

10-10-08      Summary of Senator Grassley's Floor Speech on Promised Tax Cuts Versus Enacted Tax Hikes

On July 29, 2008, Senator Grassley delivered a floor speech detailing the Democratic Party's history of promising tax cuts and then enacting tax increases, and how that history is at risk of repeating itself under an Obama presidency. The text of the speech and supporting charts are available at <http://www.finance.senate.gov/sitepages/grassley.htm> under the *July 2008* heading. Senator Grassley's speech makes the following points:

1. Over the last generation, the more power the Democrats have had, the more tax increases American taxpayers have faced. The largest tax increase occurred with Democrats in control of both the White House and Congress, while the largest tax decrease occurred with Republicans in control of both the White House and Congress. If history is our guide, and the Democrats take the White House and maintain control of both houses of Congress in 2008, taxes are nearly certain to go up across the board.
2. Sixteen years ago, in the 1992 campaign, Americans faced a similar situation as Bill Clinton barnstormed across America proposing middle income tax relief. Clinton promised, "We will lower the tax burden on middle class Americans by forcing the rich to pay their fair share. Middle class taxpayers will have a choice between a children's tax credit or a significant reduction in their income tax rate," and "the only people who will pay more income taxes are the wealthiest 2 percent, those living in households making more than \$200,000 per year."
3. Once Clinton was elected, however, the Democratic White House and Democratic Congress retracted Clinton's campaign promise by abandoning the middle class tax cut. In addition to discarding the middle-class tax cut, Clinton expanded the group of taxpayers subject to a tax increase. According to the non-partisan Joint Committee on Taxation, taxpayers above \$20,000 in income received a tax increase under Clinton's plan.
4. This comprehensive tax increase, described by then Democratic Finance Committee Chairman Pat Moynihan as "the largest tax increase in the history of public finance in the United States or anywhere else in the world," went into effect on the strength of Democratic votes only, as there was no check on the Democratic agenda of raising taxes and growing spending.
5. Conversely, in the years since Republicans took control of Congress in January 1995, Congress and the President have generally reduced the tax burden.
6. History repeats itself. Today, just as we heard 16 years ago, the Democratic presidential candidate is promising to tax the rich and provide a tax cut to the middle class. If all the reins of power are handed over to the Democrats this year, Americans taxpayers are at risk of facing another abandoned middle-class tax cut promise and another expanded tax increase. Is that a risk we can afford to take?

10-10-08 Questions and Answers on Promised Tax Cuts Versus Enacted Tax Hikes (Senator Grassley's July 29, 2008, floor speech. The speech and supporting charts are available at <http://www.finance.senate.gov/sitepages/grassley.htm> under the *July 2008* heading.)

Question #1: Over the past generation, has the size of the tax burden faced by American taxpayers been impacted by which party was in control of the White House and Congress?

Answer #1: Yes. The largest tax increases occurred with Democrats in control of both the White House and Congress, while the largest tax decreases occurred with Republicans in control of both the White House and Congress.

Question #2: In 1992, did presidential candidate Bill Clinton promise middle income tax relief?

Answer #2: Yes. On the campaign trail, Clinton promised, "We will lower the tax burden on middle class Americans by forcing the rich to pay their fair share. Middle class taxpayers will have a choice between a children's tax credit or a significant reduction in their income tax rate," and "the only people who will pay more income taxes are the wealthiest 2 percent, those living in households making more than \$200,000 per year."

Question #3: Once elected, did President Bill Clinton follow through on his promise of middle class tax relief?

Answer #3: No. President Clinton and the Democratic Congress not only abandoned the middle class tax cut, they actually expanded the group of taxpayers subject to a tax increase. According to the non-partisan Joint Committee on Taxation, taxpayers above \$20,000 in income received a tax increase under Clinton's plan.

Question #4: Was the Clinton tax increase a bipartisan initiative?

Answer #4: No. The comprehensive tax increase, described by then Democratic Finance Committee Chairman Pat Moynihan as "the largest tax increase in the history of public finance in the United States or anywhere else in the world," went into effect on the strength of Democratic votes only, as there was no check on the Democratic agenda of raising taxes and growing spending.

Question #5: When Republicans took over Congress in 1995, did the pattern of tax increases continue?

Answer #5: No. In the years since Republicans took control of Congress in January 1995, Congress and the President have generally reduced the tax burden.

Question #6: As the American people consider future tax burdens and the possibility of single party control of Congress and the Presidency, is the history of promised tax cuts versus enacted tax hikes in danger of repeating itself?

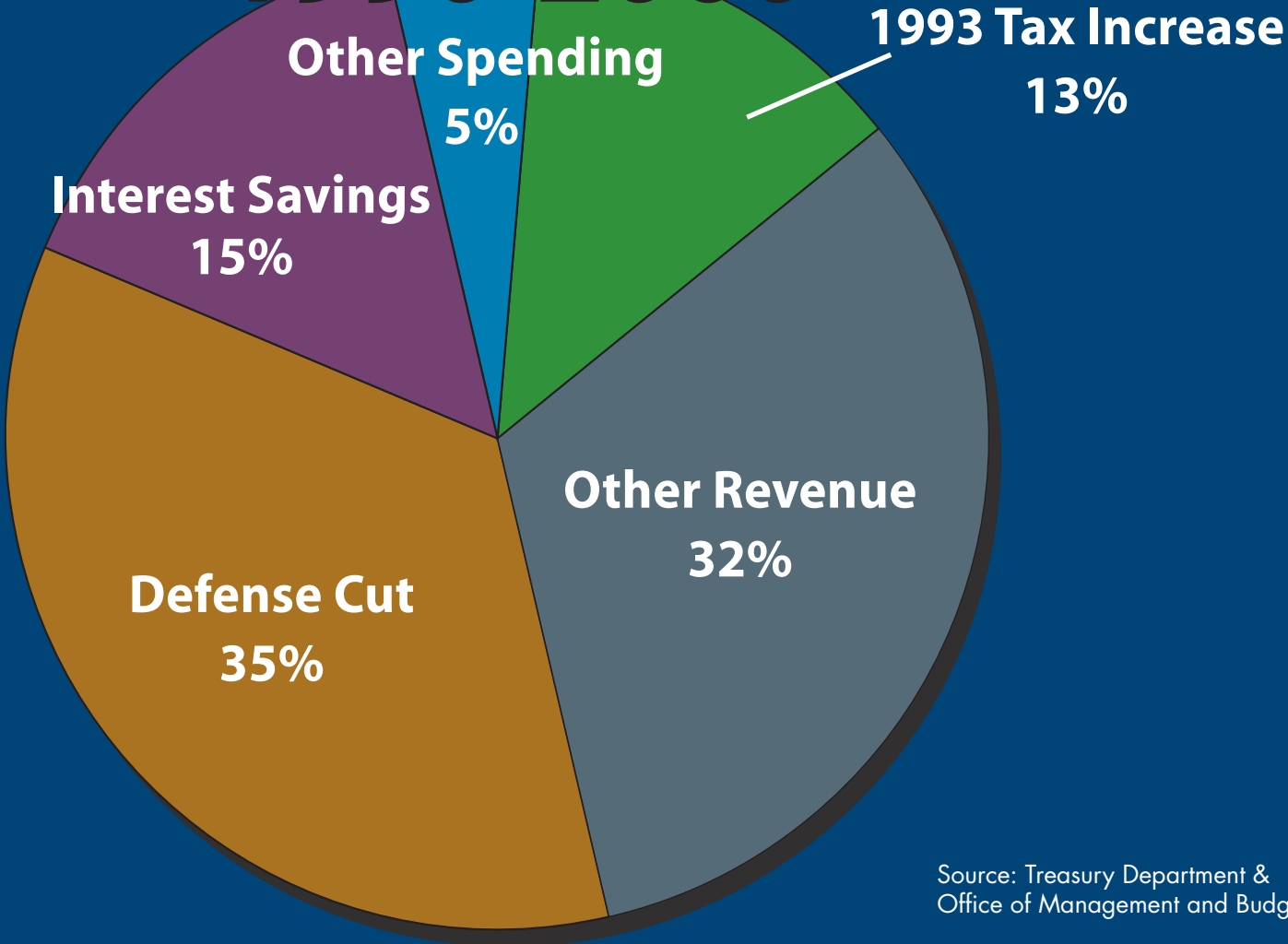
Answer #6: The American people need to be mindful of recent history on the subject of promised middle class tax relief and post-election legislation. Sixteen years ago, the Democratic presidential candidate promised to tax the rich and provide a tax cut to the middle class. In that episode, all the reins of power were handed over to the Democrats, and after the election, American taxpayers faced an abandoned middle class tax cut promise and an expanded tax increase.

# Tax Hike Amnesia



1992 Campaign	N	1993 Legislation
	O	
Middle Class Tax Cut Promised	V	Largest Tax Increase Enacted
	3, 1992	

# Source of Deficit Reduction 1990-2000



Source: Treasury Department & Office of Management and Budget