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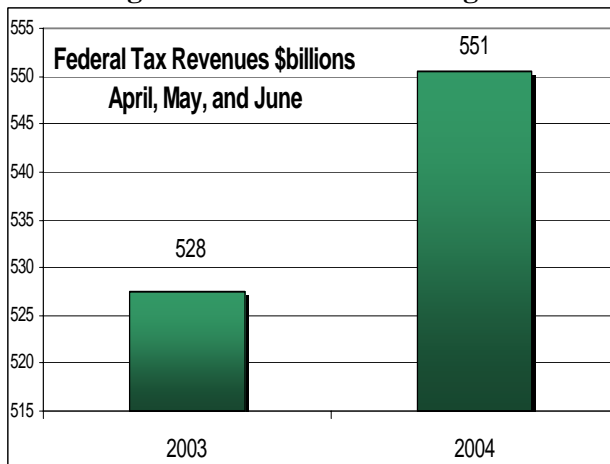
## Jobs and Growth Tax Relief Reconciliation Act

### ASA Budget Scorecard – July 9, 2004

#### Federal Tax Revenues Accelerating in Wake of Tax Cut

On May 28, 2003 President Bush signed into law a pro-growth tax cut that significantly reduced taxes on capital, including taxes on income, capital gains, dividends, and business investment. Opponents of the tax cut argued the tax cuts will exacerbate the budget deficit. However, 13 months following the tax cut, tax revenues are **INCREASING** not decreasing as the pessimists claimed. Lower taxes on capital offset some or most of the revenue “losses” because there is more overall capital being produced, and thus more total revenue being generated. Reducing the double tax on dividends led companies to pay increased dividends, shareholder wealth increased from the capital gains reduction, more investment occurred due to the business investment provisions, and more people are working as a result of the income tax reductions. This has bolstered tax revenues significantly.

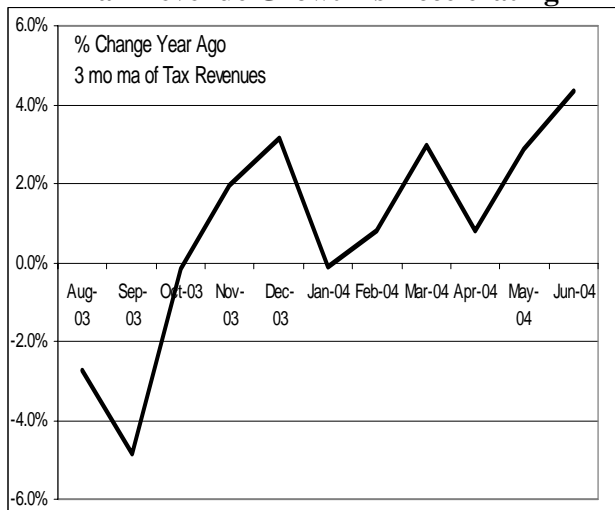
#### Growing Economic Pie is Boosting Revenues



#### Revenue Is Up 3.5% in First Nine Months of Fiscal Year

Taxpayers paid \$215 billion in taxes in the month of June, an increase of 11.4 percent over June 2003 tax collections. Year over year tax collections have now exceeded 10 percent in three of the past four months and for the first nine months of the fiscal year revenues are up 3.5 percent. The Congressional Budget Office (CBO) forecasted a slight revenue increase in FY 04 of \$35 billion. Currently revenues are up \$48 billion over the first nine months of the previous fiscal year. Despite the reduction of income, capital gains, and dividend rates, income tax collections are down just 1.8 percent for the fiscal year, much better than the expected 4 percent decline put forth by CBO. With economic growth exploding and 1.5 million new jobs, the nation’s taxable income is base is growing. Lower taxes on capital have spurred new risk taking, growth, and now revenues.

#### Tax Revenue Growth is Accelerating



#### Potential \$100 Billion Revenue Increase in FY 2004

Even with the tax revenue growth to date, revenues will actually be growing faster in the future. As the chart on the left shows, year over year tax revenue growth is accelerating. If revenues continue to grow at a 10 percent rate for the final three months of the year, total tax collections could increase by as much as \$100 billion for the fiscal year following the third largest tax cut in American history. This new revenue growth equates to a 5.6 percent increase above fiscal year 2003 revenues and would be \$65 billion more than CBO forecasted at the beginning of the year. This new revenue growth will reduce the projected budget deficit by roughly \$50 billion as spending continues to outpace revenues. Spending has increased faster than national income four consecutive years. As a result, the deficit will continue to hover around 3.5-4 percent of GDP. But clearly the deficit is not the result of too little tax revenue, its due profligate spending.

American Shareholders Association is a non-partisan, not-for-profit organization dedicated to analyzing legislation affecting shareholders. To educate U.S. investors, ASA reports the public positions of elected representatives on these issues to its members. For more information please contact Daniel Clifton at (202) 549-7803 or by email at [dclifton@americanshareholders.com](mailto:dclifton@americanshareholders.com)