

Administration proposal to accelerate income tax cuts would overwhelmingly benefit the wealthy

Facing growing public sentiment to delay or repeal future tax cuts to address our nation's economic and budget problems, the Bush administration is pushing for just the opposite. It wants to accelerate the scheduled 2006 reductions in the top income tax rates to 2002. If adopted, the measure would reduce revenues by \$120-150 billion over four years.

- Most of the new tax cuts would go to the richest one percent of all taxpayers, whose average 2002 tax cut would exceed \$16,000.
- Four-fifths of the tax cuts would go to the best-off ten percent.
- In contrast, for three out of four taxpayers, the administration's proposal would provide exactly zero in tax reduction.

"The administration's attempt to use the current crisis as an excuse for further tax breaks for the wealthy is economically indefensible and a slap in the face to ordinary, patriotic taxpayers who are willing to sacrifice for the good of America," said Citizens for Tax Justice director Robert S. McIntyre.

"Almost everyone understands that our economy needs both short-term stimulus to boost demand and long-term fiscal restraint to reduce current interest rates on mortgages and business investments," McIntyre said. "Showering new tax breaks on the wealthy would be ineffective as a demand stimulus, and would make our future fiscal problems even worse."

Accelerating the Bush income tax rate cuts to 2002 (Calendar 2002 effects at 2002 income levels)

Income Group	Income Range	Average Income	Tax cuts (\$-bill.)	% with tax cut	Average tax cuts*	% of tax cut
Lowest 20%	Less than \$15,000	\$ 9,600	\$ —	—	\$ —	—
Second 20%	\$15,000–28,000	21,500	–0.0	0%	–0	0.0%
Middle 20%	\$28,000–46,000	35,900	–0.3	14%	–11	0.8%
Fourth 20%	\$46,000–75,000	58,800	–2.6	39%	–98	6.6%
Next 15%	\$75,000–153,000	101,000	–8.8	82%	–445	22.7%
Next 4%	\$153,000–384,000	217,000	–5.7	64%	–1,075	14.6%
Top 1%	\$384,000 or more	1,137,000	–21.4	69%	–16,275	55.3%
ALL		\$ 60,500	\$ –38.7	26%	\$ –292	100.0%
ADDENDUM						
Bottom 60%	Less than \$46,000	\$ 22,300	\$–0.3	5%	\$ –4	0.8%
Top 10%	\$108,000 or more	263,000	–31.6	74%	–2,403	81.6%

Note: The proposal would accelerate to 2002 the income tax rate reductions scheduled to take effect in 2004 and 2006. As a result, in 2002 the top rate of 38.6 percent would drop to 35%, the 35% rate would drop to 33%, the 30% rate would go to 28% and the 27% rate would go to 25%. The 15% and 10% rates would not change. Minimum tax effects explain why a third of those in the top 5 percent get no tax cut.

*This column shows the average tax cuts for all taxpayers in each group, including those with no tax cut.

Source: Institute on Taxation and Economic Policy Tax Model

Citizens for Tax Justice, Oct. 5, 2001