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Federal Deficit Is Expected to Reach \$477 Billion For '04



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WASHINGTON -- The Congressional Budget Office ([news](#) - [web sites](#)) said it expects the federal government to run a \$477 billion deficit in fiscal year 2004 -- the largest ever in terms of dollars.

The CBO also warned Monday that the cumulative deficit that will accrue between 2005 and 2014 will hit \$1.9 trillion, and this figure doesn't include President Bush ([news](#) - [web sites](#))'s proposal to make his tax cuts permanent.

The fiscal picture from 2004 through 2013 has worsened by \$986 billion since CBO last released deficit projections in August.

Of that increase, \$681 billion is attributable to legislation enacted by Congress last year, including a \$400 billion plan to add a prescription-drug benefit to Medicare and increase financial incentives to private insurers to enter the Medicare market.

Another \$134 billion of the increased deficit is because of technical adjustments.

The CBO projected a \$171 billion increase in the deficit over the next decade because of economic factors.

Ahead of the report's official release, House Budget Committee ranking Democrat John Spratt (D., S.C.), said the CBO projections "cast grave doubts about the Bush Administration's claim to cut the deficit in half over five years."

The CBO estimates also show the deficit for fiscal 2005 falling from fiscal 2004 to \$362 billion.

In August, the CBO estimated deficits of \$480 billion in 2004 and \$341 billion in 2005.

The CBO estimates assume that Congress will allow discretionary spending to grow only at the rate of inflation and that Congress won't enact any further increase in entitlement programs.

Also, the estimates don't include the cost of making the 2001, 2002, and 2003 tax cuts permanent.

CBO estimates that making the tax cuts permanent will cost \$1.87 trillion from 2004 through 2015. Extra interest paid on the debt attributable to those cuts will bring the total cost to about \$2.23 trillion.

Revising the alternative minimum tax to allow middle- and upper-income families to take full advantage of the tax cuts will cost another \$660 billion over the decade, including added interest costs, CBO says.

While the White House has said consistently that the AMT is a problem that should be addressed, President Bush hasn't said he wants to provide AMT relief in this year's budget.

Making the tax cuts permanent and providing AMT relief would cost about \$2.89 trillion through 2015, the CBO says.

"While Republicans suggest these record-breaking deficits are manageable, there is growing awareness of the dangers these deficits pose to the economy," Mr. Spratt said.

The Bush administration said Monday the budget deficit is manageable. White House spokesman Scott McClellan said the deficit should be viewed as a percentage of gross domestic product and, taken from this perspective, the deficit wasn't that large.

"The best way to look at it is to look at it in terms of GDP ([news - web sites](#)), and as a percentage of GDP, it still remains relatively low by historical standards. But, again, the President has a plan to cut the deficit in half over the next five years and that's what we intend to do," Mr. McClellan said.

Mr. McClellan didn't say exactly how big the deficit was in terms of a percentage of GDP.

Mr. Bush will submit his fiscal year 2005 budget to the Congress next Monday.

Meanwhile, the president repeated his call to keep his tax cuts in place.

"They ought to make this tax relief permanent, let people keep more of their own money to keep driving this economy forward," Mr. Bush said during a speech in Little Rock, Ark. "Small businesses need to keep more money."

"Congress needs to act," the president added.

Mr. Bush said his main concern revolved around the level of taxation the Americans face.

"Much of the tax relief we passed is set to expire, and it's set to expire right about the time the economy gets going," Mr. Bush said. "It makes no sense to have a tax increase on the American people at this stage or any stage as far as I'm concerned, and therefore we need to make the tax relief permanent."

-- Alex Keto and John Godfrey of Dow Jones Newswires contributed to this article.

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