

THE COMMITTEE ON THE BUDGET

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BUDGET CONFERENCE REPORT – FISCAL YEAR 2009
THE LARGEST TAX INCREASE IN HISTORY,
HOWEVER THEY SLICE IT

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The Majority’s budget conference report claims to extend numerous middle-income tax relief measures passed by a Republican Congress and signed by President Bush. This is an empty promise that is not backed up by the budget or the Democrats’ rules:

- The Largest Tax Increase in History. Though Democrats insist otherwise, the budget raises taxes by at least \$683 billion over the next 5 years. These include increases in marginal tax rates; elimination of the 10-percent bracket for lower-income taxpayers; higher taxes on marriage, children, small businesses, and estates; and higher tax rates on investments. The tax hikes occur for two reasons.
- Required by PAYGO. The budget operates under the Democrats’ pay-as-you-go [PAYGO] rule, which requires capturing the full \$683 billion in additional revenue from these tax increases.
- The Trigger. If they waive their PAYGO rule, the budget still contains a “trigger” that requires these tax increases unless surpluses are large enough to offset them.

But even if the Congress could overcome these two hurdles, the tax increase they admit to is “only” \$347 billion over 5 years – still the largest tax increase in history, and bigger than the \$240.6-billion increase in the Omnibus Budget Reconciliation Act of 1993.

- Tax Hikes Are Widespread. Under the Democrats’ tax increase, 116 million taxpayers will face an average tax hike of \$1,833 in 2011. The conference report will:
- Increase marginal tax rates for all Americans (raising taxes \$326 billion over 5 years).
- Increase family taxes by \$500 per child, by cutting the child tax credit in half (\$51 billion) .
- Reimpose the marriage penalty (\$25 billion).
- Reimpose the death tax (\$181 billion).
- Increase taxes paid on capital gains and dividends (\$82 billion).
- Decrease expensing for small businesses.

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- **Claims Illegitimate AMT Tax Revenue.** The Democratic budget also would raise taxes by \$70 billion to “pay for” an AMT patch this year. Everyone agrees this tax was never *intended* to hit the millions of middle-income taxpayers it now threatens; but the Democrats still want to book that AMT revenue.
 - **Further Squeezing American Families.** At a time when American families are already struggling with record high food and energy prices, this budget simply brings more pain in the form of higher tax bills. Here are just a few examples of how the Democratic budget will affect the average family:
 - *A family of four earning \$40,000 today* (\$43,900 in 2011) would see a tax increase of \$2,345 in 2011 if current tax relief provisions are not extended. Under today’s tax law, this moderate-income family qualifies for a *tax refund* of \$487; but under the Democratic tax increase the family’s tax liability would jump to \$1,858 in 2011.
 - *A single parent with two children earning \$30,000 today* (\$32,900 in 2011) would see a tax increase of \$1,615 in 2011.
 - *A family of four earning \$80,000 today* (\$87,700 in 2011) would see a tax increase of \$2,000 in 2011 if current tax relief provisions are not extended.
 - *Absent an AMT patch*, roughly 25 million new taxpayers will be thrown into a system that will raise their tax bills by an average of \$2,000.