

Expresses Concern Over "Growth and Jobs Package"

January 23, 2003

The Honorable George W. Bush
The White House
Washington, DC 20500

Dear Mr. President:

The undersigned organizations are deeply concerned about your "Growth and Jobs Package". While it is clear that responsible stewardship of the economy calls for an effective package of carefully crafted stimulus measures, the nature and magnitude of the proposal - permanent tax cuts weighted disproportionately to upper-income Americans with a total package cost of \$674 billion over 10 years - will exacerbate projected deficits, which have already put vital programs for seniors in jeopardy.

In LCAO's response to your last budget, we urged that the tax cuts enacted in 2001 be revisited. We noted at that time that the fiscal impact of tax cuts that were enacted, including the elimination of the estate tax, would rise dramatically over time, just as the pressure on Medicare and other programs for older Americans will increase enormously to meet the growing needs of the Baby Boom generation. Unfortunately, your current proposal only increases this pressure.

As we said then, LCAO will not support the acceleration of the phased-in tax reductions or any new upper income tax bracket reductions that would worsen the long-term budget picture. This proposal runs contrary to these positions.

We recognize that increased national security costs and the economic downturn created budget pressures not anticipated when the 2001 tax cuts were adopted. We are well aware of them today. In the face of vanished surpluses and growing deficits, we must carefully choose our national priorities.

For years, LCAO has advocated on behalf of vital programs for seniors including:

- An affordable, comprehensive prescription drug benefit in Medicare;
- A strong Social Security system for current and future beneficiaries;
- A comprehensive long-term care system;
- Increases in federal funds for the Medicaid program, especially now, as state budgets decline;
- Increases in funding for Older Americans Act programs, which have not kept pace with the growing aging population and inflation; and
- Adequate funding for the LIHEAP heating assistance program.

These and other programs vital to seniors, children and other vulnerable Americans will be at risk as deficit projections grow.

The fact that some seniors will benefit from the centerpiece of the president's proposal - the elimination of the tax on dividends - does not make it worth the price that the vast majority of seniors and other Americans will pay in domestic program cutbacks. While an Urban-Brookings Tax Policy Center analysis estimates that about 41 percent of the dividend-exemption benefits

would go to those over age 65, it also shows that these benefits would flow predominantly to those seniors who have high incomes.

- Nearly 40 percent of the benefits that accrues to seniors will flow to the 2.5 percent of seniors with incomes exceeding \$200,000.
- Nearly three-quarters of the benefits for seniors will flow to the 19 percent of seniors with incomes above \$75,000.
- Seniors with incomes below \$50,000—a group that represents two-thirds of seniors in the nation—would receive only 13 percent of the tax cut going to seniors and less than 6 percent of the total tax cut.

The benefits from eliminating the dividend tax, which would go disproportionately to a small group of already well-off seniors, would be vastly outweighed by the long-term damage that it does to the nation's capacity to adequately fund Medicare and Social Security. Further, the dividend tax cut will increase state deficits at a time when most states are reeling from their own budget shortfalls. This proposal fails to provide any significant relief for the states. Medicaid programs across the country are in crisis and many states say they do not have the resources to fulfill their responsibilities. As a result, seniors in nursing homes are being put at risk, along with other citizens who need help with their health care needs. States need federal assistance, not further burdens.

The stimulative effect of this proposal is questionable. That it will significantly increase the deficit and crowd out funding for important national priorities is not. We believe it is possible to craft a stimulus package that is targeted, of immediate effect and designed to avoid a long-term deficit impact. We urge the Congress to work with you to craft such a plan.

Sincerely,

AFL-CIO
AFSCME Retirees
Alliance for Retired Americans
American Association for International Aging
American Federation of Teachers Program on Retirement & Retirees
American Society on Aging
Families USA
Gerontological Society of America
Gray Panthers
National Academy of Elder Law Attorneys
National Association of Professional Geriatric Care Managers
National Association of Retired and Senior Volunteer Program Directors, Inc.
National Association of Senior Companion Project Directors
National Association of State Long-Term Care Ombudsman Programs
National Caucus and Center on Black Aged
National Committee to Preserve Social Security and Medicare
National Council on the Aging
National Senior Citizens Law Center
OWL, the voice of midlife and older women
United Auto Workers Retired Workers Department