The Bush Tax Plan, State-by-State

Citizens for Tax Justice today released a state-by-state analysis of the final version of President Bush's tax cut plan, as signed by the President on June 7. The analysis was performed using the Institute on Taxation and Economic Policy's Tax Model.

The analysis shows how the tax cuts, when fully phased in by 2010, will affect taxpayers at various income levels in each state and the District of Columbia on an annual basis, in 2001 dollars.

Average tax cuts by state: Because the bulk of the Bush tax cuts are targeted toward upper-income taxpayers, citizens of wealthier states generally get larger average tax reductions, while residents of poorer states get smaller average tax reductions. For example:

- The average tax reductions in Connecticut, Washington, D.C. and New Jersey are more than 25 percent higher than the national average tax cuts.
- In contrast, the average tax cuts in West Virginia, Montana, Mississippi, New Mexico and Arkansas are more than 25 percent below the national average.

The typical tax cuts—what taxpayers in the middle of each states income scale will save in taxes—range from a high of $851 a year in Alaska (once the cuts are fully in place) down to a low of $502 a year in Montana.

The tables that follow show the annual effects of the final version of the Bush tax plan as signed by the President, fully-effective at 2001 income levels in 2001 dollars, on a state-by-state basis.

The final bill's tax changes include: reductions in the current 28%, 31%, 36%, and 39.6% rates to 25%, 28%, 33% and 35% (effectively to less than 34% for the top rate, including the repeal of the itemized deduction disallowance) by 2006; addition of a new 10% bracket on the first $14,000 in taxable income for couples, $10,000 for single parents, and $7,000 for childless singles and married persons filing separately, phased in by 2008 (unindexed until thereafter); an increase in the starting point for the (new) 25% tax bracket for couples to double the starting point for childless single taxpayers (phased in by 2008); an increase in the standard deduction for couples to double the childless single amount (phased in by 2009); increases in the starting and ending points for the phase-out of the earned-income tax credit for couples by $3,000, phased in by 2008 (unindexed until thereafter); doubling of the per-child credit to $1,000 (phased in by 2010, unindexed), with phased-in expanded rules for refundability of the credit; an increase in the individual Alternative Minimum Tax exemption of $4,000 for couples and $2,000 for singles, from 2001 to 2004; repeal of the personal exemption phase out and the partial disallowance of itemized deductions at high income levels (phased in by 2010); an increase in the maximum percentage for the dependent care credit to 35% below $15,001 in AGI, with phase-down rules (to 20%) like current law, along with an increase in the child-care expenses to which the percentage applies, from $2,400 to $3,000 (double that for two or more eligible children); retirement savings tax changes; and repeal of the federal estate tax on large estates. The bill's new education tax breaks are not included in the tables.