Business as Usual?

Buy Now, Pay Later: Campaign Contributions and Corporate Taxation

Corporate tax avoidance is back—with a vengeance. An October 2000 ITEP analysis, "Corporate Income Taxes in the 1990s," showed that corporate tax loopholes, which had become less of a problem following the Tax Reform Act of 1986, are once again being used by large, profitable corporations to reduce their tax liability substantially. And a widely cited October 2001 CTJ analysis found that just 16 corporations would receive $7.4 billion in immediate tax cuts under a proposal to repeal the corporate Alternative Minimum Tax (AMT)—close to a third of the total cost of AMT repeal.

A newly released joint analysis by CTJ, ITEP and the campaign finance watchdog group Public Campaign explores the linkage between these resurgent tax loopholes and the campaign contributions made by their beneficiaries. The 30-page report, "Buy Now, Save Later: Campaign Contributions and Corporate Taxation," shows how these large, profitable companies use campaign contributions to gain huge tax breaks unavailable to ordinary Americans — and how they have been doing so for years.

The report examines the campaign spending of 41 large, profitable companies that contributed a total of $150 million to federal candidates and parties since 1991, while receiving $55 billion in special tax breaks between 1996 and 1998 alone. Several of these companies are in line to be major beneficiaries if the AMT repeal in the recently-passed House bill should become law.

These corporations make use of all the tricks of the political influence trade: cash contributions to federal candidates and political party committees through political action committees (PACs); individual contributions from executives and their families; and unlimited soft money contributions. They also hire high-ranking former members of Congress and congressional staffers who have gone through the revolving door to plead their cases on Capitol Hill and help raise cash for politicians. The corporations and their legions of lobbyists target campaign money to where it matters most—the members of the House Ways and Means and Senate Finance Committees.

The study also looked at the sixteen companies recently identified by CTJ as among the biggest beneficiaries of the corporate tax breaks from a proposal to repeal the corporate AMT. These sixteen corporations, which would collectively receive $7.4 billion in immediate tax cuts under AMT repeal, have given $45.7 million to federal campaigns since 1991—including half a million to the presidential campaign of George W. Bush. The chart on the following page shows the contributions and tax breaks for each of these corporations.

Top 10 Recipients of Tax-Avoiding Companies Campaign Cash on Senate Finance Committee, 107th Congress, PAC & Indiv ($200+) 1991–June 2001

Rank	Senator	Amount
1	Orrin G. Hatch (R-Utah)	$ 355,429
2	John B. Breaux (D-La)	251,650
3	Charles E. Grassley (R-Iowa)	217,199
4	Max Baucus (D-Mont)	157,945
5	Kent Conrad (D-ND)	146,024
6	Trent Lott (R-Miss)	140,300
7	Don Nickles (R-Okla)	134,306
8	Phil Gramm (R-Texas)	117,781
9	Bob Graham (D-Fla)	106,764
10	John D. Rockefeller IV (D-WVa)	82,345

The study found that members of the Congressional tax-writing committees have collected $9.7 million from top tax-avoiding companies since 1991. The top recipients include Senate Finance Committee Members Sen. Orrin Hatch (R-UT), who received $355,430, and

Sen. John B. Breaux (D-LA), who received $251,150.

The study also found that these corporations favored power over partisanship in allocating their contributions. After the GOP took over Congress (and gained control of the tax-writing committees) in 1994, these top tax-avoiding companies sharply increased their contributions to the Republican Party and its candidates. In the 1992 and 1994 election cycles, the GOP received 54 percent of the contributions from these companies while the Democrats received 45 percent. By the 2000 election cycle, Republican candidates and party committees received more than twice as much campaign cash as the Democrats.

The report also includes five case studies showing how individual companies, and sometimes entire industries, have used campaign contributions to help establish, widen, and protect particular tax loopholes:

Campaign Contributions by Top Beneficiaries of Corporate AMT Repeal, 1992–2002 Election Cycles*

Company	Democrats	Republicans	Total	AMT Rebates Under House Tax Bill
ChevronTexaco Corp	$ 1,828,877	$ 5,146,425	$ 6,984,355	$ 572,000,000
General Electric	2,783,517	3,406,784	6,213,841	671,000,000
Enron Corp	1,467,057	4,188,736	5,691,893	254,000,000
American Airlines	2,197,990	2,408,807	4,616,047	184,000,000
General Motors	1,610,520	2,931,931	4,576,723	833,000,000
Ford Motor Co	1,066,989	2,345,314	3,439,505	1,000,000,000
DaimlerChrysler	873,905	1,830,411	2,990,846	600,000,000
United Airlines	1,410,743	1,436,656	2,864,588	371,000,000
Texas Utilities Co	626,770	1,176,449	1,803,219	608,000,000
Phillips Petroleum	260,616	1,136,038	1,398,541	241,000,000
Kmart Corp	84,350	1,221,959	1,430,009	102,000,000
CMS Energy Corp	484,340	693,998	1,178,338	136,000,000
Westvaco Corp	117,750	822,375	942,625	112,000,000
IBM Corp	452,259	399,027	909,429	1,424,000,000
IMC Global Inc	233,500	312,281	546,781	155,000,000
Comdisco Inc	23,350	72,850	96,200	144,000,000
TOTALS	**$ 15,522,533**	**$ 29,530,041**	**$ 45,682,940**	**$ 7,407,000,000**

*1991 - June 2001. Includes PAC, Individual ($200+) and Soft Money Contributions.

- Energy industries that will collect about $27 billion over ten years, if the energy bill passed by the House of Representatives in August 2001 becomes law, contributed $209 million to political campaigns from 1989 through June 2001. The oil and gas industry already pays the lowest effective tax rate of any industry in America — just 5.7 percent in 1998.
- The "Big Five" accounting firms, which beefed up their tax lobbying practices in the late 1990s and built a reputation for securing tax loopholes for corporate clients from Congress and the Treasury Department, are also major campaign contributors. They contributed $29 million to federal candidates and party committees from 1989 through June 2001.
- Microsoft Corp. led a successful campaign to extend the lucrative Foreign Sales Corporations (FSC) tax break, which gives credit to companies on profits earned from exports. Their month-by-month campaign contributions in 1997 peaked at $54,100 in July. That was the same month Congress approved the new law by inserting an 86-word provision that extended the FSC tax break to software companies into the massive budget reconciliation bill.
- Industries benefitting from a special tax credit for research and experimentation (R&E) costs poured $148 million into political campaigns and parties from 1989 through June 2001. The pharmaceutical and computer industries are pushing hard to make the R&E tax credit permanent. One of their major champions, Sen. Orrin Hatch (R-UT), received more than half a million dollars from these industries between 1995 and 2000. Five days after Hatch offered an amendment in committee in July 1999 to make the credit permanent, he received a bundle

Campaign Contributions versus Tax Breaks in the House-Passed Energy Bill

Industry	Campaign Contributions, 1990-2002 Election Cycles**, PAC, Soft, & Indiv ($200+)	Tax Breaks*
Oil & gas, coal	$141 million	$16.2 billion
Electric utilities	$58.6 million	$8 billion
Auto manufacturers	$9.5 million	$2.4 billion

*Citizens for Tax Justice, from Joint Committee on Taxation data.
**PAC, soft and individual, 1989 – June 2001

totaling $10,000 from a who's-who list of top Pfizer executives.

> "For years we have tracked how corporations with household names, like General Electric and Microsoft, have been adept at avoiding paying their fair share of federal taxes. Now we have a record of how they have gotten away with it — by generously rewarding the politicians who write the tax laws."
>
> *Robert S. McIntyre*

■ Pharmaceutical and manufacturing companies doing business in Puerto Rico that rank among the top tax-avoiders contributed $14.3 million to politicians and parties between 1991 and June 2001. They received quite a return on that investment, saving $627 million in taxes in 1998 alone thanks to a special tax break, known as Section 936, dating back to the 1940s. Though Congress voted in 1996 to phase out the tax break, boosters of this special tax break are back, in the wake of the terrorist attacks, asking for new provisions to help companies doing business in Puerto Rico.

The CTJ-ITEP-Public Campaign study takes an important step towards quantifying what has become painfully apparent to many observers of the "stimulus bill" debate: that tax policy is often driven not by goals of efficiency and equity, but by special corporate interests with millions of campaign cash to distribute.

Impact of Freezing the Bush Tax Cuts Analyzed

One of the odder features of the Bush tax cut enacted earlier this year is that many of its tax changes do not take effect immediately, but are gradually phased in over time. From the perspective of sound budget policy, this feature of the Bush tax cut has a bright side: because many of the tax bill's worst features are phased in only gradually (in some cases, these cuts are not fully phased in until 2010), Congress has plenty of time to realize the error of its ways and undo the tax cuts enacted earlier this year. As a September CTJ analysis showed, even a "freeze" of the income tax rate cuts and estate tax elimination could provide legislators with some fiscal breathing room without negatively affecting most taxpayers:

■ A "freeze" approach, focusing on the future income tax rate reductions and the estate tax repeal, could save close to $500 billion between fiscal 2002 and 2011. Freezing the estate tax provisions alone would save $138 billion.

■ Freezing the upper tax rate reductions would save $327 billion between 2002 and 2011—and more than a third of these savings would come from freezing the top 39.6 percent rate.

■ Fully 84 percent of the benefits from these frozen tax cuts would go to the best-off one percent of taxpayers when fully phased in.

Far from moving to "freeze" the Bush tax cuts, however, GOP lawmakers have pushed for an acceleration of the Bush plan's phased-in cuts. Yet as the gravity of the ongoing recession begins to sink in, repeal of these regressive, budget-busting tax cuts may become an increasingly popular option.

Potential Changes to the Phase-Ins of the Bush Tax Cuts

	Freeze tax rates at half point cut only				Drop	
fiscal yr	Top rate	Other rates	Subtotal	Retain Pease & PEPO*	estate tax changes	Total
2002	$ 1.3	$ 5.3	$ 6.6	$ —	$ 0.1	**$ 6.7**
2003	2.0	8.6	10.6	—	7.0	**17.6**
2004	5.0	13.3	18.3	—	5.6	**23.9**
2005	6.5	18.1	24.6	—	7.6	**32.2**
2006	15.0	27.1	42.0	1.7	4.6	**48.3**
2007	19.3	31.4	50.7	3.5	10.2	**64.4**
2008	20.3	31.3	51.6	5.4	12.4	**69.4**
2009	21.6	31.2	52.7	7.2	13.2	**73.2**
2010	22.8	31.1	54.0	9.4	23.5	**86.9**
2011	6.9	9.4	16.3	5.8	53.9	**76.0**
01-11	**$ 120.7**	**$ 206.7**	**$ 327.4**	**$ 33.0**	**$ 138.0**	**$ 498.5**

*Pease is the partial disallowance of itemized deductions at upper-income levels. PEPO is the personal exemption phase out at upper income levels. Both are repealed (phased-out) in the Bush tax act.

Source: Joint Committee on Taxation data, compiled by Citizens for Tax Justice, Sept. 2001

Senate GOP Tax Plan Ups the Ante: $220 Billion Over 3 Years

In late October, the House passed its version of the bloated, regressive "stimulus" package on a party-line vote. Not to be outdone, Senate Republicans subsequently proposed even larger upper-income and corporate tax cuts. Over the first three years, the Senate

GOP measure would cut taxes by $220 billion, compared to $212 billion under the House bill. Both bills bust the boundaries of an earlier bipartisan agreement between the President and congressional leaders to limit additional stimulus measures to $50-75 billion.

> "A substantial portion of the fiscal impact on the economy should be felt within 6 months... All economic stimulus proposals should sunset within one year, to the extent practicable."
>
> *-Joint statement of Budget Committee Leadership, 10/4/2001*

The bills also fly in the face of these leaders' agreement on a set of "principles" for the economic stimulus package: the leadership recommended that "a substantial portion" of the bill's effects should be felt by Americans within six months. And perhaps most important, the leadership recommended that "all economic stimulus proposals should sunset within one year." Less than half of the House bill's three-year cost of $212 billion would be doled out in fiscal 2002—and both the AMT repeal and the proposed capital gains reduction in the House bill would have a negative effect on the long-term revenue-raising ability of the federal income tax, far beyond the one-year window envisioned by the leaders' "principles."

- More than half (55 percent) of the tax cuts proposed by Senate Republicans for next year would go to the best-off one percent of all taxpayers, whose average tax cut in 2002 would be $33,843 each. The wealthiest ten percent of the population would enjoy 76 percent of the benefits from the plan's tax provisions.
- In contrast, only 6 percent of the proposed 2002 tax cuts would go to the bottom three-fifths of taxpayers, whose average 2002 tax cut would be $67.

The GOP bill would accelerate to 2002 the reductions in the top income tax rates scheduled to take effect in 2006 (by contrast, the House-passed bill would accelerate only the cut in the 28 percent tax rate), repeal the corporate alternative minimum tax on large, profitable, low-tax corporations, and allow corporations to write off an extra 30 percent of their equipment purchases (in 2002-04). In addition, the personal tax rebates sent out earlier this year would be extended to many taxpayers who were previously ineligible.

Senate Republicans' $220 Billion "Stimulus" Tax Bill
(Calendar 2002 effects at 2002 income levels)

Income Group	Average Income	Individual tax cuts ($-bill.)	Corporate tax cuts ($-bill.)	Total tax cuts ($-bill.)	Average total tax cuts	% of total tax cut
Lowest 20%	$ 9,600	$ —	$ –0.5	$ –0.5	$ –18	0.6%
Second 20%	21,500	–0.0	–1.5	–1.5	–57	1.7%
Middle 20%	35,900	–0.3	–3.0	–3.3	–124	3.7%
Fourth 20%	58,800	–2.6	–4.9	–7.4	–283	8.5%
Next 15%	101,000	–8.8	–7.4	–16.2	–822	18.6%
Next 4%	217,000	–5.7	–8.2	–13.8	–2,627	15.8%
Top 1%	1,137,000	–21.4	–23.1	–44.5	–33,843	51.0%
ALL	**$ 60,500**	**$ –38.7**	**$ –48.6**	**$ –87.3**	**$ –660**	**100.0%**
ADDENDUM						
Bottom 60%	$ 22,300	$ –0.3	$ –4.9	$ –5.2	$ –67	6.0%
Top 10%	263,000	–31.6	–35.0	–66.5	–5,064	76.2%

New "Jail Breaks" Study: How States and Cities Subsidize Private Prisons

ITEP's "Good Jobs First" project recently released "Jail Breaks," a 96-page report documenting economic development subsidies provided by local, state and federal governments to the billion-dollar private prison industry, including companies such as Corrections Corporation of America and Wackenhut Corrections. "Jail Breaks" provides a definitive history of the private prison industry, including its financial evolution and the rise and near-demise of industry leader Corrections Corporation of America. The study profiles all of the private prison facilities and companies studied. The study covers 60 private prisons with 500 or more beds that were built and operated by 8 private prison companies; these companies comprise half of the private prison 'market' in the United States.

The report finds that nearly three-quarters of the prisons studied had received one or more kinds of subsidies, such as tax-advantaged financing (37 percent) property tax reductions or exemptions (38 percent), infrastructure assistance (23 percent), and training grants. A total of $628 million in tax-free bonds were issued to finance the private prisons that were included in the study. Altogether, subsidies were found in 17 of the 19 states in which the prisons are located.

The study also finds the widespread use of lease-backed securities for financing private prison construction, which do not require public referenda, and deprive taxpayers of their right to vote on such matters. Despite such massive subsidies, none of the local economic development officials interviewed who gave the subsidies have done any cost-benefit analysis of the deals, or know of anyone who has.

Among the policy options the report offers are a ban on future subsidies, the restoration of voting rights on prison bonds, and better disclosure of subsidies so that citizens can more easily weigh benefits against costs.

The private prison industry developed in part to address overcrowding in public prisons. But demographic changes, declining crime rates, and a shift away from harsh sentencing practices have lowered the demand for prisons at the local and state levels. Growth in the federal prison population, however, remains strong and the war on terrorism may increase it further.

The report has been covered by at least 103 national, regional and local newspapers; it was also mentioned by Peter Jennings on ABC Evening News and covered in specialty media such as State Tax Notes, the Daily Tax Report and Federal Contracts Report. "Jail Breaks" was funded by the After Prison Initiative, a program of the Open Society Institute's Criminal Justice Initiative.

To read the complete report, go to http://www.goodjobsfirst.org/jbstudy.htm, or contact Good Jobs First (202 626 3780/ext 35; email: goodjobs@ctj.org) to order a copy.

Profile: The Corporate Research Project at Good Jobs First

Within the Good Jobs First project at ITEP is another progressive research organization. Earlier this year, the Corporate Research Project merged into Good Jobs First and thus joined the ITEP family.

The Corporate Research Project was established in 1998 to serve as a research resource for state-level community organizing and citizen-action groups around the country. The Project is sponsored by six regional organizing networks: Midwest States Center, Northeast Action, Northwest Federation of Community Organizations, Southern Organizing Co-Operative, Western Organization of Resource Councils and Western States Center. Together these networks encompass more than 50 organizations in 30 states.

The Project's research focuses on a wide range of corporations and industries. Current research areas include the private prison industry and major agribusiness companies.

The Project has also carried out dozens of smaller research tasks to assist economic justice and environmental protection campaigns. These include:

- An analysis of the major health insurance companies operating in Maine, documenting the wastefulness of private insurers compared to a single-payer system. This was part of the preparation for the campaign leading up to the successful single-payer referendum in Portland.
- For Idaho Community Action Network, an in-depth profile of FMC Corp., which has been the target of environmental protests in connection with its phosphorous plant on tribal land near Pocatello.
- For the Tenants and Workers Support Committee in Virginia, a profile of Inova Health System to assist a campaign to get the hospital to increase its level of charity care.
- For the Western States Center, a detailed profile of Asbury Automotive, one of the country's largest car retailers, and its Oregon affiliate Thomason Automotive Group, which had been accused of racial and sexual discrimination.

The Corporate Research Project is staffed by Philip Mattera and Mafruza Khan, who both split their time between the Project and their work on economic development subsidy issues for Good Jobs First. The Project distributes a free monthly online newsletter on corporate research issues. If you'd like to be put on the list to get the E-Letter, send your name and e-mail address to pmattera@ctj.org. Back issues of the E-Letter can be found on the Project's website, www.corp-research.org, which also has other materials on corporate research.

What Budget Surplus? (Continued...)

At this writing, it is unclear whether the final stimulus bill will include the regressive individual rate cuts and expensive corporate loopholes in the House-passed bill, or will focus on the spending increases in the Senate Finance Committee's Democratic-sponsored bill. One thing, however, is certain: the increasingly cloudy fiscal forecast means that lawmakers may find it difficult to fund major tax cuts in the near future.

As recently as May of 2001, the Congressional

Budget Office was forecasting an "on-budget" surplus (that is, excluding revenues dedicated to the Social

> The Budget Committee leadership's latest estimates, released in early October, predict an on-budget ten-year surplus of just $53 billion.

Security Trust Fund) of $3.1 trillion for the ten-year period ending in 2011. After the passage of the Bush tax plan, CBO scaled back its on-budget surplus estimate to $847 billion, largely due to the Bush plan's effect. In the wake of the September 11 tragedies, House and Senate Budget Committee leaders recently re-evaluated the CBO baselines with an eye towards assessing the impact of the emergency spending measures enacted since September. The Budget Committee leadership's latest estimates, released in early October, predict an on-budget ten-year surplus of just $53 billion. Where has the surplus gone? The following table shows the factors contributing to the recent decline.

The direct cost of the Bush tax plan (that is, tax reductions enacted by the Bush plan) are estimated to cost $1.275 trillion between 2002 and 2011. In addition, CBO estimates that the government will pay an extra $413 billion in interest payments because the tax cut will restrict the government's ability to reduce its debt. An additional $600 billion in lost surplus revenue is due to declining economic projections and technical corrections. And close to $500 billion of the disappearing surplus is due to new spending initiatives, including a host of emergency spending programs enacted since September 11. Associated interest costs subtract another $236 billion from the projected on-budget surplus.

These modifications to the January 2001 budget projections leave a total ten-year on-budget surplus of $53 billion. Moreover, these surplus projections do not take into account a number of budgetary commitments that lawmakers will likely face in the next decade, including individual AMT relief, extension of a popular set of expiring tax provisions, and eliminating the "sunset" provisions in the Bush tax plan passed earlier this year—to say nothing of the stimulus legislation currently before Congress, or several tax and spending bills dealing with energy, "Patients' Bill of Rights" and education that have been passed by at least one house of the legislature.

> While the Budget Committees' best guess of the likely ten-year surplus is $2.6 trillion, they estimate only a 50 percent probability that the actual ten-year surplus will be within $2.3 trillion of that number.

How the Ten-Year Surplus Shrank...

FY 2002-11 (In $Billions)	Total Budget Surplus	"On-Budget" Surplus
CBO Jan. 2001 Estimate:	$5,629	$3,144
CBO August 2001 Update:	$3,397	$847
Congressional October Update:	$2,604	$53

...And Where it Went

CBO Jan. 2001 Estimate:	**$5,629**	**$3,144**
Bush Tax Plan Direct Cost		–1,275
Bush Tax Plan Interest Cost		–413
Economic and Technical Changes		–604
New Spending		–496
Additional Interest Cost		–236
Total Reduction in Surplus:		**$3,091**
Congressional October Update:	**$2,604**	**$53**

Source: Congressional Budget Office

Finally, these projections are fraught with uncertainty. While the Budget Committees' best guess of the likely ten-year surplus is $2.6 trillion, they estimate only a 50 percent probability that the actual ten-year surplus will be within $2.3 trillion of that number. That is, there is a 25 percent chance that the on-budget surplus will actually be less than $0.3 trillion —or greater than $4.9 trillion. The inherent uncertainty of these projections, combined with the uncertain outlook for the nation's economic recovery, suggest that the projections should be used cautiously.

Recent Publications from CTJ and ITEP

Buy Now, Pay Later: How Generous Corporate Campaign Donors Save Billions in Taxes (2001).
Price: $15.00 — CTJ/ITEP Members: $5.00

Jail Breaks: Economic Development Subsidies Given to Private Prisons (2001).
Price: Free

Corporate Income Taxes in the 1990s (2000).
Price: $15.00 — CTJ/ITEP Members: $5.00

From the CTJ Mailbox...

Q: Why do we have a "corporate alternative minimum tax?"

A: In the first half of the 1980s, the Reagan administration instituted an array of new corporate loopholes, notably super-accelerated depreciation. The result was massive corporate tax avoidance: a series of widely cited studies by CTJ found that half of America's largest and most profitable corporations were frequently able to avoid paying any income tax at all. The table at right shows a group of profitable corporations that managed to pay *negative* income taxes from 1981 to 1984, including several that received tax rebates of over 10 percent of their profits during this period. (The 1985 CTJ study from which these data are taken can be downloaded from the CTJ website at http://www.ctj.org/pdf/corp0885.pdf .)

TEN CORPORATIONS WITH THE LARGEST TOTAL TAX REBATES FROM 1981 THROUGH 1984
($-millions)

Company:	Pretax U.S. Profit ($-mill.)	Tax Rebate	Tax Rate
Boeing Co.	$ 2,099	$ –285	–13.6%
Dow Chemical Co.	972	–180	–18.5%
ITT	815	–178	–21.8%
Tenneco	3,401	–166	–4.9%
Pepsico	1,799	–136	–7.6%
Santa Fe Southern Pacific Corp.	2,309	–133	–5.8%
General Dynamics	1,580	–104	–6.6%
General Electric	9,577	–98	–1.0%
Transamerica Corp.	749	–94	–12.5%
Texaco	1,819	–68	–3.7%
TOTALS, 10 BIGGEST REBATES:	**$ 25,119**	**$ –1,441**	**–5.7%**

The list of corporate tax freeloaders was a rogues' gallery of famous names. General Electric, Texaco, Dow Chemical, PepsiCo, Boeing, and ITT were among the long list of companies that paid nothing at all in taxes from 1981 to 1984. In fact, these and other companies were actually able to get checks outright from the U.S. Treasury--by "carrying back" their excess write-offs to earlier years and getting rebates of taxes paid in the past. Meanwhile, companies that couldn't take advantage of carrybacks sold their surplus loopholes to other firms.

The public, and eventually the politicians, found this situation intolerable. A House Ways and Means Committee report in late 1985 said: "The committee believes the tax system is nearing a crisis point. Certain tax provisions allow many corporations to pay relatively little Federal income tax, without stimulating investment and production as intended." A few months later, the Senate Finance Committee agreed: "The committee finds it unjustifiable for some corporations to report large earnings and pay significant dividends to their shareholders, yet pay little or no taxes on that income to the government." In 1986, Congress and President Reagan enacted the Tax Reform Act. It closed many of the most egregious corporate loopholes and added an "Alternative Minimum Tax" to assure that large profitable corporations would be required to pay some reasonable amount in federal income tax—no matter how many loopholes these corporations would otherwise qualify for. The AMT was to function as a backstop for the regular corporate income tax, ensuring that the spectacle of no-tax profitable corporations would no longer occur.

The AMT did its job well for a number of years, but unfortunately, laws enacted in 1993 and 1997 have sharply weakened it. The IRS reports that in 1998, corporations paid only $3.3 billion in AMT—compared to $8.1 billion in corporate AMT paid in 1990. All told, only 18,360 corporations made AMT payments in 1998, out of 4.8 million corporate tax returns filed that year.

The AMT is hardly a serious burden on American business. Instead, it simply asks large corporations to contribute at least something to support the government that defends them and provides them with a wide range of other essential services (including the tens of billions now being devoted to aid to industries hardest hit by the terrorist attacks). In fact, rather than eliminating the AMT, Congress should take steps to make the AMT better serve its original goal of making sure that all large, profitable corporations pay a reasonable amount in taxes.

About the Poster:

This issue of the CTJ Update includes a foldout reproduction of our "Profiteering in the Name of Patriotism" advertisement. In November, an anonymous donor paid for several of these full page ads to run in the New York Times and the Washington Post. We thought you might like a copy of the ad to take to your office or to hand out to your friends and colleagues. Spread the word!

A Message from CTJ's Development Director, Bonnie Rubenstein

It is that time of year again—you know, the time when we make that extra push for your last minute donations of the year even though so many of you have already been very generous, many even sending us tax rebate checks!

2001 has been difficult in ways that are not even clear yet. Not only did the events of September 11 throw us completely off track in every imaginable way, it has also changed how business is done in the nation's capitol and in the state capitols. Whereas before we could count on some sort of reasonable debate before any new tax laws were passed, that is no longer a certainty. We have to work even harder to be heard.

But as you may have noticed, we are pretty good at getting our message out with the limited resources that we have. There have been more than 5000 citations of CTJ's work this year in the print and electronic media. And if anyone has been successful at getting Congress to hold the line on unfair taxation, it is CTJ. Unfortunately, we have not won all the battles. But we will keep on fighting them. To do so takes your support, and for that we thank you.

Resources for Further Investigation

In the wake of Sept.11, Senate and House legislators agreed on a **set of principles that should underlie a sound economic stimulus package**. A statement of these principles can be found at www.senate.gov/~budget/democratic/press/2001/rev_bdgtoutlook100401.pdf .

How would corporations in your area benefit from the tax loopholes in the stimulus package? You can download **financial reports for most corporations** on the SEC website at www.sec.gov/edgar/searchedgar/formpick.htm_.

Want more **details on the House and Senate tax bills**? An in-depth analysis of each bill can be found on the Joint Committee on Taxation (JCT) website at www.house.gov/jct/x-75-01.pdf and www.house.gov/jct/x-69-01.pdf .