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# How Many People Are Rich Enough to Lose Part of the Bush Tax Cuts Under Obama’s Proposal?

(More information and state-by-state figures available at [www.ctj.org/bushtaxcuts2012.php](http://www.ctj.org/bushtaxcuts2012.php))

President Obama’s proposal to extend most, but not all, of the Bush tax cuts, would result in 1.9 percent of Americans losing some portion of the Bush income tax cuts. In 22 states, less than 1.5 percent of residents would lose some portion of their income tax cuts under the President’s proposal, and in only two states (plus the District of Columbia) would more than 3 percent of residents lose some portion of the Bush income tax cuts.

President Obama proposes to allow income tax rates in the top two income tax brackets to revert to their pre-Bush levels and adjust the brackets so that no taxpayers with adjusted gross income (AGI) below certain thresholds can possibly fall within the top two tax brackets.

These AGI thresholds are \$250,000 for married couples and \$200,000 for single individuals. These thresholds are in 2009 dollars (because the proposal was first formally made in 2009) and therefore indexed for inflation from 2009.<sup>1</sup>

This means that, under the President’s approach, a married couple with \$1 million in income in a given year would continue to enjoy the reduced income tax rates enacted under President Bush for (at least) their first \$250,000 of income (actually their first \$264,850 in 2013 after indexing for inflation) and would pay the higher rates in effect at the end of the Clinton years on the rest of their income.

Alabama	1.3%	Montana	1.3%
Alaska	2.0%	Nebraska	1.1%
Arizona	1.5%	Nevada	2.0%
Arkansas	1.1%	New Hampshire	2.4%
California	2.3%	New Jersey	3.2%
Colorado	2.2%	New Mexico	1.3%
Connecticut	3.6%	New York	2.6%
Delaware	1.9%	North Carolina	1.4%
District of Columbia	4.0%	North Dakota	1.6%
Florida	2.2%	Ohio	1.1%
Georgia	1.8%	Oklahoma	1.4%
Hawaii	1.6%	Oregon	1.4%
Idaho	1.0%	Pennsylvania	1.8%
Illinois	2.4%	Rhode Island	1.6%
Indiana	1.2%	South Carolina	1.2%
Iowa	1.2%	South Dakota	1.5%
Kansas	1.6%	Tennessee	1.6%
Kentucky	1.1%	Texas	2.3%
Louisiana	1.5%	Utah	1.4%
Maine	1.0%	Vermont	1.3%
Maryland	2.3%	Virginia	2.4%
Massachusetts	2.8%	Washington	2.3%
Michigan	1.3%	West Virginia	0.9%
Minnesota	1.7%	Wisconsin	1.3%
Mississippi	0.8%	Wyoming	2.0%
Missouri	1.3%	<b>United States</b>	<b>1.9%</b>

Source: ITEP Microsimulation Tax Model, June 2012.

Some people with AGI in excess of the relevant AGI threshold would not lose any portion of their Bush income tax cuts because exemptions and deductions would prevent them from falling into the top two income tax brackets.<sup>2</sup>

The table on the previous page illustrates the percentage of taxpayers in the U.S. and in each state who would actually lose part of their tax cuts because their AGI would be in excess of the relevant threshold and because they would not have enough exemptions and deductions to avoid the top two income tax brackets.

In the past, CTJ has published figures on the percentage of taxpayers with AGI in excess of the \$250,000/\$200,000 thresholds set out under President Obama. The figures provided here are better reflections of the impact of the President's plan on high-income taxpayers because they account for the fact that some taxpayers with AGI in excess of those thresholds would not lose any portion of the Bush tax cuts under the President's approach.

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<sup>1</sup> The thresholds in 2009 dollars for each filing status are \$250,000 for married filing jointly, \$200,000 for single, \$225,000 for head of household, and \$125,000 for married filing separately. We estimate that in 2013 these thresholds are \$264,850 for married filing jointly, \$211,800 for single, \$238,250 for head of household, and \$132,350 for married filing separately.

<sup>2</sup> This is true even though high-income taxpayers' ability to use exemptions and deductions would be more limited because President Obama proposes to allow the personal exemption phase-out and the itemized deduction disallowance (which were both repealed as part of the Bush tax cuts) to come back into effect for taxpayers with AGI in excess of the same thresholds.