

# SHOWING THEIR TRUE COLORS

## *Tax Bills Expose Republican v. Democratic Priorities*



### GOP Protects Tax Cuts for the Wealthy, Plays Games with Middle Class

*“While the Senate used parliamentary rules that made it easier to pass the AMT fix, the House is using rules that will make it harder...”* [Washington Post, 12/6/05]

- **House Republicans intentionally left a middle-class AMT fix out of the tax bill that is moving under special fast-track budget rules, choosing to push for capital gains and dividends tax cuts that mainly benefit the wealthy.** At the last minute, they put a one-year AMT fix on the House Floor under rules that make it more difficult to pass, endangering enactment due to differences with the Senate.
- The **GOP is risking an increase in the tax burden for nearly 17 million more middle-class working families** by playing games with the middle-class’s AMT exemption.
- Next year, **the percentage of taxpayers earning \$75,000-100,000 subject to the AMT would increase to almost 30% from 1%**; for those earning \$100,000-\$200,000 it would rise to 64% from 7%. (Tax Policy Center)
- **“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]



### GOP Tax Bills Increase Record Deficits, Endanger Economy

- **House Republicans will vote to add \$86 billion to the deficit this week:** the GOP tax reconciliation bill will add \$56 billion over five years and the AMT fix will add \$30 billion to the deficit in 2006.
- **Federal Reserve Chairman Alan Greenspan says deficits are bad for the economy:** “[The expected deficit casts] an ever larger shadow over the growth of living standards. In the end, the consequences for the U.S. economy could be severe.” [Chicago Tribune, 12/3/05]
- **Greenspan rejects deficit financed tax cuts:** “We should not be cutting taxes by borrowing...[we shouldn’t] presume that the deficit doesn’t matter.” [New York Times, 11/4/05]
- **David Walker, Comptroller General of the United States, disagrees with Republican tax cut priorities:** “We can’t afford to make all the tax cuts permanent.” [USA Today, 11/14/05]
- **Federal Reserve Chairman Nominee Ben Bernanke refutes GOP contention that tax cuts pay for themselves:** “I think it’s unusual for a tax cut to completely offset the revenue loss.” [Congressional Testimony, 11/15/05]



### Democrats Focus on the Middle Class, Fiscal Responsibility

- The **Democratic tax bill alternative provides relief to middle class families** by extending the higher exemptions for the Alternative Minimum Tax another year, and renewing the other annual tax extender provisions that expire in 2005 for an additional year.
- The Democratic alternative **sets the right priorities** and focuses on the most pressing tax provisions – capital gains and dividends tax cuts do not expire until 2008.
- The Democratic alternative is **fiscally responsible**, totaling \$42 billion over 5 years, and **offsetting the full cost of those AMT fix** by reducing the size of the President’s tax cuts on incomes over \$1 million for joint returns, and \$500,000 for other returns.