

TUESDAY, March 7, 2000

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House GOP Minimum Wage Plan Offers \$11 in Upper-Income Tax Breaks for Every \$1 in Wage Hikes for Low Earners

The House GOP leadership's \$123 billion tax-cut/minimum-wage plan, to be voted on this week, would give upper-income taxpayers \$11 in tax breaks over the next decade for every dollar in increased wages paid to low-wage workers.

Unbalanced Acts, a joint analysis of the GOP proposal by Citizens for Tax Justice and the Economic Policy Institute, finds:

Over the next decade, the proposed tax cuts will total \$122.8 billion. Over the same period, wage increases stemming from the \$1 boost in the minimum wage will total only \$11.2 billion. This means that over ten years, for every dollar in higher wages for low-wage workers, \$10.90 in upper-income tax breaks will be provided.

Almost all the tax cuts (91.4%) would go to the best-off tenth of all taxpayers. In fact, the top one percent of all taxpayers, those making more than \$319,000 a year, would get almost three-quarters of the tax reductions. Their average annual tax cut under the plan would be \$6,128 each (in 1999 dollars). That compares to only a \$4 average tax cut for the bottom 60 percent.

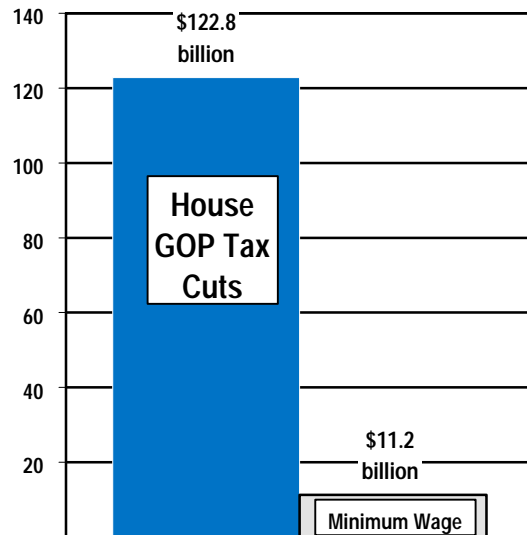
While the tax bill's permanent tax cuts grow to \$17.6 billion by 2010, the effect of the minimum wage proposals will be totally eroded by inflation after 2006.

"The minimum wage hike will allow low-wage workers to share in the tremendous gains of this economic recovery, while the proposed tax cuts will needlessly provide a second helping of the economic pie to the wealthiest taxpayers," said EPI Vice President Lawrence Mishel.

"It's ridiculous 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.

MORE . . .

Total Gains from the Tax Cut & Minimum Wage Hike, 2000-10



Sources: EPI; Joint Committee on Taxation.

EPI's minimum wage analysis compares the wage hikes under the GOP plan, which would boost the minimum wage by \$1 over three years, to the wages that affected workers would earn if their wages merely keep up with inflation over the next decade. The GOP's three-year phase-in of the wage boost provides an \$11.2 billion gain to these workers over ten years—\$3.8 less than the Bonior-Kennedy proposal's two-year implementation plan, which would produce a total of \$15 billion in higher wages.

The distributional effects of the tax cuts were analyzed by CTJ using the Institute on Taxation and Economic Policy Tax Model. The \$123 billion estimated ten-year cost of the tax cuts is based on preliminary, March 1, 2000 estimates from the Joint Committee on Taxation. (The tax cut plan would, among other things: cut estate taxes by \$79 billion over ten years—representing almost two-thirds of the total proposed tax cuts; increase the write-off for business meals to 60% of cost from 50% under current law; provide added tax breaks for pensions and 401(k) plans; increase the limits on immediate write-offs of business capital investments; speed up the date when 100% of self-employed health insurance can be deducted; restore a loophole for installment sales that was repealed in 1999; expand enterprise zones; expand the tax credit for investors in low-income housing; and augment tax breaks for private tax-exempt bonds.)

A table detailing the distributional effects of the tax cuts follows.

Effects of the Tax Cuts in the House GOP 2000 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 \$13,600	\$ 8,600	\$ -0.0	\$ -0.0	\$ -0.0	\$ -0.0	\$ -1	0.3%
Second 20%	\$13,600-24,400	18,800	-0.0	-0.1	-0.0	-0.1	-4	0.9%
Middle 20%	\$24,400-39,300	31,100	-0.0	-0.2	-0.0	-0.2	-7	1.7%
Fourth 20%	\$39,300-64,900	50,700	-0.0	-0.3	-0.0	-0.3	-13	3.0%
Next 15%	\$64,900-130,000	86,800	-0.0	-0.4	-0.1	-0.6	-29	5.3%
Next 4%	\$130,000-319,000	183,000	-0.8	-0.5	-0.4	-1.7	-329	15.7%
Top 1%	\$319,000 or more	915,000	-5.7	-1.4	-0.7	-7.7	-6,128	73.1%
ALL			\$ -6.5	\$ -2.8	\$ -1.2	\$ -10.6	\$ -83	100.0%
ADDENDUM								
Bottom 60%	Less than \$39,300	\$ 19,500	\$ -0.0	\$ -0.3	\$ -0.0	\$ -0.3	\$ -4	2.8%
Top 10%	\$92,500 or more	218,000	-6.5	-2.0	-1.1	-9.7	-765	91.4%

Figures show the annual effects of the approximately \$123 billion in tax cuts over the next 10 years included in the GOP minimum wage increase plan to be voted on by the House on March 9 or 10. All provisions are measured as fully effective, at 1999 income levels.

Source: Institute on Taxation and Economic Policy Tax Model, March 2000.

The report, *Unbalanced Acts*, is available on-line at both www.epinet.org and www.ctj.org. It can also be obtained by calling 1-800-374-4844.