

CONGRESS OF THE UNITED STATES

# JOINT ECONOMIC COMMITTEE

VICE CHAIRMAN JIM SAXTON

## PRESS RELEASE

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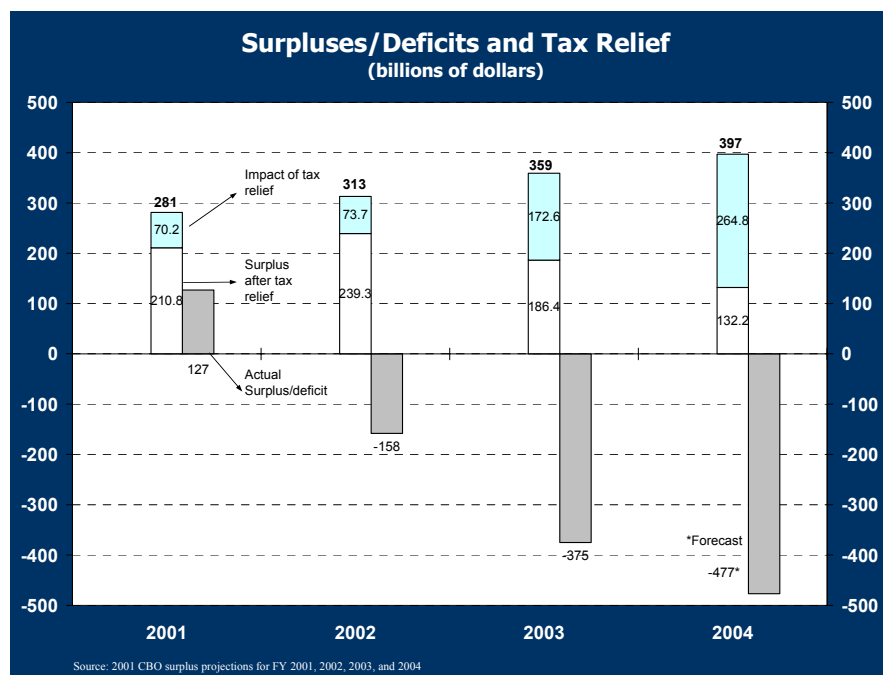
### TAX RELIEF DID NOT CAUSE SWING INTO DEFICIT

Press Release #108-111  
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**WASHINGTON, D.C.** – The contention that the tax relief legislation of recent years caused the swing from the large surpluses projected in 2001 to large deficits is contradicted by the facts, Vice Chairman Jim Saxton said today. Saxton pointed out that the static revenue cost of this tax legislation would have left significant surpluses throughout the decade. Huge economic and technical re-estimates, including the effects of the bursting of the stock market bubble and the economic slowdown and recession, as well as terrorist attacks, wars, and other factors, have erased the surpluses and pushed the budget into deficit. In January of 2001, the Congressional Budget Office (CBO) projected \$5.6 trillion in cumulative budget surpluses through 2011, but economic and technical revisions alone reduced this amount by over \$3 trillion.

“When the revenue impact of tax relief is isolated and compared to the swing from surplus to deficit, it becomes clear that the result would be reduced but still sizable budget surpluses,” Saxton said. “On the other hand, the astronomical size of the economic and technical revisions alone is enough to wipe out the projected surpluses through fiscal 2004. When the budget data are examined on an annual basis, it is clear that tax relief is too small to explain the huge swings from projected surplus to deficit.

“As illustrated in the graph below, in 2001 CBO projected that the fiscal 2002 budget surplus would be \$313 billion. Tax relief of \$73.7 billion should have reduced this surplus to \$239 billion, but instead the budget ended the year \$158 billion in deficit. This \$471 billion swing from surplus to deficit cannot be explained by \$73.7 billion in tax relief. Economic and technical revisions alone for 2002 amounted to \$321 billion, more than enough to wipe out the projected 2002 surplus and push the budget into deficit,” Saxton concluded.



For more information on taxation, please visit our website at [www.house.gov/jec](http://www.house.gov/jec).

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