

Minimum Wage Plan Targets Three-Quarters of Its Tax Breaks to Top 1%

Tax breaks included in the minimum wage increase bill introduced by Rep. Rick Lazio (R-NY), John Shimkus (R-IL) and others would cut taxes by close to \$100 billion over the next decade, with almost three-quarters of the tax cuts targeted to the best-off one percent of Americans.

An analysis of the tax provisions of the Lazio-Shimkus bill released today by Citizens for Tax Justice finds that:

- # The best-off one percent of all taxpayers, those making more than \$301,000 a year, would get average annual tax cuts of \$5,999 each under the plan (in today's dollars). The top one-percent would enjoy 73.4% of the total tax cuts provided by the bill.
- # In contrast, the bottom 60 percent of all taxpayers would get only 2.7 percent of the tax cuts. The average tax reduction for the bottom 60 percent would be \$4 a year.

"It's astonishing that a minimum wage bill supposedly designed to aid low-wage workers would actually give its biggest benefits to the highest-income people in the country," said Citizens for Tax Justice director Robert S. McIntyre.

The Lazio-Shimkus bill would:

- ! Cut the top estate tax rate from 55% to 48%, eliminate the 5% surtax that recaptures the benefits of the lower estate tax rates, reduce other estate tax rates by 2 percentage points, and replace the credit against estate taxes with an exemption (worth more to the largest estates). The estate tax cuts amount to well over half the total tax cuts proposed in the bill.
- ! Provide added tax breaks for pensions and 401(k) plans.
- ! Increase the limits on expensing of capital outlays.
- ! Speed up the date for allowing 100% of self-employed health insurance to be deducted.
- ! Increase the write-off for business meals to 60% of cost from 50% under current law.
- ! Extend the work opportunity and welfare to work business tax credits.
- ! Expand enterprise zones.
- ! Provide tax breaks for timber companies.
- ! Expand the tax credit for investors in low-income housing.
- ! Augment tax breaks for private tax-exempt bonds.

MORE . . .

Official revenue estimates of the cost of the Lazio-Shimkus bill has not yet been released by the Joint Committee on Taxation, but based on earlier JCT estimates of similar provisions, the tax cuts would appear to cost approximately \$97 billion from fiscal 2000 to fiscal 2009.

A table detailing the distributional effects of the bill follows.

Effects of the Lazio-Shimkus Tax Cuts in the Minimum Wage Bill

(Annual effects at 1999 levels; \$-billion except averages)

Income Group	Income Range	Average Income	Estate Tax Cuts	Corporate Tax Breaks	Pensions & 401Ks	Total Tax Cuts	Average Tax Cut	% of Total Tax Cut
Lowest 20%	Less than \$13,300	\$ 8,400	\$ -0.0	\$ -0.0	\$ -0.0	\$ -0.0	\$ -1	0.3%
Second 20%	\$13,300-23,800	18,300	-0.0	-0.1	-0.0	-0.1	-3	0.8%
Middle 20%	\$23,800-38,200	30,300	-0.0	-0.2	-0.0	-0.2	-7	1.6%
Fourth 20%	\$38,200-62,800	49,100	-0.0	-0.3	-0.0	-0.3	-12	3.0%
Next 15%	\$62,800-124,000	83,600	-0.0	-0.4	-0.1	-0.5	-28	5.1%
Next 4%	\$124,000-301,000	173,000	-0.8	-0.5	-0.4	-1.6	-321	15.7%
Top 1%	\$301,000 or more	837,000	-5.6	-1.3	-0.7	-7.6	-5,999	73.4%
ALL		\$ 48,700	\$ -6.4	\$ -2.7	\$ -1.2	\$ -10.3	\$ -81	100.0%
ADDENDUM								
Bottom 60%	Less than \$38,200	\$ 19,000	\$ -0.0	\$ -0.3	\$ -0.0	\$ -0.3	\$ -4	2.7%
Top 10%	\$89,000 or more	204,000	-6.4	-1.9	-1.1	-9.5	-748	91.7%

Figures show the annual effects of the approximately \$97 billion in tax cuts over the next 10 years included in the Lazio-Shimkus minimum wage increase bill. All provisions are measured as fully effective, at 1999 income levels. Estimates are from the Institute on Taxation and Economic Policy Tax Model.

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