



***(April 5, 2011)***

In order to further improve the lines of communication and to respond to the concerns between the National VA Council and you our members, I have established a National VA Council Briefing. This NVAC Briefing will bring you the latest news and developments within DVA and provide you with the current status of issues this Council is currently addressing. I believe that this NVAC Briefing will greatly enhance the way in which we communicate and the way in which we share new information, keeping you better informed.

**Alma L. Lee**

National VA Council, President

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**In This Briefing: Paul Ryan's Hidden Middle-Class Tax Hike**

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**Paul Ryan's Hidden Middle-Class Tax Hike**  
House Budget Plan Obfuscates Real Impact of 'Tax Reform'



House Majority Leader Eric Cantor of Virginia, accompanied by House Budget Committee Chairman Rep. Paul Ryan, House Majority Whip Kevin McCarthy, and Rep. Jeb Hensarling, speaks during a news conference on Capitol Hill

By [Michael Linden](#) | April 5, 2011

When it comes to tax reform, it appears House Budget Committee Chairman Paul Ryan's courage failed him. Various pundits and [Washington columnists](#) have been falling all over themselves to praise the bravery of Rep. Ryan (R-WI) in offering a federal budget plan that abolishes Medicare, slashes services for the middle class, and yet somehow manages to keep the bonus Bush tax cuts for the wealthy. But what these instapundits are missing is the fact that Rep. Ryan's plan for the tax side of the ledger is remarkably opaque and is almost certain to raise taxes on the middle class, and that its opacity is deliberately obscuring that tax hike. That doesn't seem so brave to me.

Rep. Ryan's budget simply doesn't describe exactly how his tax plan would work, instead resorting to broad bullet points that conveniently skip over important details. Nonetheless, the broad outlines of his tax plan are to:

- Maintain the Bush-era tax cuts beyond their expiration in 2012 and cut the top individual tax rate down to 25 percent from 35 percent
- Consolidate the current six tax brackets into some, unspecified, fewer number of brackets
- Keep overall tax revenue levels the same
- Pay for the enormous tax cut for the top by eliminating or curtailing some, unspecified, tax expenditures

Without the missing details this is nothing but pure political boilerplate. Which brackets are going to be consolidated? What will the new rate structure be? Which tax expenditures will be eliminated? Which will be limited and how? Rep. Ryan doesn't tell us. There is no plan here.

That's probably on purpose since any detailed description of his ideas for tax "reform" would reveal a massive tax hike for the middle class. For Rep. Ryan to cut the top rate by nearly one-third and still keep tax revenue the same as it would have been under President's Bush tax-cut regime means he's going to have to raise taxes somewhere else. And though he pointedly refuses to tell us where those tax hikes will come from, we can make an educated guess.

For one thing, the basic math makes a middle-class tax hike unavoidable. The rate cut at the top, of course, benefits only those in the top brackets (the richest 2 percent of Americans), but to pay for this, Rep. Ryan says he will "broaden the tax base." Broadening the tax base means removing some tax expenditures that currently benefit both the middle class and the rich—though remember that the rich are getting a huge rate cut. For another, Ryan's previous budget plan, the "Roadmap for America's Future," includes a massive tax cut for the rich paid for by an [equally massive tax increase](#) for the middle class.

To be clear, reforming the myriad tax expenditures that litter the current tax code is a good idea. But using the new revenue to pay for a massive tax cut for the rich is not. Furthermore, Ryan neither tells us which tax expenditures he will seek to cut nor how his reforms would actually work. This is tax reform by magic.

But Rep. Ryan actually boasts a history of using gimmicks and trickery to make his tax numbers work. When he released his “Roadmap for America’s Future” several years ago, claiming it would balance the budget and eliminate the debt, he relied on one very key assumption—that his enormous tax cuts for the rich would nevertheless result in a stable amount of federal revenue. Sound familiar? In fact, when he submitted his plan to the Congressional Budget Office for official review, he explicitly told them to make the same assumption, ignoring the actual revenue effects of his proposals. Lo and behold, when the CBO score came back, it looked remarkably similar to Rep. Ryan’s own projections.

Unfortunately for him, and fortunately for the rest of us, there are other independent organizations with the capability to score budget proposals. Both the [Tax Policy Center](#) and the Institute for Taxation and Economic Policy produced their own estimates of Ryan’s “Roadmap” and found that, far from holding revenue steady, his proposals would result in far less revenue overall while simultaneously raising taxes for 90 percent of Americans. How did he accomplish such an impressive feat? By dramatically cutting taxes on the very wealthy. And yet Rep. Ryan was able to hide this fact by pointing to the CBO analysis that showed stable revenue. But, of course, it only showed stable revenue because he instructed the CBO to make that assumption.

Somehow, Rep. Ryan was able to get away with this deception and maintain his reputation as an “honest” budget wonk. So it’s not surprising that he’s using the same playbook again with his new budget plan.

His revenue estimates for this new budget plan do not come from the Congressional Budget Office. They do not come from the Joint Committee on Taxation, or the Treasury Department, or even from the [comically wrong](#) Heritage Foundation model. No, Ryan’s revenue numbers are simple assertions. And if his numbers are wrong, as they were with his “Roadmap,” then so, too, are his deficit and debt numbers.

Perhaps Rep. Ryan deserves some credit for laying out a specific plan that slashes Medicaid—the health care program that pays for nearly [two-thirds](#) of all nursing home residents—and abolishes Medicare, which ensures senior citizens and the disabled can access the quality health care they need. If those are his priorities and that is what he believes, then he should be praised for being clear and upfront about it. Of course, even here, that praise should be tempered by the great linguistic gymnastics Rep. Ryan engages in to describe these cuts as something other than what they are—an assault on the middle class. And any praise should certainly not extend to his tax plan.

The bottom line: Rep. Ryan’s “reform” of the tax code is long on rhetoric and short on details. It would almost certainly mean a huge tax increase for the middle class. And his overall numbers, on which the entire plan relies, are based on absolutely no outside analysis. Far from a real tax plan, his approach is made up of obfuscation, misdirection, and pure assertion.

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