
Pew Report: Permanent Tax Cuts Would Raise National Debt

By Editor Test *Wed, May 26, 2010*

The current debt-to-gross domestic product (GDP) ratio in the United States is 57%, compared to an average of 37% over the last 50 years.

Extending the 2001 and 2003 federal income tax cuts would sharply increase the national debt, even if extensions are limited to individuals earning below \$200,000, as proposed in the administration's budget, according to a new report by the Pew Economic Policy Group.

The report, "Decision Time: The Fiscal Effects of Extending the 2001 and 2003 Tax Cuts," examines the impact of several different extension options.

The current debt-to-gross domestic product (GDP) ratio in the United States is 57%, compared to an average of 37% over the last 50 years. Making the tax cuts permanent for all taxpayers would cost \$3.1 trillion, including interest on the national debt, over ten years and cause the national debt-to-GDP ratio to rise to 82%.

If the cuts are only extended to individuals earning less than \$200,000 and married couples less than \$250,000, the 10-year cost of the cuts would be \$2.3 trillion (including debt interest) and the debt-to-GDP ratio would increase to 78%. Both of these ratios would be the highest since 1950, when the United States was still paying off debts incurred during World War II.

Extending the tax cuts for just two years to all taxpayers would cost \$558 billion (including debt interest) and would increase the debt to 70% of GDP by 2020. This figure is only 2% more than if the cuts were allowed to expire at the end of 2010.

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