



The Republican Budget: Thumbing Their Nose at the Middle Class

House Republicans will thumb their nose at the middle class twice this week in two linked budget votes that would enact \$50 billion in spending cuts – targeting seniors, children and students – to pay for \$70 billion in tax cuts for the wealthy. To add insult to injury, the GOP has purposely refused to fix the Alternative Minimum Tax – a tax meant for the rich that is increasingly ensnaring the middle class – to protect their tax cuts for the wealthy. The Republican Party clearly has the wrong priorities.

GOP Intentionally Leaves Out AMT Fix for the Middle Class in Tax Bill:

“If you don’t do capital gains and dividends, you probably have room to fit in the AMT. If you do cap gains and dividends, you probably don’t.” [House Ways and Means Committee Chairman Bill Thomas (R-CA), Congress Daily, 11/3/05]

“The House’s top tax writer introduced a bill Thursday that would allow the alternative minimum tax to hit millions more taxpayers next year. House Ways and Means Committee Chairman Bill Thomas opted to use tax cuts allotted in the GOP’s budget to extend tax cuts for capital gains and dividends for two years instead of holding back the alternative minimum tax...Thomas also said he did not have enough room under a \$70 billion cap dictated by the budget to address the alternative minimum tax as well as capital gains and dividends.” [AP, 11/11/05]

GOP Allows AMT to Slam Middle Class While Helping the Wealthiest:

- Without an extension of the higher exemptions for the AMT that have been passed in the 2001 through 2004 tax bills, approximately 17 million more taxpayers will be subject to the AMT in 2006 than in 2005, including 30% of taxpayers making between \$75,000-\$100,000 annually. [Urban-Brookings Tax Policy Center, 05/2005]
- “As a result of the expanding scope of the AMT...the percent of federal personal income taxes paid by individuals with annual incomes over \$500,000 will decline (from 27.4% to 26.2%) by 2010. In contrast, the percent paid by the upper-middle class (\$100,000 - \$500,000) will increase (from 40.8% to 45.4%).” [House Ways and Means Committee Democrats]
- Those making under \$50,000 a year (70% of taxpayers) collectively only received 3.2% of the capital gains tax cut value while taxpayers making more than \$200,000 a year (top 2% of taxpayers) received 80% of the capital gains tax cut value. [Center on Budget and Policy Priorities, 11/07/05]
- “The distribution of taxable capital gains and dividends is highly skewed towards upper-income tax returns...48% of qualifying dividends and 83% of capital gains accrue to taxpayers with annual cash income over \$200,000 and 22% of dividends and 59% of capital gains are received by taxpayers with cash income over \$1 million. Taxpayers in the top 1% of the income distribution receive 33% of qualifying dividends and 72% of capital gains.” [Eric Toder, Urban Institute, in testimony to Senate Finance Committee, 06/30/05]