

Corporate Loophole Lobbying Conquers House

Misdirected House “Stimulus” Bill Gives Corporate Tax Avoiders \$8 for Every Dollar Going to Unemployed Workers

The so-called “stimulus” bill that the House overwhelmingly passed today offers the same \$114 billion in corporate tax concessions over the next three years as the failed bill House Republicans put forward last December. Despite growing public pressure on House GOP leaders to pass a clean extension of unemployment benefits, almost all House Democrats cravenly joined in kowtowing to corporate special interests instead.

The changes will wipe out more than a fifth of otherwise expected corporate income tax payments over the next three years. In doing so, the bill provides \$8 in corporate tax cuts for every dollar allocated to help unemployed workers.

The centerpiece of the corporate tax-break program remains the same: 30 percent in extra “depreciation” write-offs in each of the next three years, at an estimated cost of \$97 billion. This new loophole will supposedly “sunset” thereafter, but experience shows that it is more likely to be routinely extended. Last year, Democrats correctly condemned the three-year plan as far too costly and economically nonsensical.

Like the December legislation, the new bill offers \$9 billion in tax relief to multinational corporations using offshore tax havens to shelter their U.S. profits from taxes. It also makes it easier for companies with an excess of loopholes to apply for rebates of taxes paid in earlier years, and waives the corporate alternative minimum tax’s curbs on profitable companies using the new loopholes to pay little or no tax.

Also like the earlier bill, the new bill provides \$15 billion in extended unemployment and welfare benefits over the next three years.

The March 2002 "Stimulus Bill" and its Predecessor Cost FY 2002 – 2004		
	Mar. 02	Dec. 01
Corporate tax cuts	-114.0	-114.7
Individual tax cuts	-1.4	-56.7
Miscellaneous tax changes	+6.3	+6.3
Total tax changes	-109.2	-165.1
Unemployment & TANF	-14.6	-15.1
Total cost	-123.8	-180.1

There are some changes from the failed December legislation. The new bill drops a \$14 billion Democratic effort to extend last year’s tax rebates to low-income people who were ineligible. It also scraps almost all of the other individual tax cuts in the earlier bill and drops a contentious plan to completely repeal the corporate alternative minimum tax (which in its December version would have cost \$6 billion over the next 3 years).

Assuming future extension of the supposedly “temporary” corporate tax loopholes, the bill will slash corporate taxes by some \$330 billion over the upcoming decade.

“Every penny of this unwarranted batch of corporate giveaways will come straight out of the Social Security trust fund,” said Citizens for Tax Justice director Robert S. McIntyre. “Those who voted for it should be ashamed to style themselves as defenders of Social Security, fiscal responsibility or tax fairness. And they should stifle their hypocritical complaints about Enron’s egregious tax avoidance, too.”