

## Senate Democratic Alternative Tax Plan Analyzed

The alternative to the Senate GOP tax plan proposed by Senator Daniel Patrick Moynihan (D-N.Y.) offers larger tax relief to middle- and lower-income taxpayers, while costing only about a third as much as the GOP plan. The Moynihan plan achieves these results by giving far less tax relief to the best-off 20 percent, in particular the top one percent.

According to a preliminary analysis of the Moynihan plan released today by Citizens for Tax Justice:

- # Taxpayers in the middle 20 percent of the population and below—those earning less than \$38,200 a year—would get an average tax cut under the Moynihan plan of \$190 a year. That compares to a \$141 average cut for these taxpayers under the Senate GOP tax plan.
- # Taxpayers making more than \$301,000 a year—the best-off one percent—would get an average tax reduction of \$2,600 under the Moynihan plan, versus an astonishing \$23,300 tax cut under the GOP proposal.
- # The best-off 20 percent of taxpayers would get 33 percent of the Moynihan proposed tax cuts, compared to 76 percent of the tax cuts under the Senate Republican bill.

According to the Joint Committee on Taxation, over the 2000-09 period, the Moynihan plan would reduce revenues by \$290 billion, compared to \$792 billion under the GOP plan.

“Tax cuts of either of these magnitudes are hard to justify given that the ‘surpluses’ that are supposed to pay for them are premised on huge, unlikely program cuts,” said CTJ director Robert S. McIntyre. “But the Moynihan plan is certainly an improvement over the GOP plan.”

A table showing the effects of the Moynihan tax proposal follows.

### Effects of the 1999 Senate Democratic Tax Plan

(At 1999 levels; \$-billion except averages)

Income Group	Income Range	Average Income	Total Tax Cuts	Average Tax Cut	% of Total Tax Cut	Compare: GOP Plan	
						Average Tax Cut	% of Total Tax Cut
Lowest 20%	Less than \$13,300	\$ 8,400	\$ -1.1	\$ -43	2.8%	\$ -22	0.6%
Second 20%	\$13,300-23,800	18,300	-4.8	-189	12.4%	-121	3.0%
Middle 20%	\$23,800-38,200	30,300	-8.6	-338	22.2%	-279	7.0%
Fourth 20%	\$38,200-62,800	49,100	-11.5	-455	29.9%	-536	13.5%
Next 15%	\$62,800-124,000	83,600	-7.8	-413	20.3%	-1,521	28.8%
Next 4%	\$124,000-301,000	173,000	-1.4	-284	3.7%	-3,476	17.6%
Top 1%	\$301,000 or more	837,000	-3.3	-2,611	8.6%	-23,344	29.4%
<b>ALL</b>		<b>\$ 48,700</b>	<b>\$ -38.6</b>	<b>\$ -302</b>	<b>100.0%</b>	<b>\$ -786</b>	<b>100.0%</b>
<b>ADDENDUM</b>							
Bottom 60%	Less than \$38,200	\$ 19,000	\$ -14.4	\$ -190	37.4%	\$ -141	10.6%
Top 20%	\$62,800 or more	139,100	-12.6	-496	32.6%	-3,001	75.8%

Note: Estimates of the Democratic plan, proposed by Sen. Moynihan (D-NY), include the effects of (1) increasing the standard deduction; (2) removing personal tax credits from the AMT; (3) an increase in the earned income tax credit for some married couples; (4) a deduction for certain two-earner couples; (5) estate tax reductions (net); and (6) corporate tax reductions (net). All provisions are shown fully phased in at 1999 levels. A detailed description of the items in the Senate GOP plan can be found in "Effects of the 1999 Senate GOP Tax Plan," 7/27/99.

Source: Institute on Taxation and Economic Policy Tax Model. PRELIMINARY.