



HOUSE BUDGET COMMITTEE

Democratic Caucus

U.S. Rep. John Spratt (D-SC) # Ranking Member

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Spratt Proposes \$60 Billion Tax Rebate in Budget Resolution on Top of \$750 Billion in Tax Cuts

WASHINGTON – U.S. Rep. John Spratt (D-SC), the top Democrat on the House Budget Committee, this week proposed an immediate tax rebate of \$300 for all taxpayers and voted to reduce taxes for working families, specifically to relieve the marriage penalty.

“If we are going to give this sagging economy a boost,” said Spratt, “it needs to come sooner rather than later. So, in the budget resolution I brought to the House, I proposed a \$60 billion rebate, averaging around \$300 per taxpayer, to be paid before the end of September.”

Spratt said that “one problem with the president’s tax cuts is that they phase in slowly. Under his proposals, only \$5.8 billion in tax reduction comes in the current fiscal year.”

A bigger problem with the president’s \$1.6 trillion package of tax cuts is that it assumes that a string of surpluses projected over ten years will actually materialize. Said Spratt, “I hope these projections prove correct. But if they don’t pan out, we will find ourselves right back in the hole we just dug out of.”

“In contrast,” said Spratt, “a one-year rebate can be paid from this year’s surplus, which is expected to be about \$95 billion when the fiscal year closes on September 30, 2001. The slump in our economy may shave something off this surplus, but it’s almost in the bank and a pretty sure thing, unlike the huge surpluses projected on paper for eight to ten years from now. They rest on the assumption that this economy grows and grows forever at 3% above the rate of inflation. I hope that happens, but I don’t think we should bet the budget on it.”

The Democratic budget resolution, which Spratt prepared, was not adopted this week by the House. The Republican budget passed instead on a party-line vote and did not call for a \$60 billion rebate. “Nevertheless,” said Spratt, “our resolution advanced my idea and it met next-to-no opposition from the other side. I think we moved this ball down the field, and it will move farther when the Senate takes up the budget.”

Spratt also voted for a Democratic tax cut bill that includes:

- T Creation of a new 12% bracket for the first \$20,000 of taxable income for married couples (equal to about \$41,000 of total income for a couple with two children) and \$10,000 for single people (equal to about \$17,500 in total income). This new bracket phases in quickly, beginning in 2001 and becoming fully effective in 2003.
- T An increase in the standard deduction for married couples to twice the amount for single people. This provision almost phases in quickly, becoming fully effective in 2002.
- T An increase in the Earned Income Tax Credit for married couples so that a family with one child will get an additional credit of \$272 and a family with two or more children will get an additional credit of \$320 beginning in 2002.
- T Altogether, \$585 billion in tax relief to families, spread over ten years.

According to Spratt, this still leaves room in the Democratic budget for almost \$200 billion in additional tax reduction, and the cuts to come will include substantial estate tax cuts and larger allowances for retirement savings accounts, such as 401(k)'s and IRA's.

“What we are proposing in all,” said Spratt, “are tax cuts of some \$800 billion over the next ten years and immediate relief to hard-working Americans.”

“Over the next ten years, if the economy keeps growing and the surpluses projected actually come to pass, there will be additional tax reduction,” Spratt said. “Our budget makes room for that possibility, but also provides for priorities that people clearly want, such as Social Security solvency, Medicare prescription drug coverage, and a big boost in funding for education. On top of all that, we set aside \$3.7 trillion to reduce our national debt, \$915 billion more than the Republican budget provides.”

“The bottom-line of our budget is the best part of it,” said Spratt. “If the government can buy back all the Treasury debt now held by the public, we can lower interest rates on top of lower tax rates and put even more money in peoples' pockets.”

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