

**REPUBLICAN CAUCUS**  
**THE COMMITTEE ON THE BUDGET**

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**THE DEMOCRATIC BUDGET & THE LARGEST TAX INCREASE IN HISTORY:  
CBO REMOVES FIG LEAF**

In a letter to House Budget Committee Ranking Member Paul Ryan [R-WI], CBO Director Peter Orszag confirmed yesterday that the Democrats' advertised tax relief in the form of a "tax trigger" included in the budget resolution (S Con Res. 70) will not work under CBO estimates.

Ryan made the following statement:

*"The Congress uses the estimates of the Congressional Budget Office and this letter confirms that the Democrats' budget will lead to a record tax increase – with the child credit cut in half, a return of the marriage penalty, and the resurrection of the death tax.*

*"This means the 'middle class tax relief' promised by the Democrats in this budget is nothing more than a fig leaf. The numbers don't lie. This budget will translate into a \$2,000 higher annual tax bill for the average American family already being squeezed by soaring gasoline prices and grocery bills."*

In order to satisfy some House Members, the final budget included language that raises taxes on lower income and middle class Americans if projected surpluses could not "pay for" the extension of the 2001 and 2003 tax relief that is scheduled to expire on December 31, 2010. Absent legislation, under current law taxes are scheduled to rise by \$683 billion over the next five years.

Regardless of the trigger, any legislation reducing revenues is subject to the pay-as-you-go [PAYGO] point of order. If legislation can get past this point of order, the Democratic budget resolution assumed \$340.6 billion of this tax increase would not occur by assuming the extension of the 10% tax bracket, the \$1,000 child tax credit, marriage penalty relief, and other tax relief relating to the death tax and other provisions. However, section 220 of the

Democratic budget – which requires the use of CBO estimates – effectively erases this \$340.6 billion of tax relief by establishing a point of order in the House against legislation that reduces revenue below the baseline by the lesser of \$340.6 billion or 80 percent of the sum of the projected surplus in 2012 and 2013.

Director Orszag’s letter clearly points out that using either the CBO baseline or the spending levels in the budget resolution results in a figure well below \$340.6 billion, meaning that the full tax relief assumed in the budget resolution cannot be provided. “The figures cited above would be less than that adjustment [\$340.6 billion] by \$201 billion and \$77 billion respectively.”

A copy of CBO’s letter is attached.

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