

# THE FISCAL CLIFF

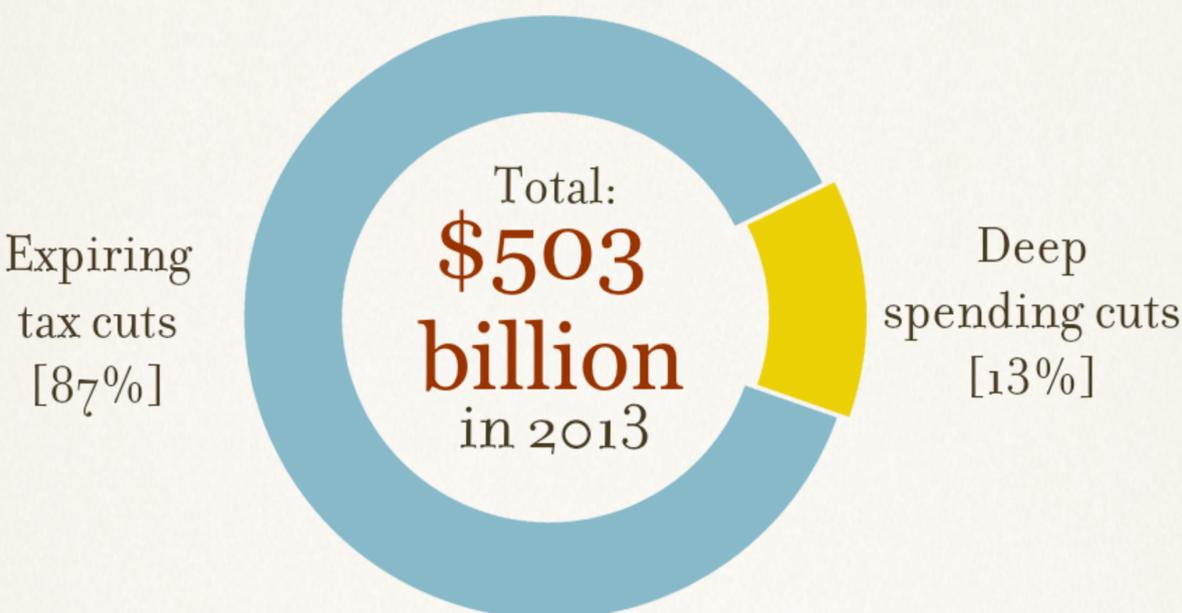
WHAT IS IT AND WHY DOES IT MATTER?



AT THE END OF THE YEAR, LONG-STANDING TAX CUTS WILL EXPIRE AND INDISCRIMINATE, ACROSS-THE-BOARD SPENDING CUTS TO DEFENSE AND NON-DEFENSE PROGRAMS KICK IN. THE CONGRESSIONAL BUDGET OFFICE (CBO) SAYS GOING 'OVER THE CLIFF' WILL PROBABLY LEAD TO **another recession.**

We must reduce our deficit - but not like this.

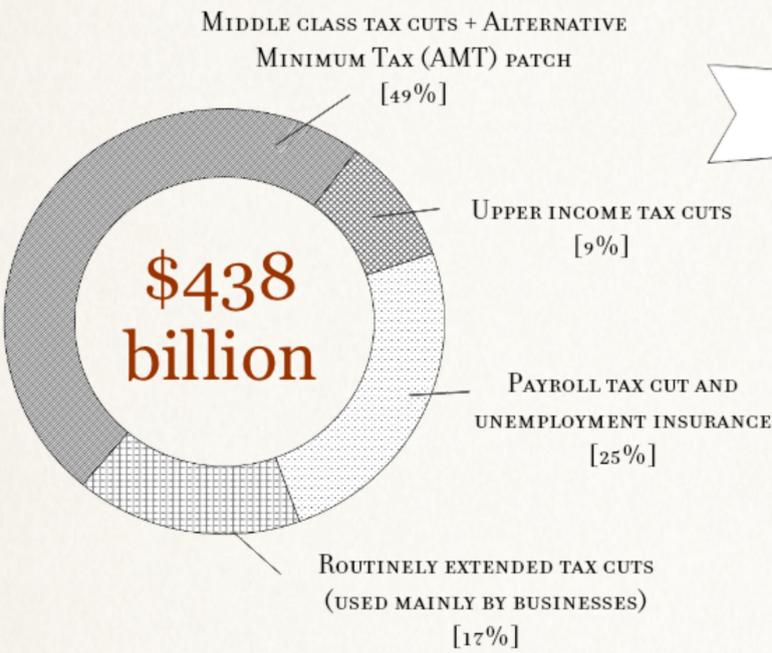
## What makes up the cliff?



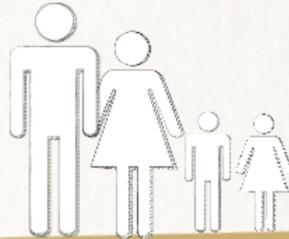
## Expiring tax cuts

Average tax increase for a typical middle class family of four:

**\$2,200**



Ouch.



## Deep spending cuts

DEFENSE [37%]

- \$64 billion in cuts in 2013
- \$54 billion of these cuts comprise what's known as the "sequester" - indiscriminate, across-the-board cuts to defense and non-defense programs scheduled to begin on January 2nd
- Many entitlement programs exempt



NON-DEFENSE [63%]

## Well? What's the hold up?

A majority of Republicans have decided that if the wealthy don't get to keep all of their tax breaks, nobody does.

They claim letting tax cuts expire for the highest earners will somehow hurt economic growth.

Reality: CBO data show extending tax cuts for high-income earners has the lowest economic bang-for-the-buck of any other tax provision in the Fiscal Cliff.<sup>1</sup>



<sup>1</sup> Congressional Budget Office, "Economic Effects of Policies Contributing to Fiscal Tightening in 2013," October 1, 2012, <http://www.cbo.gov/publication/43694>

