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CHAIRMAN JIM SAXTON

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MORE FLEXIBILITY NEEDED IN SCORING TAX LEGISLATION

WASHINGTON, D.C. – Current budget rules are biased against the provision of tax relief and should be modified to level the playing field, according to a new study released today by Joint Economic Committee (JEC) Chairman Jim Saxton. The new JEC study, *Extending the Budget Enforcement Act: Revision of PAYGO Rules Necessary for Better Tax Policy*, analyzes the operation of budget procedures up for revision this year and their often-negative effects on tax policy.

“The current budget process is as complicated as it is dysfunctional,” Saxton said. “One of its biggest defects is in its institutional bias against tax relief legislation. Under current revenue estimation practices, the effect of the budget rules is to raise procedural hurdles to the enactment of tax legislation that could improve the economic efficiency of the tax system.

“Instead of improvement in tax policy, the budget rules provide many incentives to contort tax legislation to comply with various budget mandates. One consequence is a distorted tax code that may comply with the budget rules, but engenders unnecessary complexity and economic inefficiency. Both the budget process and the tax code are a mess, at least partly as a result of the maze of budget rules.

“If Congress is to extend the Budget Enforcement Act, several reforms should be considered to lessen its bias against tax relief. For example, the current link between tax legislation and the entitlement spending offsets should be removed. The Act should be modified to permit a rational discussion of tax policy without artificial and arbitrary accounting obstacles.

“Separately, Congress should use dynamic scoring of tax legislation where appropriate. The revenue feedback effects from changes in economic growth and other macroeconomic variables induced by tax proposals should be included in revenue estimates. Some distinction should also be recognized between deferral of taxation and permanent reduction in federal revenue. As Congress frames tax policy, the most important question should not be how to game the scoring system, but how to best improve the economic efficiency and simplicity of the tax code,” Saxton concluded.

For a copy of the study, *Extending the Budget Enforcement Act: Revision of PAYGO Rules Necessary for Better Tax Policy*, please visit the JEC website at www.house.gov/jec

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