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JOINT ECONOMIC COMMITTEE

VICE CHAIRMAN JIM SAXTON

PRESS RELEASE

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BUDGET GLOOM IS EXAGGERATED

**-- New Boskin Paper Examines Future
Revenue Flow From Tax-Deferred
Accounts --**

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WASHINGTON, D.C. – The unduly negative portrayals of the long-term U.S. budget outlook fail to fully account for future revenue flows according to a new paper by Dr. Michael Boskin, Vice Chairman Jim Saxton said today. The forthcoming National Bureau of Economic Research (NBER) paper examines the future revenue implications of withdrawals from tax-deferred saving and investment plans, pensions, and other items. Reportedly, by 2040 Boskin estimates that the value of these deferred taxes could amount to about \$10 trillion.

“Dr. Boskin’s research has important implications for economic policy now and in coming years,” Saxton said. “Official projections of budget trends have not adequately considered the total revenue impact of the massive and growing pool of tax-deferred assets. Boskin has made a valuable contribution by systematically examining tax-deferred accounts and estimating their future revenue impact.

“Unfortunately, official government revenue and budget projections are incomplete and can be misleading. For example, the focus of revenue estimation is over an artificial 10-year time frame that overstates the revenue costs of tax deferral, while ignoring or understating the subsequent revenue flow to the government. Similarly, the government’s concept of so-called ‘tax expenditures’ overemphasizes the current cost of saving and investment incentives while missing their future contribution to government revenues.

“For many years Dr. Boskin has noted the myopic aspects of government revenue analysis, and his new study is a significant continuation of this research. Policymakers will now be forced to address the important issues he has raised.

“As a long time advocate of various expanded tax-deferred incentives for saving and investment, I have been frustrated by the bias in conventional revenue estimation. Revenue losses from tax deferral generally seem to be overstated, while offsetting revenue effects are limited, or ignored when outside the scoring window. Congress should adopt more complete and accurate methods for estimating revenues and evaluating tax legislation,” Saxton concluded.

For more information and studies on tax-deferred saving and investment, please visit our website at www.house.gov/jec.

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