



CONGRESS OF THE UNITED STATES

JOINT ECONOMIC COMMITTEE

VICE CHAIRMAN JIM SAXTON

PRESS RELEASE

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TAX RELIEF LEGISLATION DID NOT CREATE BUDGET DEFICITS

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WASHINGTON, D.C. – The tax bills passed during the Bush Administration did not push the budget into deficit, Vice Chairman Jim Saxton noted today. The budget effects of the 2000 stock market plunge, the economic slowdown and recession, and additional federal spending, are the factors that account for the swing from budget surpluses to budget deficits. Without these factors, the tax legislation would have left large surpluses throughout this decade.

In January 2001, the Congressional Budget Office (CBO) produced projections of budget surpluses for each fiscal year of the decade that did not reflect the full impact of the 2000 stock market decline, the economic slowdown and recession, and subsequent new spending on the budget. If the static revenue effects of the tax bills are subtracted from these projected surpluses, the impact of the tax measures on the budget surpluses can be seen in isolation from other factors affecting the budget. The result is an adjusted budget surplus of \$220 billion in 2002, \$182 billion in 2003, and \$1.9 trillion cumulatively through 2008. This calculation demonstrates that it was the budget effects of the economic and other factors noted above that pushed the budget into deficit. The effects of the tax legislation alone would have left large surpluses through 2008.

“As I have pointed out previously, the magnitude of the economic and technical revisions to the 2001 budget projections have been astronomical,” Saxton said. “The negative effects of these revisions on the budget should not be confused with the revenue effects of the tax legislation. The stock market decline and economic slowdown that began in 2000 have had many economic effects, including pushing the federal budget into deficit. In addition, while increases in federal spending for defense and anti-terrorism programs have been necessary, some unnecessary spending increases have contributed to the deficit problem,” Saxton concluded.

The table below shows the impact of the tax legislation alone on the budget surpluses projected in 2001 for fiscal years 2002 and 2003.

Tax Relief and Projected Surpluses (billions of dollars)			
	2002	2003	2004-2008
Total Surplus (Projected in January 2001 by CBO)	\$313	\$359	\$2,543
Tax Relief *	-\$93	-\$177	- \$1,022
Total 2001 Projected Surplus Minus Tax Bills	\$220	\$182	\$1,521

*OMB, *FY 2004 Midsession Review*, includes 2001, 2002, 2003 tax relief legislation.

For more information on tax policy, please visit our website at www.house.gov/jec.

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