

## Bush Budget Calls for Giant New Tax Cuts, Huge Reductions in Most Federal Programs

The fiscal 2006 budget presented by President George W. Bush today calls for giant new tax cuts likely to cost \$2.4 trillion over the upcoming decade. At the same time, the President seeks huge reductions in most federal programs.

Most of the 10-year cost of the tax cuts proposed by the President would stem from extending his 2001 and 2003 tax reductions past their sunset dates (generally calendar year 2008 or 2010). As proposed, the Bush tax cut plan oddly leaves out extension of individual alternative minimum tax (AMT) relief, but most observers believe that if Bush's tax proposals are adopted, AMT relief will be enacted as well. Extending AMT relief would cost \$771 billion over 10 years, according to the Congressional Budget Office (CBO), bringing the total cost of Bush's latest tax cut program to almost \$2.4 trillion over 10 years.

### Bush 2005 Tax Cut Proposals

Billions of dollars	Tax Cuts (-)	Added Interest (-)	Total Cost (-)	AMT Relief per CBO, \$-bill			Total Cost with AMT Relief		
				Tax cuts	Interest	Total	Tax cuts	Interest	Total
2005	\$ 0	\$ 0	\$ 0	\$ —	\$ —	\$ —	\$ 0	\$ 0	\$ 0
2006	-0	0	-0	-12	-0	-12	-12	-0	-13
2007	-7	-0	-7	-34	-1	-35	-41	-1	-42
2008	-27	-1	-28	-43	-3	-46	-70	-4	-74
2009	-56	-3	-59	-54	-6	-60	-110	-9	-120
2010	-39	-6	-45	-68	-9	-77	-107	-15	-123
2011	-150	-11	-161	-62	-13	-75	-212	-24	-236
2012	-264	-22	-286	-65	-17	-82	-329	-39	-368
2013	-278	-37	-315	-81	-21	-102	-359	-58	-417
2014	-288	-53	-341	-99	-27	-126	-387	-80	-467
2015	-296	-71	-367	-122	-33	-155	-419	-104	-522
<b>TOTAL</b>	<b>\$ -1,405</b>	<b>\$ -204</b>	<b>\$ -1,610</b>	<b>\$ -641</b>	<b>\$ -130</b>	<b>\$ -771</b>	<b>\$ -2,046</b>	<b>\$ -335</b>	<b>\$ -2,381</b>

Source: US Treasury Dept. 2005; CTJ for interest

Source: CBO 2005 with CTJ calculations

On the program side, Bush proposes **huge cuts** that by fiscal 2010 will range from 11 percent to 56 percent as shares of the economy (a measure that takes account of population and wage growth). The only major program increase will be in Medicare (mainly due to the new prescription drug benefit).

According to Bush's budget, interest on the national debt (including interest paid to the Social Security trust fund) will jump by 30 percent as a share of the economy from fiscal 2005 to fiscal 2010. That will bring interest payments up to almost a fifth of total on-budget outlays.\*

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\*Note that this is almost certainly an understatement, since it excludes additional interest costs from post-2005 Iraq and Afghanistan spending requests and extending AMT relief, which will balloon interest payments even further.

### Percent Changes in Outlays as Shares of the Economy Under the Bush Fiscal 2006 Budget

	2005-06	2005-10
Agriculture	-19%	-56%
Community & Regional Development	-10%	-53%
Education, Training & Social Services	-13%	-32%
General Government	-11%	-29%
Natural Resources & Environment	-5%	-27%
National Defense*	-11%	-23%
Administration of Justice	+0%	-19%
International Affairs	+14%	-17%
Science, Space & Technology	-5%	-17%
Income Security (except Social Security)	-3%	-14%
Veterans Benefits & Services	-5%	-14%
Transportation	-2%	-11%
Health (except Medicare)	-1%	+3%
Medicare	+11%	+21%
Interest (on-budget)	+9%	+30%

\*Defense figures include Iraq & Afghanistan 2005 anticipated supplemental spending request, but no further supplementals thereafter (per Bush budget).

Source: Office of Management and Budget, *Budget of the United States Government, Fiscal Year 2006, Historical Tables* (Feb. 2005). Compiled