POLITICS & POLICY

GOP Use of Treasury to Analyze Kerry Tax Plan Raises Questions

By BOB DAVIS

WASHINGTON—The Treasury tapped civil servants to calculate the cost of Sen. John Kerry's tax plan and then posted the analysis on the Treasury Web site. A federal law bars career government officials from working on political campaigns.

The Treasury analysis doesn't mention Mr. Kerry by name. Rather it sketches out the potential cost of a tax plan that rolls back tax reductions for taxpayers with incomes above $200,000—the nub of the Democratic presidential candidate's plan. The result, the Treasury said in the analysis posted March 22, would be a tax increase of as much as $477 billion over 10 years on "hardworking individuals and married couples." The same day, the Republican National Committee issued a press release in which it unveiled what it called its "John Kerry $pendometer," and cited the same $477 billion figure as the cost of "raising taxes on the top income bracket."

Scrutiny of government actions is always higher during election campaigns, and similar controversies involving Treasury tax estimators have occurred in recent administrations, both Republican and Democratic. Still the current incident could raise questions at a time when the Bush administration is already embroiled in controversy over whether it is improperly pressuring government officials.

John "Buck" Chapoton, who headed Treasury's tax office under Ronald Reagan, said career tax officials "are supposed to be objective. It's important that they are thought of as not being influenced or used for political purposes."

Eugene Steuerle, another Treasury tax official during the Reagan administration, said that using the analysis of the Kerry plan for political purposes "stepped over the line" that's supposed to protect career officials from political influence. "This type of release tends to reduce the reputation of the department as a fair and neutral arbiter of what constitutes good tax policy," Mr. Steuerle said. Messrs. Chapoton and Steuerle were Treasury political appointees during the Reagan years.

Rob Nichols, a Treasury spokesman, said that it's "proper" for Treasury to analyze tax proposals so Congress and the administration "can know the effects of the proposed change." House Majority Leader Tom Delay of Texas requested the estimates, said Stuart Roi, a DeLay spokesman, because several Democratic budget proposals had provisions similar to the Kerry tax plan. Mr. DeLay then distributed the analysis widely, including to the Republican National Committee. "The Democrats are all one and the same" on tax repeal, Mr. Roi said. "They don't attempt to make a distinction."

Lawmakers typically turn to the congressional Joint Committee on Taxation for tax estimates, not the Treasury. Mr. Roi said the committee "couldn't turn it around as fast as we needed it." But Dan Maffei, a Democratic spokesman for the House Ways and Means committee, called the Republican effort "highly suspicious." If Republicans had "a legitimate legislative purpose, the first place you would go would be

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the Joint Committee on Taxation."

Because the power of the government is so vast and can be a formidable political weapon, the actions of an incumbent president of either party, and of his cabinet, often come under scrutiny during election years. Mr. Bush has been criticized for using the government to pay for trips when he flies to battleground states in the U.S. on Air Force One. His predecessor, Bill Clinton, faced similar criticism.

Former Clinton officials said that Treasury tax estimators analyzed tax proposals of Mr. Clinton's opponent Bob Dole and Vice President Al Gore's opponent George W. Bush. However, the former officials are adamant that those analyses weren't shared with political officials and weren't used in the campaign. The Treasury's office of tax analysis "shouldn't be used for purposes of a political campaign," said former Clinton Treasury official Les Samuels. "Where you cross the line is when you use the information for campaign purposes."

One reason, Mr. Samuels said, Clinton officials trod carefully is that the first Bush administration was accused of using tax estimators for political purposes. In 1992, Fred Goldberg, then the Bush Treasury's top tax official, stirred controversy when he told reporters that Treasury calculations showed that candidate Clinton's proposals could increase taxes for moderate-income Americans.

The dispute over the tax analysis may add to the already heated controversy over whether the Bush administration is improperly pressuring current and former government officials. Medicare's chief actuary has said the administration stopped him from warning Congress that a prescription-drug benefit would far exceed its 10-year cost target. The administration is also engaged in a bitter struggle with former White House counterterrorism official Richard Clarke over whether the Bush administration was lax in fighting terrorism.

"Whether it's using Treasury officials to analyze John Kerry's plan to create 10 million jobs or CIA officials to help smear Richard Clarke, this White House is the most political White House the nation has ever seen," said Stephanie Cutter, a Kerry spokeswoman. "They will say and do anything to get re-elected."

But Pamela Olson, who stepped down as the Bush Treasury's top tax official last month, countered that the Treasury should do even more analyses. "The obligation at the Treasury Department is to advance the president's legislative agenda," which includes making the individual income-tax cuts permanent, she said. "Something that goes in the opposite direction"—as Mr. Kerry's proposal would—"would be inconsistent with the president's legislative agenda," she said. Mr. Nichols, the Treasury spokesman, said that Treasury attorneys "signed off" on having tax estimators involved in analyzing a tax-cut repeal. The department should analyze tax proposals, he added, "when administration officials feel they need that analysis in order to fulfill their official responsibilities."

Mr. Kerry has said he would repeal the Bush tax cuts for families making more than $200,000, but he hasn't made a detailed proposal. Given the lack of specificity, the Treasury analysis looked at a variety of options, which include repealing the reduction in the 39.6% and 36% income-tax brackets—now 35% and 33% respectively—for individuals and married couples with taxable income exceeding $200,000.

The analysis also looks at the effect of repealing lower rates on capital gains and dividends for those earning more than $200,000—though Mr. Kerry hasn't decided how to handle that issue. Mr. Roi, the DeLay spokesman, said those provisions were in Democratic budget proposals, too.

Given the wide range of possibilities, the Treasury estimates the tax increase between $201.4 billion and $476.9 billion, but doesn't say over what period of time. The numbers appear to measure the tax changes over a 10-year period.

A Kerry economic adviser said the Treasury estimates were bound to be wrong, because the candidate hasn't decided on details of his proposal. In one way, though, the Treasury may underestimate the tax increase. That's because Mr. Kerry has said he would repeal tax breaks for those with "adjusted gross incomes" of more than $200,000—not "taxable income" of that amount, as Treasury assumes. Under the Kerry plan, therefore, more people would be affected by rolling back the Bush tax cuts.

The Bush-backed tax cuts will expire at the end of 2010 unless Congress extends them, as the president proposes.