TUESDAY, MAY 6, 2003
CONTACT: Bob McIntyre
202-626-3780

Most of House GOP Tax Plan Would Benefit Best-Off Five Percent

Most of the $550 billion that the House Ways and Means Committee would borrow to pay for the tax-cut bill it marked up today is targeted to benefit the best-off five percent of Americans. A computer analysis of the plan by the Institute on Taxation and Economic Policy finds that over the bill's first four years (when almost all of its 10-year cost would be incurred):

- Fifty-two percent of the total tax cuts would go to the best-off five percent of all taxpayers.
- In contrast, the bottom 60 percent of taxpayers would get only 9 percent of the tax cuts.
- The average four-year tax reduction for the richest one percent over the four years would total $133,557. This tiny but wealthy group would enjoy a third of the tax cuts over the four years. Starting in 2006, the top one percent would get more than half of the bill's total tax cuts.

"House Republicans have give President Bush what he wanted: a big tax cut for the wealthiest Americans," said Citizens for Tax Justice director Robert S. McIntyre. "The bill is fiscally irresponsible, economically harmful and hopelessly unfair. The President should love it."

Effects of the House 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%	$ –14	$ –24	$ –39	$ –3	**$ –80**	0.3%	0.4%	0.5%	0.2%	**0.4%**
Second 20%	–118	–155	–196	–14	**–483**	2.2%	2.6%	2.6%	1.1%	**2.4%**
Middle 20%	–324	–405	–474	–42	**–1,245**	6.1%	6.7%	6.4%	3.4%	**6.2%**
Fourth 20%	–723	–826	–931	–99	**–2,578**	13.6%	13.8%	12.5%	8.1%	**12.9%**
Next 15%	–1,994	–2,169	–2,505	–288	**–6,955**	28.1%	26.8%	25.3%	17.2%	**26.0%**
Next 4%	–4,761	–5,351	–7,231	–1,183	**–18,526**	17.9%	17.8%	19.5%	19.4%	**18.6%**
Top 1%	–33,954	–38,152	–49,175	–12,275	**–133,557**	31.9%	31.8%	33.1%	50.4%	**33.5%**
ALL	**$ –1,057**	**$ –1,192**	**$ –1,475**	**$ –242**	**$ –3,966**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**
ADDENDUM										
Bottom 60%	$ –152	$ –195	$ –236	$ –19	**$ –603**	8.6%	9.7%	9.5%	4.8%	**9.0%**
Top 10%	–6,613	–7,341	–9,518	–1,898	**–25,369**	62.1%	61.1%	64.0%	78.0%	**63.5%**

Figures include the effects of all of the provisions of the $550 billion (over ten years) tax bill marked up by the House Ways and Means Committee on May 6, 2003, including the substantial reduction in corporate taxes (allocated by capital ownership). Years are calendar.

Source: Institute on Taxation and Economic Policy Tax Model, May 6, 2003.

Citizens for Tax Justice, May 6, 2003

MORE . . .

The House GOP tax plan would:

- Accelerate the reductions in the top four tax rates enacted in 2001, making them effective in 2003 rather than in 2006, at a cost of $74 billion.
- Temporarily expand the size of the lowest, 10 percent tax bracket, in 2003-05 only ($18.6 billion).
- For married couples, temporarily increase the standard deduction and raise the level at which the 25 percent tax bracket begins, in 2003-05 only ($43.3 billion).
- Temporarily increase the per-child tax credit to $1,000, in 2003-05 only ($45 billion).
- Temporarily increase the alternative minimum tax exemption, in 2003-05 only ($53 billion).
- Permanently reduce the maximum tax rate on capital gains and dividends to 15 percent. (Currently capital gains are taxed at a maximum rate of 20 percent; dividends are currently taxed like other income.) This measure is officially estimated to cost $277 billion over 10 years, but the actual cost is likely to be considerably higher.
- Reduce corporate income taxes by $171 billion over the 2003-05 period, by allowing companies larger tax write-offs and expanded tax rebates.

The temporary nature of many of the bill's provisions was designed to minimize the true cost of the tax cuts, which will be much higher if provisions technically scheduled to expire after 2005, particularly the corporate tax cuts, are extended. To illustrate: in 2002, Congress passed a huge corporate tax cut bill that was supposed to expire after 2003 — but the current bill extends and expands those corporate tax cuts for another two years.

–000–