

The Effects of the Bush Tax Cut Plan on Social Security, 2001-10

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Texas Governor George W. Bush has promised that his huge tax cut plan will not endanger the Social Security trust fund. But, in fact, the cost of the Bush tax cuts would far exceed officially projected non-social-security budget surpluses over the next decade. As a result, the Bush tax plan would raid as much as three-quarters of the ten-year projected Social Security surpluses.

Over the next decade, the Congressional Budget Office projects budget surpluses, excluding Social Security, of \$838 billion—assuming that discretionary appropriations are held flat in inflation-adjusted dollars.¹ If one instead assumes that discretionary appropriations will grow with population as well as inflation, then these projected budget surpluses fall to only \$399 billion. If, as seems most likely based on the historical record and current political climate, appropriations keep up with the economy, then the entire non-social-security surplus disappears.

Meanwhile, over their first nine years (fiscal 2002-10), the Bush tax cuts would cost \$1.8 trillion (including \$265 billion in added interest costs). As a result, over the next decade, the Bush tax cuts would far exceed all reasonable projections of upcoming non-social-security surpluses.

That would require dipping deeply into the Social Security trust fund to pay for the Bush tax cuts. In fact, over the next decade, the Bush tax plan would use up between 41% and 78% of projected Social Security surpluses.

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Surplus Projections (without Social Security):	
A. CBO: adjust appropriations for inflation	\$ +838 billion
B. Adjust for inflation & population	+399
C. Maintain share of the economy	-14
Cost of Bush Tax Plan	\$ 1,779 billion
Projected Social Security Surplus	\$ +2,314 billion
Percentage of Social Security Surpluses used up by Bush Tax Plan	
Appropriations Scenario A	41%
Appropriations Scenario B	60%
Appropriations Scenario C	78%

¹The Center on Budget and Policy Priorities persuasively argues that CBO's \$838 billion baseline surplus estimate is substantially overstated even on its own terms, primarily because it assumes future tax policy decisions (regarding extensions of expiring provisions and the alternative minimum tax) that are extremely unlikely. See www.cbpp.org/2-3-00bud.htm for details of the Center's analysis.

Addendum 1: What Gov. Bush might say. In its January economic and budget report, CBO also estimates the surpluses that could hypothetically occur if the 1997-enacted discretionary spending caps for 2001 and 2002 are complied with. In such an unlikely scenario, CBO says that non-social-security surpluses over the 2001-10 period would total \$1.9 trillion, which is slightly more than the \$1.8 trillion cost of Gov. Bush's tax cuts over that period. Presumably, the Bush campaign would point to this figure to defend the Bush tax cut plan as consistent with Gov. Bush's promise not to raid the Social Security trust fund.

But virtually no one considers a hypothetical spending-cut scenario that depends on compliance with the 1997 spending caps to be even slightly realistic. It would require permanently and immediately reducing all discretionary outlays by 12 percent, compared to merely keeping them flat adjusted for inflation. In fact, if defense is exempted from the cuts (Gov. Bush says he favors "rebuilding America's military strength") then all other appropriations would have to be immediately slashed by 23 percent. Of course, Gov. Bush has not proposed such radical program cuts, and Congress and President Clinton have made it clear that the 1997 spending caps are a dead letter.²

Addendum 2: Five-year figures on the Bush tax plan: From fiscal 2002 to fiscal 2006, the Bush campaign estimates that the Bush tax cuts would total \$483 billion. Bumping this figure up to \$506 billion to reflect the latest CBO economic and budget projections and adding the \$46 billion in higher interest costs that the tax cuts would entail³ brings the total cost of the Bush tax plan over that five-year period to \$552 billion. That compares to non-social-security surpluses of \$224 billion projected by CBO, and as little as zero non-social security surplus under likely alternative estimates of future appropriations. As a result, even in its first five years, the Bush tax plan would use up between 31 percent and 54 percent of the \$1.1 trillion in projected Social Security surpluses.

Sources: The analysis here is based primarily on the Congressional Budget Office's January 2000 economic and budget projections and the Bush campaign's estimates of the five-year size of the Bush tax plan. Surplus projections under alternative discretionary spending scenarios and additional estimates of the cost of the Bush tax plan (specifically, updating the cost of the tax cuts for the latest economic projections, estimating the cost past the first five years and taking account of added interest expenses) were calculated by Citizens for Tax Justice, based on the CBO and Bush data.

²One could note in this regard that the discretionary appropriations enacted by Congress and the President last fall for fiscal 2000 are \$39 billion (7 percent) above the 1997 spending caps. Congressional Budget Office, *The Budget and Economic Outlook: Fiscal Years 2001-2010*, Page 11: "CBO currently estimates that outlays in 2000 will be \$603 billion compared with the \$564 billion cap specified in the 1997 act."

³By reducing (or eliminating) surpluses, the tax cuts add to the national debt, which in turn requires higher interest payments.

George W. Bush's Tax Cuts & Effects on Projected Surpluses, Fiscal 2001-2010

fiscal years, \$-bill.	George W. Bush Tax Cuts*			Non-Social Security Surplus Projections Without Tax Cut			% of Non-Social Security Surplus Used Up By Bush Tax Cuts			Social Security Surpluses (CBO Projection)	% of Social Security Surpluses Used Up by Bush Tax Cuts		
	Proposed Tax Cuts	Increase in Interest on the National Debt	Total Cost of Bush Tax Cuts	A. CBO: Adjust Discretionary Spending Only for Inflation	B. Adjust for Inflation & Population Growth	C. Maintain Discretionary Spending's GDP Share	A. CBO: Inflation Only	B. Inflation & Population	C. Maintain GDP Share		Discretionary Option A	Discretionary Option B	Discretionary Option C
2001	\$ —	\$ —	\$ —	\$ +11	\$ +5	\$ +7	—	—		\$ +166	—	—	—
2002	27	1	27	+26	+14	+8	104%	195%		+182	1%	7%	11%
2003	71	3	74	+31	+12	+2	237%	633%	No	+195	22%	32%	37%
2004	89	7	96	+37	+10	-9	260%	1,009%	Surpluses	+209	28%	41%	50%
2005	135	13	148	+43	+7	-20	345%	2,192%	Over the	+225	47%	63%	75%
2006	184	22	206	+86	+40	-0	240%	510%	Decade	+239	50%	69%	86%
2007	221	33	254	+115	+59	+3	221%	429%	Even	+254	55%	77%	99%
2008	240	46	286	+131	+64	-4	218%	449%	Without	+268	58%	83%	108%
2009	261	61	322	+162	+82	-2	199%	391%	Tax Cuts	+281	57%	85%	115%
2010	288	78	366	+195	+106	+8	188%	344%		+295	58%	88%	121%
2001-10	\$ 1,515	\$ 265	\$ 1,779	\$ +838	\$ +399	\$ -14	212%	446%	No surplus	\$ +2,314	41%	60%	78%
5 years: 2002-06	\$ 506	\$ 46	\$ 552	\$ +224	\$ +82	\$ -19	247%	670%	no surplus	\$ +1,050	31%	45%	54%

*Adjusted to account for the latest CBO economic projections. Figures show only the first nine fiscal years of the Bush tax cuts. In the tenth year (fiscal 2011), the Bush tax cuts would cost \$399 billion (including interest), compared to non-Social-Security surplus projections, depending on expectations about discretionary spending, of approximately \$20 to \$225 billion.

Source: Citizens for Tax Justice, Feb. 3, 2000.