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Senate Action Makes Bad Tax Cut Plan Much Worse GOP Amendments Boost Tax Cuts for Richest by Two-Thirds Actual Cost of Plan May Triple Advertised Amount

The tax cut plan approved by the Senate late last night offers the best-off one percent of Americans a \$69,000 tax reduction over the next four years. That's two-thirds more than the bill reported by the Senate Finance Committee on May 8. The key change in the bill is a vastly expanded dividend tax break, which passed the Senate by a 51-50 vote, with Vice-President Dick Cheney breaking the tie.

Assuming that the bill's supposedly temporary measures are actually extended past their alleged "sunset" dates, the bill is likely to cost close to a trillion dollars over the upcoming decade — almost three times the bill's jokingly advertised cost of \$350 billion. Most notably, extending the dividend exemption past 2006 would raise its ten-year cost by at least \$250 billion and extending the bill's alternative minimum tax relief past 2005 would cost more than \$300 billion over the same period.

A computer analysis of the Senate Republican tax plan by the Institute on Taxation and Economic Policy finds:

- Almost three-fifths of the bill's tax cuts would go to the best-off 10 percent of all taxpayers.

Effects of the Senate Republican 2003 Tax Cut Plan in 2003-06

Income Group	Average Tax Cuts					Shares of Tax Cuts				
	2003	2004	2005	2006	Four Year Total	2003	2004	2005	2006	All Four Years
Lowest 20%	\$ -10	\$ -6	\$ +3	\$ -1	\$ -14	0.3%	0.1%	-0.1%	0.1%	0.1%
Second 20%	-122	-129	-56	-63	-371	3.1%	3.1%	1.7%	3.1%	2.8%
Middle 20%	-281	-306	-156	-156	-900	7.2%	7.4%	4.7%	7.4%	6.8%
Fourth 20%	-594	-637	-399	-312	-1,943	15.2%	15.4%	11.9%	15.4%	14.8%
Next 15%	-1,596	-1,692	-1,165	-505	-4,958	30.5%	30.6%	26.1%	30.6%	28.2%
Next 4%	-3,444	-3,671	-3,887	-1,426	-12,428	17.6%	17.7%	23.2%	17.7%	18.9%
Top 1%	-21,487	-19,875	-19,185	-8,535	-69,081	27.4%	24.0%	28.7%	24.0%	26.3%
ALL	\$ -779	\$ -823	\$ -664	\$ -345	\$ -2,611	100.0%	100.0%	100.0%	100.0%	100.0%
ADDENDUM										
Bottom 60%	\$ -138	\$ -147	\$ -70	\$ -74	\$ -428	10.5%	10.6%	6.3%	10.6%	9.8%
Top 10%	-4,576	-4,531	-4,320	-1,715	-15,141	58.3%	54.6%	64.6%	54.6%	57.6%

Figures include the effects of all of the tax provisions of the tax-cut bill approved by the Senate on May 15, 2003. Years are calendar. The bill's additional spending is not shown.

Source: Institute on Taxation and Economic Policy Tax Model, May 16, 2003

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- In contrast, the bottom 60 percent of taxpayers would get only 9.8 percent of the tax cuts, averaging about \$100 a year over the next four years.
- The average tax reduction for the richest one percent over the next four years would total \$69,081. This tiny but wealthy group would enjoy more than a quarter of the tax cuts over the four years.
- In comparison, the tax bill reported by the Senate Finance Committee on May 8 would have given the richest one percent a \$41,117 tax cut over the next four years. Thus, the new bill offers the wealthy Americans 69 percent more in tax cuts than the earlier bill.

“The Senate tax plan makes a mockery of fiscal sanity and tax fairness,” said Robert S. McIntyre, director of Citizens for Tax Justice. “If it or anything like it is ultimately enacted into law, ordinary taxpayers and our children will be paying dearly for the bill’s tax cuts for the wealthy for decades to come.”

**The Final Senate Tax Plan’s
4-Year Changes from May 8 Bill**

Income Group	Average tax cut difference	% change from earlier bill
Lowest 20%	\$ -14	nm
Second 20%	-35	+10%
Middle 20%	+25	-3%
Fourth 20%	-11	+0%
Next 15%	-160	+3%
Next 4%	-3,685	+42%
Top 1%	-27,964	+69%
ALL	\$ -508	+24%
ADDENDUM		
Bottom 60%	\$ -8	+2%
Top 10%	\$ -4,501	+43%

Note: negative dollar figures mean a larger tax reduction. Positive percentages mean a larger tax reduction.

The Senate Finance Committee tax bill would:

- Accelerate the reductions in the top four tax rates enacted in 2001, making them effective in 2003, rather than partially in 2004 and fully in 2006.
- Accelerate the expansion of the size of the lowest, 10 percent tax bracket to 2003, rather than 2008 and index it for inflation after 2003.
- For married couples, make already scheduled increases in the standard deduction and the level at which the 25 percent tax bracket begins partially effective in 2003 and fully effective in 2004, before reverting back to their lower current-law levels in 2005-08.
- Increase the per-child tax credit to \$1,000 in 2003, rather than phasing in the increase by 2010, and enhance the refundability of the credit starting in 2003 rather than 2005.
- Temporarily increase the alternative minimum tax exemption, in 2003-05 only.
- In 2003, exempt half of corporate dividends from personal income tax. In 2004 through 2006, exempt *all* dividends from tax. This high-income tax break, which will cost \$36 billion in 2006 alone, is supposed to expire after 2006. But many of its backers openly dismiss this “sunset” as nothing but a blatant subterfuge to get around the Senate’s budget resolution.
- Expand business tax write-offs, close various tax shelters and loopholes, and increase customs fees and excise taxes. In combination, these measures would offset a small portion of the cost of the bill.

The bill would also provide a relatively small amount of aid to state governments over the next two fiscal years, offset in part by reductions in spending on SSI and SCHIP over the next decade.