
House “Stimulus” Money Grab

One of the features of post-Sept. 11 initiatives has been the effort of powerful companies to enhance their wealth and influence. The following article outlines some of the beneficiaries of the House-passed tax-cut bill designed to stimulate the economy after Sept. 11. In late November, the Senate was still debating its version of the bill, with Republicans holding out for a benefits package similar to the House bill.

BY CITIZENS FOR TAX JUSTICE

The “stimulus” tax-cut bill approved by the House calls for some \$25 billion in immediate tax rebates to large profitable corporations that paid the low-rate “alternative minimum tax” over the past decade and a half because loopholes cut their regular income tax bills to little or nothing.

Some \$7.4 billion of these corporate rebate checks would be made out to just 16 tax-avoiding Fortune 500 companies—each of which would get more than \$100 million in rebates. These companies reported a total of more than \$42 billion in pretax U.S. profits last year. [*New York Times* columnist Paul Krugman noted Oct. 31 that many of those who will benefit from the House bill are based in or near Texas and are in the energy or mining businesses. Above all, Krugman wrote, “the big winners in all this seem to be

companies that gave large, one-sided donations to the Republican Party in the last election.]

Topping the list of beneficiaries in the House bill is IBM, which is slated to get a \$1.4 billion rebate check. Ford is next at \$1 billion, followed by General Motors at \$833 million, General Electric at \$671 million, TXU (Texas Utilities) at \$608 million, DaimlerChrysler at \$600 million, and ChevronTexaco at \$572 million.

The 16 low-tax companies that would get more than \$100 million each under the GOP-backed bill include five in the energy business, along with the three largest U.S. automakers. Two companies are in the airline industry, which is receiving \$15 billion in grants and loans under already passed legislation.

The bill’s proposed total of \$25 billion in instant rebates for profitable tax-avoiding corporations is almost twice as big as the \$13.7 billion in added individual rebates that the tax committee decided to provide to 37 million, mostly low-income families and whose 2000 earnings were too low to qualify for the previous round of personal tax rebates.

Under the bill, the AMT would be repealed (to facilitate future tax sheltering) and corporations would be entitled to an immediate rebate of any alternative minimum tax paid since the tax was established in 1986. In contrast, under current law, a company that pays the AMT can get a refund in a later year

only if its regular income tax payments exceed the AMT that year. Many profitable companies have so many loopholes that they never pay enough in regular income taxes to use these “AMT credit carry forwards.” ■

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Teaching Ideas

Ask students to make a list of all the groups of Americans hurt by the Sept. 11 attacks on the Pentagon and World Trade Center. Ask: Which of these groups will benefit by the “stimulus” tax-cut bill? Which will not?

Divide the class into pairs. Assign to each group one or two of the 16 corporations that will receive at least \$100 million in tax rebates. Working on the internet, each pair should research and write up a brief profile of its corporation, including net profit in 2000 and salary of top executives (if available). What is a rationale for why this company would deserve a rebate of over \$100 million? What is a reason why this company does not deserve such a rebate?