

Torricelli-Coverdell-McCain "Middle Class" Tax Cut Plan Leaves Out Most of Middle Class

Senators Robert G. Torricelli (D-N.J.), Paul Coverdell (R-Ga.) and John McCain (R-Ariz.) have co-sponsored a bill, S. 274, which would cut federal income taxes by expanding the 15 percent tax bracket. When fully phased in, the bill would raise the starting point for the 28 percent tax bracket by \$10,000 for married couples and \$5,000 for singles.

While the bill's authors have characterized it as providing "sweeping tax relief to lower- and middle-income taxpayers," the tax cuts in S. 274 would be realized primarily by wealthier taxpayers, with little or no tax reduction for most Americans. In particular:

- # Since the proposal would cut taxes on people in brackets above 15%, it will provide no tax relief at all for the 76 percent of all taxpayers who are already in the 15% bracket.
- # The wealthiest 14 percent of taxpayers—those with income greater than \$75,000 in 1999—would receive almost two-thirds of the benefit from S. 274's tax cut.

Effects of the Coverdell-Torricelli-McCain "Middle Class Tax Relief Act"
(S. 274, fully phased in at 1999 levels)

| Income Group | Number of Taxpayers (000) | % of all Taxpayers | Average Income | Total Cut \$-bill. | Average Tax Cut | % of Total Tax Cut | ADDENDUM: | |
|-----------------|---------------------------|--------------------|------------------|--------------------|-----------------|--------------------|-------------------|-------------------|
| | | | | | | | # with no tax cut | % with no tax cut |
| <\$10,000 | 16,236 | 12.7% | \$ 6,600 | \$ — | \$ — | — | 16,236 | 100% |
| \$10-20,000 | 25,888 | 20.3% | 14,800 | — | — | — | 25,888 | 100% |
| \$20-30,000 | 21,629 | 16.9% | 24,900 | -0.0 | -1 | 0.0% | 21,553 | 100% |
| \$30-40,000 | 14,502 | 11.4% | 34,700 | -0.8 | -56 | 3.3% | 12,194 | 84% |
| \$40-50,000 | 12,156 | 9.5% | 44,800 | -1.9 | -156 | 7.7% | 8,487 | 70% |
| \$50-75,000 | 18,320 | 14.4% | 61,000 | -5.6 | -306 | 22.8% | 9,246 | 50% |
| \$75-100,000 | 8,263 | 6.5% | 86,200 | -7.3 | -883 | 29.7% | 779 | 9% |
| \$100-200,000 | 7,239 | 5.7% | 132,600 | -6.8 | -942 | 27.8% | 641 | 9% |
| \$200,000+ | 2,467 | 1.9% | 546,900 | -2.1 | -848 | 8.5% | 455 | 18% |
| ALL | 127,648 | 100.0% | \$ 48,700 | \$ -24.5 | \$ -192 | 100.0% | 96,427 | 76% |
| ADDENDUM | | | | | | | | |
| <\$75,000 | 108,732 | 85.2% | \$ 29,400 | \$ -8.3 | \$ -77 | 33.9% | 93,603 | 86% |
| >\$75,000 | 17,968 | 14.1% | 168,100 | -16.2 | -902 | 66.1% | 1,875 | 10% |

Note: The table shows the effects of the proposal as if it were fully effective in 1999 (an increase in the 15% bracket width of \$8,800 for couples and \$4,400 for singles in 1999 dollars).

Details (but not totals) exclude taxpayers with negative incomes.

Source: Institute on Taxation & Economic Policy Tax Model, June 1999.

According to ITEP's microsimulation analysis, more than 75 percent of taxpayers will pay federal income tax (if at all) only at the 15 percent level in 1999. For these taxpayers, S. 274 cannot possibly provide any tax relief. While the definition of a "middle class" taxpayer is debatable, it's hard to see how a tax break that excludes 75 percent of all Americans can be considered "sweeping tax relief to lower- and middle-income taxpayers," as Sen. McCain has claimed. S.274 is better characterized as a tax cut for better-off taxpayers.

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Citizens for Tax Justice is a non-partisan tax policy research group based in Washington, DC.