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JOINT ECONOMIC COMMITTEE

VICE CHAIRMAN JIM SAXTON

PRESS RELEASE

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MINORITY PROPOSES TAX INCREASES

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WASHINGTON, D.C. – The economic plan released by Minority Leader Nancy Pelosi last week sharply reduces previously proposed near-term tax relief and actually would increase taxes over the longer run, Vice Chairman Jim Saxton said today. The Minority plan released last January provided \$87 billion of tax relief in fiscal 2003, whereas under the plan released last week this amount shrinks to only \$53 billion spread over *both* fiscal 2003 and 2004. The latest Minority plan claims to provide tax relief totaling \$106 billion over the long term, but also contains \$177 billion in tax increases in the years 2003 through 2013, leading to a net tax increase.

“Unfortunately, the dramatic shrinkage of the Minority’s tax program since last January moves in the wrong direction,” Saxton said. “Their tax proposal has now shriveled to an amount equal to about two-tenths of a percent (0.2 percent) of GDP for the first two years, and actually raises taxes over the longer run. The Minority’s tax increases are not the way to encourage solid economic growth into the future. The threat of looming tax increases further undermines any potential stimulative effect of temporary tax relief.

“As research of the Joint Economic Committee has noted, the total economic cost of each dollar of increased taxes is about \$1.40. The additional tax dollar imposes a financial cost, but also imposes what economists call an ‘excess burden’ on the economy in the form of lost output and reduced economic welfare that amounts to an additional 40 cents per dollar raised. The Minority tax plan would set a course to raise this excess burden on the economy in future years, undermining economic growth into the next decade. Instead, we should be seeking to reduce this excess burden of taxes now and in future years,” Saxton concluded.

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

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