



CONGRESS OF THE UNITED STATES

# JOINT ECONOMIC COMMITTEE

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## PRESS ADVISORY

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### Surplus Should Fund Tax Cuts To Spur Savings -- JEC Chairman Raises Prospect Of Even Larger Surpluses --

WASHINGTON, DC – A surplus surprise may still be on the way and should be used to fund increases in IRA and savings tax incentives as well as marriage tax penalty relief, **Joint Economic Committee Chairman Jim Saxton** (R-NJ) said today. Saxton based his comments on recent robust revenue trends. Future revenue trends could exceed the current expectations of Administration and Congressional forecasters.

#### Saxton's statement follows:

"Given the 8 percent revenue growth of recent years, it would not be surprising if official revenue forecasts are again proven too low in coming months. Once tax data are available from April, it may become apparent that revenue for the current fiscal year, as well as next year, will be underestimated. In this situation, Congress should be prepared to return this tax windfall back to the taxpayers that earned it. My own tax relief priorities would be to raise IRA deduction ceilings, shield savings interest for middle income taxpayers, and address the marriage penalty.

"If we don't return these funds to the taxpayers, history suggests that it will be used to finance a further expansion of government spending. Instead, Congress should be ready to use a revenue surprise to lower the tax burden on middle class savers."

The Administration and the Congressional Budget Office (CBO) have recently discovered that their revenue growth projections are too low and that a revenue growth assumption closer to recent trends generates future surpluses. Both Administration and CBO projections have been behind the curve for several years with projections off by a hundred billions dollars.

Both now finally recognize that the business cycle is balancing the budget ahead of schedule Saxton and a number of colleagues have introduced legislation to gradually increase the IRA deduction ceiling from its current level of \$2,000 to \$7,000. Saxton is also supportive of other efforts to remove the multiple taxation of middle class saving, such as exempting the first several hundred dollars of savings interest. The bias against saving and investment under the current income tax is documented in several JEC studies.

In recent years, official budget forecasts have underestimated revenue growth and the resulting improvement in the budget outlook. The effect of these forecasts has been to inadvertently mislead policy-makers in their review of options in fiscal policy. For example, last year the CBO suddenly announced a \$225 billion improvement in the budget outlook just as budget negotiations were reaching a conclusion and the broad outlines of the package had already been set. Over the years, several JEC reports have drawn attention to the powerful revenue impact produced by the sustained upswing in the business cycle that began in 1991.

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