

Tax Provisions in The Democratic Stimulus Proposal

Jeff Rohaly, Leonard E. Burman

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The Democratic alternative, announced yesterday, would provide a one-time rebate to working people similar to the program implemented in 2001, but available without regard to tax status. The tax provisions proposed by the Democrats would cost \$90 billion in 2003 and \$59 billion over ten years.

Summary of Provisions 1

1. Provide one-time \$300 rebate for singles and \$600 for couples.

- Individual taxpayers would receive rebates of ten percent of wages and self-employment earnings up to a maximum of \$600 for married couples filing jointly and \$300 for other tax filers.
- The provision is refundable, meaning that individuals receive the relief even if they have no income tax liability.
- In 2003, the middle 20 percent of taxpayers would get 19 percent of the benefit of this proposal, the bottom 20 percent would get 13 percent and the top 20 percent would get 28 percent.
- 1 percent of benefits would accrue to the top 1 percent of taxpayers.

Cost: \$58 billion in CY 2003

\$58 billion from FY 2003 to 2013

2a. Increase expensing limit for small businesses

- Increase the amount of investment by small business that may be deducted currently (instead of amortized) from \$25,000 to \$50,000, starting in 2003.
- The expensing limit would be reduced dollar for dollar with income above \$200,000, as under current law.

2b. Increase "bonus depreciation" in 2003 and reduce it in 2004

- Increase the portion of new investments that may be currently deducted (rather than amortized) from 30 percent to 40 percent in 2003. Reduce the percentage to 10 percent in 2004. Allow the provision to expire as scheduled after 2004.
- Note that this temporary provision applies to all businesses regardless of size.

Cost (for provisions 2a and 2b):

\$32 billion in CY 2003

\$1 billion from FY 2003 to 2013

Notes:

1. This summary is preliminary based on information available or inferred as of 1/7/03. Source for distribution estimates is Tax Policy Center; Source for revenue estimates is "Dear Colleague" letter from the House Democratic Leader.

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- [Jeff Rohaly](#)
- [Leonard E. Burman](#)

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