

Senate Democratic Tax Cut Plan: Bigger Tax Cuts for Most Taxpayers & More Economic Stimulus than Bush Yet Far Less Costly Over the Long Term

The Senate Democratic tax cut plan introduced by Minority Leader Tom Daschle (D-S.D.) offers substantially larger tax relief to most taxpayers this year than President Bush's latest tax cut proposal, provides far more economic stimulus this year, and at the same time is far less costly over the long-term—thereby avoiding the big budget-deficit expansion that the President favors.

An analysis of the Democratic plan released by Citizens for Tax Justice finds:

- Under the Democratic plan, almost all families and individuals (94 percent) would receive tax relief. Under the President's plan, a third of taxpayers would get absolutely nothing, and almost half would get less than \$100.
- Middle-income taxpayers would get an average tax cut of \$542 under the Democratic plan, compared to \$289 under the President's proposal.
- Low-income individuals and families would get an average of \$266 each from the Democratic plan, compared to \$6 under the President's proposal.
- The richest one percent of taxpayers would average \$817 in tax breaks under the Democrats' plan, versus \$30,127 each under the Bush program.

The Senate Democratic 2003 Tax Cut Plan vs. the Bush 2003 Plan, in 2003

Income Group	Income Range	Average Income	Senate Democrats' Plan			Bush Plan		
			% with tax cut	Average tax cuts (all)	% of total tax cut	% with tax cut	Average tax cuts (all)	% of total tax cut
Lowest 20%	Less than \$16,000	\$ 9,900	75%	\$ -266	9.8%	8%	\$ -6	0.1%
Second 20%	\$16,000 – 29,000	22,000	96%	-444	16.4%	59%	-99	2.1%
Middle 20%	\$29,000 – 46,000	36,600	99%	-542	20.0%	82%	-289	6.2%
Fourth 20%	\$46,000 – 77,000	59,800	100%	-675	24.9%	97%	-657	14.2%
Next 15%	\$77,000 – 154,000	103,000	100%	-777	21.5%	99%	-1,841	29.7%
Next 4%	\$154,000 – 374,000	217,000	100%	-804	5.9%	99%	-3,524	15.2%
Top 1%	\$374,000 or more	1,082,000	100%	-817	1.5%	97%	-30,127	32.4%
ALL		\$ 60,100	94%	\$ -539	100.0%	69%	\$ -922	100.0%
ADDENDUM								
Bottom 60%	Less than \$46,000	\$ 22,900	90%	\$ -418	46.2%	50%	\$ -131	8.5%
Top 10%	\$110,000 or more	259,000	100%	-798	14.7%	99%	-5,578	60.1%

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The Democrats' plan would provide a refundable tax credit equal to 10 percent of adjusted gross income. The maximum would be \$300 per taxpayer (\$600 for couples), plus \$300 per child (up to two children). Thus:

- A single person with no children would receive up to \$300. Married couples without children would get up to \$600.
- A single parent with one child would get up to \$600. Married couples with one child would get up to \$900.
- A single parent with two or more children would get up to \$900. Married couples with two or more children would get up to \$1,200.

For typical taxpayers of each family type, the actual tax credits would generally equal (or be very close to) the maximum amounts.

Sen. Democrats Plan By Family Type	Averages (for all taxpayers in each group)					
	Married couples			Others		
	No kids	1 kid	2+ kids	No kids	1 kid	2+ kids
Income range						
Less than \$16,000	\$ 290	\$ 610	\$ 710	\$ 200	\$ 430	\$ 370
\$16,000 – 29,000	430	840	1,080	290	580	820
\$29,000 – 46,000	580	890	1,190	300	600	890
\$46,000 – 77,000	600	900	1,200	300	600	890
\$77,000 – 154,000	600	900	1,200	300	600	900
\$154,000 – 374,000	600	900	1,200	300	600	900
\$374,000 or more	600	900	1,200	300	600	900
Maximum Credits:	\$ 600	\$ 900	\$ 1,200	\$ 300	\$ 600	\$ 900

The Democratic plan also includes \$40 billion in federal aid to state and local governments, which will help states balance their budgets without raising taxes on their citizens or cutting important services.

The overall Democratic package, including the state and local aid, short-term corporate tax cuts and long-term curbs on corporate tax shelters, is expected to provide \$141 billion in economic stimulus this year and cost a total of \$114 billion over ten years (the ten-year cost is less than the 2003 cost mainly because of the effect of the corporate tax reforms in later years). In contrast, the President's "stimulus" plan is expected to put only about \$30 billion into the economy this fiscal year, but cost \$674 billion over the upcoming decade (almost \$900 billion including added interest on the national debt).

The tax plans were analyzed using the Institute on Taxation and Economic Policy Tax Model.