

by deeming all payments on bullet swaps and forward contracts to be termination payments. It is for Congress to correct the problem, eventually; Congress has a lot on its plate, and the administration is not asking for a specific fix at the moment. ■

Bush Spends April 15 Touting Tax Cuts as Dems Slam Agenda

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President Bush used the April 15 federal tax return filing deadline to continue campaigning for permanent tax relief while Democrats questioned both the effectiveness of his tax cuts and his honesty in promoting them.

In a campaign stop in Iowa last week, Bush again called for making his 2001 and 2003 tax cuts permanent, specifically mentioning three popular provisions scheduled to sunset at the end of 2004: the expanded 10 percent income tax rate bracket, the \$1,000-per-child tax credit, and “marriage penalty” relief.

‘I will argue that the tax relief made the recession one of the most shallow in American economic history,’ Bush said.

Bush cited low inflation rates, high home ownership, and recently improved job creation numbers as indicators of a rapidly improving economy. And he gave his own tax cuts much of the credit for the turnaround. “I will argue that the tax relief made the recession one of the most shallow in American economic history,” he said.

Democratic lawmakers responded by attacking Bush’s job creation record and budget deficits, but a report released by the Center on Budget and Policy Priorities (CBPP) raised more serious questions about the president’s tax cut agenda.

“Despite much rhetoric to the contrary from the administration, these tax cuts were not designed as a short-term stimulus,” said the CBPP’s Isaac Shapiro on a conference call announcing the report’s release.

Joining Isaac on the call, Bill Gale of the Brookings Institution said Bush created a very rigid tax cut plan, and then pushed it through Congress using whatever reasoning was most timely. According to Gale, the president’s tax cut agenda was formulated in 1999 in response to Steve Forbes’s attacks from the right, then touted as long-term economic policy during the soaring economy of Bush’s early presidency, before finally being sold as the stimulus needed to ignite an economy in recession.

But in reality, Gale said, “the structure was very poor for battling the recession.” According to Gale, the tax cuts did not provide enough “bang for the buck” because many of the provi-

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sions were aimed primarily at high-income earners and were phased in gradually.

“Failure to enact better-designed stimulus is one of the major reasons job growth has been slow,” Shapiro said.

Gale said Bush’s tax agenda still remains unchanged even in the face of record deficits. The Congressional Budget Office has predicted a \$477 billion deficit for the 2004 fiscal year. The CBPP report placed much of the blame for those deficits on the tax cuts. “Over the long term, the consequences, if anything, will be more disturbing,” Shapiro said.

According to the CBPP report, making the 2001 and 2003 tax cuts permanent would cost \$2.8 trillion over the next 10 years, while the interest on the resulting debt would total \$1.1 trillion. By 2014 the annual interest payment would equal \$218 billion, or 1.2 percent of the economy, the CBPP said.

“The budget outlook with and without the tax cuts looks dramatically different,” Shapiro said.

Two polls released last week showed support for tax cuts may be waning. A *Money Magazine* poll found that 76 percent of Americans would have preferred using government resources for job creation rather than the Bush tax cuts. Slightly more Americans also chose deficit reduction over tax cuts, the poll said, while an Associated Press poll released a day earlier similarly found that more than 60 percent of Americans would prefer that the government balance the budget than cut taxes.

Legislative Outlook

It may prove difficult to reverse the tax laws already enacted, Shapiro said, but “there is some question as to whether they can be extended in their current form.” Both the 2001 and 2003 tax cuts were passed under reconciliation rules that protected them from procedural blocks in the Senate, but also prohibited them from being permanent.

According to Gale, Brookings plans to unveil a revenue-neutral proposal to fix the AMT that would shift the burden to wealthier taxpayers.

Both Gale and Shapiro agreed that the alternative minimum tax could be a catalyst for reform as more and more middle-income taxpayers are ensnared. According to the report, repeal of the AMT would cost the government an enormous amount of revenue unless offset by tax increases or spending cuts.

But Gale announced that Brookings plans to unveil a revenue-neutral proposal to fix the AMT that would shift the burden to wealthier taxpayers for whom he said the original law was intended. “Whether it’s politically palatable is another question,” Gale said.

Gale said the Brookings plan would make numerous changes, starting with indexing the AMT income threshold for inflation. ■

Full Text Citations: CBPP report. *Doc 2004-8170; 2004 TNT 73-21*