



# HOUSE BUDGET COMMITTEE

## Democratic Caucus

The Honorable John M. Spratt Jr. ■ Ranking Democratic Member

B-71 Cannon HOB ■ Washington, DC 20515 ■ 202-226-7200 ■ [www.house.gov/budget\\_democrats](http://www.house.gov/budget_democrats)

May 8, 2003

### Support the Democratic Jobs and Economic Growth Plan and Oppose Republican Tax Cuts

Dear Democratic Colleague:

The “Jobs and Growth Tax Act of 2003” comes to the House floor tomorrow. This Republican bill will only make worse the deficits in a budget already ridden with deficits. Everyone should understand the damage these tax cuts will do.

The President’s budget opened the bidding this year by acknowledging that there is no more surplus, and then by requesting \$1.575 trillion in additional tax cuts. The Republican bill that will come before us is supposed to be a scaled-down version of the President’s tax-cut package. But despite the smaller price tag (\$550 billion), it is virtually as expensive as the President’s original plan. Only gimmicks make it appear less expensive.

Although the Ways and Means Committee was instructed by the budget resolution to report a \$550 billion, ten-year tax cut, what Ways and Means designed is a \$550 billion, *three*-year tax cut. Major provisions of the bill are scheduled to expire after as little as three years. This reduces the stated cost of the bill but dares the next Congress to let the tax cuts expire, which is something the authors of this bill never intend to let happen. If the next Congress cannot summon the courage, the \$550 billion tax cut will become far more costly.

The following table, adapted from data provided by the Center on Budget and Policy Priorities, shows just how far the Ways and Means Republicans have taken this gimmick. If the expiring provisions are eventually made permanent, the total cost of the bill will more than double to \$1.123 trillion. This amount approaches the cost of the President’s full plan, which is just what a budget mired in deficits does not need. The sunset in the Republicans’ 2003 tax cut is worse than their sunset in 2001, because the tax cuts in this year’s bill expire faster than those in the 2001 law.

The budget resolution allows further tax cuts after this legislation, and the Republican leadership still insists that it will enact its budget plan in full, including prescription drug coverage for Medicare. There are additional costs omitted from the budget coming not far down

the road. These include the post-war occupation of Iraq, homeland defense, and the correction of the ballooning individual alternative minimum tax (AMT), which will apply to millions more taxpayers unless fixed at a revenue cost in the range of \$600 billion. The House Budget Committee's Democratic staff estimate that enactment of the real Republican program, including these omitted costs, will condemn the budget to deficits of over \$400 billion for the next two years. And with the impending retirement of the baby boomers, pressures on the budget are just beginning to build.

In short, the Republican tax cuts have not been pared back in this legislation. The true impact of these tax cuts on revenues will easily exceed \$1 trillion. They will drive the budget into almost intractable deficits.

By contrast, the Democratic Jobs and Economic Growth Plan is fair, fast-acting, and fiscally sound. The Democratic plan includes tax cuts for working families and small businesses, and creates more than one million jobs by the end of 2003. Because its cost is fully offset, the Democratic plan does not inflict the long-term damage to the budget that the Republican plan does. Finally, by providing tax cuts to working families and extending unemployment benefits, the Democratic plan helps average Americans, the people most likely to spend money and boost consumer demand, thus creating jobs.

I urge you to oppose the House Republican tax cuts and support the Democratic plan.

Sincerely,

John M. Spratt, Jr.  
Ranking Democratic Member

**TRUE COST OF WAYS AND MEANS PLAN IF MADE PERMANENT**

(2003-2013 Totals in Billions of Dollars)

<b>Provision</b>	<b>Stated Cost</b>	<b>Cost If Permanent</b>
Dividends and Capital Gains	277	296
Top-Bracket Rate Cuts	74	74
Child Tax Credit	45	90
Ten-Percent Bracket	19	45
Marriage Penalty	43	55
Small-Business Expensing	3	35
Alternative Minimum Tax	53	53
Bonus Depreciation	21	400
Net Operating Losses	15	75
<b>TOTAL</b>	<b>550</b>	<b>1,123</b>

Source: Center on Budget and Policy Priorities

# Republican Program Perpetuates the Deficit

