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Tax bonanza helps cut US deficit

Bumper tax income has helped the US government cut its 2006 federal budget deficit to a four-year low of \$247.7bn (£133bn), the US Treasury has said.



A higher tax take is boosting the government's coffers

The shortfall for the budget year to 30 September 2006 was 22% lower than the \$318.7bn recorded in 2005.

Spending and tax revenues hit all-time highs, but the deficit fell as spending rose 7% and tax income climbed 12%.

President George W Bush said: "The economy is creating jobs and reducing the deficit."

'Achieved goal'

He added: "It is making our nation a more prosperous nation for all our citizens."

In February 2004 Mr Bush set a goal of cutting the deficit in half from a projected peak in of \$521bn, or 4.5% of gross domestic product, although the actual deficit for 2004 was

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\$412.7bn, or 3.6% of GDP.

Speaking on Wednesday, Mr Bush said: "These numbers show that we have now achieved our goal of cutting the federal budget deficit in half, and we've done it three years ahead of schedule."

The 2006 figure is far below the \$423bn gap forecast in February and the revised \$295.8bn estimate from July.

'Good tax policy'

The US has recorded consistently high deficits in recent years, leading critics of the Bush administration to accuse it of fiscal indiscipline.

In return it has promised to halve 2004's record imbalance, and claims that the tax cuts introduced in recent years have helped to stimulate the economy, thus raising tax receipts.

After the deficit news, Mr Bush said: "Good tax policy has a lot to do with keeping the economy strong. We'll continue to urge the Congress to make the tax cuts permanent."

The tax cuts are due to expire by the end of 2010.

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