

## House GOP Targets Tax Cuts

# Rich, Richer, Richest

Three key elements of the House Republican tax plan being discussed by Ways and Means Chairman Bill Archer (R-Tex.) would give three-quarters of their benefits to the best-off ten percent of all taxpayers. The items include a sharp reduction in income taxes on capital gains, elimination of the federal estate tax on the largest estates and a 10 percent cut in personal income tax rates. Archer has promised that the first two items will be in his bill; the third reportedly remains under consideration.

According to an analysis of the three proposals released by Citizens for Tax Justice, the best-off tenth of all taxpayers, with average income of \$204,000, would enjoy:

- # Sixty percent of the 10 percent income tax rate cut,
- # Ninety-one percent of the capital gains tax cut, and
- # Virtually all of the estate tax reductions.

In contrast, the bottom three-fifths of all taxpayers would get only 6.5 percent of the overall tax cuts.

Almost half the total tax benefits from the three tax cuts would go to the richest one percent of all taxpayers, those with incomes exceeding \$301,000.

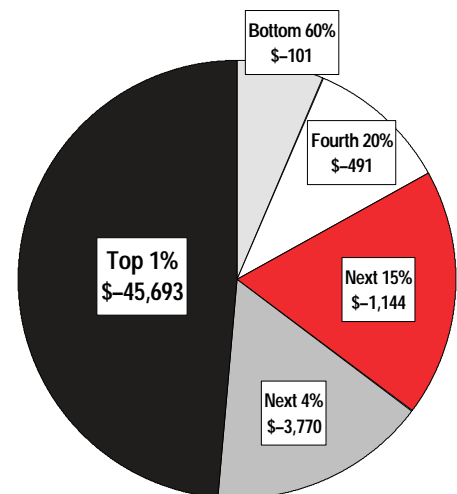
- # The average tax cut for the best-off one percent from the three items would be \$45,700 a year in 1999 dollars.
- # That would be 450 times as much as the average tax cut going to the bottom three-fifths of taxpayers.

To mask the huge cost of the tax reductions, Chairman Archer apparently intends to phase them in slowly, except for the capital gains tax cut which would be effective retroactively to July 1 of this year. When fully phased in, the cost of these three provisions would exceed \$250 billion a year (at 2009 levels, including the added interest payments that the tax cuts would require).

“House Republicans apparently have no doubts about who they think should get tax cuts,” said CTJ director Robert S. McIntyre. “And if it means bankrupting the government to make the rich even richer, well, they don’t seem to mind.”

The tax cut plans being marked up this week in the House and Senate are widely considered to

Proposed House Tax Cuts  
Shares and Average Amounts



be political statements by congressional Republicans, rather than attempts at serious legislation. President Clinton has vowed to veto anything like what the tax-writing committees are considering.

**A table detailing the effects of the proposed tax cuts is attached.**

## Rich, Richer, Richest: Effects of Three Key Proposed 1999 House GOP Tax Cuts

Income Group	Income Range	Average Income	10% Income Tax Rate Cut			Capital Gains Tax Cut			Estate Tax Elimination			All Three Tax Proposals		
			Tax Cut \$-bill.	Average Tax Cut	% of Total Tax Cut	Tax Cut \$-bill.	Average Tax Cut	% of Total Tax Cut	Tax Cut \$-bill.	Average Tax Cut	% of Total Tax Cut	Tax Cut \$-bill.	Average Tax Cut	% of Total Tax Cut
Lowest 20%	Less than \$ 13,300	\$ 8,400	\$ -0.3	\$ -11	0.4%	\$ -0.0	\$ -0	0.0%	\$ -0.0	\$ -0	0.0%	\$ -0.3	\$ -11	0.2%
Second 20%	\$ 13,300 - 23,800	18,300	-2.0	-79	2.6%	-0.0	-1	0.2%	-0.0	-0	0.0%	-2.0	-80	1.7%
Middle 20%	23,800 - 38,200	30,300	-5.2	-207	6.9%	-0.1	-4	0.7%	-0.0	-0	0.0%	-5.3	-211	4.5%
Fourth 20%	38,200 - 62,800	49,100	-12.0	-474	15.9%	-0.4	-17	2.8%	-0.0	-0	0.0%	-12.5	-491	10.5%
Next 15%	62,800 - 124,000	83,600	-20.1	-1,055	26.5%	-1.7	-89	11.0%	-0.0	-0	0.0%	-21.7	-1,144	18.3%
Next 4%	124,000 - 301,000	173,000	-14.1	-2,775	18.6%	-2.6	-507	16.7%	-2.5	-489	9.0%	-19.1	-3,770	16.1%
Top 1%	301,000 or more	837,000	-22.1	-17,461	29.2%	-10.5	-8,319	68.5%	-25.2	-19,914	91.0%	-57.8	-45,693	48.7%
<b>ALL</b>		<b>\$ 48,700</b>	<b>\$ -75.7</b>	<b>\$ -593</b>	<b>100.0%</b>	<b>\$ -15.4</b>	<b>\$ -120</b>	<b>100.0%</b>	<b>\$ -27.7</b>	<b>\$ -217</b>	<b>100.0%</b>	<b>\$ -118.7</b>	<b>\$ -930</b>	<b>100.0%</b>
<b>ADDENDUM</b>														
Bottom 60%	Less than \$38,200	\$ 19,000	\$ -7.5	\$ -99	9.9%	\$ -0.1	\$ -2	1.0%	\$ -0.0	\$ -0	0.0%	\$ -7.7	\$ -101	6.5%
Top 10%	\$89,000 or more	204,000	-45.1	-3,563	59.6%	-13.9	-1,099	90.7%	-27.7	-2,183	100.0%	-86.7	-6,846	73.0%

Notes: Figures show the annual effects of (1) the 10% cut in personal income tax rates; (2) the proposed reduction in the top income tax rates on realized capital gains, from 20% to 15% (for those in all but the bottom regular tax bracket) and from 10% to 7.5% (for those in the bottom regular tax bracket); and (3) elimination of the estate tax. All figures are at 1999 levels, showing full year effects after phase-ins are completed.

Source: Institute on Taxation and Economic Policy Tax Model.

Citizens for Tax Justice, July 12, 1999