

NATIONAL REVIEW EDITORIAL

Tax and Spend Democrats

By The Editors

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Without much notice, the Democrats have passed a budget resolution that would allow most of the Bush tax cuts to expire at the end of 2010. Allowing tax rates to snap back to their former levels would constitute the largest tax increase in American history.

The Democrats argue that their budget does not necessarily assume tax increases, although it projects higher spending and budget surpluses that couldn't be accomplished any other way. As Brian Riedl of the Heritage Foundation has noted, the Democrats' budget assumes that revenues will be \$721 billion higher than the Congressional Budget Office estimates. That's suspiciously close to the amount of money taxpayers are projected to save if the Bush tax cuts remain in place.

In fact, if one assumes that the Democrats preserve marriage-penalty relief, the child-tax-credit expansion, and the ten-percent income-tax bracket — the cuts they are inclined to keep — then the difference between the two amounts is erased. What's left is a plan to allow the majority of the Bush tax cuts to expire. That means raising taxes on dividends and capital gains, which have become a significant source of income for seniors. It also means big tax hikes for middle-class families.

When the Democrats say their budget doesn't include "tax increases," they're simply playing with words. When confronted with the plain fact that, under their budget, tax rates will be higher in 2011 than they were the year before, they argue that allowing a tax cut to expire is not the same as raising taxes. This sophistry might shield them from immediate political consequences — most people, after all, aren't paying close attention to a non-binding budget document that projects tax increases four years into the future. But it will be interesting to see how far that explanation gets them once higher tax rates force Americans to start cutting into their budgets.

The Democrats' budget increases discretionary spending by nine percent, setting aside more money for hundreds of duplicative and ineffective government programs and allowing for the reauthorization of corporate welfare such as the Advanced Technology Program and massively wasteful farm programs. Through these programs, the federal government directly transfers billions of dollars each year from taxpayers to some of the nation's most successful large companies, including IBM and Archer Daniels Midland.

The Democrats' budget is just as notable for what it doesn't include. It does nothing to reduce massive unfunded liabilities in Social Security and Medicare. The Democrats rejected the administration's proposal to save trillions in Medicare outlays by curbing benefits to wealthy seniors, and their budget offers no solution to the dual problems of funding the Social Security shortfall *and* paying back trillions the government has borrowed from the Social Security "trust fund." The Democrats' budget, in other words, takes the same approach to spending as it does to taxes: just pretend those massive increases aren't there.

It also doesn't provide a permanent solution to the Alternative Minimum Tax problem. The AMT is a shadow tax system intended to limit the amount of income any taxpayer can shield. Under its arcane rules, taxpayers are forced to do their taxes twice, adding back certain deductions, applying a different set of rates, and paying whatever amount is higher. Because Congress failed to index the AMT for inflation, the number of Americans subject to it has skyrocketed in recent years, resulting in higher taxes for millions of families. As in past years, the Democrats' budget includes only a temporary fix.

Fortunately, the worst effects of the budget — the tax increases — won't take effect for four years. The passage of time might find the Republicans' political position improved and the Bush tax cuts made permanent. In the meantime, the best conservatives can hope for is that the Republican minority in Congress will successfully stymie a few of the Democrats' most egregious budget bills, and that President Bush will not lose his recently discovered affinity for vetoing bad legislation.

A few good-government types congratulated the Democrats for passing a budget resolution on time and thus succeeding where Republicans failed three of the six years of the Bush presidency. We'll give them this much: When it comes to raising taxes and busting the budget, they are models of efficiency.