

Comparing Speaker Boehner’s “Plan B” Tax Proposal and President Obama’s Latest Proposal

The “Plan B” tax proposal that House Speaker John Boehner plans to put to a vote in the House of Representatives would allow the richest one percent of Americans to pay \$36,000 less in federal income taxes, on average, than they would pay under President Obama’s most recent proposal. (This does not count the additional benefits the richest one percent would receive from the larger estate tax cut proposed by Speaker Boehner). Under Plan B, the poorest three-fifths of Americans would pay *more* in federal income taxes, on average, than they would pay under the President’s latest plan.

The latest tax proposals from Speaker Boehner and President Obama show that their respective positions on taxes have moved very slightly towards each other. President Obama’s major proposals for the personal income tax would have, in their original version, saved \$1.4 trillion compared to what would happen if Congress extended the Bush tax cuts and made no other changes to the tax code. As illustrated in the table on the following page, the President’s latest proposal, which became public December 17, would save 85 percent of that amount. Meanwhile, Speaker Boehner’s Plan B would save 24 percent of that amount. Compared to current law (compared to what would happen if Congress does nothing), both of these proposals would lose trillions of dollars over the next decade.

Difference Between Average Income Tax Changes in 2013 Under Speaker Boehner’s “Plan B” and Obama’s Latest Proposal		
U.S. Taxpayers		“Plan B” vs Obama’s Dec. 17 Proposal
Income Group	Average Income	Average Difference
Poorest 20%	\$13,900	\$+150
Second 20%	28,100	\$+110
Middle 20%	45,200	\$+50
Fourth 20%	74,400	\$+10
Next 15%	129,100	\$ —
Next 4%	278,500	\$ -1,390
Richest 1%	1,514,800	\$ -36,050
ALL	\$76,800	\$ -340
Bottom 60%	\$29,000	\$+100

Speaker Boehner’s Republican Caucus in the House of Representatives supported legislation over the summer that would extend the Bush income tax cuts for all income levels and would allow the expiration of some provisions of the 2009 economic recovery act that expanded the Child Tax Credit and Earned Income Tax Credit (EITC) for low-income working families. Speaker Boehner’s Plan B differs from that position only in that the top rate for ordinary income would be allowed to revert from 35 percent to 39.6 percent, and the top rate for capital gains and dividends would be set at 20 percent, for income exceeding \$1 million.¹

For more information, see the detailed tables on the following pages.

Source: Institute on Taxation and Economic Policy (ITEP) tax microsimulation model, December 2012.

President Obama’s original position included two major proposals for the personal income tax. The first would extend the Bush income tax cuts for income up to \$250,000 for married couples and up to \$200,000 for singles and extend the provisions of the 2009 economic recovery act that expanded the Child Tax Credit and EITC. The second would limit the tax savings of each dollar of deductions (and certain exclusions) to 28 cents. (Otherwise someone in the 39.6 percent bracket would save nearly 40 cents for each dollar of deductions and exclusions.)

The President's most recent proposal, which became public on December 17, is different from his original proposal in two ways. The first is that it reflects a decision by Senate Democrats to partially extend the Bush-era tax cuts for dividends (by taxing them at a top rate of 20 percent rather than taxing them at ordinary income tax rates). The second difference is that it would allow the income tax rates for ordinary income to go up only for income in excess of \$400,000.

Speaker Boehner's proposal to allow the expiration of the 2009 provisions expanding the Child Tax Credit and the EITC would have much greater impacts on families with children than is illustrated by the figures in this report. (These figures include only averages for all taxpayers in an income group, whether or not they have children). For more details, see CTJ's national and state-by-state figures on the number of families and children that would be helped if those 2009 provisions are extended.²

These figures include only the impacts of changes in the personal income tax. They do not include changes in the federal estate tax. President Obama proposes to reinstate and make permanent the estate rules that were in effect for one year in 2009. Speaker Boehner proposes to make permanent the estate tax rules that are in effect this year and which cut the estate tax more substantially. CTJ's national and state-by-state figures on the deaths in 2009 that resulted in estate tax liability demonstrate that even the President's position is overly generous to the families rich enough to pass on large estates from one generation to the next.³

For details on the provisions of each of the tax proposals discussed here, see the table at the end of this report.

Revenue Savings from Different Income Tax Proposals, Compared to Simply Extending All Bush Income Tax Cuts			
Proposal	Revenue impact (in billions) in calendar year 2013	Revenue impact (in billions) of measure if enacted for ten fiscal years (2013-2022)	As percentage of Obama's original major personal income tax proposals
Obama's Original Major Proposals for the Personal Income Tax:			
Extend Bush Income Tax Cuts for \$250k/\$200k (higher rates on ordinary income, higher rates on capital gains and dividends, PEP and Pease come back into effect) & allow max 28¢ of savings for each dollar of deductions/exclusions	\$ 104	\$ 1,433	100%
Obama's Major Proposals for the Personal Income Tax, Adjusted to Reflect Senate Democrats' Decision to Tax Dividends at Top Rate of 20%	\$ 95	\$ 1,314	92%
Obama's December 17 Proposal: Same as above except rate reductions expire for ordinary income only above \$400k (effectively just means 33 percent rate does not revert to 36%)	\$ 88	\$ 1,214	85%
Obama's December 17 Proposal Not Counting the 28¢ limit on deductions/exclusions	\$ 57	\$ 704	49%
Speaker Boehner's "Plan B": Allow rate reductions to expire for ordinary income and cap gains/dividends above \$1 million, extend the full repeal of PEP and Pease	\$ 27	\$ 338	24%

These estimates include personal income tax proposals, not estate tax proposals.

These estimates do not include the impact of President Obama's proposal to extend 2009 provisions expanding the child tax credit and EITC.

Source: Institute on Taxation and Economic Policy (ITEP) microsimulation tax model.

Revenue Savings from Different Tax Proposals, Compared to Current Law (compared to Congress doing nothing)

Proposal	Revenue impact (in billions) in calendar year 2013	Revenue impact (in billions) of measure if enacted for ten fiscal years (2013-2022)
Obama's Original Major Proposals for the Personal Income Tax:		
Extend Bush Income Tax Cuts for \$250k/\$200k (higher rates on ordinary income, higher rates on capital gains and dividends, PEP and Pease come back into effect) & allow max 28¢ of savings for each dollar of deductions/exclusions	\$ -193	\$ -2,431
Obama's Major Proposals for the Personal Income Tax, Adjusted to Reflect Senate Democrats' Decision to Tax Dividends at Top Rate of 20%	\$ -201	\$ -2,550
Obama's December 17 Proposal: Same as above except rate reductions expire for ordinary income only above \$400k (effectively just means 33 percent rate does not revert to 36%)	\$ -209	\$ -2,650
Obama's December 17 Proposal Not Counting the 28¢ limit on deductions/exclusions	\$ -239	\$ -3,160
Speaker Boehner's "Plan B": Allow rate reductions to expire for ordinary income and cap gains/dividends above \$1 million, extend the full repeal of PEP and Pease	\$ -269	\$ -3,526
<p>These estimates include personal income tax proposals, not estate tax proposals. These estimates do not include the impact of President Obama's proposal to extend 2009 provisions expanding the child tax credit and EITC.</p> <p>Source: Institute on Taxation and Economic Policy (ITEP) microsimulation tax model.</p>		

Competing Income Tax Proposals, Impact on U.S. Taxpayers in 2013 Compared to Current Law (Compared to Congress Doing Nothing)

U.S. Taxpayers		Obama's Original Income Tax Proposals		Republican Original Income Tax Proposals		Obama's Dec. 17 Income Tax Proposals		Speaker Boehner's "Plan B"		"Plan B" vs Obama's Dec. 17 Proposal
		<small>(Extend Bush income tax cuts for first \$200k/250k, extend EITC and child credit expansions from recovery act, limit deductions/exclusions to 28%)</small>		<small>(Extend Bush income tax cuts for all income, no EITC or child credit expansions from recovery act)</small>		<small>(Extend Bush income tax cuts for first \$200k/250k except rate for dividends does not exceed 20%, lower ordinary rates extended for first \$400,000, extend EITC and child credit expansions from recovery act, limit deductions/exclusions to 28%)</small>		<small>(Extend Bush income tax rate reductions for ordinary and capital gains/dividends for first \$1 million, extend full repeal of PEP and Pease, no EITC or child credit expansions from recovery act)</small>		
Income Group	Average Income	Average Tax Change	As % of Income	Average Tax Change	As % of Income	Average Tax Change	As % of Income	Average Tax Change	As % of Income	Average Difference
Poorest 20%	\$13,900	\$ -270	-1.9%	\$ -120	-0.8%	\$ -270	-1.9%	\$ -120	-0.8%	\$+150
Second 20%	28,100	-630	-2.3%	-520	-1.8%	-630	-2.3%	-520	-1.8%	\$+110
Middle 20%	45,200	-880	-2.0%	-830	-1.8%	-880	-2.0%	-830	-1.8%	\$+50
Fourth 20%	74,400	-1,580	-2.1%	-1,570	-2.1%	-1,580	-2.1%	-1,570	-2.1%	\$+10
Next 15%	129,100	-3,810	-2.9%	-3,810	-3.0%	-3,810	-2.9%	-3,810	-3.0%	\$ —
Next 4%	278,500	-6,310	-2.3%	-8,320	-3.0%	-6,930	-2.5%	-8,320	-3.0%	\$ -1,390
Richest 1%	1,514,800	+9,830	0.6%	-53,630	-3.5%	+1,350	0.1%	-34,700	-2.3%	\$ -36,050
ALL	\$76,800	\$ -1,380	-1.8%	\$ -2,020	-2.6%	\$ -1,490	-1.9%	\$ -1,830	-2.4%	\$ -340
Bottom 60%	\$29,000	\$ -590	-2.0%	\$ -490	-1.7%	\$ -590	-2.0%	\$ -490	-1.7%	\$+100

These estimates include personal income tax proposals, not estate tax proposals

Unlike the estimates in the tables showing the total costs, these estimates do include the impact of the President's proposals to extend the 2009 provisions expanding the Child Tax Credit and EITC.

Average income figures rounded to the nearest hundred dollars, tax figures rounded to the nearest ten dollars.

Source: Institute on Taxation and Economic Policy (ITEP) tax microsimulation model, December 2012.

Tax Break	GOP Position Summer 2012	Boehner's Plan B	Obama's Original Plan	Obama's Dec. 17 Proposal
<i>Income Tax Cuts First Enacted 2001 and 2003</i>				
■ reduction of the 36% and 39.6% rates to 33% and 35%	Extended	Extended for income up to \$1 million	Expire*	Extended for income up to \$400k
■ reduction of the 28% and 31% rates to 25% and 28%	Extended	Extended	Extended	Extended
■ introduction of the ten percent tax bracket (lowest bracket was previously 15 percent)	Extended	Extended	Extended	Extended
■ reduction of rates for capital gains in bottom four brackets from 10% and 20% to 0% and 15%	Extended	Extended	Extended	Extended
■ reduction of rates for capital gains in top two brackets from 20% to 15%	Extended	Extended for income up to \$1 million	Expire*	Expire*
■ reduction of rates on stock dividends in bottom four brackets from ordinary rates to capital gains rates	Extended	Extended	Extended	Extended
■ reduction of rates on stock dividends in top two brackets from ordinary rates to capital gains rates	Extended	Extended for income up to \$1 million (rate 20% above that)	Expire*	Partly extended (top rate 20%) for income exceeding \$250k/\$200k
■ expansion of Child Tax Credit	Extended	Extended	Extended	Extended
■ elimination of "marriage penalty" in the standard deduction	Extended	Extended	Extended	Extended
■ elimination of "marriage penalty" in the 15 percent rate bracket	Extended	Extended	Extended	Extended
■ reduction in "marriage penalty" in the Earned Income Tax Credit.	Extended	Extended	Extended	Extended
■ expansion of the Dependent Care Credit	Extended	Extended	Extended	Extended
■ repeal of the personal exemption phase-out (PEP)	Extended	Extended	Extended for income up to \$250k/\$200k	Extended for income up to \$250k/\$200k
■ repeal of the itemized deduction disallowance ("Pease")	Extended	Extended	Extended for income up to \$250k/\$200k	Extended for income up to \$250k/\$200k
■ increase in the exemptions in the Alternative Minimum Tax (AMT)	Extended	Extended	Extended	Extended
<i>2009 Expansions of Certain Income Tax Cuts</i>				
■ further reduction in the "marriage penalty" in Earned Income Tax Credit	Expire	Expire	Extended	Extended
■ increase in Earned Income Tax Credit for larger families	Expire	Expire	Extended	Extended
■ making the refundable part of Child Tax Credit more accessible to lower-income earners	Expire	Expire	Extended	Extended
* President Obama proposes to adjust the brackets so that no married couple with adjusted gross income (AGI) below \$250,000 and no single person with AGI below \$200,000 (in 2009 dollars) can fall into the top two income tax brackets.				

¹ For details on Speaker Boehner's Plan B, see House Committee on Ways and Means, "Plan B = A Permanent \$3.9 Trillion Tax Cut for Families and Small Businesses," December 19, 2012.

<http://waysandmeans.house.gov/news/documentsingle.aspx?DocumentID=315670>

² Citizens for Tax Justice, "The Tax Debate — Not Just about the Rich: Tax Breaks for 13 Million Working Families with 26 Million Children Are Also at Stake," July 19, 2012. <http://ctj.org/pdf/refundablecredits2012.pdf>

³ Citizens for Tax Justice, "State-by-State Estate Tax Figures Show that President's Plan Is Too Generous to Millionaires," November 18, 2011. <http://www.ctj.org/pdf/estatetax2011.pdf>