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March 28, 2007

False Republican Claim That the Democratic Budget Raises Taxes

“Thus, to be clear, the budget resolution does not call for or require a tax increase”

– Concord Coalition, March 28, 2007

“The House plan does not include a tax increase”

– Center on Budget and Policy Priorities, March 28, 2007

“The budget would not raise taxes”

– The Hamilton Project at the Brookings Institution, March 28, 2007

Our budget resolution does not contain a single penny of tax increases – period. Republicans have been inaccurately claiming that the Democratic budget includes the largest tax increase in history – a charge that is simply not true.

Republican claim refuted by respected budget think tanks. The **Concord Coalition** states it succinctly in a March 28 issue brief: “Thus, to be clear, the budget resolution does not call for or require a tax increase.” The **Center on Budget and Policy Priorities** reaches the same conclusion: “Some are claiming that the budget plan adopted last week by the House Budget Committee, which the full House is expected to vote on this week, would constitute ‘the largest tax increase in history.’ This claim is incorrect. The House plan does not include a tax increase” according to a CBPP document released March 28. The **Hamilton Project at the Brookings Institution** agrees: “The budget would not raise taxes” it states in a March 28 letter.

The 2008 budget resolution accommodates extension of the middle-income tax cuts. Section 401 of the budget resolution clearly states the budget’s support of the extension beyond 2010 of the middle-income tax cuts – including the child tax credit, marriage penalty relief, the ten percent individual income tax bracket, estate tax reform, research and development tax credit, and the deduction for state and local sales taxes. Section 203 of the budget resolution clearly provides a reserve fund for the extension of those tax cuts, as long as the legislation complies with the House Pay-As-You-Go rule.

The 2008 budget resolution also accommodates reform of the Alternative Minimum Tax to shield middle-income taxpayers from hidden tax hikes. Section 401 also states the policy of the budget resolution to protect middle-income taxpayers against the looming threat of the Alternative Minimum Tax. Section 202 of the budget resolution clearly provides a reserve fund for the reform of the AMT, as long as the legislation complies with the House Pay-As-You-Go rule. Unless the AMT is reformed, 19 million additional families will have to pay higher taxes in 2007.

The 2008 budget resolution leaves current tax cuts in place now, and provides for their responsible extension in the future. Nothing in this budget resolution will change the tax cuts that are currently on the books for the next four years.

Republican deficit-financed tax cuts mean future tax increases on our children. Republicans want to extend the tax cuts through deficit-financing – charging them to the national credit card and leaving our children and grandchildren to pay higher taxes in the future to pay the bill, with interest. A better approach is to extend the tax cuts in a fiscally responsible and cost-effective manner. The first place to look to help pay for tax cuts we want to extend is to crack down on wasteful or fraudulent spending and squeeze out more of the “tax gap” – which totals around \$300 billion per year and represents taxes that are already owed under current tax law but are not collected.

Republican claims about tax cuts are hypocritical. While touting the deficit-financed extension of all of its 2001 and 2003 tax cuts, on the one hand, the President’s budget would impose nearly \$81 billion in new taxes over the next five years in the form of user fees for veterans, seniors, and other taxpayers. In addition, the President’s proposal to eliminate the exclusion for employer-provided health care and replace it with a standard deduction would increase taxes by more than \$300 billion.