

HAVE I GOT A DEAL FOR YOU

It's been observed that to find who has the most power in a society, you need only look to see who does not pay taxes. The touted Bush tax breaks, once the window dressing is removed, are exposed as a public giveaway to those who already have the most.

America's system of federal income taxation is founded upon voluntary compliance with the law, and the only reason it has a chance of working is that all are expected to pay their fair share. At least you and I do, because our taxes are deducted from our paycheck, or we're afraid we'll go to jail if we fudge on our deductions. But what about the big guys?

Well, it all depends on whom you know and how much you pay in political contributions to you-know-who. In 1995, 84 millionaires filed tax returns on which they owed no income tax, and 17 percent of the 7,500 corporations having assets of over \$250 million paid no taxes at all.¹⁷⁷

Things haven't gotten any better. Between 1996 and 1998, 50 of our mega-corporations, including AT&T, Bristol-Myers Squibb, Chase Manhattan, Enron, ExxonMobil, General Electric, Microsoft, Pfizer, Philip Morris, and WorldCom, failed to pay any federal income taxes at all.¹⁷⁸ None! One reason they didn't have to pay taxes was because they received \$55 billion in tax breaks during the same period. Their cost? A mere \$150 million and change in political contributions between 1991 and 2001. How much income tax do you pay each year?

The Halliburton Corporation, through the use of offshore subsidiaries, evaded paying any income taxes during five of the six years that Dick Cheney was its CEO, even though it received over \$2.3 billion in government contracts. For this, Cheney was paid \$36 million in salary, bonuses, and stock options during his last year on their payroll.¹⁷⁹ What's your annual income?

Perhaps it all depends on who is in charge of collecting the taxes. Bush's new Treasury Secretary is John Snow, who last

worked for CSX Corporation as its CEO.* He apparently did a good job because CSX paid him over \$10 million in his last year. Why was he worth so much? Perhaps it's because CSX received \$122 million in tax rebates and didn't have to pay any taxes in 2000 or 2001.¹⁸⁰ Perhaps Snow can lend you and me a hand. But don't hold your breath.

In 1995, Congress, under the leadership of Newt Gingrich, passed a "tax reform" act that makes the Internal Revenue Service increasingly concentrate its attention on the working poor, rather than the lazy rich. By 2001, audits of the working poor had increased by 48.6 percent, and those applying for the Earned Income Tax Credit had a one-in-47 chance of being audited. Those earning over \$100,000 have only one chance in 208 of getting a call from the taxman, although there are naturally far fewer of them.¹⁸¹ Between 1993 and 2002, the number of civil fraud penalties against corporations fell by two-thirds, from 555 to 159.¹⁸²

In November 2002, the White House prohibited Charles Rossotti, the head of the IRS, from telling Congress that the IRS needed a major increase in enforcement agents because it was "steadily losing the war with tax cheats, especially the wealthiest and most sophisticated among them." He wanted to alert Congress that by investing an additional \$2 billion in enforcement, they could get back more than \$70 billion.¹⁸³

It gets worse. Eighty-five percent of us lost real net worth between 1983 and 1997, as 80 percent of our wealth was shifted into the pockets of the top 10 percent. The 13,000 richest families in America have more assets than its poorest 20 million people. Another way to look at it is to see the top one percent of households holding nearly 40 percent of America's wealth, which is just about equal to what the bottom 95 percent of all households share.¹⁸⁴

To fairly distribute wealth in its democratic society and to avoid concentrating its wealth in an economic elite or royalty,

* Bush fired his first Treasury Secretary, Paul O'Neill, after he publicly questioned the wisdom of Bush's proposed tax cuts in the face of increasing deficits.

America has relied upon: (1) a progressive income tax, whereby those who earn more pay a higher percentage of taxes on their income; (2) an alternative minimum tax on income for high earners who claim no real income (after adjustments); (3) a capital gains tax that considers investment capital to be “working,” and imposes a tax on its income resulting from interest, dividends and appreciation; and (4) an estate tax that imposes a tax upon the estates of the very wealthy. Since the working poor don’t earn much income, have little investment capital, and do not leave large estates, they rarely think about these matters. But rich folks do. They think about them all the time. They don’t think the tax system is fair, and they pay massive political contributions, primarily to Republicans, to get rid of those taxes that keep them from getting all the marbles.

Almost one third of working poor families, over 12 million, doesn’t think about income taxes because they don’t pay them. However, they do pay substantial payroll taxes for Social Security and excise taxes.* For a two-earner family making \$25,000 a year, this amounts to about \$3,825, including employer contributions. The economic elites resent that working folks don’t pay more. An editorial in the *Wall Street Journal* called those who only earn \$12,000 a year and who pay less than four percent income taxes “lucky duckies.”¹⁸⁵

So what happened to the middle class? They paid their taxes instead of making political contributions, they were forgotten by the politicians, they are fast disappearing, and nearly all their marbles have been swiped by the upper class.

As Plato said in *The Republic* over 2,300 years ago, “When there is an income tax, the just man will pay more and the unjust less on the same amount of income.”

A Tax Cut for the Wealthy

During the presidential campaign, when Vice President Gore predicted that Bush’s tax cuts would wreak havoc in Texas, Bush cutely replied, “I hope I’m not here to deal with it.”¹⁸⁶ Too bad

* Excise taxes are levied on a specific good or service, such as cigarettes, alcohol or fuel.

he wasn't. For when the projected budget surplus failed to materialize, the Texas legislature had to cut spending further. The Texas budget deficit is currently around \$10 billion and rising. Bush bragged, "The national spotlight gives us a chance to show how well limited government works. And together, we can show Washington how to handle a budget surplus." Well, that much, at least, he did, alright.

Bush promised to reduce taxes just like he had in Texas, and once he was elected, he set out to do just that. Unfortunately, just like in Texas, his tax cuts (or "tax relief" as he likes to say) primarily benefited the rich and caused untold harm to the rest of us.

In his first month in the White House, Bush proposed his "tax relief" package. He asked Congress to cut income tax rates, cancel the estate tax (he likes to call it a "death tax"), eliminate the marriage penalty (which taxes couples at a higher rate than they would each pay individually), double the child tax credit from \$500 to \$1,000, and extend it to those earning between \$110,000 to \$200,000 a year.¹⁸⁷

Bush promised that the cuts would help millions of the working poor to move up to the middle class, would prime the pump of a slowing economy, and avoid the breakup of family farms and the forced sale of small businesses upon the death of their owners. And, he said, just like he had in Texas, not to worry, there was an adequate surplus to cover the cost and to have enough money left over to pay for existing and new programs. These were all lies, but it sure sounded good.

Bush said that his plan would "reduce taxes for everyone who pays taxes" and that "the bottom end of the economic ladder receives the biggest percentage cuts" from his tax package. He promised that the poorest "six million families, one out of every five families with children, will no longer pay federal income taxes at all under our plan."¹⁸⁸ All lies and misrepresentations.

In fact, those earning over \$147,000 annually (the top five percent) would receive almost 53 percent of the benefit, and the top one percent, with incomes over \$373,000, would receive 45

percent of the tax relief once all cuts were made. At the same time, the bottom 20 percent, who earn less than \$15,000, would receive less than a one percent cut, and the bottom 40 percent, earning less than \$27,000, would be “relieved” by only 4.3 percent.¹⁸⁹

Because of the increase in the child tax credit, Bush promised, “We will return \$1,600 to the typical American family with two children.” Since a “typical” American family didn’t earn the \$39,200 a year required to get the full \$1,600, eighty-five percent of families didn’t get the “relief.” However, since the credit was to be extended to families earning between \$100,000 and \$220,000, nearly half of its benefit went to the top 20 percent of earners.¹⁹⁰

Let’s talk about Bush’s “death tax.” He said, “To keep family farms in the family, we’re going to get rid of the death tax.” A complete lie. A review of 1999 Internal Revenue Service returns found “almost no working farmers” owing estate taxes. The reason was that under existing tax laws, a married couple could already pass along a family farm worth up to \$4.1 million to their children, as long as they agreed to work the property for 10 years. The average value of a farm in Iowa (a state with a lot of farms) was only \$1.2 million.¹⁹¹

So why the big “whoop-de-do?” The estate tax only applied to the top 1.9 percent of estates, because to qualify they had to be valued in excess of \$675,000, and the amount was already scheduled to increase to \$1 million in 2006. Nor did the tax apply to estates left to spouses, and a married couple could leave an estate of \$1.35 million (up to \$2 million in 2006) to their children without taxes.¹⁹²

The reason Bush pushed this “relief” is that the estate tax would have brought in an estimated \$300 billion over the ten-year period of tax cuts.¹⁹³ Yep! It’s not a typo, \$300 billion, paid only by the super rich, the top 1.9 percent of Americans. That’s why they laid out the big bucks to elect Bush; they demanded a return on their investment, and the rest of us will pick up the tab.

The outgoing Clinton administration estimated it was leaving a multi-trillion-dollar tax surplus over the next ten years, and it had actually reduced the national debt for the first time in modern history.¹⁹⁴ Bush's last big lie was that there was enough of a surplus over the next ten years to pay for his tax relief. He promised to not touch the Social Security surplus and said that, after the cuts, there would still be "almost a trillion dollars ... for additional needs." He joked, "My plan reduces the national debt ... so fast, in fact, that economists worry that we are going to run out of debt to retire." Just like in Texas, he overestimated the surplus at \$3.1 trillion and low-balled the cost of the tax cuts at \$1.6 to \$1.8 trillion.¹⁹⁵

In April 2001, President "What, me worry?" Bush promised, "We can proceed with tax relief without fear of budget deficits, even if the economy softens." He predicted a \$125 billion surplus for the year. In May 2001, the Republican-controlled Congress passed and Bush signed the measure that reduced the government's income from taxes by a total of \$1.65 trillion over the next 10 years.

In August 2001, the Congressional Budget Office (CBO) confirmed what many had feared. Because of the declining economy and Bush's tax cuts, the year's surplus had disappeared. The CBO estimated the year's deficit at \$9 billion; to cover the difference, the government would have to dip into the Social Security surplus.¹⁹⁶ So much for Bush's promises, and, as he told the Texans, he sure showed us how to handle a surplus.

What did Bush do? He lied, naturally: "I've said that the only reason we should use Social Security funds is in case of an economic recession or war."¹⁹⁷ When did he say this? What he had said, over and over, was that his cuts would not contribute to deficits and that they would not threaten the Social Security surplus.

Did you get \$1,600 from the tax cuts? What percentage of your salary goes to pay income and payroll taxes? You're not stupid! Get the truth.

Another Tax Break for the Rich and Richer

In 2003, President Bush took another run at getting rid of some ugly taxes that were troubling his constituency. This time he took aim at the capital gains tax. His father had tried to get rid of it when he was president, but he wasn't as slick as his son. Bush Jr. called for the elimination of the tax on "dividends," and said that it was to benefit the elderly.

The overall proposal called for cutting taxes by \$726 billion over the next 10 years. It included the dividend tax cut (which accounted for half) and an acceleration of other cuts included in the previous year's legislation. These cuts had been scheduled for 2004 and 2006, and included early implementation of the expanded child tax credit and elimination of the marriage penalty.¹⁹⁸

Bush claimed "These tax reductions will bring real and immediate benefits to middle-income Americans. Ninety-two million Americans will keep an average of \$1,083 more of their own money." However, Bush was again playing word games with "average." Only about 20 percent of tax payers would get that much. Almost half would receive less than \$100.¹⁹⁹

Bush said he wanted the dividend tax eliminated for "the good of our senior citizens." However, what he didn't say was that, while it was true that 41 percent of the reduction would go to people over 65 years, three-quarters would go to those earning over \$75,000, and 40 percent would go to the top 2.5 percent, those earning over \$200,000. Another estimate gave 70 percent of the cut to those earning over \$133,000.²⁰⁰ In fact, the proposal would do little or nothing to aid most of the elderly in America, over half of whom would live in poverty if it was not for Social Security.²⁰¹ But again, it sounded good.

To those who questioned his proposal, Bush retorted, "Oh sure, you hear the typical class warfare rhetoric, trying to pit one group of people against another." He had earlier said that he expected critics to "turn this into class warfare."²⁰² What else would you call tax cuts for the richest of the rich, which shove more and more of the tax burden onto the working- and middle-class?

Bush blamed Congress for the need to accelerate reductions in tax rates that had been scheduled for the future in his first tax cut, saying that Congress had decided to phase them in over "three or five or seven years. If the tax relief is good five years from now, it makes a lot of sense to put the tax relief in today." However, the year before, he had said, "The tax relief package that I talked about in the campaign was phased in based upon projections so we wouldn't run a deficit."²⁰³ Which was the truth, and which was the lie?

In April 2003, the Congressional Budget Office predicted a record \$400 billion deficit for the year, and it predicted that Bush's tax cuts were "unlikely" to stimulate the economy.²⁰⁴ No matter, on May 23, the Republican-controlled Congress passed a \$320 billion tax cut plan that reduced the tax on most dividends and capital gains to 15 percent. This reduction composed almost half of the tax cut.

The program contained several accounting deceptions, and it has been estimated that the true cost of Bush's new round of tax cuts will fall between \$800 billion and \$1 trillion.²⁰⁵ All for what? In the 2003 tax cut, half of the families in America got only \$100 or less; however, those earning over \$1 million each walked away with \$93,500. Bush personally pockets an extra \$11,000 this year; his top contributors Charles Cawley, CEO of the MBNA Bank, saves \$276,000 and William MaGuire, CEO of United Health Group gets to keep \$329,000.²⁰⁶ How much did you get?

In an editorial, the *Washington Post* noted that "Whatever relief such measure will provide, it cannot offset the enormous damage that will be done to low-income families and low-income children over the next few years. ... The effective federal tax rate on households earning more than \$416,000 will have fallen from 32.7 percent when Bush took office to 26.9 percent by 2010, while their share of federal taxation will have dropped from 24.3 percent to 22.8 percent. ... Conservatives and liberals alike agree that Bush's tax policies have shifted more of the tax burden to the middle class."²⁰⁷ This was obviously what Bush wanted to do, but was it what you wanted him to do? Perhaps you can now see why more and more of the marbles are ending

up in the bags of the upper class, and the rest of us are working harder for less.

On January 28, 2003, in his State of the Union address, Bush stated, "We will not deny, we will not ignore, we will not pass along our problems to other Congresses, to other presidents, and other generations."²⁰⁸ Well, who the heck does he think is going to clean up the mess resulting from his tax cuts? Perhaps he really doesn't have a clue. Whenever he hit a dry hole in the oil patch, his father's wealthy friends or his Saudi and bin Laden connections always came along and bailed him out. Who's going to do it this time? Who else? You and me, our children, and our grandchildren.

Do you believe that Bush was truly concerned about the elderly, or do you think he cares only for the rich and mighty? You're not stupid! Get the truth.

177. Ivins, op. cit., p. 42.

178. Ibid., p. 283.

179. Kellner, op. cit., pp. 16, 18.

180. Conason, op. cit., pp. 27, 28.

181. Ivins, op. cit., p. 42.

182. Alterman and Green, op. cit., p. 55.

183. Conason, op. cit., p. 28.

184. Ivins, op. cit., p. 44.

185. Hightower, op. cit., p. 39.

186. Zagorin, Adam, "When tax cuts hit Texas: Beyond the beltway." www.cnn.com/ALLPOLITICS/time/2001/03/12/texas, March 5, 2001.

187. Corn, op. cit., p. 79.

188. Ibid., p. 80.

189. Ibid., pp. 80, 81.

190. Ibid., pp. 83, 84.

191. Ibid., pp. 84, 85.

192. Ibid., p. 86.

193. Ibid.
194. Ibid., p. 87.
195. Ibid., p. 88.
196. Ibid., pp. 90, 91.
197. Ibid., p. 91.
198. Ibid., p. 243.
199. Ibid., pp. 243-245.
200. Ibid., pp. 245, 246.
201. <http://www.concordcoalition.org/entitlements/justgenintro.pdf>.
202. Corn, op. cit., p. 248.
203. Ibid., p. 252.
204. Ibid., p. 256.
205. Ibid., pp. 258, 259.
206. "Polls: Americans Not Buying Bush Tax Cut Rhetoric," *The Daily Mis-Lead*, April 15, 2004, daily.misleader.org/ctt.asp?u=1218302&l=29034.
207. Corn, op. cit., p. 262.
208. Ivins, op. cit. p. 38.