

GOP Leaders Distill Essence of Tax Plan: Surprise! It's Corporate Welfare!

Last week, Congressional Republican leaders announced they were abandoning their major tax cut legislation for this year. At the same time, they pledged to pursue a corporate-welfare-only tax plan that they hope President Clinton will sign this fall.

According to GOP leaders, their smaller tax bill will focus on so-called "corporate extenders." These are corporate tax abatements that have already expired this year or are scheduled to expire at the end of 1999 unless reenacted.

GOP Leaders Call Corporate Welfare Items "Essential"

According to BNA's Daily Tax Report, "when asked if any elements of the tax bill were essential, [House Speaker Dennis] Hastert said, 'I think the extenders are something we're going to have to work on.'"

House Ways and Means Committee Chairman Bill Archer (R-Tex.) told BNA, "I do believe that before the year is out that we will do the extenders in a very stripped down bill that doesn't include anything else." BNA reports that Senate Majority Leader Trent Lott (R-Miss.) also "indicated willingness . . . to consider possible efforts to pass an extenders bill."

The tax plan passed by the House and Senate in August called for extending six expiring corporate tax preferences, generally for five years, at an estimated total cost of \$20.9 billion. The six include:

- # \$13.1 billion to extend the corporate research and experimentation tax credit for five years, retroactive to July 1, 1999. This credit has the effect of making the effective tax rate on research investments less than zero (that is, such investments are more profitable after tax than before tax). This provision would be especially lucrative for highly profitable technology companies such as Microsoft, which would be rewarded for doing what they would do anyway.
- # \$5.7 billion for five years of foreign tax-haven shelters for multinational banks, insurance companies, and automakers such as General Motors. The measure would extend an expiring 1997-enacted loophole that lets these companies exclude offshore "active financing" profits from their U.S. taxable income.

- # \$534 million for five years of tax credits for producing energy from wind and biomass. Large agricultural producers such as Tyson Foods and Perdue Farms would be among the primary beneficiaries of this tax break, which would provide tax credits for producing energy from (among other things) chicken excrement.
- # \$180 million for five years of tax breaks for “marginal” oil and gas properties.
- # \$1.4 billion for two-and-a-half more years in tax credits for low-wage-paying employers who hire certain under-skilled or undereducated employees (the “work opportunity tax credit” and the “welfare-to-work” credit).

A Billion Here, A Billion There . . .

Archer called the cost of extending the corporate tax breaks—\$20.9 billion over five years as passed by the House and Senate—“a very small number.” Ways and Means Committee member Jennifer Dunn (R-Wash.) echoed Archer’s assessment, saying, “That’s not a lot of money.”

Testing the “Bulworth” Theory of Tax Policy?

“Of course, to pass their ‘essential’ corporate tax agenda, Republicans will need help, probably from Democrats in Congress and certainly from President Clinton,” noted Citizens for Tax Justice director Robert S. McIntyre. “So we’ll soon get some new evidence about whether the seemingly deranged politician in the movie Bulworth was right to claim that both parties are controlled by corporate special interests.”

A table detailing the Joint Committee on Taxation’s cost estimates for the “corporate extenders” in the tax plan passed by the House and Senate in August follows:

Corporate “Extenders” in the 1999 GOP Tax Plan

(As Passed by the House and Senate in August. Fiscal Years, Cost in Millions of Dollars)

Provision	Expires	Extended	2000	2001	2002	2003	2004	2005	5 years*
R&E tax credit	Jun-99	5 years	\$-1,657	\$-1,853	\$-2,226	\$-2,537	\$-2,238	\$-1,340	\$ -13,115
Tax-haven financial profits	Dec-99	5 years	-187	-827	-992	-1,190	-1,369	-1,156	-5,721
Chicken excrement, etc.	Jun-99	5 years	-9	-25	-42	-57	-63	-65	-534
Marginal oil properties	Dec-99	5 years	-23	-35	-36	-36	-37	-13	-180
Work opportunity tax credit	Jun-99	2.5 years	-229	-321	-293	-151	-58	-19	-1,074
Welfare-to-work tax credit	Jun-99	2.5 years	-49	-77	-79	-47	-19	-7	-280
Totals			\$-2,154	\$-3,138	\$-3,668	\$-4,018	\$-3,784	\$-2,600	\$ -20,904

*5-year totals include \$1.5 billion in effects past fiscal 2005, from credits generated in 1999-2004, but used later.