

Summary of Senator Grassley's Floor Speech Comparing Tax Hikes, Tax Cuts, and Party Control of Congress & the Presidency.

On July 24, 2008, Senator Grassley delivered a floor speech examining the historical ramifications of party control of Congress and the White House on tax hikes and tax cuts. The text of the speech and charts used in the speech are available at <http://finance.senate.gov/press/Gpress/2008/prg072408.pdf>. The speech makes the following points.

1. Economists generally agree that both high taxes and too much government spending dampen economic growth.
2. Every American taxpayer will be impacted by the agenda of the new President and Congress as it relates to taxation and spending. It is important to consider how both candidates for President will change the tax burden as well as their ability to deliver on their promises. To do this we can examine the historical record.
3. On average, since 1980, taxes increased the most per year when Democrats controlled the White House and both houses of Congress. Since 1980, taxes increased by an average of \$23.5 billion per year when Democrats controlled the Executive and Legislative branches of government.
4. On average, since 1980, taxes decreased the most per year when Republicans controlled the White House and both houses of Congress. Since 1980, taxes decreased by an average of \$39 billion per year when Republicans controlled the Executive and Legislative branches of government.
5. When Republicans control the Presidency and Congress, taxes are more likely to decrease. When Democrats control the Presidency and Congress, taxes are more likely to increase.
6. If the parties split control of the Presidency and Congress, the record is mixed though generally against tax relief.
7. Americans need to carefully consider the broad economic effects likely to result if one party has control of the House of Representatives, Senate, and White House.

Note: Analysis based on data from Treasury Office of Tax Analysis and data originating from the Joint Committee on Taxation.

Questions and Answers on Historical Impact of Control of Congress and the Presidency on Tax Hikes and Tax Cuts. (Senator Grassley's July 24, 2008 floor speech available at <http://finance.senate.gov/press/Gpress/2008/prg072408.pdf>.)

Question #1: How do Republicans and Democrats generally differ on tax policy when either party controls both houses of Congress and the Presidency?

Answer #1: Republicans tend to decrease taxes. Since 1980, taxes decreased by an average of \$39 billion per year when Republicans controlled both houses of Congress and the Presidency. Democrats tend to increase taxes. Since 1980, taxes increased by an average of \$23.5 billion per year when Democrats controlled both houses of Congress and the Presidency.

Question #2: Both candidates promise not to increase taxes on most Americans. How is this historical data relevant?

Answer #2: It is common knowledge that Presidents often do not implement every promise made during their campaigns. One reason for this is that no President may sign a bill into law that has not passed both houses of Congress. For this reason, it is important to consider party control of the Legislative and Executive branches of government, and not just the Executive branch. Additionally, the record shows that in practice Republicans tend to lower taxes and Democrats tend to increase taxes.

Question #3: Why is it important to consider party control of Congress and the White House in 2008?

Answer #3: Because of the high probability that Democrats will retain control of the House of Representatives and Senate in 2008, Americans should be aware of the track record of unified party control. If a Democrat is elected President in 2008, Democrats will likely control both houses of Congress in addition to the White House.

Question #4: What happened the last time Democrats controlled both houses of Congress and the White House?

Answer #4: President Clinton and a Democratic Congress imposed a tax increase on the country averaging \$23.5 billion for each year Democrats controlled Congress and the White House.

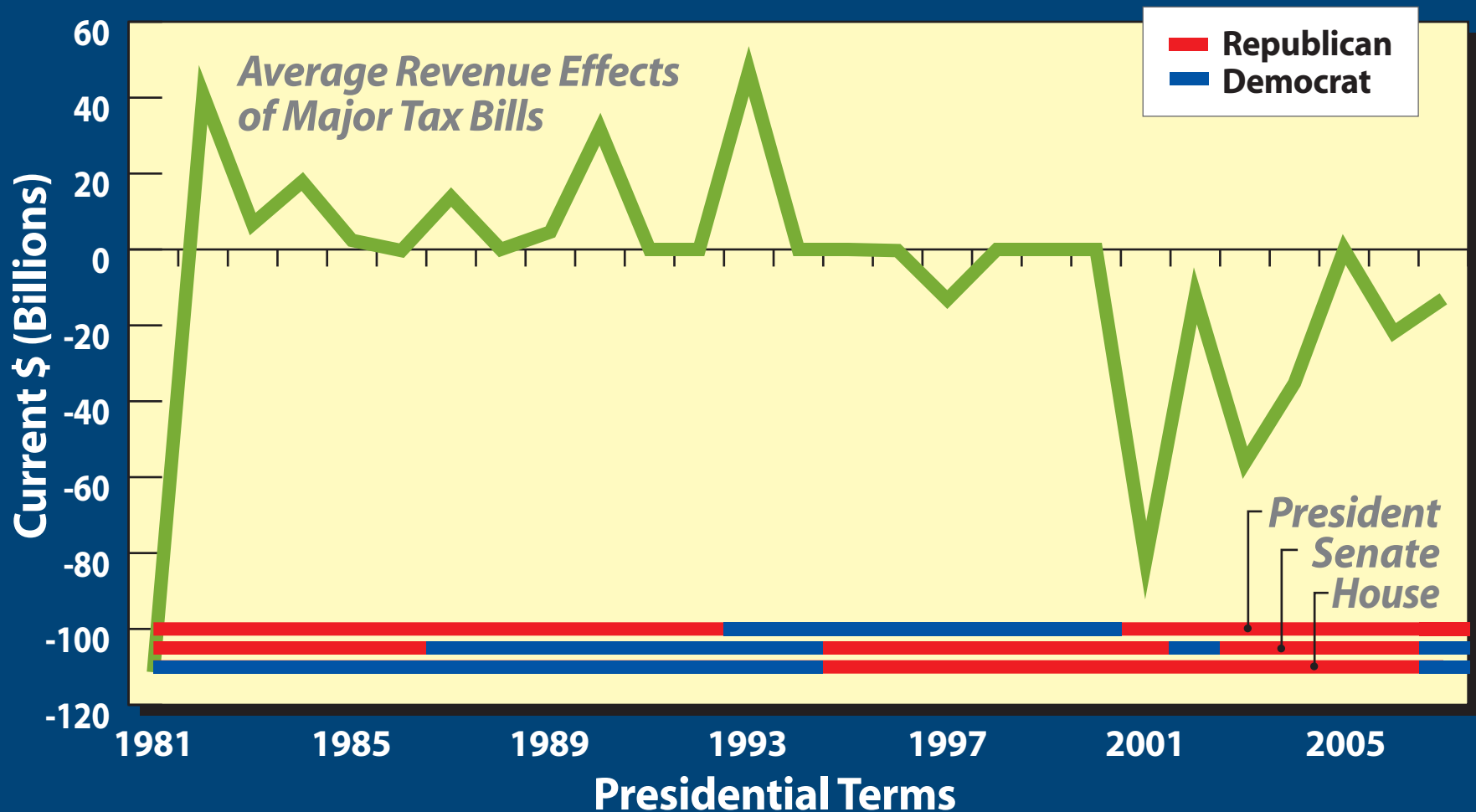
Question #5: Is there a risk of a broad-based tax increase in the near future?

Answer #5: Yes. The tax relief undertaken in 2001 and 2003 is set to expire at the end of 2010 unless action is taken by Congress and the President. Simply by doing nothing and letting tax relief expire, the American people would be subject to the largest tax increase in the history of the United States.

Question #6: How would this tax increase affect my family?

Answer #6: A family of four earning \$50,000 annually could see their taxes increase by an average of \$2300 per year.

Tax Cuts & Increases Under Republicans and Democrats



Average Tax Cuts or Tax Increases Per Year Based on Control of Government

