



A Not-So-New Direction for Tax Policy

Kevin A. Hassett

During the past eight years, tax policy has been something of a political hot potato in the United States. Although President Bush accomplished only a few major domestic policy objectives in his two terms, the first and perhaps most notable was an across-the-board reduction in marginal tax rates, which should perhaps serve as a warning to those who draw too many conclusions from a president's early accomplishments.

Throughout the past eight years, opposition to the Bush tax cuts on high earners has practically been a membership requirement of the Democratic Party. Since 2004, every major Democratic presidential candidate, including our new president, has called for their repeal. To academics who study tax policy, the angry partisan tone of the debate has been highly ironic. As illustrated in Auerbach and Hassett (2005), among academics there is fairly broad agreement concerning the optimal design of tax policy.

Given the sweeping Democratic victory in November 2008, one might have expected the Bush tax reductions to have been quickly repealed. Circumstances, however, conspired to save the tax cuts, for a brief time at least. What is already the worst recession in postwar U.S. history has focused the attention of lawmakers on economic stimulus, with an ambitious plan becoming law.

The stimulus "distraction," however, has set the United States up for a truly momentous year in the history of tax policy. In 2010, virtually all of the Bush tax cuts will

expire. Many of the expiring provisions are popular with Democrats and Republicans alike, and, hence, an important tax bill will inevitably emerge. Will that bill be a simple extension of the more- popular preexisting policies or a reform that is guided by the academic consensus? The answer will depend on our new president's economic philosophy, which we can discover by drawing on the evidence from his first hundred days in office

Any historical picture of the economic philosophy that animates a president must refer to changes he accomplished and changes he attempted but failed to accomplish. In the case of President Obama, we have already, in his first hundred days, a significant accomplishment to evaluate, as well as a fairly detailed view of his plans for the future. In the next section, I discuss the recent stimulus bill. In the subsequent section I turn to the president's budget, which details many of his plans for the future. I then discuss the tax panel that President Obama has assembled and the likely substantive effects of the charge that the panel has received. The final section is a conclusion.

The Stimulus Bill

President Obama signed the American Recovery and Reinvestment Act of 2009 into law on February 17, 2009. According to Recovery.gov (2009), the \$787-billion package contained roughly \$288 billion in tax relief and \$499 billion in spending. This is the second stimulus package enacted since the beginning of the recession, which, according to the National Bureau of Economic Research (NBER) Business Cycle Dating Committee, began in December 2007 (NBER 2008). President Bush signed into law the first stimulus package, the Economic Stimulus Act of 2008, on February 13, 2008 (MSNBC 2008).

Before turning to the details, let us document the total tally for recent fiscal policy efforts (see figures 1 and 2, drawn from Hassett [2009]). Figure 1 is a comparison of the current path of government spending in the United States with that in previous recessions; figure 2 is a comparison of the likely reduction in tax revenues with previous countercyclical policies. Both figures suggest that government actions in this downturn are significantly greater than past efforts in the postwar period.

Figure 3 is a comparison of the fiscal impact of actions taken in the United States with the impact of stimulus measures in Western Europe between 2008 and 2010. In each case, the total impact is scaled by gross domestic product (GDP). The figure indicates that European policy has been fairly restrained compared with that in the United States. Relative to GDP, the fiscal impact of the U.S. stimulus is nearly ten times larger than that of the French, almost double that of the Germans and significantly larger than that of even the most aggressive European country: Luxembourg.

Taken together, then, the figures imply that President Obama has been more willing to pursue aggressive economic policy than his predecessors and compatriots abroad. To the extent that this tendency is a fixed effect, it implies that future policies may be ambitious as well. In addition, the details of the stimulus bill provide some evidence as to the likely shape of those future policies. I now discuss each of these major details in turn. All cost estimates for the American Recovery and Reinvestment Act of 2009 (ARRA) reflect estimates released from the Joint Tax Committee; all budget estimates reflect the president's FY 2010 Budget, "A New Era of Responsibility: Renewing America's Promise." I also draw heavily from analysis produced by the Brookings-Urban Tax Policy Center (Altshuler et al. 2009a; Altshuler et al. 2009b).

Expansion of credits

The Making Work Pay (MWP) credit, a central component of the tax measures included in the stimulus bill, is estimated to cost \$116.2 billion over ten years. This refundable credit equals 6.2 percent of earnings and maximizes at \$400 for individuals and \$800 for couples. The credit phases out at a 2 percent rate over the income range of \$75,000 to \$95,000 for singles and \$150,000 to \$190,000 for married couples filing jointly. The legislation did not stipulate how the credit would be administered, but the conference committee report instructed the Internal Revenue Service (IRS) to distribute it through incremental withholding reductions rather than a lump sum refund. President Obama's 2010 budget proposed making the MWP credit permanent, which would cost an additional \$536.7 billion over ten years.

The stimulus bill also expanded several tax credits for low-income families. It increased the earned income tax credit (EITC) for working families with three or more children from 40 percent to 45 percent, the maximum credit amount from \$5,028 to \$5,657, and the income phase-out level for married couples. The total cost of the expansion is estimated at \$4.7 billion; however, President Obama's 2010 budget proposes permanently extending this provision, which would cost \$32.9 billion over ten years. In addition, the income threshold for the refundable portion of the Child Tax Credit was lowered: under the new law, the credit phases in at earnings of \$3,000, a substantial reduction from the previous level of \$12,550 in 2009. The Joint Tax Committee (JTC) estimates the total cost of this extension to be \$14.8 billion over ten years. The president's

proposal to make the lower threshold permanent would cost an additional \$70.5 billion over ten years.

The stimulus bill also expanded the home ownership credit to include additional incentives for first-time home buyers. It increased the maximum credit to \$8,000 for married couples (\$4,000 for married couples, filing separately) and allowed the credit to be delivered as a cash grant instead of an interest-free loan. The total cost of the credit is estimated by JTC to be \$6.6 billion over ten years.

The American Opportunity Tax Credit, a new and partially refundable credit for postsecondary education, was also passed as part of the stimulus package. According to Altshuler et al., the credit is “equal to 100 percent of the first \$2,000 plus 25 percent of the next \$2,000 spent on tuition, fees, and course materials during each of the first four years of postsecondary education” (2009a). JTC estimates the cost of the stimulus provision to be \$13.9 billion over ten years. The Obama budget proposes to make the credit permanent, costing an additional \$74.9 billion over ten years.

Other individual provisions

This stimulus bill includes several temporary measures to aid the unemployed and encourage consumer spending, one of which exempts up to \$2,400 of unemployment compensation from income taxation. This provision has received some criticism because workers would not realize the benefit until they file their 2009 tax returns in 2010. The total cost of this measure is estimated by JTC to be \$4.7 billion over ten years.

Another attempt to encourage consumer spending in the legislation is a large deduction for automobile purchases. Vehicle purchasers would be allowed to deduct all

state, local, and excise taxes paid on new vehicles (foreign or domestic) up to a purchase price of \$49,500. The deduction would phase out over an income range of \$125,000 to \$135,000 for singles and \$250,000 to \$260,000 for married couples filing jointly. The provision is expected to cost \$1.7 billion over ten years.

Although not considered “stimulative” by most tax policy analysts, ARRA extended the Alternative Minimum Tax (AMT) patch through 2009. The legislation indexes the 2008 thresholds for inflation, making the new threshold \$46,700 for singles and \$70,950 for married couples. The total cost of the AMT extension is estimated at \$69.8 billion.

Business provisions

In the stimulus package, a number of provisions were targeted toward business activity. One such was the extension to 2009 of enhanced expenses for small business, which allows businesses to immediately expense the first \$25,000 of investment in machinery and equipment; it will cost \$40 million. In addition, the stimulus extends bonus depreciation, which allows businesses to write off half the value of their qualifying investment in the year of equipment purchase. This policy, which was relied on during the previous downturn as well, has an estimated cost of \$5.1 billion.

Another provision would allow small businesses to carry net operating losses (NOLs) back five years to offset past income for any taxable year either beginning or ending in 2008. (Current law only allows for businesses to carry back NOLs two years.) The expansion of this tax provision will cost \$900 million over ten years. Other smaller provisions include tax incentives to hire unemployed veterans and disconnected youth (\$200 million over ten years), deferral of certain income from the discharge of

indebtedness (\$1.6 billion over ten years), tax-preferred “Recovery Zone Bonds” targeted to depressed areas (\$5.4 billion over ten years), and an increase in the New Markets Tax Credit, a nonrefundable tax credit to investors who buy stock in companies investing in low-income areas (\$800 million over ten years). The stimulus also generates \$20 billion in new tax incentives for the development of alternative energy sources. (See table 1 for a summary of the costs of the main tax proposals enacted in ARRA and those proposed in the 2010 budget.)

The stimulus package revealed policy maker’s willingness to pursue a wide range of policies designed to achieve social objectives, such as increasing access to home ownership and education. Policy makers also intentionally ensured that tax benefits went to the bottom of the income distribution, demonstrating their emphasis on the distributional aspects of tax changes. If one accepts the notion that low-income consumers are more likely to spend a higher share of their income, then one could back up these changes with economic stimulus arguments even if one were neutral toward redistribution. For evidence regarding economic stimulus, see Souleles (1999) and Lusardi (1996), who find that the marginal propensity to consume is higher for lower- income individuals.

Budget Proposals

Presidents often signal their long-run policy objectives with their first budget proposal, and President Obama has done the same. To the extent that his economic policies are viewed as a radical departure from past practice, however, such departures must be attributed to nontax policies.

The president's budget proposed expanding the saver's credit by making it partially refundable for families with incomes below \$65,000. Families with income below the threshold would be eligible for a 50 percent match on their first \$1,000 of retirement savings, effectively paying half the cost of the first \$1,000 saved in a retirement account. In addition, the president has proposed establishing automatic enrollment in IRAs and 401(k)s, which the Office of Management and Budget (OMB) estimates would cost \$55.2 billion over ten years. This proposal is perhaps motivated by recent evidence that such automatic enrollments can significantly increase saving behavior (Gale et al. 2005).

The budget proposal would also eliminate the Advance Earned Income Tax Credit, an option available to low-income workers with children who receive their EITC payments as a regular addition to their paychecks. This policy would provide an \$882 million tax savings over ten years.

The president proposed a number of tax increases for high-income taxpayers. He plans to allow the Bush tax cuts to expire for the two top tax rates, allowing them to increase from 33 and 35 percent to 36 and 39.6 percent, respectively, in 2011. The tax rate increases would generate \$338.7 billion in revenue over ten years. In addition, reinstating the personal exemption phase-out would reduce the value of each personal exemption from its full value by 2 percent for every \$2,500 of income earned above a threshold. The limitation on itemized deductions ("Pease"), which reduces a taxpayer's itemized deductions by 3 percent of her or his income for all income over a threshold but not more than 80 percent, would also be reinstated. Both policies would affect couples with incomes levels of more than \$250,000 and others with income more than \$200,000. Reinstating the

personal exemption phase-out and limitation on itemized deductions will generate an estimated \$179.8 billion over ten years.

Other policies that would affect high-income taxpayers include increasing the tax rate of long-term capital gains and dividends from 15 to 20 percent and limiting the value of itemized deductions to 28 percent for taxpayers in the top two tax brackets, taxing carried interest as ordinary income. Those two policies would provide an increase in tax revenue of \$118.1 billion and \$317.5 billion, respectively. The budget also proposes to tax carried interest as ordinary income, a commonly used tax loophole for private equity and hedge fund managers that will raise an estimated \$23.9 billion over ten years.

President Obama's 2010 budget proposes keeping the estate tax at its 2009 level instead of allowing it to disappear in 2010, as scheduled under current law. A major component of the wealth transfer tax reform that took place under the Economic Growth and Tax Relief Reconciliation Act of 2001 (EGTRRA) was the gradual phase-out of the estate tax by 2010 (Burman and Gale 2001). The president's budget proposes to keep the tax at the 2009 level: 45 percent for estates valued at more than \$3.5 million (\$7 million for couples). After the expiration of the Bush tax cuts in 2011, the estate tax is scheduled to resume at a 55 percent rate on estates worth \$1 million or more.

The budget also proposes a number of tax changes that would directly affect businesses. It proposes eliminating capital gains taxes on small businesses, costing \$7.2 billion over ten years. It also proposes making the research and experimentation (R&E) tax credit permanent, which provides a 20 percent nonrefundable tax credit for all R&E above a certain threshold based on a firm's past R&E and annual gross receipts. The R&E tax credit has been included as a temporary provision in the tax code since 1981. The credit

expansion will cost \$74.5 billion over ten years. The budget proposes expanding the net operating loss carryback provisions, although how is as of yet unclear. It proposes to reinstate Superfund taxes on petroleum, chemical feedbacks, and corporate income to contribute to the Superfund trust fund, which is used to clean up contaminated sites. This would raise \$17.2 billion over ten years.

The budget proposes closing offshore tax loopholes by codifying the “economic substance” doctrine (raising \$4.9 billion over ten years), which states that a transaction must “have a meaningful economic purpose or investor risk” to be legitimate. Additional measures intended to stop tax haven abuse and strengthen international tax enforcement would raise \$210 billion over ten years. Given the revenue estimate, this may signal the intention to significantly change laws that allow U.S. firms to defer U.S. tax on foreign earnings until they are repatriated. Furthermore, the budget proposes to eliminate last-in-first-out (LIFO) accounting, which creates a tax subsidy for corporations’ inventory holdings; this will raise \$61.1 billion over ten years.

The budget also proposes a “cap and trade” regime, in which corporations would buy permits allowing them to emit a predetermined level of carbon dioxide. In many respects, the regime is similar to a carbon tax and thus is worth a nod in this section. The total climate revenues raised would equal \$645.7 billion over ten years, which implies that the actual program would recycle a good bit of the revenue through some unspecified tax reduction.

The U.S. tax code has evolved over time in to produce a narrower tax base and increased horizontal inequity (see Auerbach and Hassett [2002] for detailed evidence). Taken as a whole, the tax provisions contained in the 2010 Obama budget proposal

accomplish much the same thing, signaling that the political forces that have led the tax code to wander so far from the economists' ideal are still present.

The Obama Tax Panel

It would be premature to judge from the first budget proposal that the Obama administration will continue to allow the tax code to stay in its wretched state. President Bush spoke frequently of tax reform and guided a process that produced, in 2005, a highly regarded study of the tax literature accompanied by specific tax proposals. One point of continuity is the attention given by the new administration to tax reform, recently highlighted by the establishment of President Obama's tax reform panel on March 25, 2009. President Obama has charged his economic recovery advisory board with recommending reforms to simplify a chaotic tax code and increase revenues.

It remains to be seen whether this effort will accomplish as little legislatively as the earlier one, but, at this juncture, the tax panel is worth reviewing in that its design may provide a glimpse of future policy proposals.

Although the panel's recommendations will not be released until the eve of the expiration of the Bush tax cuts (December 4, 2009), the panel's goals are to simplify the tax code, streamline credits, and generate additional revenues by closing the "tax gap," the difference between what taxpayers and companies owe and what they actually pay (Runnigen and Donmoyer 2009). According to news coverage, White House budget director Peter Orszag, who has estimated the gap to be around \$300 billion, explained that the panel aims to reduce "corporate welfare," which could mean that American companies would begin to be taxed on foreign income held abroad. The president has restricted the

panel from recommending any tax increase for 2009-10 or on families earning less than \$250,000 per year (Runnigen and Donmoyer 2009).

The panel's members come from both politics and academia. Paul Volker, current director of the national economic recovery board, will lead the panel, along with Austan Goolsbee, the appointed staff director of the task force. Other members include Martin Feldstein of Harvard University; Laura D'Andrea Tyson of the University of California at Berkeley; Roger Ferguson, a former vice chairman of the Federal Reserve; and William Donaldson, a former SEC chairman (Runnigen and Donmoyer 2009).

George Bush's panel of tax experts evaluated the current tax code and recommended specific ways of making the "code simpler, fairer, and more conducive to economic growth" (Chaimberlain 2005). The panel was headed by then Florida senator Connie Mac and Louisiana senator John Breaux. Other members included former congressman[from where?] William Eldridge Frenzel, Edward Lazear [give Hoover affiliation?], former FTC chairman Timothy J. Muris, MIT's James Poterba, IRS commissioner Charles O. Rossotti, and LizAnn Sonders of Charles Schwab.

Given the wide consensus in the academic literature, it seems likely that the Obama panel will reach many of the same conclusions as the Bush panel. The Bush panel recommended two tax reform plans, the Simplified Income Tax Plan and the Growth and Investment Tax Plan, each meeting the president's goals of simplification, fairness, and growth.

According to the commission's final report to Treasury secretary John Snow, both plans would accomplish the following:

- "[Simplification] of the entire tax system and [streamline] tax filing for both families and businesses.

- Lower tax rates on families and businesses, while retaining the progressive nature of our current tax system.
- [Extend] important tax benefits for home ownership and charitable giving to all taxpayers, not just the 35 percent who itemize; [extend] tax-free health insurance to all taxpayers, not just those who receive insurance from their employers.
- [Remove] impediments to saving and investment.
- [Eliminate] alternative minimum tax, which is projected to raise the taxes of more than 21 million taxpayers in 2006 and 52 million taxpayers by 2015.”

Along with the elimination of the alternative minimum tax (AMT), the Simplified Income Tax Plan would reduce the number of statutory tax brackets from six to four and reduce taxes on the top bracket to 33 percent. Similarly, the Growth and Investment Tax Plan (GIT) also proposed to eliminate the AMT and reduce the number of brackets to three and reduce the top tax bracket to 30 percent.

Both plans would replace the personal exemption, standard deduction, and child tax credit with the family credit, which would be available to all taxpayers. The family credit would include a \$3,300 credit for married couples, a \$2,800 credit for unmarried people with children, a \$1,650 credit for singles, a \$1,140 credit for dependent taxpayers, an additional \$1,500 credit for each child, and a \$500 credit for each dependent. The panel also proposed to replace the earned income tax credit with a “work credit,” which would grant a maximum of \$3,570 for working families with one child and \$5,800 for families with two or more children.

The President’s Advisory Panel also proposed substantial reforms that would make major credits and deductions available to all taxpayers, including the home mortgage credit that would equal 15 percent of mortgage interest paid. Both proposals would allow nonitemizers to deduct charitable contributions and all taxpayers to purchase health care with pretax money. The panel also proposed to simplify and consolidate existing education

tax credits. An additional step toward simplification was consolidating fifteen different tax provisions for retirement, health, and education into three savings plans.

The Growth and Investment Tax plan, which closely resembled the income tax recommendations set forth in the Simplified Income Tax Plan but included additional reforms to the taxation of business and investment income, was a major step toward eliminating the inefficient taxation of savings and investment for households and businesses. The proposal planned to reduce the top rate for all businesses to 30 percent, matching the top rate on household income. The plan also allowed expensing for new business investments for large businesses and eliminated the deduction for interest paid and the taxation of interest received for large businesses. The plan would also tax dividends, interest, and capital gains received by individuals at a uniform rate of 15 percent.

Additional business proposals included a plan to simplify the requirements for small- business record keeping and a destination-based tax system featuring border adjustments (Chaimberlain 2005).

President Obama's panel on tax reform

On December 4, 2009, President Obama's panel will present its final recommendations to the Treasury secretary; however, the president's campaign tax proposals along with his 2010 budget provide some indication of the reforms we can expect. Although these in many ways resemble the basic structure of the Bush proposals, the Obama budget proposals may tie the hands of the tax panel as they attempt to simplify the tax code.

Although credits, deductions, and their associated phase-outs generally add substantial complexity to the tax system, a significant consolidation of these items is unlikely. Indeed, the willy-nilly expansion of such things in the Obama budget dismays simplification advocates. The budget proposal's limitation on the value of itemized deduction at 28 percent, however, is a clever political tool that might be able to accomplish the base broadening favored by tax scholars. By collecting all the base-narrowing measures together, it may be that the political difficulty of reducing the state and local income tax deduction, mortgage interest deduction, and the like will be significantly reduced. If so, then such a measure may well be the centerpiece of a sensible income tax reform.

On the other hand, the Obama administration's 2010 budget proposes to make permanent several new credits aimed at benefiting low- and middle-income households. The new making work pay credit, included in the American Reinvestment and Recovery Act of 2009, is intended to offset payroll taxes by providing a credit of 6.2 percent of earnings up to \$400 for individuals and \$800 for couples.

But the cap on itemized deductions is similar to the 2005 President's Advisory Panel proposal to grant all taxpayers the same tax savings per deductible expenditure by "replacing itemized deductions with a 15 percent credit on most itemizable expenditures," thus separating the determination of ability to pay from the public value of the particular expenditure (Altshuler 2009b).

The last place to look for clues as to the likely direction of the panel is a recent tax reform proposal by panel codirector Austan Goolsbee to introduce a "simple return" that could significantly reduce compliance costs for taxpayers. The essential insight of

Goolsbee's plan is that the IRS already has all the necessary information to estimate the tax liability for most taxpayers; thus it would be a relatively simple step to require the IRS to take this information and send it in a pre-prepared tax form that the IRS to taxpayers (2006). By so doing, the IRS would allow each taxpayer to assess whether they are willing to accept that return or wish to correct inaccuracies by filling out their own. (The IRS's simple form would be correct for most taxpayers.)

Conclusion

The record of Barack Obama's first hundred days provides an incomplete picture of the new administration. On the one hand, the unprecedented stimulus package reveals an administration willing to take big economic chances; on the other hand, the flurry of traditional "targeted" policies that are anathema to tax scholars in the Obama budget suggests business as usual.

The president's tax reform panel, however, gives one reasonable cause for optimism because the charge of the panel seems broad enough to allow it to recommend sensible changes (similar to those recommended by President Bush's panel) and because the codirector of the panel is a key principal with a significant simplification plan already under his belt.

A final political consideration provides cause for optimism. The expiration of the Bush tax cuts will, of course, eliminate them, but most of the reductions, that is, those that affect individuals with incomes below \$250,000, are popular with both parties.

Accordingly, there will inevitably be an enormous tax bill to extend the popular provisions that will be a preexisting vehicle for the proposals of the president's commission. It is safe

to say that the possibility of significant reform is higher than it has been in decades, provided that the new president is serious about the charge he has given his tax panel, not just nodding in the direction of reform by establishing a study group, as has so often been done in the past.

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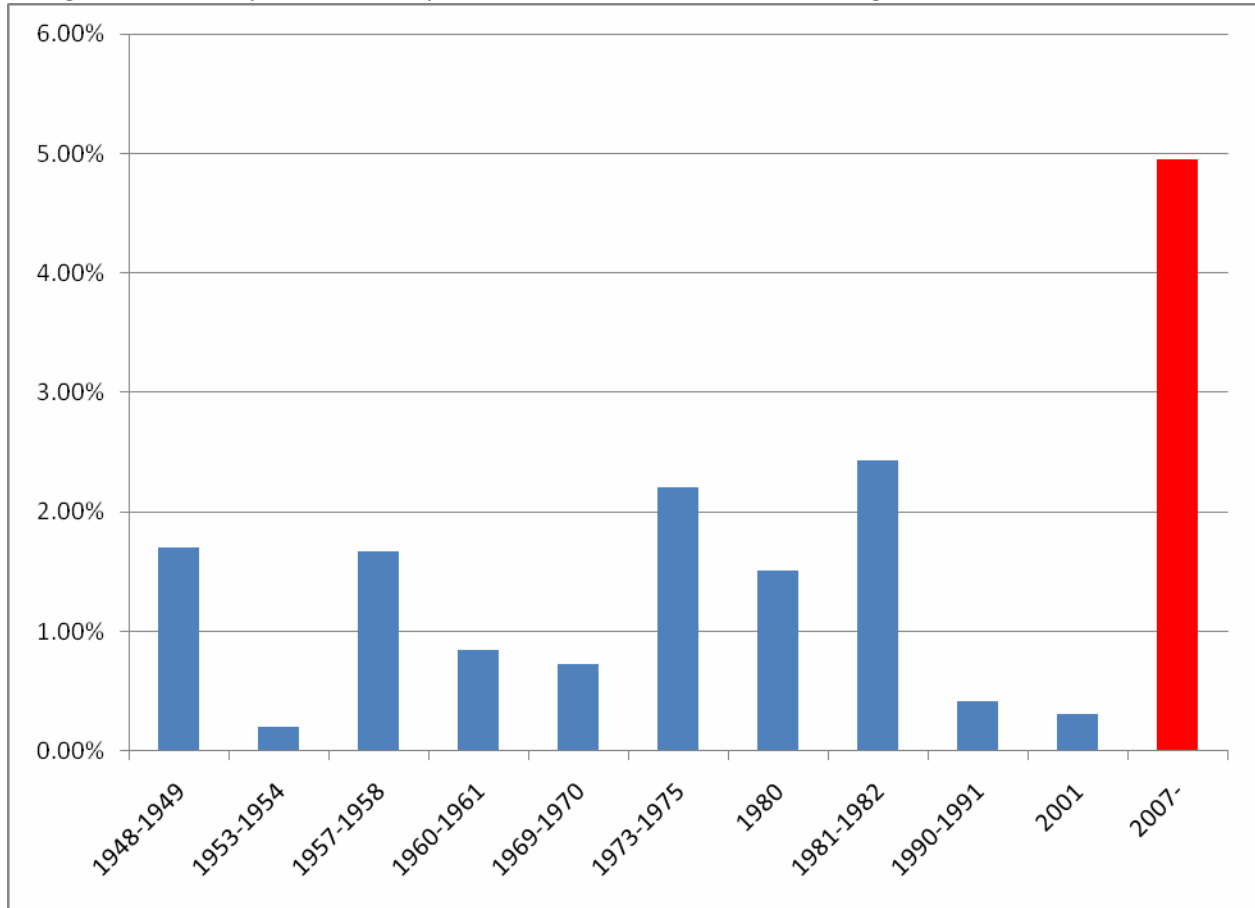
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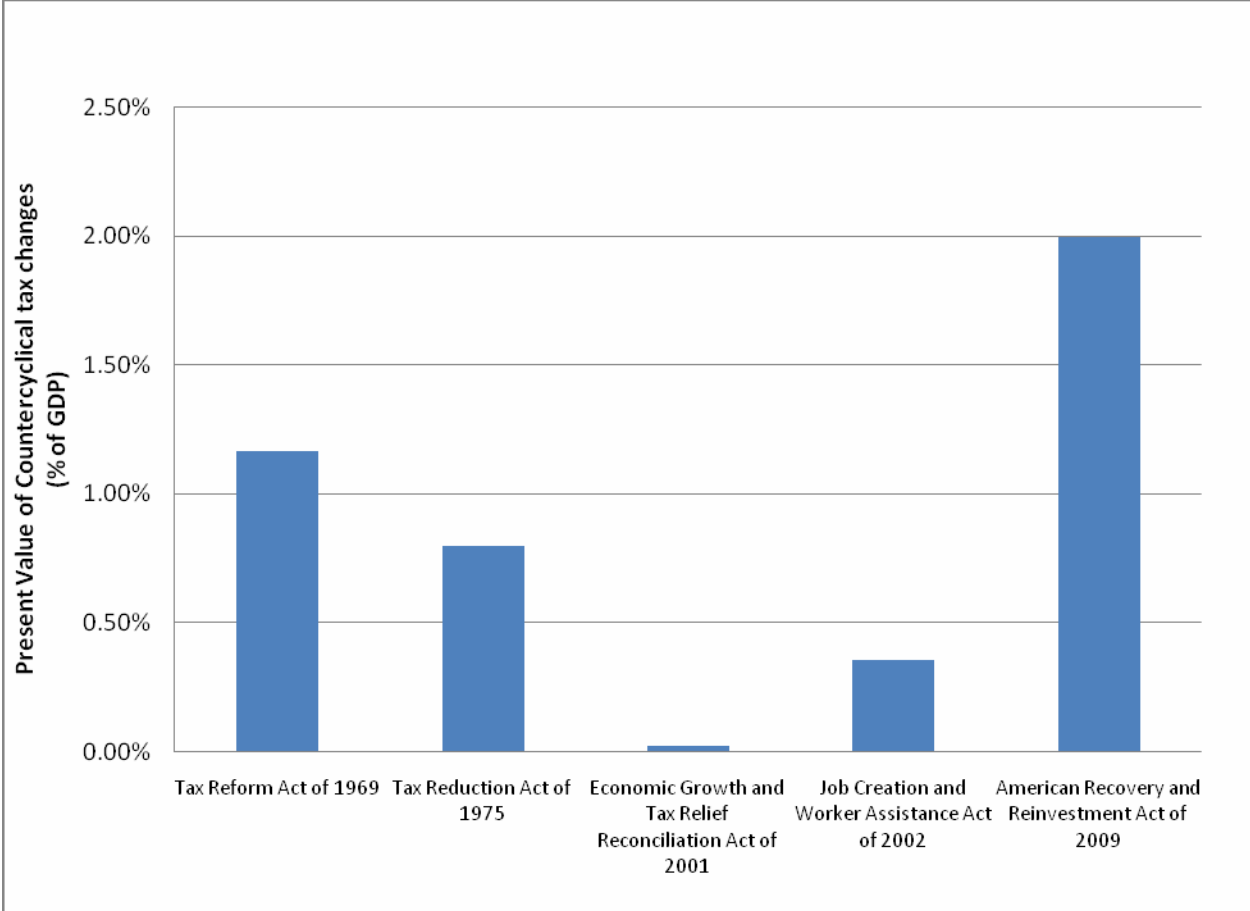
Figures and Tables

Figure 1. Federal Government Expenditure Increases in Response to a Recession (percentage point change in current expenditure as a percent of GDP after a recession trough)



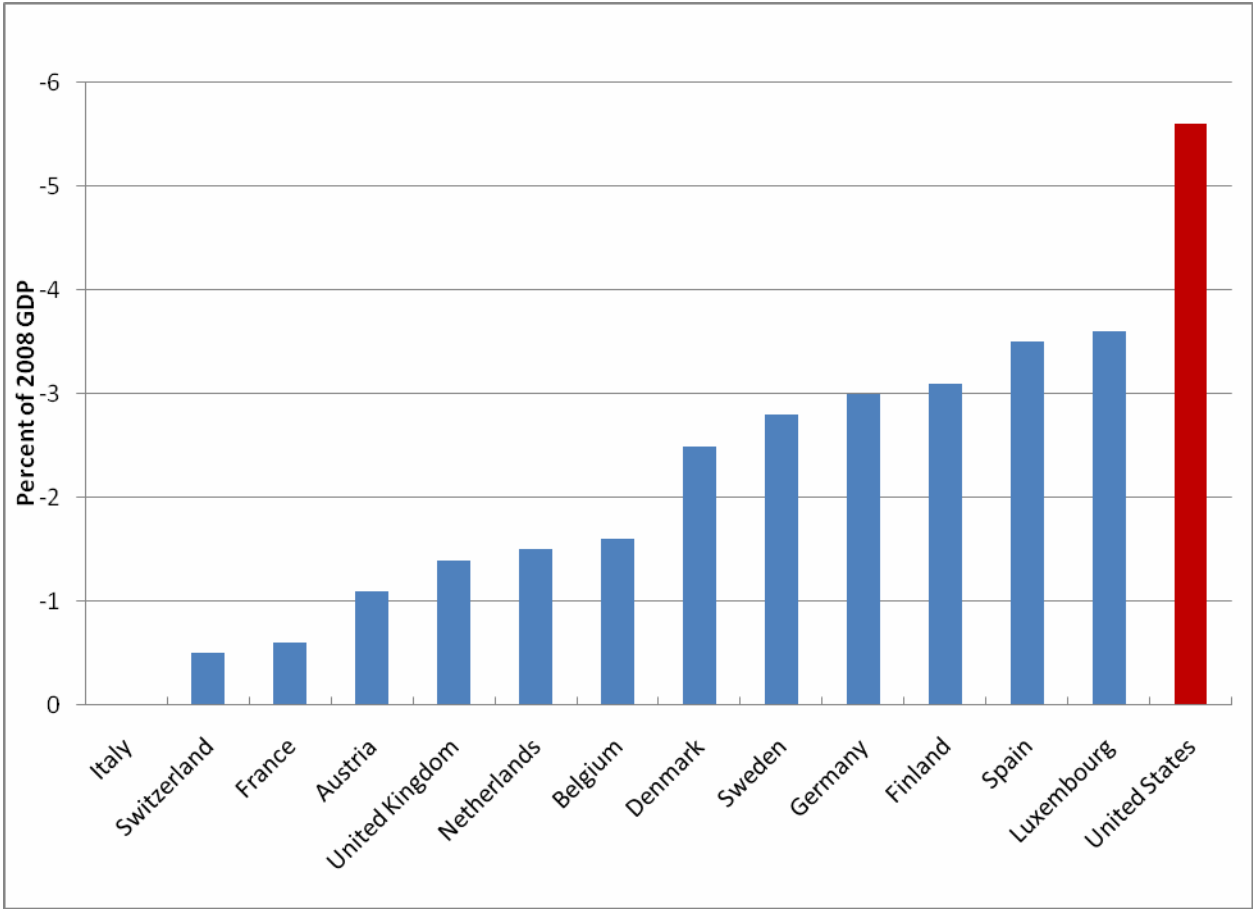
Sources: Congressional Budget Office; Bureau of Economic Analysis

Figure 2. Major Countercyclical Tax Legislation Changes during Postwar Recession Periods



Source for first three bars: Christina D. Romer and David H. Romer, “A Narrative Analysis of Post-War Tax Changes” (University of California at Berkeley, November 2008; other sources: *Recovery.gov*; *Bureau of Economic Analysis*

Figure 3. Net Effect of Stimulus on Fiscal Balances



Source: "The OECD Economic Outlook Interim Report" OECD[spell out]. March 2009.

www.oecd.org/dataoecd/3/62/42421337.pdf (accessed April 1, 2009).

Note: Figure shows the net effect of stimulus packages on fiscal balances for 2008-10 as percentage of 2008 GDP.

Table 1. Tax Changes in President Obama’s First Hundred Days (numbers in billions)

Tax Measures	Cost over ten years(in billions)	Stimulus	Budget
Making work pay credit	\$116	•	
	537		•
	653	•	•
Expansion of earned income tax credit	5	•	
	33		•
	38	•	•
Expansion of child tax credit	15	•	
	71		•
	85	•	•
American opportunity tax credit	14	•	
	75		•
	89	•	•
Home ownership tax credit	7	•	
Temporary suspension of taxation of unemployment benefits	5	•	
Automobile sales deduction	2	•	
AMT patch extension through 2009	70	•	
Enhanced expensing	0.04	•	
Bonus depreciation	5	•	
Expand NOL carryback	19	•	•
Other described business provisions	8	•	
Alternative energy development tax incentives	20	•	
Savers credit expansion and auto IRAs and 401(k)s	55		•
Eliminate advance EITC	-1		•
Increase top two tax rates	-339		•
Reinstate PEP and Pease	-180		•
Increase tax rate on capital gains and dividends	-118		•
Limit value of itemized deductions	-318		•
Tax carried interest as ordinary income	-24		•
Eliminate capital gains taxes on small businesses	7		
Reinstate Superfund taxes	-17		•
Make R&E tax credit permanent	75		•
Implement international enforcement, reform deferral, and other tax reform policies	-210		

Codify "Economic Substance Doctrine"	-5		•
Eliminate LIFO accounting	-61		•
Cap and trade	-646		•
Total deficit change			
(in stimulus)	\$287	•	
(in budget)	\$-1066		•
Total for tax provisions	\$-779	•	•

The table reflects tax code changes included in the stimulus and proposed in the president's FY 2010 budget. The net deficit decrease, however, is more than offset by proposed spending increases. The individual costs of the provisions do not sum to the total deficit changes. Total changes reflect Tax Policy Center estimates.