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Both Sides of Debt Ceiling Talks Propose Increasing the Budget Deficit

President's and GOP's Positions Both Include Greater Tax Cuts than Spending Cuts

It's hard to say what will happen with the necessary increase in the federal debt ceiling. Perhaps something like the proposal put forward by Senate Republican Leader Mitch McConnell to essentially raise the debt ceiling without any guarantee of cuts in spending or revenue increases will be adopted. Or perhaps the President will continue to try to get congressional Republicans to agree to a "grand bargain" that would supposedly reduce the budget deficit by \$4 trillion over ten years.

But one thing is clear: Almost anything that the President and the Congress can possibly agree upon will not reduce projected budget deficits. Instead, it will increase them.

The problem is that both sides want to extend all or most of the expiring Bush tax cuts. And neither side has proposed spending cuts or tax increases large enough to offset the tremendous cost of such an extension.

Here is what the two sides proposed in the negotiations over the possible "grand bargain":

Congressional GOP position: Extend all of the Bush tax cuts, which are otherwise scheduled to expire at the end of 2012. Such an extension would cost \$5.4 trillion over the upcoming decade.¹ To offset most, but not all of that cost, Republicans want to slash public services, to save about \$4 trillion over 10 years. *Net deficit increase: \$1.4 trillion.*

President Obama's position: Extend 81 percent of the Bush tax cuts plus some other, smaller tax cuts he has promoted, at a cost of about \$4.7 trillion over 10 years. He proposes to offset part of that cost by slashing public services, to save about \$3.2 trillion over 10 years. Reports indicate that the President has discussed several measures to close tax loopholes. While it's uncertain exactly what has been discussed, even if we assume that the President is pushing *all* of the tax loophole-closing proposals in his most recent budget blueprint, that would save only \$0.7 trillion over a decade.² *Net deficit increase: \$0.8 trillion.*

The bottom line: The main point of contention between the President and the Republicans is the 19 percent of the Bush tax cuts that Obama would allow to expire and which, if extended as Republicans demand, would go entirely to the richest 2.6 percent of taxpayers³ (who would receive significant tax cuts even under Obama's proposal⁴).

Both sides seem to agree, however, that budget deficits should be considerably larger than they would be under current law.

1. Citizens for Tax Justice, "Another Decade of Bush Tax Cuts Will Cost More than Twice as Much as the First Decade," June 7, 2011. <http://ctj.org/pdf/bushtaxcuts2013to2022.pdf>
2. Citizens for Tax Justice, "Tax Proposals in President Obama's Fiscal Year 2012 Budget: Plan Would Make Permanent 81 Percent of the Bush Tax Cuts," February 28, 2011, appendix, budget table. <http://www.ctj.org/pdf/obamabudgetfy2012.pdf>
3. Citizens for Tax Justice, "Tax Proposals in President Obama's Fiscal Year 2012 Budget: Plan Would Make Permanent 81 Percent of the Bush Tax Cuts," February 28, 2011, p. 2. <http://www.ctj.org/pdf/obamabudgetfy2012.pdf>
4. Citizens for Tax Justice, "Married Couples with Incomes Between \$250,000 and \$300,000 Would Lose Only 1% of Their Bush Tax Cuts under Obama Plan versus GOP Plan," December 3, 2010. <http://www.ctj.org/pdf/obamavsgoptax.pdf>