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POLITICAL DONORS PROFITEERING IN THE NAME OF ECONOMIC STIMULUS

STIMULUS LEGISLATION IS LOBBYING OPPORTUNITY OF A LIFETIME, SAYS COMMON CAUSE

As debate on economic stimulus legislation moves from the House to the Senate, a relatively small number of large soft money donors is poised for a significant windfall, according to a Common Cause analysis.

"Regular Americans are being told to go out and spend more to do their part to stimulate the economy," Common Cause President Scott Harshbarger said. "Big campaign donors, though, are being told that 'the check's in the mail.'

"It's easy for proponents of some of these measures to dress them up as credible remedies to the economic downturn brought about by the terrorist attacks. But there's nothing patriotic about profiteering in a time of national crisis. We have to distinguish between items that genuinely stimulate the economy and items that are just special-interest perennials that rear their head year after year."

What follows is the Common Cause analysis of some of the items in the legislation the House narrowly passed on Wednesday, and of the campaign donations of many of the legislation's potential beneficiaries.

DEMOLISHING THE AMT

The corporate Alternative Minimum Tax (AMT) was enacted as part of the 1986 Reagan tax reform package in order to prevent profitable corporations from escaping all tax liability. Companies were required to compute the taxes they owed under regular tax rules, and under AMT rules, which were stricter about certain tax deductions, such as depreciation. Companies had to use the calculation method that required them to pay the most in taxes.

Since it was enacted, major corporations have lobbied to gut or kill it the AMT. Over the years, these companies have succeeding in persuading Congress to weaken the law. Now that the House-passed bill eliminates the AMT entirely, these companies have taken a major first step towards AMT repeal.

Moreover, there are really two tax breaks here. The first is the repeal of the AMT tax. The second is making that repeal retroactive to 1986. That means that corporations now are immediately entitled to a refund on the alternative minimum tax they've paid over the past 15 years. That refund will total about $25 billion. This victory, noted the *Wall Street Journal*, was the result of "quiet and effective lobbying by U.S. multinational companies."

Just 14 corporations alone would get $6.3 billion of that rebate, according to Citizens for Tax Justice. IBM alone gets $1.4 billion, followed by General Motors, receiving $833 million, and General Electric, entitled to $671 million. Over the past 10 years, those 14 corporations gave nearly $15 million to the national party committee in huge soft money contributions. Supporters say that the AMT repeal and rebate will give an infusion of cash to struggling manufacturing firms and rev up the economy, but critics charge that the tax break will do little or nothing to encourage new business investment.

TOTAL SOFT MONEY CONTRIBUTIONS FROM SELECT COMPANIES TO NATIONAL PARTY COMMITTEES

From January 1, 1991 To December 31, 2000

Donor	Democrats	Republicans	Total	*Estimated Refund
Enron Corp	$990,690	$2,718,699	$3,709,389	$254,000,000
Chevron Texaco Inc	1,048,310	2,605,848	3,654,158	572,000,000
American Airlines	885,228	1,019,169	1,904,397	184,000,000
General Electric Co	524,409	793,378	1,317,787	671,000,000
United Airlines	671,777	516,377	1,188,154	371,000,000
Phillips Petroleum Co	147,075	728,800	875,875	241,000,000
General Motors	78,500	605,625	684,125	833,000,000
TXU Corp	40,000	365,000	405,000	608,000,000
CMS Energy Corp	105,300	275,635	380,935	136,000,000
DaimlerChrysler Corp	18,700	263,765	282,465	600,000,000
IBM Corp	150,000	85,000	235,000	1,424,000,000
IMC Global	10,000	67,500	77,500	155,000,000
Comdisco Inc	5,000	45,000	50,000	144,000,000
Westvaco	0	5,000	5,000	112,000,000
Total	**$4,674,989**	**$10,094,796**	**$14,769,785**	**$6,305,000,000**

*Source: Citizens for Tax Justice

EASING THE TAX BURDEN FOR MULTINATIONALS

Banks, investment firms and insurance companies have a temporary tax break that allows them to defer paying federal taxes on some profits from their foreign operations until those profits are returned to their home offices in the U.S. The tax break is scheduled to expire at the end of 2001, and President Bush had proposed extending the tax break for just one year. The House package makes this tax benefit permanent. Congress was particularly prodded on this by General Electric, which has foreign subsidiaries able to take advantage of this provision.

The long-term cost of making this tax break permanent is substantial. For example, over the course of a decade the repeal will cost the government more than $21 billion.

This tax break, supporters claim, will help U.S. businesses compete abroad. But critics, like Representative Pete Stark (D-CA), declared that the provision was downright "unpatriotic" because it would encourage companies to invest in foreign countries, to the detriment of their domestic operations.

TOP 10 SOFT MONEY CONTRIBUTORS FROM THE BANKING, INVESTMENT, AND LIFE INSURANCE INDUSTRIES TO NATIONAL PARTY COMMITTEES

From January 1, 1991 To December 31, 2000

Donor	Democrats	Republicans	Total
Merrill Lynch & Co Inc	$425,775	$1,836,525	$2,262,300
Citigroup Inc	919,340	1,242,564	2,161,904
Prudential Insurance Co of America	852,616	1,090,790	1,943,406
Lazard Freres & Co	1,372,882	529,200	1,902,082
Goldman Sachs	933,250	900,790	1,834,040
MBNA Corp	200,500	1,600,905	1,801,405
PaineWebber Group Inc	538,800	1,187,040	1,725,840
CS First Boston Corp	405,325	1,293,109	1,698,434
Morgan Stanley Dean Witter & Co	491,300	1,120,326	1,611,626
Bond Market Assn	622,152	986,427	1,608,579

Donor	Democrats	Republicans	Total
Banks, Investment & Life Insurance Industry Total	**$51,970,624**	**$80,093,243**	**$132,063,867**

SPEEDING UP THE CLOCK: HIGH-TECH'S GAIN VS. GOVERNMENT'S LOSS

Under current tax laws, when a business invests in new equipment, it depreciates the cost of that investment over anywhere from three to 25 years, depending on federal tax rules. The House-passed bill would give all businesses the chance to write off nearly one-third of their investment during the first year they own it. This temporary tax benefit is set to expire after three years.

For example, if a business acquired certain types of new equipment and software, sometime between September 11, 2001 and September 11, 2003 that cost $1 million, it could take a $300,000 depreciation deduction during the first year.

Representative Jerry Weller (R-IL), who arranged for 15 high-tech officials to meet with Ways and Means Chairman Bill Thomas (R-CA) on October 9, said that the 30 percent write-off will "be a big incentive to allow a business to recover the cost of investing in technology."

Supporters contend that this depreciation provision should encourage businesses to buy major equipment, benefiting both the companies that make the equipment and those who buy it. Supporters point out that its help to the technology industry, which has been the engine creating a large portion of jobs in the past decade, is vitally needed. This tax break will cost nearly $40 billion in 2002 alone.

But according to the Center on Budget and Policy Priorities, 44 states and the District of Columbia will also be hurt by this tax break, because they have tax rules that conform to federal rules on depreciation. Accelerating deprecation changes will cost states an estimated $5 billion a year in corporate tax revenues over the next three years.

TOP 10 SOFT MONEY CONTRIBUTORS FROM THE COMPUTER INDUSTRY TO NATIONAL PARTY COMMITTEES

From January 1,1991 to December 31, 2000

Donors		Democrats	Republicans	Total
Microsoft Corp		1,274,792	1,975,895	3,250,687
AOL Time Warner		782,750	821,455	1,604,205
Kleiner Perkins Caufield & Byers		944,722	404,440	1,349,162
Gateway Inc		378,000	705,141	1,083,141
Oracle Corp		454,485	552,475	1,006,960
Sterling Software		0	938,050	938,050
Northern Telecom Inc		344,300	479,487	823,787
Cisco Systems		213,500	545,633	759,133
Shimmon, David J	*CEO, Kinetic Systems*	740,000	705	740,705
Kirsch, Steven & Michele	*CEO, Propel & Spouse*	619,000	0	619,000

	Democrats	Republicans	Total
Computer Industry Total	**$18,973,981**	**$18,591,576**	**$37,565,557**

HOW'D THIS GET INTO A STIMULUS PACKAGE?

A funny thing happened to a Medical Savings Account (MSA) extender on its way to a health care bill. It got stuck in the economic stimulus package.

Golden Rule Financial Corp. and a number of other health insurance companies stand to benefit from a small provision in the stimulus package that extends for yet another year the life of a complex alternative to traditional health insurance. Medical Savings Accounts are tax-free savings accounts linked to high-deductible health insurance policies. (Ways and Means Chair Thomas is an MSA supporter and offered an amendment in August to patient protection legislation strongly endorsed by MSA interests.)

Consumer groups charge that if MSAs are allowed to exapand, only healthy people could take advantage of them, leaving more vulnerable individuals – the working poor, low-income elderly and chronically ill – to rely on traditional health insurance plans. If traditional health insurers can't spread the risk among healthy and chronically ill premium holders, health care costs will go up for most Americans.

TOTAL SOFT MONEY CONTRIBUTIONS FROM MSA INTERESTS TO NATIONAL PARTY COMMITTEES

From January 1, 1991 to December 31, 2000

Donor	Democrats	Republicans	Total
Golden Rule Financial Corp	$61,250	$1,230,720	$1,291,970
New York Life Insurance Co	303,800	604,575	908,375
Mutual of Omaha Insurance Cos	78,800	418,477	497,277
American Medical Association	127,468	276,023	403,491
Health Insurance Association of America	47,900	184,815	232,715
Blue Cross of California	0	182,375	182,375
Fortis Inc	0	159,500	159,500
Trustmark Insurance Co	0	14,000	14,000
Central States Health & Life Co of Omaha	0	3,500	3,500
Total	**$619,218**	**$3,073,985**	**$3,693,203**

METHODOLOGY

Soft money contribution figures in this report are based on national political party committee reports of their non-federal, or soft money, accounts filed with the Federal Election Commission (FEC) covering the period January 1, 1991 through December 31, 2000.

Under current law, corporations and labor unions are prohibited from making contributions in connection with a federal election, while individuals and political action committees (PACs) are subject to federal limits. The term ‘hard money’ refers to contributions that are legal under federal law for federal elections, while ‘soft money’ refers to contributions made outside the limits and prohibitions of federal law, including large individual or PAC contributions and direct corporate or union contributions.

National political party committees were required to disclose their soft money contributions beginning in 1991, after Common Cause filed a petition with the FEC challenging the way in which it was treating soft money.

For more information on the Economic Security and Recovery Act, contact the Common Cause Press Office at 202/736-5770.

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