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BUDGET RECONCILIATION BILLS OVERWHELMINGLY BENEFIT HIGH-INCOME FAMILIES AND INCREASE DEFICIT

Middle- and Low-Income Families Pay Price for Tax Cuts for the Wealthy

Washington, D.C. – If the Congress stays on its current course with the FY 2006 tax and spending reconciliation bills, upper-income families would gain far more from the tax cuts than they will lose from the spending cuts, while middle- and lower-income families will suffer larger losses from the spending cuts than they will gain from the tax cuts, according to a preliminary analysis by the **Joint Economic Committee Democrats**. Both the House and Senate proposals also worsen the deficit.

"Unless the Republican leadership has a change of heart, the budget reconciliation bill will be all pain and no gain for middle- and low-income families," said **Sen. Jack Reed** (D-RI), Ranking Democrat on the **Joint Economic Committee (JEC)**. "Especially in a time of war, we should be requiring greater sacrifice from those who can most afford it, instead of continuing to squeeze those who can least afford it."

"Instead of lowering the deficit, the House and Senate reconciliation bills pile on the debt and working families end up paying the price," said **Rep. Carolyn Maloney** (D-NY), Senior JEC House Democrat. "These bills are not helping families or the fiscal outlook."

The JEC Democrats' report compares the dollar value of the loss in benefits from cuts in spending that affect people directly with the gain in after-tax income from the tax cuts for families in each fifth of the income distribution. The analysis is preliminary because the House has not yet passed its tax reconciliation bill and because substantial differences between the House and Senate measures remain unresolved.

The spending cuts in the House bill are not only larger than those in the Senate bill, but they also cut more deeply into programs that directly benefit middle- and lower-income families. Thus, if the final spending bill looks more like the House bill than the Senate bill, it would increase the budget deficit by less, but it would have a harsher distributional impact. For example, families in the bottom fifth of the income distribution receive only about 3 percent of total income, but in the House bill they bear 22 percent of the total cuts in spending on payments for individuals.

The benefits from both the Senate and the House tax bills are heavily tilted toward upper-income taxpayers, but the bills differ significantly in their details. The Urban-Brookings Tax Policy Center finds that in the Senate-passed tax bill about 86 percent of the major tax cuts go to the 20 percent of families with the highest incomes (who make approximately $80,000 or more annually), and in the bill pending before the House about 84 percent of the major tax cuts go to the same richest 20 percent of families.

The Joint Economic Committee, established under the Employment Act of 1946, was created by Congress to review economic conditions and to analyze the effectiveness of economic policy.

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