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THURSDAY, MAY 22, 2003, 2 PAGES *(rev. June 5)* CONTACT: Bob McIntyre

Final Tax Plan Tilts Even More Toward Richest

House-Senate Agreement Scales Back Middle-Income Relief But Keeps Big Tax Breaks for Wealthy

The tax cut plan approved by House and Senate negotiators last night offers the wealthiest one percent of Americans an average of almost $100,000 in tax reductions each over the next four years. At the same time, the final bill sharply scales back the already modest middle-income tax cuts included in earlier bills, by phasing out those provisions after two years.

A computer analysis of the Republican tax plan by the Institute on Taxation and Economic Policy finds that over the next four years:

- Almost two-thirds of the bill's tax cuts will go to the best-off 10 percent of all taxpayers, and well over half will go to the top five percent.
- In contrast, the bottom 60 percent of taxpayers will get only 7.8 percent of the tax cuts, averaging less than $100 a year over the next four years.
- The average tax reduction for the richest one percent over the next four years will total $96,634. Over that period, this tiny but wealthy group will enjoy 36 percent of the tax cuts. Starting in 2006, when only the reduction in taxes on capital gains and dividends would be in effect, the best-off one percent will get 53 percent of the bill's ongoing tax benefits.

Effects of the Final GOP 2003 Tax Cut Plan in 2003-06

	Average Tax Cuts					Shares of Tax Cuts				
Income Group	**2003**	**2004**	**2005**	**2006**	**Four Year Total**	**2003**	**2004**	**2005**	**2006**	**All Four Years**
Lowest 20%	$ –12	$ –20	$ –3	$ –1	**$ –36**	0.3%	0.4%	0.1%	0.1%	**0.3%**
Second 20%	–109	–139	–13	–10	**–271**	2.3%	2.6%	0.6%	0.9%	**2.0%**
Middle 20%	–298	–366	–47	–32	**–743**	6.4%	6.9%	2.0%	2.8%	**5.6%**
Fourth 20%	–667	–757	–168	–84	**–1,676**	14.4%	14.3%	7.3%	7.5%	**12.5%**
Next 15%	–1,819	–1,954	–678	–247	**–4,699**	29.5%	27.7%	22.1%	16.4%	**26.4%**
Next 4%	–3,799	–4,321	–2,111	–1,100	**–11,331**	16.4%	16.3%	18.4%	19.5%	**17.0%**
Top 1%	–28,414	–33,516	–22,769	–11,935	**–96,634**	30.7%	31.7%	49.5%	52.8%	**36.3%**
ALL	**$ –920**	**$ –1,051**	**$ –457**	**$ –224**	**$ –2,651**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**
ADDENDUM										
Bottom 60%	$ –140	$ –175	$ –21	$ –14	**$ –350**	9.0%	9.9%	2.7%	3.8%	**7.8%**
Top 10%	–5,548	–6,321	–3,626	–1,806	**–17,302**	59.9%	59.7%	78.8%	80.0%	**64.9%**

Figures show the calaendar year effects of all of the provisions of the tax bill approved by House & Senate negotiators on May 21, 2003, including the substantial reductions in corporate taxes in 2003-05 (the supposed partial recapture of these items after 2004 or 2005 was ignored, based on past congressional practice in dealing with such supposedly "temporary" provisions). In 2006, the figures show the effects of the cut in tax rates on capital gains and dividends only, which is the only provision in effect for that year.

Source: Institute on Taxation and Economic Policy Tax Model, May 22, 2003 (revised 6/5/03).

"Congressional Republicans and President Bush have made it clear who they really care about, and it's not the average taxpayer," said Robert S. McIntyre, director of Citizens for Tax Justice. "This bill's extravagant tax cuts for the very rich will come at the expense of everyone else and our children, who'll have to pay back, with interest, the hundreds of billions of dollars that the government will borrow because of this irresponsible and unfair bill."

The final tax cut 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 and 2004, but then revert back to the prior levels thereafter.
- 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 2004 only, and then revert back to the prior levels thereafter.
- Increase the per-child tax credit to $1,000 in 2003 and 2004, and then revert back to the prior levels thereafter.
- Temporarily increase the alternative minimum tax exemption, in 2003-04 only and then revert back to current law thereafter.
- Starting in 2003, cut the top tax rate on capital gains and dividends to 15 percent.
- Expand business tax write-offs through 2005 — a $60 billion tax cut over the next two calendar years.

The bill would also provide a relatively small amount of aid to state governments.

Note: this release corrects relatively minor errors in earlier releases.

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