Sen. Phil Graham's Analysis of the Clinton Economic Plan

Executive Summary

Bill Clinton's "Putting People First" economic policy would seize 2/3 of all profits earned by American Businesses either directly through increased taxes, or indirectly by mandating new business spending.

Analysis

There are 6 primary proposals that are in Clinton's economic plan:

1. An income tax increase on a certain percentage of American people.
2. A corporate tax increase - actually 5 additional types of taxes on American corporations.
3. A mandated worker training program that business will be required to fund.
4. A pay-or-play health care mandate.
5. A pay-or-play health care tax.
6. A parental leave mandate.

This analysis is done in the light of "what if" the Clinton Economic Proposal had been in effect during tax year 1991. Total US business profits in 1991 were 189.7 billion dollars.

Proposal 1

According to US Treasury figures 67% of the revenue paid by the top 2% of wage-earners in America is paid by small businesses and family farms. This is because many of them file as individuals under subchapter S of the IRS code. Recall that the tax code was changed in 1986 to allow small businesses to file as individuals rather than as corporations. Clinton's economic proposal raises taxes on the top 2% of wage-earners in the US - that is how he defines "the rich". So, because these small businesses and family farms took the option of being classified as individuals for tax purposes, they are now considered "rich" individuals instead of being small businesses. Because of Clinton's proposed hike in taxes on this 2% of the highest wage-earners in the US, these businesses will spend an additional 15.3 billion dollars in taxes. That figure is 8.1% of the total profits made by US businesses in 1991.

Proposal 2

In the 5 additional types of taxes on American corporations, Clinton's own figures indicate that they will raise $14.6 billion. That figure represents 7.7% of the 1991 US business profits.

Proposal 3

Clinton's proposed mandated worker training programs will require businesses to spend 1.5% of their payroll on worker training. That amounts to $28 billion or 14.8% of the 1991 US business profits.

Proposal 4
In the pay-or-play health care mandate, businesses would pay $36.4 billion per year in additional health care costs to comply with the "play" component. If they don't "play" they are taxed some "appropriate" amount that goes into a fund that is used to purchase health insurance.

Proposal 5
The other pay-or-play health care tax that is above and beyond the previously described mandate would require businesses to pay $29.7 billion per year in additional taxes to pay for government provided health care benefits.

Proposal 6
The parental leave mandate would cost businesses $1.2 billion per year.

Conclusion
Thus after Bill Clinton's "Putting People First" economic plan has been implemented, businesses will be required to spend $125.2 billion in order to comply with the mandates and tax increases demanded by that plan. This reduces what was a $189.7 billion dollar combined profit for all US businesses in 1991 to $64.5 billion after Clinton's plan is implemented (see table below).

In other words, Bill Clinton's "Putting People First" economic plan will require 66% of all US business profits.

Proposal #	Money Required to be Spent by Business	% of Total 1991 Business Profits ($189.7 billion)
1	**$15.3 billion**	**8.1%**
2	**$14.6 billion**	**7.7%**
3	**$28.0 billion**	**14.8%**
4	**$36.4 billion**	**19.2%**
5	**$29.7 billion**	**15.7%**
6	**$1.2 billion**	**0.6%**
Total	**$125.2 billion**	**66.0%**