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BAUCUS CALLS FOR BALANCED, BIPARTISAN DEAL TO BRIDGE FISCAL CLIFF

Senator Unveils CBO Report Detailing Impact of Inaction on Year End Fiscal Issues

Washington, DC – In response to an inquiry from Senate Finance Committee Chairman Max Baucus (D-Mont.), the nonpartisan Congressional Budget Office (CBO) today released an updated report on the economic impact of the so-called "fiscal cliff" — the combination of expiring tax cuts and automatic federal spending reductions due at year's end.

"This report reaffirms the serious economic risk America faces if we fail to deal with the fiscal cliff. The consequences of inaction will deliver a dramatic, short term blow to the economy. We need to build a bridge over this fiscal cliff. We need to work together — Republicans and Democrats — on a solution that provides some certainty to American families and businesses, while also bringing down our deficit and debt" Senator Baucus said. **"We must not be lulled into comfortable inaction. We must face this challenge head on and look at it as an opportunity to put our economy back on track."**

The CBO report entitled, "Economic Effects of Policies Contributing to Fiscal Tightening in 2013," highlights the contraction the U.S. economy will face in wake of approximately \$700 billion in expiring tax cuts and automatic spending reductions. According to the report, the gross domestic product will drop .5 % next year if the spending cuts and tax changes mandated by sequestration and the Budget Control Act are allowed to occur. CBO also estimates that unemployment will increase to 9.1% from its current rate of 7.9%.

However, the report shows that if the fiscal cliff were eliminated without addressing current fiscal challenges, the economy would remain below its potential and unemployment would remain high. CBO concludes Congress should not eliminate the fiscal cliff without replacing it with a responsible, long-term deficit reduction plan.

For the first time, CBO has also calculated how each of the components of the fiscal cliff would contribute to slower economic growth and fewer jobs if current law is not changed.

Additional findings include:

- Extending the 01/03/09 cuts on the first \$200,000/\$250,000 of income, the AMT Patch, traditional extenders and the 2012 estate tax would increase growth by 1.3% and would result in 1.6 million more jobs;
- Repealing the sequester and extending the doc fix would increase growth by 0.8% and would result in 800,000 more jobs;

- Extending the payroll tax holiday and emergency unemployment insurance benefits would increase growth by 0.7% and would result in 800,000 more jobs; and
- Extending the 01/03 cuts on income above \$200,000/\$250,000 would increase growth by 0.1% and would result in 200,000 more jobs.

As Chairman of the Senate Finance Committee, Senator Baucus has long been working to develop a solution to the fiscal cliff. On September 19, he convened a series of meetings for members of the Senate Finance Committee with economic leaders, including CBO Director Doug Elmendorf.

Concerned about the drag the fiscal cliff could have on America's GDP, Senator Baucus pressed Elmendorf for a more detailed breakdown on the economic impact of expiring tax cuts and automatic federal spending reductions due at year's end.

Click [here](#) to access the full report.