

CTJ Analysis of Bush Plan Updated to 2001 Levels

The tax cut plan advocated by President George W. Bush would target most of its benefits to the wealthiest taxpayers if fully enacted in 2001, according to an analysis of the plan released today by Citizens for Tax Justice. (Previous CTJ analyses measured the impact of the Bush plan at 1999 levels.) The analysis shows that more than sixty percent of Bush's proposed tax cuts would go to the best-off 10 percent of Americans.

According to the analysis:

- # Taxpayers in the lowest 60 percent of the income scale would get only 12.7 percent of Bush's tax cuts. Their average annual tax reduction would be \$256.
- # The bottom 20 percent of taxpayers would see an average tax cut of \$47 a year.
- # In contrast, the best-off 10 percent of all taxpayers would get 60.3 percent of Bush's proposed tax cuts, and an average tax cut of \$7,300 a year.
- # The wealthiest one percent of all taxpayers would get an average tax reduction of \$54,480 a year—45 percent of the total tax cut.

The income tax cuts under the Bush plan would affect different demographic groups in substantially different ways, with larger average tax cuts going to married couples filing jointly and to families with children. In particular:

- # Married couples filing jointly, with a median 2001 income of \$60,200, would receive an average income tax cut of \$1,095 under the Bush plan. Unmarried taxpayers, with a median 2001 income of \$22,800, would receive an average of \$279.
- # Families with children, with a median 2001 income of \$45,600, would receive an average income tax cut of \$1,114. Taxpayers without children, with a median 2001 income of \$30,000, would receive an average tax cut of \$294.
- # Single parents, with a median income of \$22,600, would receive an average of \$326 under the Bush plan's income tax provisions. Married non-elderly couples without children, with a median income of \$63,900, would receive an average of \$898.

Tables detailing the results of the analysis follow.

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Effects of George W. Bush's Tax Plan

(Annual effects when fully in place, at 2001 income levels. \$-billions except averages)

Income Group	Income Range	Average Income	Income Tax Rates, Per-Child Credit, 2-Earner & Charitable	Estate Tax Repeal & Corporate Tax Breaks	TOTAL TAX CUT	Average Income Tax Cut Only	AVERAGE TOTAL TAX CUT	% of Income Tax Cut Only	% OF TOTAL TAX CUT
Lowest 20%	Less than \$15,000	\$ 9,300	\$ -1.2	\$ -0.0	\$ -1.2	\$ -45	\$ -47	1.0%	0.8%
Second 20%	\$15,000-27,000	20,600	-5.4	-0.1	-5.5	-208	-212	4.6%	3.5%
Middle 20%	\$27,000-44,000	34,400	-13.0	-0.2	-13.2	-500	-509	10.9%	8.4%
Fourth 20%	\$44,000-72,000	56,400	-24.4	-0.4	-24.7	-938	-951	20.5%	15.7%
Next 15%	\$72,000-147,000	97,400	-29.2	-0.5	-29.7	-1,496	-1,523	24.5%	18.9%
Next 4%	\$147,000-373,000	210,000	-8.5	-3.7	-12.3	-1,640	-2,356	7.2%	7.8%
Top 1%	\$373,000 or more	1,117,000	-37.3	-33.6	-70.9	-28,688	-54,480	31.3%	45.0%
ALL		\$ 57,800	\$ -119.1	\$ -38.5	\$ -157.6	\$ -909	\$ -1,203	100.0%	100.0%
ADDENDUM									
Bottom 60%	Less than \$44,000	\$ 21,400	\$ -19.6	\$ -0.4	\$ -20.0	\$ -251	\$ -256	16.5%	12.7%
Top 10%	\$104,000 or more	256,000	-57.5	-37.5	-95.0	-4,417	-7,300	48.3%	60.3%

Notes: 1. The Bush tax cuts would be fully in place in 2008. The table shows how the fully-effective tax cuts would affect taxpayers at 2001 income levels in 2001 dollars. 2. The Bush personal income tax changes shown above include the Bush plan's substantial increase in the number of taxpayers subject to the Alternative Minimum Tax (AMT). (As proposed, the Bush plan leaves the AMT tax rates at 26% and 28%, even as it reduces the 28% and 31% regular income tax rates to 25%.) The AMT offsets to the Bush tax cuts are almost entirely in the top fifth of the income scale. Specifically, increases in the AMT compared to current law would reduce the Bush income tax cuts by 22 percent in the "Next 15%" group (\$72,000-147,000), by 66 percent in the "Next 4%" group (\$147,000-373,000) and by 11 percent in the "Top 1%" group (more than \$373,000).

Source: Institute on Taxation and Economic Policy Tax Model

Citizens for Tax Justice, February 2001

Bush income tax cut demographics at 2001 levels (excludes effects of estate tax repeal & corporate tax breaks)									
Type of taxpaying unit	Tax Cut \$-bill	Number (mill.) of		Median Income	Median Tax Cuts		% of all units	% of all taxpayers	% of tot. tax cut
		Units	Taxpayers		Per unit	Per taxpayer			
Married couples filing jointly	\$ 87.5	56.1	112.2	\$ 60,200	\$ 1,095	\$ 547	43%	60%	73%
Unmarried taxpayers	31.6	74.9	74.9	22,800	279	279	57%	40%	27%
Families with children	\$ 61.5	45.7	73.7	45,600	1,114	690	35%	39%	52%
Couples & singles without children	57.5	85.4	113.5	30,000	294	221	65%	61%	48%
Elderly couples & singles	\$ 12.9	23.4	34.7	29,800	150	101	18%	19%	11%
Non-elderly couples & singles	106.2	107.7	152.5	35,600	597	421	82%	81%	89%
Married, non-elderly, no kids	25.6	17.1	34.1	63,900	898	449	13%	18%	21%
Single, non-elderly, no kids	17.1	40.2	40.2	23,200	283	283	31%	21%	14%
Single parents	7.0	16.1	16.1	22,600	326	326	12%	9%	6%
Totals	\$ 119.1	131.1	187.2	\$ 34,400	\$ 500	\$ 350	100%	100%	100%

Notes: Couples have two taxpayers; others have one taxpayer. All figures are at 2001 levels. Tax cuts are shown as fully effective. Taxpayers and taxpaying units include filers and non-filers. Median incomes are per taxpaying unit.

Source: Institute on Taxation and Economic Policy Tax Model.

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