

# Freeze the Tax Cuts

1. Due to the terrible events of September 11, the federal government will need to spend considerably more than previously anticipated to pay for anti-terrorism efforts and to aid our faltering economy.
2. These new emergency spending requirements have made the Bush tax cuts even more unaffordable.
3. Therefore, it is only prudent to impose a freeze on the future phase-ins of the Bush tax cuts.
4. Even if the freeze applies only to the future income tax rate reductions and estate tax cuts, it could save close to \$500 billion in fiscal 2003 through 2011.<sup>1</sup>

■ Fully phased in, some 84 percent of these frozen tax cuts would otherwise go to the best-off one percent of all taxpayers.

## Addendum:

1. Necessarily, the government will dip deeply into the Social Security surpluses, this year and over the next few years.
2. When the emergency diminishes, however, those funds could be paid back to the trust fund by devoting a portion of future on-budget revenues to debt reduction. But that will not be possible unless the tax cuts are frozen.

## Potential Changes to the Phase-Ins of the Bush Tax Cuts

fiscal yr	Freeze tax rates at half point cut only			Retain Pease & PEPO*	Drop estate tax changes	Total
	Top rate	Other rates	Subtotal			
2002	\$ 1.3	\$ 5.3	\$ 6.6	\$ —	\$ 0.1	\$ 6.7
2003	2.0	8.6	10.6	—	7.0	17.6
2004	5.0	13.3	18.3	—	5.6	23.9
2005	6.5	18.1	24.6	—	7.6	32.2
2006	15.0	27.1	42.0	1.7	4.6	48.3
2007	19.3	31.4	50.7	3.5	10.2	64.4
2008	20.3	31.3	51.6	5.4	12.4	69.4
2009	21.6	31.2	52.7	7.2	13.2	73.2
2010	22.8	31.1	54.0	9.4	23.5	86.9
2011	6.9	9.4	16.3	5.8	53.9	76.0
<b>01-11</b>	<b>\$ 120.7</b>	<b>\$ 206.7</b>	<b>\$ 327.4</b>	<b>\$ 33.0</b>	<b>\$ 138.0</b>	<b>\$ 498.5</b>

\*Pease is the partial disallowance of itemized deductions at upper-income levels. PEPO is the personal exemption phase out at upper income levels. Both are repealed (phased-out) in the Bush tax act.

Source: Joint Committee on Taxation data, compiled by Citizens for Tax Justice, Sept. 2001

<sup>1</sup>Besides keeping the half-point cut in each of the top four income tax rates that took effect this year, such a "limited freeze" would preserve the new 10% tax bracket, the increased child credit, marriage penalty relief and various other provisions of the Bush tax act, leaving in place some \$846 billion in tax cuts over the next ten years.