

# Senate GOP Tax Plan: Not So Middle Class After All

The tax plan passed by the Senate Finance Committee has been described as less irresponsible, less reckless and less tilted toward the well-off than the plan put together by House Republicans. All true. But the Senate GOP tax plan still remains irresponsible, reckless and heavily tilted toward the best-off taxpayers.

According to an analysis of the plan released by Citizens for Tax Justice:

- # The Senate GOP tax plan gives more than three-quarters of its benefits to the best-off fifth of all taxpayers.
- # In contrast, less than 11 percent of the Senate GOP's proposed tax cuts go to the bottom 60 percent of all taxpayers.
- # The average tax reduction for the best-off one percent of taxpayers—those with incomes in excess of \$301,000—is 23,300 a year under the plan.
- # For the bottom 60 percent of taxpayers, on the other hand, the average tax cut is only \$141 a year.

The official revenue estimates show that the Senate GOP tax plan costs four times as much in its second 5 years than in its first five. The total cost in the second five years, officially estimated at \$636 billion is just about exactly equal to the \$635 billion cost assigned to the House-passed GOP tax plan from 2005–2009. Such a huge number is frightening, given the numerous analyses that have shown that most if not all of the supposed “budget surpluses” in the non-Social Security part of the budget are dependent on assumptions about huge and improbable cuts in appropriations.

The distributional estimates show the effects of the provisions fully phased in at 1999 levels, and include the effects of cutting the bottom tax rate from 15% to 14%, raising the starting point for the 28% tax bracket, optional separate filing for married couples, a small increase in the earned income tax credit, increases in the dependent care credit, raising the annual IRA contribution limit to \$5,000 and eliminating income limits for Roth IRAs; (7) increasing the 401(k) annual contribution limit to \$15,000 and other pension changes; (8) allowing deductions for health insurance premiums for those with no employer plan; (9) reductions in the individual Alternative Minimum Tax; (10) estate tax reductions; and (11) corporate tax reductions (equal to about \$75 billion from 2000 to 2010).

A table showing the distribution of the Senate GOP tax cut plan follows.

## Effects of the 1999 Senate GOP Tax Plan

(As Passed by the Finance Committee; 1999 levels; \$-billion except averages)

Income Group	Income Range	Average Income	Total Tax Cuts	Average Tax Cut	% of Total Tax Cut
Lowest 20%	Less than \$13,300	\$ 8,400	\$ -0.6	\$ -22	0.6%
Second 20%	\$13,300-23,800	18,300	-3.1	-121	3.0%
Middle 20%	\$23,800-38,200	30,300	-7.1	-279	7.0%
Fourth 20%	\$38,200-62,800	49,100	-13.6	-536	13.5%
Next 15%	\$62,800-124,000	83,600	-28.9	-1,521	28.8%
Next 4%	\$124,000-301,000	173,000	-17.6	-3,476	17.6%
Top 1%	\$301,000 or more	837,000	-29.5	-23,344	29.4%
<b>ALL</b>		<b>\$ 48,700</b>	<b>\$ -100.4</b>	<b>\$ -786</b>	<b>100.0%</b>
<b>ADDENDUM</b>					
Bottom 60%	Less than \$38,200	\$ 19,000	\$ -10.7	\$ -141	10.6%
Top 20%	\$62,800 or more	139,100	-76.0	-3,001	75.8%

Note: Estimates include the effects of (1) cutting the bottom tax rate from 15 percent to 14 percent; (2) raising the starting point for the 28% tax bracket; (3) optional separate filing for married couples; (4) a small increase in the earned income tax credit; (5) increases in the dependent care credit; (6) increasing the annual IRA contribution limit to \$5,000 and eliminating income limits for Roth IRAs; (7) increasing the 401(k) annual contribution limit to \$15,000 and other pension changes; (8) allowing deductions for health insurance premiums for those with no employer plan; (9) reductions in the individual Alternative Minimum Tax; (10) estate tax reductions; and (11) corporate tax reductions. Figures show the effects of the provisions fully phased in, at 1999 levels.

Source: Institute on Taxation and Economic Policy Tax Model.

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