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Don't Mess With Success

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As Congress prepares to tackle the annual federal budget process, we are a week away from a vote that could put our economy on a dangerous new path. Yesterday, the majority party unveiled its budget proposal to impose higher taxes on families and businesses in order to pay for more wasteful Washington spending.

Despite campaign promises not to raise taxes, the new majority party's budget fails to keep existing tax policies in place, which amounts to a $900 billion tax hike over five years, the largest tax increase ever. The Democrats may try to use smoke and mirrors to mask this increase, but it is there, and the real victims will be average Americans.

Under a Democratic budget that does not extend existing tax policies, the lowest-income families who pay taxes will see their taxes increase by 33%. The $1,000 per child tax credit would be cut in half, and the standard deduction for married couples would be cut by $1,700. Forty-five million working families with two children would pay $3,000 more in taxes per year, equivalent to a 5% pay cut. Three thousand dollars may not sound like a lot in Washington, but in New Hampshire and Iowa it pays for a year's worth of groceries, health-care expenses, home-heating oil or electricity.

In addition to taking more from hard-working families, that tax hike would serve to slow the economy, suppressing investment and job creation. It would dampen the positive impact that the capital gains tax rate has had on the investments of families and seniors. That tax hike would become a noose around the neck of the economy.

Following the bursting of the Internet stock- market bubble, corporate scandals and the Sept. 11 terrorist attacks, the U.S. economy was struggling to stay afloat. A Republican Congress joined forces with the president to enact fair, pro-growth tax policies in 2001 and 2003. These tax cuts have had a remarkable effect. The economy has not only remained afloat, it has also thrived, offering increased prosperity and opportunity to millions of American families and businesses.

Since 2003, more than seven million new jobs have been created -- and at 4.5%, the unemployment rate is below the average of the past three decades. The U.S. economy is experiencing five uninterrupted years of growth, and since the tax cuts of 2003, the rate of economic growth has more than doubled. Real wages and benefits have increased 7.5% under President George W. Bush compared to 6% under President Bill Clinton during the first six years of their respective presidencies.

This economic activity has triggered a surge in revenues into government coffers, exceeding projections from CBO by nearly $300 billion over the past three years. At 18.4% of GDP, federal revenues are currently surpassing the historical average. And by all accounts, revenue will continue to outpace expectations. Even when taking into account the extension of existing tax policies, revenues are expected to remain above the historical average.

Despite false accusations that tax relief has benefited only the top wage-earners, it is worth noting that high-income taxpayers bear a greater burden of the total tax payments now compared to the Clinton years. Meanwhile, existing tax policies have lowered the tax rate on low-income taxpayers to 10% from 15%, and those low-income individuals who pay no income tax currently receive more money back via the Earned Income Tax Credit than they did under the Clinton presidency.

The bottom line is that the existing tax policies have made the tax system much more fair and reasonable, while still succeeding in growing the economy and generating a wave of tax receipts. And that revenue will allow us to reach a balanced budget by 2012. Just as every American family strives to live within its means, the government will have achieved that goal.

Americans should not be paying more in taxes. As it is, Americans must work an average of 77 days per year to pay their federal taxes -- more than the average of 62 days they work to pay for housing and household expenses or 52 days for health and medical care. They must work an additional average of 39 days per year to pay their state and local taxes -- compared to the average of 30 days they work to pay for food.

Raising taxes is not the answer to the fiscal challenges we face. We're close to eliminating the deficit because we're generating revenues through low taxes and an expanding economy. Maintaining these fiscally responsible and fair tax policies that will continue to allow the economy to grow and expand is the right path to follow.

Messrs. Gregg and Grassley are the ranking minority members of the Senate Budget and Finance Committees, respectively.