

Proposed GOP Capital Gains Tax Cut Means More Money for the Rich, Crumbs for the Rest

The proposed capital gains tax cut announced today by congressional leaders would send 85 percent of its \$15.4 billion in annual tax breaks to the best off five percent of all taxpayers. An analysis of the plan was released today by Citizens for Tax Justice.

The analysis found:

- # The best-off one percent of all taxpayers, those making more than \$301,000 a year, would get more than two-thirds of the proposed capital gains tax cuts, and would save an average of more than \$8,300 a year.
- # The bottom four-fifths of all taxpayers, those making less than \$63,000, would get only 3.7 percent of the tax cuts. Their average annual tax saving would be \$6.

“Congressional leaders seem to think that more tax shelters for the wealthy are our most pressing national need,” said CTJ director Robert S. McIntyre. “One can only hope that this time President Clinton will disagree with them.”

Effects of the Proposed 1999 GOP Capital Gains Tax Cut (to 15% and 7.5% Rates)

| Income Group | Income Range | Average Income | Tax Cut \$-bill. | Average Tax Cut | % of Total Tax Cut |
|-----------------|---------------------|------------------|------------------|-----------------|--------------------|
| Lowest 20% | Less than \$ 13,300 | \$ 8,400 | \$ -0.0 | \$ -0 | 0.0% |
| Second 20% | \$ 13,300 - 23,800 | 18,300 | -0.0 | -1 | 0.2% |
| Middle 20% | 23,800 - 38,200 | 30,300 | -0.1 | -4 | 0.7% |
| Fourth 20% | 38,200 - 62,800 | 49,100 | -0.4 | -17 | 2.8% |
| Next 15% | 62,800 - 124,000 | 83,600 | -1.7 | -89 | 11.0% |
| Next 4% | 124,000 - 301,000 | 173,000 | -2.6 | -507 | 16.7% |
| Top 1% | 301,000 or more | 837,000 | -10.5 | -8,319 | 68.5% |
| ALL | | \$ 48,700 | \$ -15.4 | \$ -120 | 100.0% |
| ADDENDUM | | | | | |
| Bottom 80% | Less than \$62,800 | \$ 27,000 | \$ -0.6 | \$ -6 | 3.7% |
| Top 5% | \$124,000 or more | 306,000 | -13.1 | -2,067 | 85.2% |

Notes: Figures show the effects of the proposed reduction in the top income tax rates on realized capital gains, from 20% to 15% (for those in the 28% or higher regular tax brackets) and from 10% to 7.5% (for those in the 15% regular tax bracket). All figures are at 1999 levels, showing full year effects.

Source: Institute on Taxation and Economic Policy Tax Model, 7/7/99.

The analysis also found that the proposed tax cuts would be heavily concentrated among taxpayers with very large capital gains.

- # Three-quarters of the total tax cuts would go to taxpayers with more than \$100,000 in reported capital gains. (This group represents only 2.6% of all capital gains recipients.)
- # Nearly half the total tax cuts would go to 73,000 taxpayers with more than \$500,000 in capital gains. (People in this group constitute less than half a percent of all taxpayers with capital gains.) Their average tax cut would exceed \$102,000 a year.
- # A quarter of the total tax cuts would go to 3,061 taxpayers with capital gains exceeding \$10 million. Their average tax cut under the plan would be \$1,236,400.

**The Proposed 1999 GOP Capital Gains Tax Cut
By Size of Reported Capital Gains**

| Size of Capital Gains | Number of tax units | Ave. Capital Gains* | Tax Cut \$-bill. | Average Tax Cut | % of Total Tax Cut |
|-----------------------|---------------------|---------------------|------------------|-----------------|--------------------|
| None | 109,189,741 | \$ — | \$ — | \$ — | — |
| \$1 – \$1K | 8,253,715 | 282 | -0.1 | -10 | 0.5% |
| \$1K – \$10K | 6,806,462 | 3,340 | -0.8 | -116 | 5.1% |
| \$10K – \$50K | 2,461,712 | 20,300 | -2.0 | -818 | 13.1% |
| \$50K – \$100K | 458,119 | 63,400 | -1.3 | -2,796 | 8.3% |
| \$100K – \$500K | 405,560 | 197,000 | -3.7 | -9,181 | 24.2% |
| \$500K – \$10M | 69,933 | 1,160,000 | -3.7 | -52,655 | 24.0% |
| \$10M or more | 3,061 | 27,160,000 | -3.8 | -1,236,363 | 24.6% |
| ALL w/ CG | 18,458,562 | \$ 18,900 | \$ -15.4 | \$ -832 | 100.0% |
| All taxpayers | 127,648,303 | | | -120 | |
| ADDENDUM | | | | | |
| \$500K or more | 72,994 | \$ 2,251,000 | \$ -7.5 | \$ -102,293 | 48.6% |

Notes: Figures show the effects of the proposed reduction in the top income tax rates on realized capital gains, from 20% to 15% (for those in the 28% or higher regular tax brackets) and from 10% to 7.5% (for those in the 15% regular tax bracket). All figures are at 1999 levels. *Long-term gains.

Source: Institute on Taxation and Economic Policy Tax Model, 7/7/99.

Citizens for Tax Justice, July 7, 1999.

“The vast majority of taxpayers have no capital gains,” McIntyre noted. “And among those who do have gains, a tiny minority would get the bulk of the proposed tax cuts. In other words, this is special interest legislation with a vengeance.”