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CONTACT: Bob McIntyre

Senate Democratic Stimulus Plan Offers Bigger Economic Boost and Larger Immediate Tax Cuts for Most than Competing Plans

The economic stimulus bill proposed by Senate Democratic Leader Tom Daschle (D-SD) provides a bigger immediate boost to the economy and larger tax cuts for most taxpayers over the next two years than competing plans approved by Republicans in the House and on the Senate Finance Committee. At the same time, the Democratic plan avoids the huge increase in long-term federal borrowing that the Republican plans entail.

A computer analysis of the tax provisions of the Democratic plan by the Institute on Taxation and Economic Policy finds:

- Over the next two years, the Democratic plan offers an average tax cut of \$575 to middle- and low-income taxpayers. That compares to only \$347 under the House bill and \$215 under the Senate Finance Committee bill.
- More than 43 percent of the tax cuts in the Democratic plan over the next two years would go to taxpayers in the bottom three-fifths of the income scale. In contrast, the House bill offers these 80 million families and individuals only 9.2 percent of its tax cuts over the next two years. The Senate GOP plan provides them with only 10 percent of its tax cuts.
- The House GOP plan would provide the best-off one percent of all taxpayers with an average of \$72,106 in tax cuts over the next two years. The Senate GOP plan gives this group an average of \$28,005 over two years. The Senate Democratic plan provides \$2,301 in tax relief to the wealthiest families.

Including increases in unemployment benefits and aid to struggling state governments, the Senate Democratic plan would provide close to \$124 billion in economic stimulus in the current fiscal year. In contrast, the House tax bill offers only \$47 billion in stimulus this fiscal year; the Senate GOP plan only \$46 billion.

“If you’re looking for immediate economic stimulus, more jobs and a fair distribution of tax cuts, then the Senate Democratic plan has the upper hand,” said Robert S. McIntyre, director of Citizens for Tax Justice. “On the other hand, if you only care about providing giant tax breaks to the rich and aren’t concerned about long-term deficits, then you’ll prefer the Republican plans.”

A table comparing the effects of the tax cuts in the three competing plans over the next two years follows.

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Three Tax Cut Plans: A Comparison for 2003–2004

Income Group	Senate Democrats		Senate GOP		House GOP	
	Average two-year tax cut	Shares of tax cut	Average two-year tax cut	Shares of tax cut	Average two-year tax cut	Shares of tax cut
Lowest 20%	\$ -280	7.0%	\$ —	—	\$ -38	0.3%
Second 20%	-605	15.2%	-164	2.5%	-273	2.4%
Middle 20%	-840	21.1%	-481	7.5%	-729	6.4%
Fourth 20%	-1,071	26.9%	-1,084	16.8%	-1,549	13.7%
Next 15%	-1,158	21.8%	-2,987	34.8%	-4,162	27.4%
Next 4%	-1,029	5.2%	-5,337	16.6%	-10,111	17.9%
Top 1%	-2,301	2.9%	-28,005	21.8%	-72,106	31.8%
ALL	\$ -791	100.0%	\$ -1,277	100.0%	\$ -2,249	100.0%
ADDENDUM						
Bottom 60%	\$ -575	43.3%	\$ -215	10.0%	\$ -347	9.2%
Top 10%	-1,188	14.9%	\$ -6,836	53.1%	\$ -13,954	61.6%

Source: Institute on Taxation and Economic Policy Tax Model, May 14, 2003