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**We Can't Afford Another Ten Years of Deficit-Financing the Tax Cuts: From Now On, All Extensions Must Be Paid For
June 7, 2011**

Today marks the 10-year anniversary of the passage of the Economic Growth and Tax Relief Reconciliation Act of 2001 (EGTRRA), also known as the 2001 tax cuts. Along with their extensions and expansion in 2003 (JGTRRA) and 2010, these tax cuts will have cost the Treasury well over \$2 trillion by the end of 2012 when they are scheduled to expire. CRFB strongly believes that if lawmakers extend these tax cuts further, they must fully offset the costs through spending cuts and/or revenue increases.

Extending all of these tax cuts beyond 2012 would cost \$2.4 trillion (\$3.9 trillion if coupled with continued patches to the Alternative Minimum Tax). Even allowing the upper income tax cuts to expire, the remaining tax cut extensions could still cost over \$1.7 trillion (\$3.1 trillion if coupled with AMT patches).

"We can't afford to put another \$4 trillion on the nation's credit card," said Maya MacGuineas, president of the Committee for a Responsible Federal Budget. "Certainly, there are real economic benefits to keeping tax rates low, but, at the same time, it would be tremendously damaging to add more to the debt. If we want to keep the tax cuts—any or all of them—the costs need to be offset."

The 2001 tax cuts, along with the 2003 and 2010 expansions, reduced tax rates across the board, expanded the child tax credit, brought down tax rates on capital gains and dividends, modified the estate tax, and made various other changes to the tax code.

"Offsetting the costs of all further tax cut extensions would lead to significant fiscal improvement," MacGuineas explained. "Better yet, let's scrap our current tax code altogether and replace it with one that is simpler, fairer, and more pro-growth all at the same time. Given that our current tax code is so crummy and our fiscal situation so dire, on this 10-year anniversary, a perfect gift would be a plan to reform the tax code and bring down our debt."

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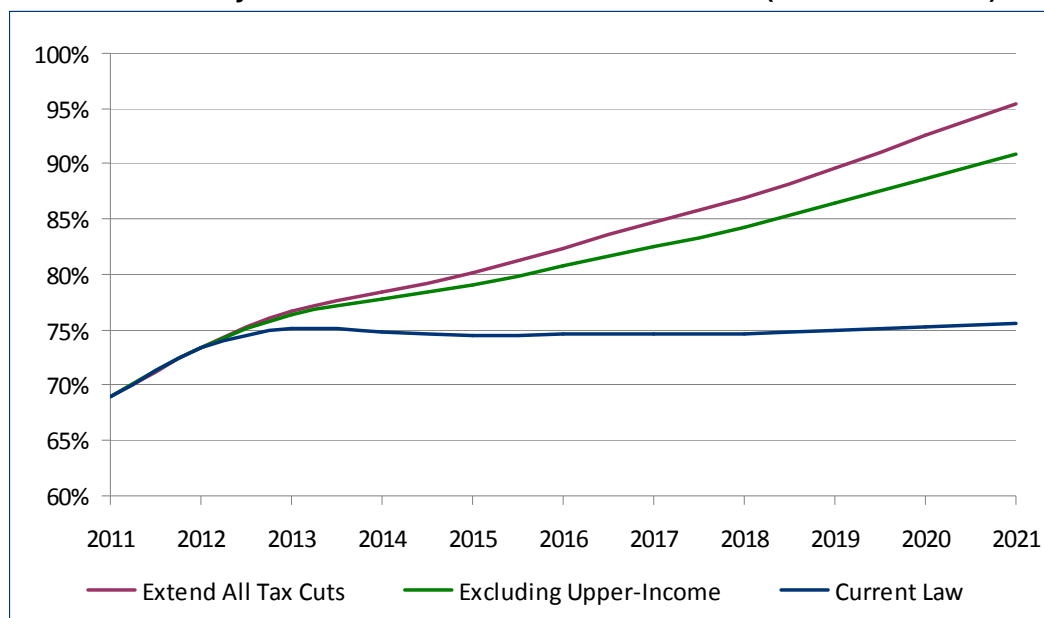
Costs of Extending all Provisions in EGTRRA and JGTRRA (Billions)

2012-2021	
Extend Tax Cuts on Income Below \$200,000/\$250,000	\$1,285
<i>Extend Ordinary Income Rate Reductions</i>	<i>\$610</i>
<i>Extend Child Tax Credit Expansion</i>	<i>\$385</i>
<i>Extend Preferential Capital Gains and Dividends Rates</i>	<i>\$125</i>
<i>Other</i>	<i>\$170</i>
Extend Tax Cuts on Income Above \$200,000/\$250,000	\$710
<i>Extend Rate Reductions</i>	<i>\$420</i>
<i>Extend Preferential Capital Gains and Dividends Rates</i>	<i>\$150</i>
<i>Other</i>	<i>\$140</i>
Extend Estate Tax at 2011 Levels	\$365
Total Costs of Tax Cuts	\$2,360
AMT Patches (Including Interaction)^	\$1,540
Net Interest	\$805
Total Costs of Tax Cuts (Including AMT and Interest)	\$4,705

Note: Numbers combine extensions supported by President Obama and House Republicans. All numbers rounded to the nearest \$5 billion.

^If combined with tax cuts on income below \$200,000/\$250,000, AMT and interaction would cost \$1,465 billion instead of \$1,540 billion.

Debt Held by the Public Under Various Scenarios (Percent of GDP)



Note: Extensions include continued AMT patches.