

Addendum:

Joint Committee on Taxation estimates confirm CTJ's finding that four out of five taxpayers get most of their tax cuts in the first year

On May 26, 2001, the congressional Joint Committee on Taxation (JCT) released its estimates of the distributional effects of the 2001 tax act's income tax cuts, on a year by year basis from 2001 through 2006.

The JCT estimates are not comprehensive, primarily because they ignore the tax act's estate tax phase-out that begins in 2002, and exclude tax cuts that take effect after 2006. Nevertheless, the JCT figures show a very similar pattern to CTJ's estimates regarding the share of the tax cuts that take full effect in the first year. Specifically:

- The JCT finds that its lowest income group—less than \$10,000—will see virtually all of its total 2001-06 income tax cut take effect in the first year.
- For its next four income groups—\$10,000 to \$50,000—the JCT finds that three-quarters of the income tax cuts through 2006 take effect in the first year.
- For the \$50,000 to \$75,000 income group, the JCT finds that 62 percent of the 2001-06 income tax cuts are fully in place by 2001.
- For the \$75,000 to \$100,000 income group, the JCT finds that 49 percent of the 2001-06 income tax cuts take effect in the first year.
- For the \$100,000 to \$200,000 income group, the JCT finds that a third of the income tax cuts take effect in the first year.
- For the 3.8 million taxpayers in JCT's top income group, \$200,000 or more, the JCT finds that only 16 percent of the 2001-06 tax cuts take effect in the first year. (Strikingly, more than half of the 2001-06 income tax cut for this top group is scheduled to take effect in 2006.)

Joint Committee on Taxation: % of total 2001-06 income tax cut that takes effect in the first year

< \$10K	99%
\$10-20K	79%
\$20-30K	74%
\$30-40K	72%
\$40-50K	73%
\$50-75K	62%
\$75-100K	49%
\$100-200K	35%
\$200K+	16%

Thus, like Citizens for Tax Justice, the Joint Committee on Taxation finds that four out of five taxpayers will get most of their income tax cuts from the 2001 tax act in the first year.

The following table details the JCT's findings about the incremental income tax cuts in each year from 2001 to 2006.

Note: In grouping taxpayers by income, the JCT's "income classifier" includes employer-paid Social Security and Medicare payroll taxes, employer-provided health insurance and the insurance value of Medicare benefits as part of income. For example, a couple with \$45,000 in pretax cash earnings, with \$5,000 in employer-provided health insurance and \$3,440 in employer-paid payroll taxes, would be placed in JCT's \$50-75,000 income group. On average, these JCT additions increase "income" by about 8 percent compared to the cash-income classifier used by Citizens for Tax Justice.

Joint Committee on Taxation: incremental income tax changes by year
(2001 tax act's 2001-06 income tax changes only; excludes estate tax reductions)

	2001	2002	2004	2005	2006	
Notable income tax changes	10% bracket; half point rate cuts for 28%+; child credit to \$600, more refundable; AMT relief	full point rate cut 28%+; EITC up slightly for couples; dep. care credit up; IRA boost	28%+ rates cut by 2 points (from prior law)	child credit to \$700, more refundable; small marriage penalty relief; more IRAs; AMT relief ends	final tax rate cuts (-3%); personal exemption phase-out & ID disallowance reduced	Addendum: Cumulative income tax cuts by 2006
Average incremental income tax changes in each year						
< \$10K	\$ -4	\$ —	\$ —	\$ -0	\$ —	\$ -4
\$10-20K	-128	-26	+7	-19	+3	-163
\$20-30K	-313	-72	+0	-44	+5	-424
\$30-40K	-359	-74	-7	-48	-8	-496
\$40-50K	-419	-54	-9	-48	-48	-578
\$50-75K	-527	-78	-82	-72	-97	-856
\$75-100K	-658	-135	-208	-139	-194	-1,334
\$100-200K	-819	-307	-600	-200	-434	-2,360
\$200K+	-1,841	-2,516	-1,346	+129	-6,051	-11,626
Distribution of incremental income tax cut in each year						
< \$10K	0.1%	—	—	0.0%	—	0.1%
\$10-20K	5.2%	2.9%	-1.0%	5.4%	-0.2%	2.8%
\$20-30K	10.1%	6.4%	-0.0%	10.1%	-0.2%	5.7%
\$30-40K	9.9%	5.7%	0.7%	9.3%	0.4%	5.7%
\$40-50K	9.5%	3.4%	0.7%	7.7%	1.9%	5.5%
\$50-75K	20.1%	8.2%	10.4%	19.5%	6.3%	13.6%
\$75-100K	14.8%	8.4%	15.5%	22.2%	7.4%	12.5%
\$100-200K	18.2%	18.9%	44.3%	31.6%	16.5%	22.0%
\$200K+	12.2%	46.1%	29.5%	-6.0%	68.1%	32.1%
All	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
% of total income tax cut by 2006 that takes effect in each year						
< \$10K	99%	—	—	1%	—	100%
\$10-20K	79%	16%	-4%	12%	-2%	100%
\$20-30K	74%	17%	-0%	10%	-1%	100%
\$30-40K	72%	15%	1%	10%	2%	100%
\$40-50K	73%	9%	2%	8%	8%	100%
\$50-75K	62%	9%	10%	8%	11%	100%
\$75-100K	49%	10%	16%	10%	15%	100%
\$100-200K	35%	13%	25%	8%	18%	100%
\$200K+	16%	22%	12%	-1%	52%	100%
All	42%	15%	13%	6%	25%	100%

Notes: Small tax increases in some years reflect effects of inflation on non-indexed items, end of temporary AMT relief in 2005, and data quirks. Figures for 2004 are compared to 2002, since no significant income tax changes are scheduled for 2003. Some income tax cuts are not fully effective until 2010.

Source: Data from the Joint Committee on Taxation, May 26, 2001 and Feb. 27, 2001. Additional calculations by Citizens for Tax Justice. The JCT estimates include the higher per-child credit; cuts in marginal rates; the new 10% bracket; the higher standard deduction, 15% bracket and EITC for married couples; deductible IRAs; the higher AMT exemption (01-04 only); and a one-third reduction in the personal exemption phase-out and itemized disallowance at high-income levels (in 2006). JCT's estimates exclude estate tax cuts; education tax breaks; other pension items; and the dependent care credit boost.