

House GOP Tax Plan: The Rich Get Richer

The House Republican tax plan approved narrowly by the House would give more than two-thirds of its benefits to the best-off ten percent of all taxpayers, but less than 9 percent to the bottom three-fifths, according to an analysis released by Citizens for Tax Justice.

The items included in the analysis are: a 10 percent cut in personal income tax rates, a sharp reduction in income taxes on capital gains, elimination of the federal estate tax on the largest estates, repeal of the individual Alternative Minimum Tax, a \$200 interest and dividends exclusion (\$400 for couples), an increase in the married standard deduction to double the singles' amount, increased pension limits for upper-income people, deductions for health insurance for those without employer plans and various tax corporate tax breaks. The Ways and Means Committee approved the plan on July 14.

According to the analysis of the plan, the best-off tenth of all taxpayers, with average income of \$204,000, would enjoy 69 percent of the total tax benefits when the provisions are fully phased in. In contrast, the bottom three-fifths of all taxpayers would get only 8.7 percent of the overall tax cuts.

Close to half of the total tax benefits from the 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 would be \$54,000 a year in 1999 dollars.

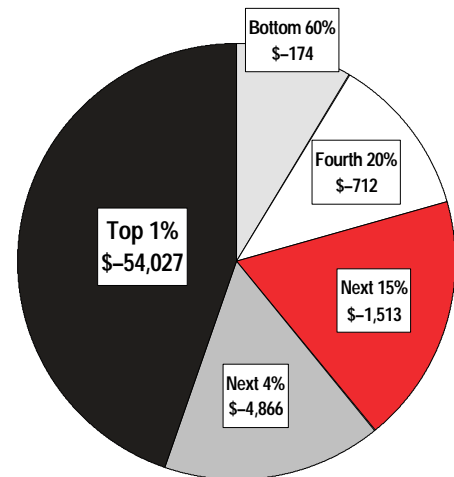
That's 310 times as much as the average tax cut going to the bottom three-fifths of taxpayers.

To mask the huge cost of the tax reductions, most of them are phased in slowly, except for the capital gains tax cut which would be effective retroactively to July 1 of this year. By the time all provisions are fully in place a decade from now, their cost to the government, even as officially estimated, is almost \$300 billion a year including increased interest costs. The total cost is likely to rise even higher in later years.

"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 figures include the effects of new corporate welfare items costing \$112 billion over the 2000-2010 period. These items include tax breaks for multinational corporations, capital gains

Proposed House Tax Cuts
Shares and Average Amounts



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loopholes for financial institutions and timber companies, repeal of the corporate Alternative Minimum Tax, restoration of an 80 percent deduction for the three-martini lunch and various other corporate tax abatements. "Once again, Ways and Means Chairman Bill Archer (R-Tex.) has shown that he is the king of corporate welfare," said CTJ director Robert S. McIntyre.

Three central elements of House GOP tax plan, the 10% income tax rate cut, the capital gains tax cut, and repeal of the estate tax, represent the bulk of the tax cuts and are particularly concentrated among those with the highest incomes. In fact, the best-off tenth of all taxpayers 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.

The only significant items in the tax plan that are not included in the analysis are about \$3 billion a year in miscellaneous tax breaks, mostly for certain health and education expenses. Because these provisions are styled as deductions from taxable income, their benefits would rise with tax brackets. That is, someone in the 15% bracket would save 15 cents for every dollar deducted, someone in the 28 percent bracket would save 28 cents for every dollar deducted, and so forth.

Effects of the House GOP 1999 Tax Plan

Income Group	Income Range	Average Income	Tax Cut \$-bill.	Average Tax Cut	% of Total Tax Cut
Lowest 20%	Less than \$ 13,300	\$ 8,400	\$ -0.7	\$ -29	0.5%
Second 20%	\$ 13,300 - 23,800	18,300	-3.6	-144	2.4%
Middle 20%	23,800 - 38,200	30,300	-8.9	-350	5.8%
Fourth 20%	38,200 - 62,800	49,100	-18.1	-712	11.8%
Next 15%	62,800 - 124,000	83,600	-28.8	-1,513	18.8%
Next 4%	124,000 - 301,000	173,000	-24.7	-4,866	16.1%
Top 1%	301,000 or more	837,000	-68.3	-54,027	44.6%
ALL		\$ 48,700	\$ -153.1	\$ -1,199	100.0%
ADDENDUM					
Bottom 60%	Less than \$38,200	\$ 19,000	\$ -13.3	\$ -174	8.7%
Top 10%	\$89,000 or more	204,000	-105.8	-8,355	69.1%

Notes: Figures show the annual effects of (1) a 10% cut in personal income tax rates; (2) a reduction in the 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); (3) elimination of the estate tax; (4) repeal of the individual Alternative Minimum Tax; (5) a \$200 interest and dividend exclusion (\$400 for couples); (6) an increase in the standard deduction for couples to double the single amount; (7) increased contribution and benefit limits for pensions and 401(k)s; (8) deductions for health insurance for people without employer plans; and (9) various corporate tax breaks. Not included are about \$3 billion a year in miscellaneous tax breaks, mostly for certain health and education expenses. 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 15, 1999 (revised to add health insurance & corporate items.)

Corporate Welfare in the House GOP 1999 Tax Plan

As Passed by the House, \$-billions

FY	Multinational Corporation Tax Breaks	Capital Gains Tax Cuts for Financial & Timber Corps.	Corporate Minimum Tax Repeal	Three Martini Lunch	Miscellaneous Extensions, Offsets, etc.	Total
2000	\$ -0.2	\$ —	\$ —	\$ —	\$ -2.3	\$ -2.5
2001	-0.8	—	—	—	-2.6	-3.4
2002	-2.0	—	-0.1	—	-2.7	-4.9
2003	-4.5	—	-0.3	—	-3.3	-8.1
2004	-4.7	—	-0.3	—	-3.1	-8.1
2005	-5.2	-0.6	-1.0	-0.3	-2.6	-9.7
2006	-5.2	-1.4	-1.6	-0.9	-2.3	-11.4
2007	-5.6	-1.5	-1.4	-1.6	-2.3	-12.5
2008	-6.1	-1.6	-1.8	-2.4	-1.9	-13.8
2009	-6.6	-1.6	-3.8	-3.2	-1.9	-17.2
2010e	-7.2	-1.7	-4.5	-4.9	-1.9	-20.1
2000-10	\$ -48.1	\$ -8.4	\$ -14.9	\$ -13.3	\$ -26.9	\$ -111.6

Source: Joint Committee on Taxation. Fiscal 2010 estimate by Citizens for Tax Justice.

Citizens for Tax Justice, July 27, 1999

Cost of the House GOP 1999 Tax Plan

As Passed by the House, \$-billions

FY	Official Estimate	Additional Interest	Total Based on Official Estimate (with interest)
2000	\$ -4.5	\$ 0.1	\$ -4.6
2001	-16.2	0.6	-16.8
2002	-34.2	1.9	-36.1
2003	-44.9	4.0	-48.9
2004	-56.1	6.7	-62.8
2005	-84.9	10.6	-95.5
2006	-101.7	15.8	-117.5
2007	-110.4	21.9	-132.3
2008	-143.1	29.3	-172.4
2009	-195.3	39.2	-234.5
2010e	-238.1	52.0	-290.2
2000-10	\$ -1,029.4	\$ 182.2	\$ -1,211.6

Source: Joint Committee on Taxation. Estimates for interest and fiscal 2010 by CTJ. Official figures may be understated.

Citizens for Tax Justice, July 27, 1999

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%
ALL		\$ 48,700	\$ -75.7	\$ -593	100.0%	\$ -15.4	\$ -120	100.0%	\$ -27.7	\$ -217	100.0%	\$ -118.7	\$ -930	100.0%
ADDENDUM														
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