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The Tax Bill's Final Indignity

The tax bill that President Bush triumphantly signed into law on Wednesday is not just unfair, dishonest and economically unsound. It is also cruel to low-income families. In a last-minute revision, Senate and House negotiators dropped a provision that would have extended child tax credits to millions of these families. The stated reason was that the total cost of the bill had to be kept to an agreed-upon limit of \$350 billion. This excuse is typical of the shifty argumentation that has accompanied this legislation from the start.

Under the new law, which raises the child tax credit to \$1,000 from \$600, most families with children will receive a \$400-per-child check this summer. It was never intended that the wealthiest families — or the very poorest families, making less than the minimum wage — would get the credit. As it turns out, however, millions of families with incomes between \$10,500 and \$26,625 will not get it either. Blanche Lincoln, an Arkansas Democrat, had insisted that the Senate version of the bill extend the enlarged credit to this particular group of working families, who have nearly 12 million children. The provision would have cost \$3.5 billion, or exactly 1 percent of the advertised price of the bill. But because it would have helped push the tab above \$350 billion, out it went.

Set aside for the moment the fact that the official \$350 billion figure is a phony. The real cost of the bill over 10 years will more nearly approximate \$800 billion if all the provisions that are scheduled to "sunset" in the next few years are eventually made a permanent part of the tax code, as they almost certainly will be. But even if the cost of the bill were actually \$350 billion, there were fairer ways to reach that target than by depriving low-income families of the tiny crumbs the bill gives them.

For example, according to the Center on Budget and Policy Priorities, the same result could have been achieved with a modest 2.3 percent adjustment in the bill's generous cuts on capital gains and dividends. It could also have been achieved by a tiny adjustment in the new top income tax rate, setting it at 35.3 percent over the next three years rather than 35 percent.

Senator Lincoln understandably feels betrayed. She also notes that the families who will no longer benefit badly need the money and would have spent it quickly, thus providing Mr. Bush with the stimulus he says he wants and which the rest of the bill may not reliably provide.

Some senators and interest groups are now urging President Bush to rectify this injustice, a change that would presumably require separate legislation. Given all the other problems with this bill, it seems the least he can do.