



FACT SHEET REVENUES IN FY 2008 SENATE BUDGET RESOLUTION

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Revenues in the FY 2008 Senate Budget Resolution: Fair and Fiscally Responsible

The Fiscal Year 2008 Senate Budget Resolution balances the budget without a tax increase. It provides middle-class tax relief by ensuring that the Alternative Minimum Tax (AMT) does not hit more taxpayers over the next two years. At the same time, it raises enough revenue to meet the nation's most urgent needs and put the budget on a more sustainable long-term fiscal path. And it sets the stage for tax simplification and reform.

AMT Relief for Middle-Class

The FY 2008 Senate Budget Resolution takes steps to prevent the spread of the Alternative Minimum Tax, so that it does not impose higher taxes on middle-class families. It provides AMT relief for 2007 and 2008 – one year more than the President – giving Congress and the administration time to come up with a permanent solution. Under the resolution, the number of taxpayers subject to the AMT would not be allowed to increase – protecting some 20 million middle-class taxpayers from being subjected to the AMT in those years. The cost of providing this relief is fully offset.

No Tax Increase

The revenue levels in the resolution assume that Congress will take steps to counter the effects of the expiration of tax cuts in 2010 in a manner that does not add to the nation's debt burden. The resulting revenue levels are only 3 percent above revenues in the President's budget over the next five years. This additional revenue can be achieved without raising taxes by closing the tax gap, shutting down illegal tax shelters, addressing tax havens, and simplifying the tax code.

Closing Tax Gap, Shutting Down Tax Shelters, and Addressing Offshore Tax Havens

The FY 2008 Senate Budget Resolution calls for collecting taxes that are already due, while at the same time improving taxpayer services for honest citizens who need help complying with the code.

The resolution assumes that Congress will take aggressive steps to close the tax gap, the amount of taxes owed under current law but not collected. According to the IRS's latest estimate, the tax gap in 2001 was \$345 billion. In the years since 2001, it is likely that the tax gap has grown even larger. And this total does not even include the billions of tax dollars lost to illegal tax shelters and offshore tax havens.

Closing the tax gap is not about raising taxes on anyone. It is simply collecting taxes that are

already due under current law. While we will never be able to close the tax gap entirely, it is clear that much more can and should be done. To help close the tax gap, the resolution supports steps to increase reporting and withholding requirements. It also fully funds the President's budget request for the IRS, including additional resources available through a discretionary cap adjustment that directs \$399 million to IRS enforcement activities.

Setting the Stage for Tax Simplification and Reform

The FY 2008 Senate Budget Resolution rejects the notion that tax cuts pay for themselves. The fact is that deficit-financed tax cuts, and proposals to make them permanent without offsets, add significantly to the nation's debt. This harms the economy and passes on an unfair burden to our children and grandchildren. According to the Center on Budget and Policy Priorities, extending all of the President's tax cuts without offsets would double the nation's projected debt burden in 2050.

It is important to remember that the problem of expiring tax cuts was created by a Republican-controlled Congress trying to conceal the true cost of its policies. We now have more than three years to deal with the expiration of these tax policies, and we should use that time wisely.

The resolution, therefore, provides a reserve fund allowing for new tax relief and the extension of expiring provisions, but only if the cost of these measures is offset. Failure to offset those tax cuts would severely damage our nation's finances just at the time it is trying to grapple with the retirement of the baby boom generation.

The resolution reflects the belief that Congress will adopt tax simplification. By requiring that tax changes be deficit neutral, it sets up the right incentives for bipartisan tax simplification and reform. Working toward genuine tax simplification is better for the American taxpayer than merely extending the existing, flawed tax code. We can collect the revenues needed to meet the nation's needs in a simpler, fairer way.

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