On Friday, October 12, less than six months after passing a $1.35 trillion tax cut, a Congressional committee moved forward with a second round of tax cut proposals. The “Economic Security and Recovery Act of 2001,” approved by the House Ways and Means Committee on October 12, is officially estimated to reduce tax collections by $160 billion over ten years. The bill, styled as an “economic stimulus” package, includes a variety of temporary and permanent cuts in corporate and personal income taxes. Among the bill’s provisions are:

- An increase in *accelerated depreciation*—already the largest corporate tax loophole under current law. Ostensibly, these additional tax subsidies would expire after 2004, but similar “temporary” measures enacted in the past have been routinely extended.

- **Permanent repeal of the corporate alternative minimum tax (AMT)** that now discourages corporate tax sheltering and forces some otherwise low- and no-tax large, profitable corporations to pay at least something in taxes. In addition, companies that paid the minimum tax in the past would get an immediate refund of those payments. This would officially cost $24 billion over 10 years, and more likely two or three times that much due to increased tax sheltering not reflected in the “official” estimate. A large share of this money would go to just a handful of companies, including IBM, General Motors, General Electric, and Chevron Texaco.

- The bill would make it easier for corporations with “tax losses” to use them to apply for refunds of taxes they paid in the past, at a cost of more than $10 billion over the next three years. Like the depreciation write-offs, this provision is supposed to expire after 2004.

- **Permanent extension of an expiring current-law tax shelter for multinational corporations**, notably General Electric and the major auto companies, which allows them to shift taxable profits off-shore through manipulations of interest payments. The estimated cost over ten years is $21 billion.

- **Capital gains tax cuts.** The Ways and Means bill would reduce the top income tax rate on capital gains from 20 percent to 18 percent. Assuming no increase in realized gains, this would cut taxes by $10 billion in calendar 2002 alone. If as some predict, realizations go up, then the upper-income tax savings will be even larger. An October 12 CTJ analysis found that 70 percent of the benefits from the capital gains proposal would go to the wealthiest 1 percent of taxpayers, with the poorest 60 percent receiving just one half of 1 percent of the tax cuts.
## Effects of the House Ways & Means “Stimulus” Tax Bill, October 12, 2001
(Calendar 2002 effects at 2002 income levels)

<table>
<thead>
<tr>
<th>Income Group</th>
<th>Income Range</th>
<th>Average Income</th>
<th>Total tax cuts ($-bill.)</th>
<th>Average total tax cuts</th>
<th>% of total tax cut</th>
<th>Rebate extension (2001 only)</th>
<th>Ave. added rebate, 2001 only</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lowest 20%</td>
<td>Less than $15,000</td>
<td>$ 9,600</td>
<td>$ –0.6</td>
<td>$ –21</td>
<td>0.7%</td>
<td>$ –5.7</td>
<td>$ –214</td>
</tr>
<tr>
<td>Second 20%</td>
<td>$15,000–28,000</td>
<td>21,500</td>
<td>–1.8</td>
<td>–67</td>
<td>2.1%</td>
<td>–4.7</td>
<td>–180</td>
</tr>
<tr>
<td>Middle 20%</td>
<td>$28,000–46,000</td>
<td>35,900</td>
<td>–3.8</td>
<td>–146</td>
<td>4.5%</td>
<td>–2.5</td>
<td>–97</td>
</tr>
<tr>
<td>Fourth 20%</td>
<td>$46,000–75,000</td>
<td>58,800</td>
<td>–8.7</td>
<td>–329</td>
<td>10.1%</td>
<td>–0.6</td>
<td>–21</td>
</tr>
<tr>
<td>Next 15%</td>
<td>$75,000–153,000</td>
<td>101,000</td>
<td>–19.2</td>
<td>–974</td>
<td>22.4%</td>
<td>–0.1</td>
<td>–7</td>
</tr>
<tr>
<td>Next 4%</td>
<td>$153,000–384,000</td>
<td>217,000</td>
<td>–16.5</td>
<td>–3,130</td>
<td>19.2%</td>
<td>–0.1</td>
<td>–10</td>
</tr>
<tr>
<td>Top 1%</td>
<td>$384,000 or more</td>
<td>1,137,000</td>
<td>–35.1</td>
<td>–26,689</td>
<td>41.0%</td>
<td>–0.0</td>
<td>–18</td>
</tr>
<tr>
<td><strong>ALL</strong></td>
<td><strong>$ 60,500</strong></td>
<td><strong>$ –85.7</strong></td>
<td><strong>$ –647</strong></td>
<td><strong>100.0%</strong></td>
<td></td>
<td><strong>$ –13.7</strong></td>
<td><strong>$ –104</strong></td>
</tr>
</tbody>
</table>

**ADDENDUM**

<table>
<thead>
<tr>
<th>Income Group</th>
<th>Income Range</th>
<th>Average Income</th>
<th>Total tax cuts ($-bill.)</th>
<th>Average total tax cuts</th>
<th>% of total tax cut</th>
<th>Rebate extension (2001 only)</th>
<th>Ave. added rebate, 2001 only</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bottom 60%</td>
<td>Less than $46,000</td>
<td>$ 22,300</td>
<td>$ –6.2</td>
<td>$ –78</td>
<td>7.2%</td>
<td>$ –13.0</td>
<td>$ –164</td>
</tr>
<tr>
<td>Top 10%</td>
<td>$108,000 or more</td>
<td>263,000</td>
<td>–61.4</td>
<td>–4,672</td>
<td>71.6%</td>
<td>–0.1</td>
<td>–9</td>
</tr>
</tbody>
</table>

Figures reflect the calendar 2002 effects of H.R. 3090, approved by the House Ways and Means Committee on October 12, 2001. Effects of the one-shot 2001 extended rebates are shown separately since they do not affect taxes in 2002 or thereafter.

- **Accelerated income tax rate cuts.** The cut in the former 28 percent tax rate to 25 percent, scheduled to take effect in 2006 under the Bush tax-cut bill enacted earlier this year, would be accelerated to 2002. (Unless changed, under current law the rate will be 27 percent in 2002 and 2003, 26 percent in 2004 and 2005, and 25 percent in 2006 and thereafter.) This provision alone accounts for $54 billion in tax cuts—and less than a quarter of the rate cuts’ tax relief will be realized in fiscal 2002 as a “tax stimulus.” The remaining three-quarters of the cost will be reserved for 2003 or later years.

- **Individual exemptions from the alternative minimum tax** would be temporarily increased.

- **The 2001 tax rebates** of $600 for couples, $500 for single parents, and $300 for childless singles would be extended to about 37 million couples and individuals who did not get them or got less than the full amounts. To qualify, a person or couple must have filed a tax return for tax year 2000. For those affected, the $13.7 billion in additional 2001 rebates would average about $350.

### Distributional Impact: More Skewed than the Bush Tax Cuts

An October 12 CTJ analysis examined the distributional implications of the Ways and Means bill. The analysis found that fully 41 percent of the bills tax cuts would go to the wealthiest 1 percent of taxpayers, with just 7.2 percent of the cuts reserved for the poorest 60 percent of the population. By each of these measure, the Ways and Means bill is even more regressive than the Bush tax plan passed in July.

**Average Tax Rebate for 13 Corporations: $439 million**
One of the most controversial provisions of the “stimulus” tax package passed by the House Ways and Means Committee is the repeal of the corporate alternative minimum tax. As part of the AMT repeal, the Ways and Means bill would grant an immediate tax rebate to large profitable corporations that paid the AMT over the past decade and a half because loopholes cut their regular income tax bills to little or nothing.

Some $5.7 billion of these corporate rebate checks would be made out to just a baker’s dozen tax-avoiding Fortune 500 companies—whose rebates would average $439 million each. (These 13 companies reported $33.2 billion in pretax U.S. profits in 2000.)

- Topping the list is IBM, which is slated to receive a $1.4 billion rebate check. General Motors is next at $833 million, followed by General Electric at $671 million, TXU (Texas Utilities) at $608 million, and ChevronTexaco at $572 million.

- Of these 13 low-tax companies that would get more than $100 million in hand-outs under the GOP-backed bill, five are in the energy business. Two are in the airline industry, which is already receiving $15 billion in grants and loans under already passed legislation.

- The proposed total of $25 billion in instant rebates for profitable tax-avoiding corporations is almost twice as big as the $13.7 billion in added individual rebates that the tax committee decided to provide to 37 million, mostly low-income families and singles whose 2000 earnings were too low to qualify for the previous round of personal tax rebates.

Under the bill, the “AMT” would be repealed (to facilitate future tax sheltering) and corporations would be entitled to an immediate rebate of any alternative minimum tax they paid since the tax was established in 1986. In contrast, under current law, a company that pays the AMT can get a refund in a later year only if its regular income tax payments exceed the AMT that year. Many profitable companies have so many loopholes that they never pay enough in regular income taxes to use these “AMT credit carryforwards.”

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CTJ in the News, October 2001

“Citizens for Tax Justice yesterday released an analysis of part of the bill that would repeal the alternative minimum tax (AMT) for corporations, which was originally enacted to make sure they paid some income tax. The bill would also give corporations a rebate for past AMT payments. Based on corporate reports, the group said the rebate would result in $5.5 billion in payments to 12 corporations alone, including IBM Corp. at $1.4 billion.”

—The Boston Globe, October 17, 2001, p. D1

“The bill’s AMT provisions alone would mean more than $100 million within the next year or so for each of a dozen major companies, Citizens for Tax Justice, a Washington-based group, estimated.

International Business Machines Corp. would receive $1.4 billion, while General Motors Corp. would receive $833 million and General Electric Co. would receive $671 million, the group said.

An IBM spokeswoman declined to comment. A GM spokesman said over the weekend that the company was “very pleased.”


“One business benefit would eliminate the corporate alternative minimum tax, a 15-year-old provision that requires a minimum tax for companies eligible for various loopholes.

The Joint Tax Committee calculated that rescinding the minimum tax would generate refunds totaling $25.4 billion this year. Citizens for Tax Justice, a liberal tax research center, compiled a list of top corporate beneficiaries that includes IBM, General Motors, General Electric, ChevronTexaco and the parent companies of United and American airlines. The airlines also stand to benefit from a $15-billion federal aid package intended to help the industry.

—Newsday, October 17, 2001

“A dozen of the nation’s largest corporations would receive $5.5 billion in immediate tax rebates under a $99.4 billion economic stimulus plan the House will consider Thursday.

That’s the finding of Citizens for Tax Justice, a nonpartisan advocacy group that released a study Tuesday showing that five of the top 12 beneficiaries from a proposed repeal of the corporate Alternative Minimum Tax are energy businesses,

IBM Corp. tops the list with $1.4 billion in tax rebates under the House proposal.

General Motors Corp. ranked second with $833 million in rebates.”

—Gannett News Service, October 17, 2001