

New Estimates Show Cost of Bush Tax Plan Continues to Rise

Newly revised estimates by the Congressional Joint Committee on Taxation show that the cost of the tax plan proposed by President George W. Bush would be substantially greater than the \$1.6 trillion estimate generated last year. On March 1, the House Ways and Means Committee approved H.R.3, which would implement the income tax rate cuts proposed by Bush under a slightly accelerated schedule. A March 7 analysis by Citizens for Tax Justice, based in part on JCT's analysis of H.R. 3, finds that the total ten-year cost of the Bush tax plan, as modified by H.R. 3, would be in excess of \$2.4 trillion. In particular, CTJ's analysis shows that:

H.R. 3's accelerated income tax rate cuts, combined with revised estimates of economic growth since last May, increase the cost of the Bush plan by \$150 billion over ten years. This brings the ten-year cost of the Bush plan's provisions to over \$1.7 trillion.

Because the Bush plan (like H.R. 3) reduces income tax rates without modifying the Alternative Minimum Tax (AMT), millions of additional taxpayers would be forced to pay the AMT when

the plan is fully phased in, an outcome which all parties agree is unrealistic. According to JCT, adjusting the AMT to fix this problem would add almost \$300 billion to the Bush plan's cost. That brings the ten-year cost to just over \$2.0 trillion.

The \$2.0 trillion cost of the Bush plan reduces the amount of surplus revenues that can be devoted to reducing the federal debt by \$2.0 trillion. This means that the federal government will pay an additional \$413 billion in interest payments as a direct result of the Bush plan. Factoring in these additional interest payments brings the ten-year total cost of the Bush plan to \$2.417 trillion.

How Much Does the Bush Tax Plan Cost?

Fiscal Years 2002-2011, \$Billions

Bush May 2000 Estimate:	\$1,564
<i>Add:</i> Speeding up rate cuts, new CBO projections	\$148
Subtotal:	\$1,712
<i>Add:</i> Cost of fixing AMT (Bush-caused part only)	\$292
Subtotal:	\$2,004
<i>Add:</i> Interest payments	\$413
TOTAL COST:	\$2,417

A table describing the year-by-year impact of the Bush plan follows.

How Much Will the Bush Tax Plan Cost?

As of March 2001, \$-billions

fiscal years	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2002-11
Campaign estimates per Joint Committee on Taxation, preliminary (no interest), May 2000											
PIT rate cuts	\$ -18.3	\$ -36.1	\$ -57.3	\$ -74.6	\$ -97.8	\$ -107.3	\$ -109.5	\$ -112.0	\$ -114.5	\$ -117.0	\$ -844.4
Other PIT cuts	-2.6	-13.3	-22.7	-32.3	-42.5	-51.2	-53.2	-55.6	-58.0	-60.4	-391.7
Estate tax repeal	—	-7.8	-8.3	-15.9	-23.4	-30.7	-42.8	-52.0	-55.3	-61.0	-297.2
Corporate	-0.2	-0.2	-0.6	-2.7	-3.4	-4.0	-4.5	-4.9	-5.1	-5.3	-30.8
SUBTOTAL	\$ -21.1	\$ -57.4	\$ -88.9	\$ -125.5	\$ -167.1	\$ -193.2	\$ -210.0	\$ -224.5	\$ -232.9	\$ -243.7	\$ -1,564.2
Speed up small part of PIT rate cut per Joint Committee, March 2001, and update other items for CBO Jan. 2001 projections. No AMT adjustment											
PIT rate cuts*	\$ -54.7	\$ -54.4	\$ -70.8	\$ -80.9	\$ -103.0	\$ -113.4	\$ -116.0	\$ -118.7	\$ -121.7	\$ -124.7	\$ -958.2
Other PIT cuts	-2.7	-13.6	-23.2	-32.9	-43.4	-52.2	-54.2	-56.7	-59.2	-61.6	-399.6
Estate tax repeal	—	-8.1	-8.7	-16.7	-24.7	-32.5	-45.6	-55.5	-59.3	-65.7	-316.7
Corporate	-0.2	-0.2	-0.7	-3.3	-4.2	-4.9	-5.5	-6.1	-6.4	-6.7	-38.2
SUBTOTAL	\$ -57.6	\$ -76.3	\$ -103.4	\$ -133.8	\$ -175.2	\$ -203.0	\$ -221.3	\$ -237.0	\$ -246.5	\$ -258.7	\$ -1,712.7
Fix the AMT (Bush-caused AMT problem only, per Joint Committee, March 2001)											
PIT cuts w/ AMT fix**	\$ -58.4	\$ -71.7	\$ -101.0	\$ -127.1	\$ -167.3	\$ -202.2	\$ -212.7	\$ -224.2	\$ -236.4	\$ -249.1	\$ -1,650.0
Estate tax repeal	—	-8.1	-8.7	-16.7	-24.7	-32.5	-45.6	-55.5	-59.3	-65.7	-316.7
Corporate	-0.2	-0.2	-0.7	-3.3	-4.2	-4.9	-5.5	-6.1	-6.4	-6.7	-38.2
SUBTOTAL	\$ -58.7	\$ -80.0	\$ -110.4	\$ -147.1	\$ -196.1	\$ -239.6	\$ -263.8	\$ -285.8	\$ -302.0	\$ -321.4	\$ -2,004.9
Added interest payments	+1.9	+5.4	+10.6	+17.7	+27.2	+39.1	+52.9	+68.4	+85.5	+104.1	+412.7
TOTAL COST	\$ -60.6	\$ -85.4	\$ -121.0	\$ -164.8	\$ -223.3	\$ -278.7	\$ -316.7	\$ -354.2	\$ -387.5	\$ -425.5	\$ -2,417.6

*HR 3, as passed by the House Ways and Means Committee, 3/1/2000, per Joint Committee on Taxation, 3/1/2000.

**Includes the \$292.2 billion ten-year cost of fixing the Bush-caused AMT problem according to the Joint Committee on Taxation, 3/1/2000.

Notes: PIT means personal income tax. Very small fiscal 2001 costs due to the partial rate cut speed-up (less than \$6 billion) are included in fiscal 2002 figures above.

Sources: Joint Committee on Taxation, May 2000 and March 2001; Congressional Budget Office, January 2001; Citizens for Tax Justice March 2001.

Citizens for Tax Justice, March 2001