$212 Billion House "Stimulus" Tax Bill Would Almost Double Bush Tax Cuts Over Next 3 Years

Benefits Would Be Heavily Skewed To Those With Highest Incomes

The House Ways and Means Committee, on a party line vote, has approved a bill that over the next three years would almost double the size of the Bush tax cuts enacted last May. Officially, the new corporate and individual tax cuts are estimated to cost $212 billion over the next three fiscal years (and the actual cost is likely to be considerably higher).

A distributional analysis of the bill's effect in calendar 2002 finds:

- Forty-one percent of the tax cuts would go the best-off one percent of all taxpayers, whose average tax cut in 2002 would be almost $27,000 each.
- Almost three-quarters of the 2002 tax cuts would go to the best off tenth of all taxpayers.
- Only 7 percent of the tax cuts would go the bottom three-fifths of taxpayers.

Effects of the House Ways & Means "Stimulus" Tax Bill, October 12, 2001
(Calendar 2002 effects at 2002 income levels)

Income Group	Income Range	Average Income	Individual tax cuts ($-bill.)	Corporate tax cuts ($-bill.)	Total tax cuts ($-bill.)	Average total tax cuts	% of total tax cut	ADDENDUM: Rebate extension (2001 only)	ADDENDUM: Ave. added rebate, 2001 only
Lowest 20%	Less than $15,000	$ 9,600	$ –0.0	$ –0.6	$ –0.6	$ –21	0.7%	$ –5.7	$ –214
Second 20%	$15,000–28,000	21,500	–0.0	–1.7	–1.8	–67	2.1%	–4.7	–180
Middle 20%	$28,000–46,000	35,900	–0.4	–3.4	–3.8	–146	4.5%	–2.5	–97
Fourth 20%	$46,000–75,000	58,800	–3.0	–5.7	–8.7	–329	10.1%	–0.6	–21
Next 15%	$75,000–153,000	101,000	–10.6	–8.6	–19.2	–974	22.4%	–0.1	–7
Next 4%	$153,000–384,000	217,000	–7.0	–9.5	–16.5	–3,130	19.2%	–0.1	–10
Top 1%	$384,000 or more	1,137,000	–8.3	–26.8	–35.1	–26,689	41.0%	–0.0	–18
ALL		**$ 60,500**	**$ –29.3**	**$ –56.4**	**$ –85.7**	**$ –647**	**100.0%**	**$ –13.7**	**$ –104**
ADDENDUM									
Bottom 60%	Less than $46,000	$ 22,300	$ –0.4	$ –5.7	$ –6.2	$ –78	7.2%	$ –13.0	$ –164
Top 10%	$108,000 or more	263,000	–20.9	–40.5	–61.4	–4,672	71.6%	–0.1	–9

Figures reflect the calendar 2002 effects of H.R. 3090, approved by the House Ways and Means Committee on October 12, 2001. Effects of the one-shot 2001 extended rebates are shown separately since they do not affect taxes in 2002 or thereafter.

Source: Institute on Taxation and Economic Policy Tax Model.

Citizens for Tax Justice, Oct. 15, 2001

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Major items in the Ways & Means October 12 "stimulus" tax bill include:

Corporate tax cuts:

- The largest corporate tax loophole under current law—accelerated depreciation—would be almost doubled, at an estimated cost of $109 billion over the next three years. Ostensibly, these additional tax subsidies will expire after 2004, but similar "temporary" measures enacted in the past have typically been routinely extended.
- The bill would permanently repeal the corporate alternative minimum tax that now discourages corporate tax sheltering and forces some otherwise low- and no-tax large, profitable corporations to pay at least something in taxes. In addition, companies that paid the minimum tax in the past would get an immediate refund of those payments. This would officially cost $24 billion over 10 years, and more likely two or three times that much due to increased tax sheltering not reflected in the "official" estimate. A large share of this money would go to just a handful of companies, including IBM, General Motors, General Electric and Chevron Texaco.
- The bill would make it easier for corporations with "tax losses" to use them to apply for refunds of taxes they paid in the past, at a cost of more than $10 billion over the next three years. Like the increase in depreciation write-offs, this provision is technically supposed to expire after 2004.
- An expiring current-law tax shelter for multinational corporations, notably General Electric and the major auto companies, which allows them to shift taxable profits off-shore through manipulations of interest payments, would be made permanent. The estimated cost over ten years is $21 billion.

Individual tax cuts:

- The top income tax rate on capital gains would be reduced from 20 percent to 18 percent.[1] Assuming no increase in realized gains, this would cut taxes by $10 billion in calendar 2002 alone (with three quarters of that going to the top 1%). If as some predict, realizations go up, then the upper-income tax savings will be even larger.
- The cut in the former 28 percent tax rate to 25 percent, scheduled to take effect in 2006 under the Bush tax-cut bill enacted earlier this year, would be accelerated to 2002. (Unless changed, under current law the rate will be 27 percent in 2002 and 2003, 26 percent in 2004 and 2005, and 25 percent in 2006 and thereafter.)
- Individual exemptions from the alternative minimum tax would be temporarily increased.
- The 2001 tax rebates of $600 for couples, $500 for single parents, and $300 for childless singles would be extended to about 37 million couples and individuals who did not get them or got less than the full amounts. To qualify, a person or couple must have filed a tax return for tax year 2000. For those affected, the $13.7 billion in additional 2001 rebates would average about $350.

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[1]Under current law, profits from sales of assets acquired after 2000 and sold after being held for more than five years are eligible for an 18 percent capital gains tax rate (rather than 20 percent). This current tax break has no effect until after 2005, and will affect only a small portion of capital gains thereafter until many years from now.