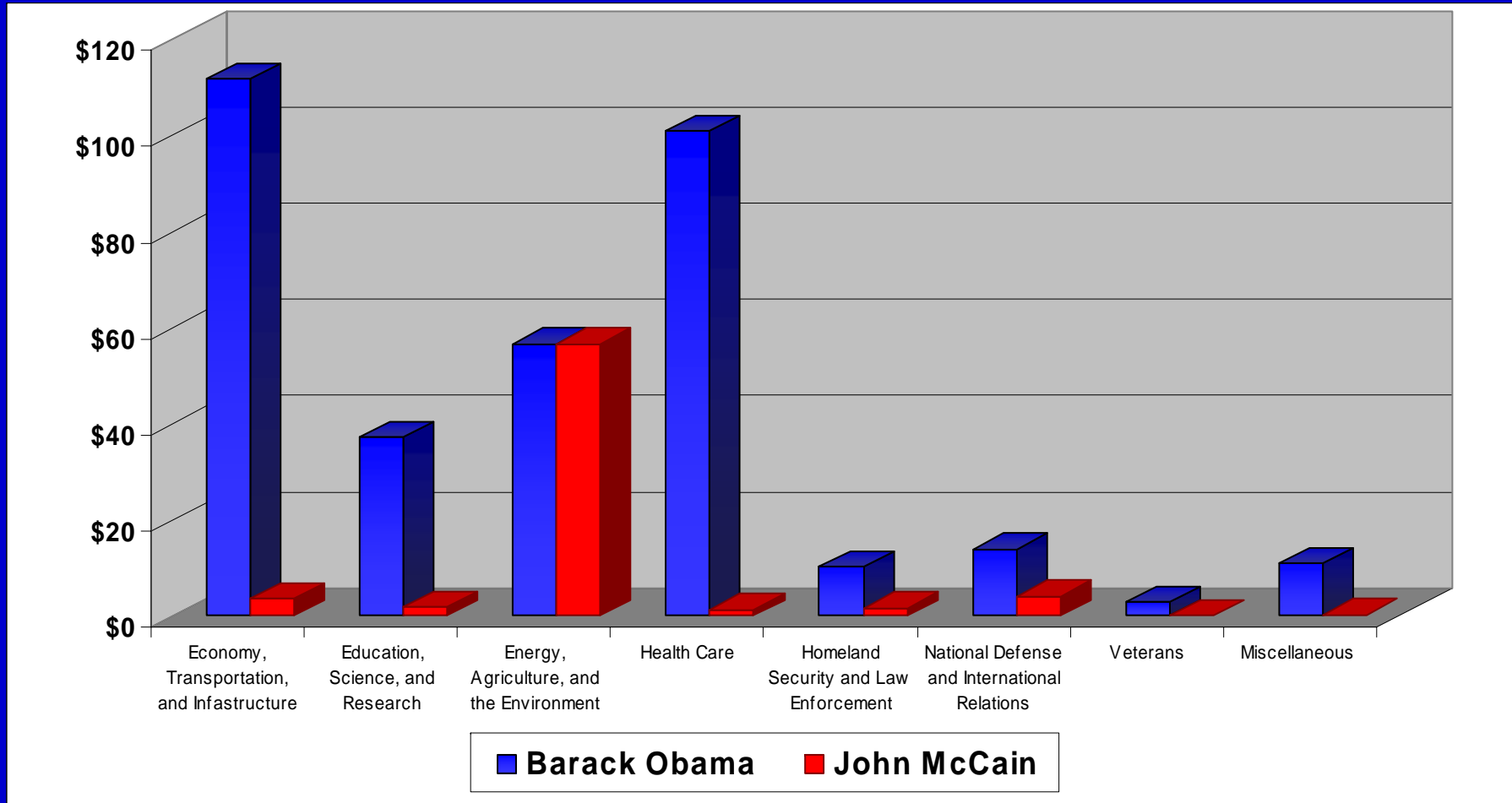
Answer #6: How much do the candidate's spending plans cost?

Question #6: According to NTUF, Senator McCain's plan would raise spending by \$92.4 billion per year and Senator Obama's plan would raise spending by \$293 billion per year. The Committee for a Responsible Budget states that Senator McCain's plan would reduce spending by \$224 billion to \$237 billion for fiscal year 2013. For Senator Obama's spending plan, spending would be reduced by \$79 billion in fiscal year 2013.

Question #7: When combined with the revised TPC revenue estimates, what is the comparative deficit impact of both Senators' plans?

Answer #7: If the NTUF spending estimates are combined with the TPC estimates, Senator McCain's plan produces an annual deficit impact that is roughly \$200 billion less than Senator Obama's plan. The Committee for a Responsible Budget indicates that Senator McCain's tax and spending plans would add \$190 billion to \$245 billion for fiscal year 2013. For Senator Obama's tax and spending plans, the Committee for a Responsible Budget indicates the deficit would grow by \$286 billion for fiscal year 2013.

Comparison of Obama and McCain Proposed Annual Spending (in billions)



Source: National Taxpayer's Union Foundation – June 2008