

Report Card on Ways and Means Tax Proposal

Fails the Test for Economic Stimulus

<u>Principle</u>	<u>House Bill</u>	<u>Grade</u>
Temporary: Proposals should sunset within one year to the extent practicable	\$115 billion of total tax cuts are permanent, representing 71% of total costs, FY 2002-11	Fails
Rapid impact: A substantial portion of the fiscal impact should be felt within six months	Nearly 40% of the ten-year cost of the package occurs after the first year. <u>The bill costs \$49 billion in FY 2004 alone.</u>	Fails
Size: Approximately \$60 billion	The bill costs \$101 billion in FY 2002 and \$162 billion over ten years.	Fails
Targeting: Stimulus dollars should go to those most likely to spend them and those most vulnerable in an economic downturn	In first year, 35% of tax cuts go to the wealthiest one percent of taxpayers; only 19% go to the bottom three-fifths of taxpayers	Fails
Long-term: Package should not worsen long-term economic situation and increase interest rates	Reduces surplus by \$171 billion after FY 2002 (including interest costs)	Fails