



New IRS Data Pegs Cost of Special Low Tax Rates on Capital Gains and Dividends at \$92 Billion in 2005 Alone
Three-Quarters of the Tax Cuts Went to Best-Off 0.6 Percent

Newly released information from the Internal Revenue Service shows that the special low tax rates on capital gains and dividends, enacted or expanded under President Bush, reduced income tax payments by \$91.7 billion in 2005. Almost three quarters of those tax reductions went to the 0.6 percent of taxpayers reporting 2005 adjusted gross incomes in excess of \$500,000.

- The 67 million tax filers who reported adjusted gross incomes of less than \$30,000 — half of all filers — received virtually none of the benefits of the capital gains and dividends tax breaks.
- In contrast, the 0.6 percent of all filers with reported incomes above \$500,000 received 73.4 percent of the total tax reductions, saving an average of \$81,204 each.
- Most amazing, the 13,776 tax filers with adjusted gross incomes in excess of \$10 million — a mere 0.01 percent of all filers — received 28.2 percent of the total tax savings. Their average tax break was \$1,876,280 each.

Tax Cuts from the Special Low Tax Rates on Capital Gains & Dividends (CGD) in 2005

AGI group	Total # of returns	% of all returns	# with CGD tax cut	CGD tax cut \$-bill	Average all returns	% of total tax breaks
Under \$30K	66,636,249	49.6%	3,079,593	\$ -0.4	\$ -5	0.4%
\$30-50K	24,558,911	18.3%	3,372,812	-0.8	-34	0.9%
\$50-75K	18,351,037	13.7%	4,126,681	-1.7	-93	1.9%
\$75-100K	10,449,989	7.8%	3,280,362	-1.9	-184	2.1%
\$100-200K	10,810,367	8.0%	5,148,904	-6.4	-595	7.0%
\$200-500K	2,737,802	2.0%	1,976,715	-13.1	-4,789	14.3%
\$500K-1 mill	524,506	0.4%	433,693	-10.8	-20,662	11.8%
\$1-2 mill	184,540	0.1%	156,743	-9.8	-53,132	10.7%
\$2-5 mill	84,070	0.1%	72,054	-12.3	-146,125	13.4%
\$5-10 mill	21,431	0.02%	18,189	-8.5	-396,105	9.3%
\$10 mill +	13,776	0.01%	11,433	-25.8	-1,876,280	28.2%
TOTAL	134,372,678	100.0%	21,677,179	\$ -91.7	\$ -682	100.0%
Addendum:						
\$500K +	828,323	0.6%	692,112	-67.3	-81,204	73.4%

Source: Internal Revenue Service, Statistics of Income 2005, Tables 3.1 and 1.2 (August 2007).

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“Few if any special tax breaks are so narrowly focused on so few taxpayers,” noted Robert S. McIntyre, director of Citizens for Tax Justice, which compiled the IRS data. “When half a percent of all tax filers gets three-quarters of the benefits of a tax subsidy, you can bet that the politicians who voted them this largesse probably know most of them personally.”

The special 15 percent tax rate for dividends was enacted in the 2003 tax cut legislation signed by President Bush. The same legislation increased an existing tax break for capital gains by lowering the capital gains tax rate from 20 percent to 15 percent. Ordinary income tax rates are as high as 35 percent for the wealthy families who benefit the most from these breaks. The Bush tax cuts were later extended by Congress through the end of 2010.

These figures show the cost and distribution of the total differential between the tax rate for capital gains and dividends and ordinary income tax rates.