

April 15, 2002

Why We Need to Make the Bush Tax Cut Permanent

Question and Answer

Question: What happens if we don't make the Bush Tax Cut permanent?

Answer: Failure to make the Bush Tax Cut permanent will result in a massive tax increase. According to the Congressional Budget Office, failing to make the Bush Tax Cuts Permanent will result in a tax increase of \$430 Billion in 2011 and 2012. **Unless Congress acts to make the Bush tax cut permanent, this will be the largest tax increase in history.**

As the chart below indicates, this tax increase will occur overnight.

	Tax Law on December 31, 2010	Tax Law on January 1, 2011
Tax Rates	35% 33% 28% 25% 15% 10%	38.6% 36% 31% 28% 15% Eliminated
Marriage Penalty	Marriage Penalty eliminated in the Standard Deduction and the 10% and 15% tax brackets.	Marriage Penalty restored to 2000 levels.
Child Tax Credit	\$1,000	\$500
Death Tax	Repealed	Reinstated
IRA Contribution Limit	\$5,000	\$2,000
Education IRA Limit	\$2,000	\$500
Adoption Tax Credit	\$10,000	\$5,000

Question: Whose taxes will increase if the Bush Tax Cut is not made permanent?

Answer: Everyone's. Particularly hard hit will be low-income taxpayers and married couples with children. Low-income taxpayers will see the lowest applicable tax rate jump by 50% from 10% to 15%. Married couples with children will be resubjected to the marriage penalty and will see the child tax credit cut in half.

Question: Why wasn't the Bush Tax Cut made permanent in the first place?

Answer: Under the Byrd Rule (named after its sponsor Senate Democratic Appropriations Chairman Robert Byrd (WV)), a point of order in the Senate lies against any tax reduction that reduces taxes beyond the next ten years. Unless, at least 60 Senators vote to overturn the point of order, the point of order is sustained and the entire tax cut provision is stripped out of the bill. In other words, it takes 60 votes in the Senate to pass a tax bill that doesn't repeal all the tax cuts after ten years. Only 58 Senators voted for the tax bill, two short of what would have been necessary to make the tax cuts permanent.