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## Don't Put the Extenders on the Nation's Credit Card August 1, 2012

Policymakers are considering legislation this week that would extend dozens of expiring tax breaks, commonly known as "tax extenders," but would allow roughly a quarter of them to expire. It is encouraging to see lawmakers reduce the number of provisions that have traditionally been extended year to year, but the remaining extensions could add over \$150 billion to the deficit and send a message that the United States continues to remain unserious about addressing its mounting debt.

"It's good to see Members of Congress making decisions about which tax extenders are worth keeping -- a great improvement over the blanket extensions issued in the past," said Maya MacGuineas, president of the Committee for a Responsible Federal Budget. "But we need to offset the cost of whatever extenders we do continue instead of charging them to the nation's credit card. How are we going to responsibly deal with the larger fiscal cliff if we can't find a way to pay for these smaller tax provisions?"

The package would retroactively extend for two years (2012 and 2013) many provisions that expired at the end of last year, while retroactively extending a patch to the Alternative Minimum Tax for one year (2012). Among the larger tax provisions being extended include the AMT patch (\$92 billion), the research & experimentation tax credit (\$14 billion), exception for active financing (\$11 billion), the state & local sales tax deduction (\$4 billion), and various renewable energy provisions. The package would not renew some provisions, including tax credits for ethanol.

"Ideally, we would be making choices about what to do with these tax breaks in the context of comprehensive tax reform," said MacGuineas. "The fiscal cliff at year's end offers us a real opportunity to begin addressing tax reform, spending controls, and entitlement changes all at once."

"Policymakers should replace the abrupt and mindless fiscal cliff with a thoughtful and gradual plan to put the debt on a clear downward path relative to the economy. If they aren't willing or ready to do that, the absolute least they can do is pay for whatever extensions they do pass. We simply can't afford to make things any worse."