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U.S. Fiscal Outlook Much Worse After Republican Tax Scam

The Budget and Economic Outlook released today by the Congressional Budget Office (CBO) shows a deteriorating federal fiscal situation, with deficits nearing \$1 trillion in 2019 and continuing to rise thereafter. The report also shows that Congressional Republicans’ insistence on enacting tax cuts mostly benefiting the wealthy and corporations made the deficit outlook noticeably worse, while providing only a minor and temporary boost to economic growth. For the GOP, this is all just part of their dangerous plan to starve the government of revenues and use the resulting deficits as an excuse to call for massive reductions in Medicare, Medicaid, and other programs that millions of Americans rely on.

Deficits and debt go up, up, and up — CBO projects the annual federal deficit will reach \$1.0 trillion in 2019 and continue rising to \$1.5 trillion by 2028. As a share of the economy, deficits will rise from 4.0 percent of GDP this year to 5.1 percent of GDP in 2028. In the post-World War II era, deficits of this magnitude have usually only occurred when the nation was dealing with an economic recession. CBO projects the accumulated federal debt held by the public under current law will reach 96 percent of GDP in 2028 – a level not seen in this country since World War II.

CBO Baseline Budget Projections, April 2018

	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2019-28
In Billions of Dollars											
Revenues.....	3,490	3,678	3,827	4,012	4,228	4,444	4,663	5,002	5,299	5,520	44,162
Outlays.....	<u>4,470</u>	<u>4,685</u>	<u>4,949</u>	<u>5,288</u>	<u>5,500</u>	<u>5,688</u>	<u>6,015</u>	<u>6,322</u>	<u>6,615</u>	<u>7,046</u>	<u>56,580</u>
Deficit.....	-981	-1,008	-1,123	-1,276	-1,273	-1,244	-1,352	-1,320	-1,316	-1,526	-12,418
Debt held by public.	16,762	17,827	18,998	20,319	21,638	22,932	24,338	25,715	27,087	28,671	
As a Percentage of Gross Domestic Product											
Revenues.....	16.5	16.7	16.7	16.9	17.2	17.4	17.5	18.1	18.5	18.5	17.5
Outlays.....	<u>21.2</u>	<u>21.3</u>	<u>21.6</u>	<u>22.3</u>	<u>22.3</u>	<u>22.2</u>	<u>22.6</u>	<u>22.9</u>	<u>23.1</u>	<u>23.6</u>	<u>22.4</u>
Deficit.....	-4.6	-4.6	-4.9	-5.4	-5.2	-4.9	-5.1	-4.8	-4.6	-5.1	-4.9
Debt held by public.	79.3	80.9	83.1	85.7	87.9	89.6	91.5	93.1	94.5	96.2	

The GOP tax cuts add trillions of dollars to deficits and debt — The tax cuts pushed through Congress in 2017 by the Republican majority will add \$1.9 trillion to federal budget deficits over the 2018-2028 period, even after accounting for economic feedback effects. In CBO’s analysis, the amount the U.S. treasury will spend paying interest on the additional debt generated by these tax cuts will cancel out any deficit reduction from the tax cuts’ effect on economic growth. This estimate assumes the law takes effect as written, with many major provisions expiring before 2028. If Congress were to make all of the tax cuts permanent, CBO estimates the tax law in total would add \$2.6 trillion to budget deficits over the next ten years, before accounting for economic feedback effects or additional interest costs.

Deficit Effects of Republican 2017 Tax Act, 2018-2028	
<i>(trillions of dollars)</i>	
Primary effect of law as written.....	1.8
Macroeconomic feedback effect.....	-0.6
Additional debt service (interest).....	0.6
<i>Total</i>	<i>*1.9</i>
Extend expiring provisions, primary effect.....	0.8
*Total differs from sum of the parts due to rounding.	

For the GOP, rising deficits are just an excuse to cut programs millions of Americans rely on — The GOP’s tax cuts and the resulting increases in deficits are part of Congressional Republicans’ three-step plan to give to the rich and make American families pay for it. First, they pretend their tax cuts will pay for themselves through magic effects on economic growth. Second, when the promised growth fails to occur, they raise concerns about deficits and blame spending as the cause. Finally, they insist the only way to get deficits under control is to cut important benefits for American families, like Medicare, Medicaid, Social Security, and education assistance, while doing nothing to make millionaires and billionaires pay their fair share. The ultimate outcome of this process is to make millionaires and corporations richer by making government smaller, regardless of who is left behind.