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TUESDAY, MAY 13, 2003 CONTACT: Bob McIntyre

Senate GOP Tax Plan Targets Tax Aid to Best-off 10 Percent

The tax bill approved by the Senate Finance Committee on May 8 and scheduled for Senate debate this week would borrow $350 billion over the upcoming decade to finance still more tax reductions. More than half of the tax cuts would go to the best-off 10 percent.

A computer analysis of the Finance Committee plan by the Institute on Taxation and Economic Policy finds that over the bill's first four years:

- More than fifty percent of the total tax cuts would go to the best-off 10 percent of all taxpayers.
- In contrast, the bottom 60 percent of taxpayers would get only 11.9 percent of the tax cuts, averaging about $100 a year over the next four years.
- The average tax reduction for the richest one percent over the next four years would total $41,117. This tiny but wealthy group would enjoy almost a fifth of the tax cuts over the four years.

"The Finance Committee offers little in the way of economic stimulus this year, but will add even more to our already huge budget deficits in the future," said Robert S. McIntyre, director of Citizens for Tax Justice, which released the analysis of the plan. "Its main purpose seems to be to lock in the unaffordable 2001 tax rate cuts by making them take effect now rather than when it becomes even more obvious that they are unaffordable."

Effects of the Senate GOP 2003 Tax Cut Plan in 2003-06

	Average Tax Cuts					Shares of Tax Cuts				
Income Group	**2003**	**2004**	**2005**	**2006**	**Four Year Total**	**2003**	**2004**	**2005**	**2006**	**All Four Years**
Lowest 20%	$ *	$ *	$ *	$ *	**$ ***	*	*	*	*	*
Second 20%	–80	–84	–85	–87	**–336**	2.4%	2.7%	2.7%	8.8%	**3.2%**
Middle 20%	–232	–250	–229	–214	**–925**	6.9%	8.1%	7.2%	21.8%	**8.8%**
Fourth 20%	–539	–545	–494	–353	**–1,931**	16.2%	17.6%	15.6%	35.9%	**18.3%**
Next 15%	–1,525	–1,462	–1,471	–340	**–4,798**	34.3%	35.4%	34.8%	25.9%	**34.0%**
Next 4%	–2,765	–2,572	–3,203	–203	**–8,743**	16.6%	16.6%	20.2%	4.1%	**16.5%**
Top 1%	–15,761	–12,245	–12,374	–738	**–41,117**	23.6%	19.8%	19.5%	3.7%	**19.4%**
ALL	**$ –662**	**$ –615**	**$ –629**	**$ –196**	**$ –2,102**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**
ADDENDUM										
Bottom 60%	$ –104	$ –111	$ –104	$ –100	**$ –420**	9.4%	10.7%	9.9%	30.6%	**11.9%**
Top 10%	–3,670	–3,165	–3,514	–290	**–10,640**	55.0%	51.1%	55.4%	14.7%	**50.2%**

Figures include the effects of all of the tax provisions of the $332 billion (over ten years) tax-cut bill approved by the Senate Finance Committee on May 8, 2003, including the offsetting revenue raising provisions. Years are calendar. The bill's $18 billion in additional net spending over 10 years is not shown. * Insignificant net tax change.

Source: Institute on Taxation and Economic Policy Tax Model, May 13, 2003

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The Senate Finance Committee tax bill would:

- Accelerate the reductions in the top four tax rates enacted in 2001, making them effective in 2003, rather than partially in 2004 and fully in 2006, at a cost of $74 billion over four years.
- Accelerate the expansion of the size of the lowest, 10 percent tax bracket to 2003, rather than 2008 and index it for inflation after 2003 ($44.8 billion over eight years).
- For married couples, make already scheduled increases in the standard deduction and the level at which the 25 percent tax bracket begins effective starting in 2003 rather than phasing these changes in by 2009 or 2008, respectively ($51.4 billion over seven years).
- Increase the per-child tax credit to $1,000 in 2003, rather than phasing in the increase by 2010 ($89.8 billion over seven years).
- Temporarily increase the alternative minimum tax exemption, in 2003-05 only ($49.3 billion over three years).
- Starting in 2004, exempt from taxation the first $500 in dividends for single taxpayers, and the first $250 in dividends for married taxpayers ($500 for couples). Taxpayers with dividends greater than those amounts could exempt 10 percent of the excess in 2004 through 2007, and 20 percent of the excess in 2008 through 2012. The nine-year cost of the tax cut on dividends would be $80.5 billion.
- Expand business tax write-offs by $23.4 billion over ten years, close various tax shelters and loopholes to raise $63 billion over ten years, and increase customs fees and excise taxes by $17.9 billion over ten years.

The bill would also provide $20 billion in aid to state governments this year, offset in part by $1.8 billion in reductions in spending on SSI and SCHIP over the next decade.

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