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April 14, 1980

from

LANE KIRKLAND, Chairman THOMAS R. DONAHUE, Secretary-Treasurer ALEXANDER E. BARKAN, National Director

Challenge to Congress and Administration

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How About Taking on a Real Fight?

Why are Congress and the administration looking in the wrong direction?

There they are, girding to whack the bejabbers out of needed people-helping programs to reach this year's Holy Grail, a balanced federal budget, and slay thereby—they think—the dragon of inflation.

Why are they ready to flail away at the helpless? Why don't they turn around and take on a real fight that would go further toward balancing the budget and arresting the inflation rate and be fairer in the process?

Why don't they take on the big guys instead of the little guys? Perhaps because they don't have the stomach for it. As AFL-CIO President Lane Kirkland has said, they furrow their brows, thrust out their jaws and talk about making "tough" decisions in the budget-cutting, but the "tough" decisions all fall against the weakest among us. Their "budget act" avoids the real battle and keep the heat off them.

Okay, what big guys should they really take on and how would that help balance the budget, without sacrificing important and necessary social programs? The tax-avoidance big guys should be their target. Taking them on would help balance the budget and retain essential programs by providing substantially greater revenue—like about $25 billion a year.

In other words, why not take the rich and the corporations off the welfare rolls?

Following is a little bit of background on all this and specific AFL-CIO proposals in the tax field that make a lot more sense in moving toward a balanced budget than the present effort to get there by slashing, for example, the food stamp program, certain social security benefits, revenue sharing, urban grants, public service jobs, youth employment programs, mass transit, vocational education:

(Continued on Page 2)

Congrats—You Pay Higher Tax Than Big Oil

Taxwise, you're in a pretty fast league. You pay a higher tax rate on your income than big oil firms do on theirs. Congratulations.

Here's approximately the rate you and other workers pay at three earnings levels:

- **At $15,000 a year, 10 percent;**
- **At $20,000 a year, 13½ percent;**
- **At $25,000 a year, 20 percent.**

By contrast, following is what some of the big oil companies paid in 1977 (latest available figures) in effective U.S. taxes as a percentage of their worldwide income, also noted:

- **Exxon 7.4 percent on $7.7 billion;**
- **Mobil 2.5 on $4.3 billion;**
- **Texaco 6.3 on $1.6 billion;**
- **Gulf 6.3 on $2.2 billion**
- **Atlantic Richfield 1.3 on $908 million;**
- **Marathon 6.6 on $755 million;**
- **Occidental .9 on $887 million;**
- **Union (Calif.) 8.1 on $550 million.**

More contrasts (still 1977 figures):

- **17 corporations with combined earnings of $2.1 billion paid no federal income taxes.**
- **38 corporations with combined earnings of $33.7 billion paid less than 10 percent in taxes.**
- **A handful of the major banks—now pulling in 20 percent plus on money they loan—paid only 7.1 percent on $2.5 billion in earnings.**
- **AT&T earned $7 billion and paid at a tax rate of only eight percent.**
- **142 firms from the Fortune 500, with combined income of $87.8 billion, paid an effective tax rate of only 17.8 percent, less than the rate paid by a family of four with income of $20,500 a year. (The statutory corporate rate is 48 percent.)**

Tax Reform Would Solve Budget Ills

(Continued from Page 1)

Background

One of the major culprits in unbalancing the federal budget has been the existence of tax loopholes and special preferences benefiting corporations and wealthy individuals. Each year these gimmicks keep from the treasury billions of dollars in badly needed tax revenues necessary to fund government and its programs.

For example, in 1977 over $14 billion in revenue was lost because of one such tax escape—the capital gains loophole. This alone was only $2 billion less than the federal deficit proposed by President Carter in his 1981 federal budget. Over two-thirds of this break—$9.5 billion—went to persons earning over $50,000 or 1.4 percent of all taxpayers. This same group received 85 percent of the $1.7 billion in tax loss resulting from the tax exemption of interest earnings on state and local municipal bonds.

To illustrate the extent of loophole giveaways in 1975, the Treasury found that 230 persons who earned over $200,000 paid not one cent in federal income taxes.

Concerning corporations, because of a wide variety of other tax contrivances, the share of the federal taxes they pay has slipped from 35 percent in the late 1960s to 23 percent by 1978. Yet these privileged groups are those that yell loudest and longest for a balanced federal budget while their share of taxes slips each year, forcing working people to shoulder more and more of the nation's tax burden.

Domestic Tax Preferences

The AFL-CIO has long supported a wide-ranging program of loophole-closing tax reform which will provide tax justice and at the same time increase revenues to fund essential federal programs, help achieve a balanced federal budget and lighten the tax load on working people. Among these reforms are:

► 1. Termination of the capital gains loophole which benefits primarily wealthy investors and speculators. This tax preference was widened in 1978 and, as a result, 60 percent of the profits from the sale of stocks, bonds, real estate, or other assets are tax exempt. Nearly two-thirds of the over $10 billion revenue loss goes to the wealthiest one percent of the nation's taxpayers.

Revenue gain—over $10 billion annually.

► 2. Limit the lower tax rate that applies to the first $100,000 of corporate income solely to small corporations. Although this 1978 change was justified as a measure to help small business, the major beneficiaries are the larger corporations as the first $100,000 of income of all corporations is subject to a maximum effective rate of 26.8 percent.

Revenue gain—$3 billion.

► 3. An end to the opportunities for wealthy speculators to avoid taxes through investing in mineral exploration, oil drilling, motion picture, equipment leasing, hobby farming and other tax shelter devices.

Revenue gain—$1 to 3 billion annually.

► 4. Elimination of the "maximum tax provision" which benefits only individuals with high incomes from fees and salaries.

Revenue gain—$700 million annually.

Multinational Tax Breaks

Tax privileges available to the overseas operations of U.S. multinational corporations must also be ended. These tax loopholes have resulted in huge revenue losses to the U.S. Treasury, and more importantly have subsidized the export of American jobs, U.S. capital, technology and know-how. A 1975 study showed that 11 major multinational firms with earnings in excess of $1.1 billion paid no federal taxes. The AFL-CIO recommends a phase-out of three major tax loopholes which, if ended, would raise over $9.8 billion in the first year. These tax reforms are:

► 1. An end to the foreign tax credit provision which allows U.S. corporations to credit foreign income taxes on a dollar-for-dollar basis against their U.S. tax liability. Income taxes paid by U.S. corporations to foreign governments, and royalties paid by energy companies, should be treated as costs of doing business just like the taxes paid to state and local governments. As such, these payments should be treated as a deduction.

Revenue gain—$8 billion annually.

► 2. Eliminate the Domestic International Sales Corporation (DISC) an exemption allowing multinational companies to set up dummy subsidiaries in the U.S. to handle export sales. The corporations are permitted to defer payment of U.S. income taxes on a third of export sales profits. There is no evidence that this tax subsidy has increased their exports, but rather these companies have simply increased their net profits after taxes shifting more of the tax burden on to American wage-earners.

Revenue gain—$1.3 billion annually.

► 3. An end to the deferral privilege which allows multinational corporations to defer U.S. income tax payments on the earnings of foreign subsidiaries until such profits are brought home, which may be never.

Revenue gain—$500 million annually.

Reagan Pushes Trickle-Down Tax Scheme

Ronald Reagan has just about established a lock on the Republican presidential nomination. Prominently named as a potential vice presidential running-mate is Rep. Jack Kemp (N.Y.) With the tax season fresh in mind, now's as good a time as any to look at them as a team from the standpoint of taxation.

Along with Sen. William Roth of Delaware, Kemp for more than two years has been pushing a tax-cut plan, the Kemp-Roth proposal. Reagan has adopted it and is campaigning on it. He thinks it's great.

The Reagan-Kemp-Roth tax scheme calls for an across-the-board 30 percent slash in federal taxes for individuals, plus a cut in the corporate tax rate from the statutory 48 percent (which hardly any corporations actually pay) to 45 percent (which hardly any of them will pay).

What the individual cuts translate out to in hard dollars is this:

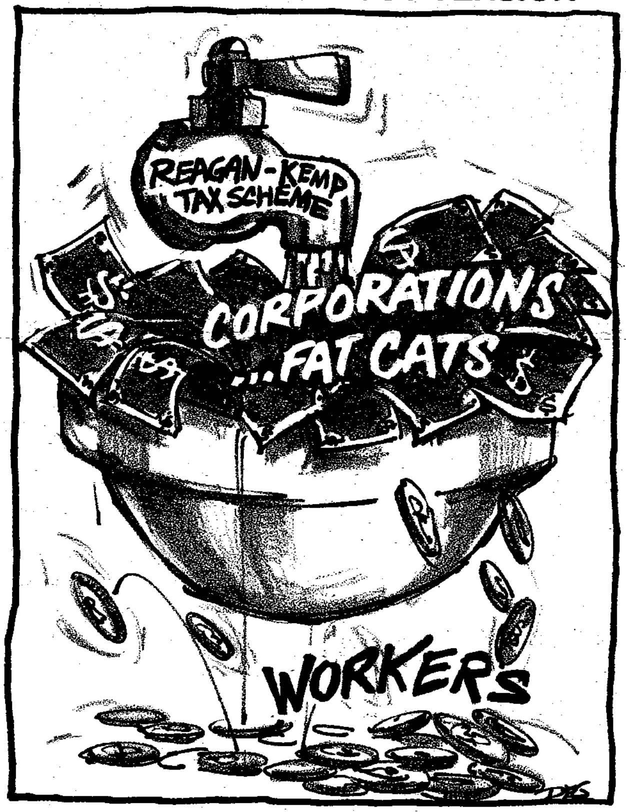
- **A family of four earning $10,000 a year would get a tax cut of $228.**
- **At $20,000 a year, the family of four's tax cut would be $792.**
- **For the $100,000 earner, the tax cut would be a whopping $8,700.**

Let's see what that amounts to on a weekly basis:

- **For the $10,000 income family, it adds up to $4.38 a week, enough for a couple of pounds of hamburger at today's prices.**
- **For the $20,000 family, it would be $15.23 a week, a nice sum but hardly a bonanza.**
- **The $100,000 family would realize a cash tax cut of $167.30 a week about $40 *more* than a worker on minimum wage gets for 40-hours work.**

Under the Reagan-Kemp-Roth plan, nearly 50 percent of *all* tax cuts would go to persons earning $30,000 and up, less than 12 percent of all taxpayers.

TRICKLE DOWN: 1980 VERSION



Court Voids Fine, Cites AFL-CIO Good Faith

A federal appellate court concluded that a technical violation of the Federal Election Campaign Act by the AFL-CIO was unintentional and understandable, and cancelled a $10,000 fine that had been levied by a district court judge in 1978.

The unanimous decision by a three-judge panel of the U.S. Court of Appeals for the District of Columbia Circuit was the aftermath of a suit brought by the Federal Election Commission against the AFL-CIO.

It stemmed from a past practice of allowing voluntary political funds to be loaned to the dues-supported COPE Education Fund when not immediately needed, to be used for non-partisan voter registration drives and other permitted uses. The funds were always repaid to the political account for use in partisan campaigns, and the transactions were regularly and fully reported.

After a complaint brought by the National Right to Work Committee, the FEC ruled that the fund transfers were illegal and filed a suit in federal district court, although agreeing that there was no "malfeasance" on the part of the AFL-CIO.

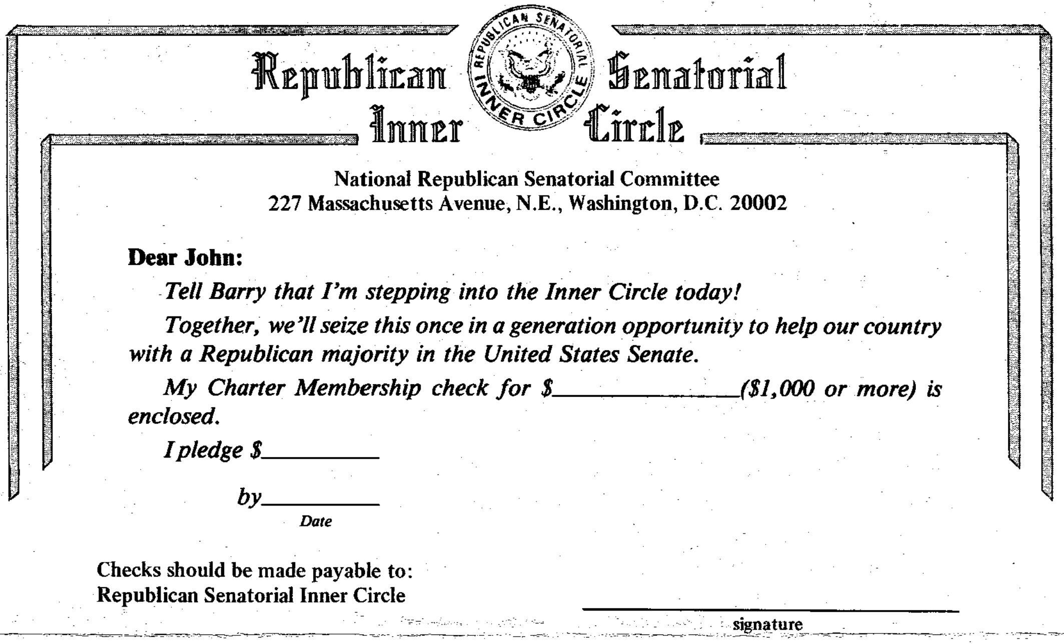
U.S. District Judge George Hart, Jr., who heard the case, allowed the AFL-CIO to put the two accounts in order but levied a $10,000 fine for past technical offenses.

The appeals court, however, said the fine was not justified because the law had clearly been breached by an "understandable" mistake, "there was no intentional wrongdoing," no attempt to conceal the transactions and the AFL-CIO agreed readily to change its system when it was ruled improper.

It noted that past audits by the General Accounting Office had raised no question about the fund transfer policy.

"The fact that the AFL-CIO was routinely reporting the interfund transfers to the very agency charged with enforcement of the Act is persuasive evidence of a lack of intent to violate the Act's prohibitions," the appellate court said.

If you can't join their Inner Circle, join COPE's— it costs you $998 less



Republican Senatorial Inner Circle

National Republican Senatorial Committee
227 Massachusetts Avenue, N.E., Washington, D.C. 20002

Dear John:

Tell Barry that I'm stepping into the Inner Circle today!

Together, we'll seize this once in a generation opportunity to help our country with a Republican majority in the United States Senate.

My Charter Membership check for $__________($1,000 or more) is enclosed.

I pledge $________

by________
Date

Checks should be made payable to:
Republican Senatorial Inner Circle

____
signature

The photo above is part of a fund-raiser sent out by the Republican Senatorial Committee. The "Dear John" is addressed to Sen. John Heinz (Pa.) as chairman of the committee. The "Barry" is Sen. Barry Goldwater who signed a fund appeal for it.

The "Inner Circle" offers all sorts of goodies—like cocktail parties and buffets—to anyone who kicks in $1,000-$5,000 to join. In fact, the brochure accompanying Goldwater's letter and the pledge slip pictured above reached a new high in stressing the access big contributors purchase with a fat donation.

They receive, for example, "a clear channel to every Republican in the United States Senate", including a "private Inner Circle telephone number". They will be able to avail themselves of "personal relationships and personal contact (with) our Republican Senators".

And they will get what all good citizens want to get, a chance to give an earful to elected officials, for: "Inner Circle members will periodically be asked to advise *us* about important issues . . ."

The "Inner Circle" funds will be earmarked for use in campaigns against incumbent Democrats like John Culver (Iowa), Birch Bayh (Ind.), Tom Eagleton (Mo.) and others. Contributors are even asked to grade Democratic incumbents on a "Danger Rating Scale" which asks them to single out those Democratic Senators who "are the greatest danger to America".

The "Inner Circle" doesn't promise to stick these "threats" to our nation into a public pillory or to try them for treason, but it does promise to use whatever funds it collects to defeat them at the polls.

There's no telling how many fat cats will join the "Inner Circle" by contributing, but there's one way to help offset them. That is to join the "COPE Inner Circle". We don't promise you a private phone number or cocktail parties and buffets.

But if you join *our* Inner Circle you'll be helping save some good friends in the Senate from *their* Inner Circle.

And besides, since it's only $2 for COPE to join our Inner Circle, it's $998 cheaper.

Contribute to COPE.

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