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Most House Democrats Supporting Tax Cuts for the Rich Have Lower than Average Percentage of High-Income Households in Their Districts

Last week, 31 House Democrats signed a letter to House Speaker Nancy Pelosi in support of extending the Bush tax cuts for all taxpayers, and thus opposing President Obama's proposal to allow the tax cuts to expire for the very rich. New data from Citizens for Tax Justice show that two-thirds of the House Democrats who signed that letter represent districts that have less than the average share of taxpayers rich enough to face higher taxes under President Obama's plan.¹ Further, the claim made in the letter that these very rich taxpayers "are responsible for 25 percent of national consumer spending" is simply incorrect.

The income tax cuts signed into law by President George W. Bush were written to expire at the end of this year. President Obama proposes to make these income tax cuts (along with a few modifications that expanded tax credits for the working poor) permanent for all but the richest taxpayers.

Under Obama's proposal, rates in the top two income tax brackets would be allowed to revert to what they were at the end of the Clinton years. The brackets would be adjusted so that no one could be affected by the top two brackets except for married couples with adjusted gross income (AGI) over \$250,000 and unmarried individuals with AGI over \$200,000. CTJ estimates that only 2.1 percent of taxpayers nationwide will have AGI in excess of this threshold in 2011.

The new data from CTJ reveals that:

- **Of the 31 House Democrats who signed the letter in support of extending the Bush tax cuts for the rich, 22 represent districts where the share of taxpayers rich enough to pay higher taxes under Obama's plan is less than the national average of 2.1 percent.**
- **Of those 31 House Democrats, 13 represent districts where less than 1 percent of taxpayers are rich enough to face higher taxes under Obama's plan.**
- **Of the 436 House districts (including Washington, DC), there are only 30 in which the share of taxpayers rich enough to face higher taxes under Obama's plan is more than 5 percent. Only two of the 31 Democrats who signed the letter represent one of these high-income districts.**

Even if a district has many taxpayers with AGI in excess of \$250,000, that does not mean that all of those taxpayers will face a significant change in their income taxes under President Obama's plan. Most of the revenue savings from President Obama's plan would come from taxpayers whose AGI is far higher than \$250,000.

¹For the full data for every Congressional district, see Citizens for Tax Justice, "Comparing President Obama's Tax Plan and Senate Republicans' Tax Plan," September 17, 2010. <http://www.ctj.org/pdf/bushtaxcuts2010.pdf>

In fact, about 80 percent of the revenue savings from Obama’s plan would come from taxpayers with AGI in excess of \$1 million. The percentage of millionaires is particularly low in the districts represented by the 31 House Democrats.

■ Of the 31 House Democrats who signed the letter in support of extending the Bush tax cuts for the rich, a majority (17) represent districts where the percentage of millionaires is a tenth of one percent or less.

■ Of the 31 House Democrats who signed the letter, Jim Himes of Connecticut has the highest-income district. But even in his district, millionaires (the taxpayers who account for most of the revenue savings from Obama’s plan) only make up 2.7 percent of the total taxpayers.

If the 31 Democrats are unable to win passage of an extension of the income tax cuts for all taxpayers, they would likely then vote in favor of President Obama’s proposal to extend tax cuts for 98 percent of taxpayers. The only alternative would be to allow the Bush tax cuts to expire for all taxpayers, which would mean everyone will have more federal income taxes withheld from their paychecks starting in January.

In fact, even the Republican leader in the House, John Boehner, recently admitted that he would vote in favor of President Obama’s tax plan if he failed to win passage of an extension of the tax cuts for the richest two percent.

Here is an additional and important point: The letter signed by the 31 House Democrats claims that the taxpayers who would lose a portion of their Bush tax cuts under President Obama’s plan “are responsible for 25 percent of national consumer spending.” This assertion is not only wrong; it is impossible.

The richest 2.1 percent of taxpayers account for about 21 percent of total pretax cash income. But their share of total personal consumption is certainly not higher than their share of total income. In fact, it is considerably lower, because they save a much higher portion of their after-tax income than less well-off Americans.

■ We estimate that the 2.1 percent of taxpayers who are rich enough to lose part of their Bush tax cuts under the Obama plan are responsible for only about 8 percent of total national consumer spending.

Districts Represented by the 31 House Democrats to Sign Letter in Support of Tax Cuts for the Rich

Member	District	AGI>\$250k/ \$200k	AGI>\$1 million
Ann Kirkpatrick	(AZ- 1)	0.9%	0.1%
Harry Mitchell	(AZ- 5)	3.7%	0.5%
Mike Ross	(AR- 4)	0.8%	0.1%
Jim Costa	(CA- 20)	0.4%	0.0%
John Salazar	(CO- 3)	1.8%	0.3%
Jim Himes	(CT- 4)	11.3%	2.7%
Allen Boyd	(FL- 2)	1.7%	0.2%
Ron Klein	(FL- 22)	6.6%	1.4%
Sanford Bishop	(GA- 2)	0.7%	0.1%
Jim Marshall	(GA- 8)	0.9%	0.1%
John Barrow	(GA- 12)	0.6%	0.1%
Walt Minnick	(ID- 1)	1.2%	0.1%
Melissa Bean	(IL- 8)	3.5%	0.4%
Joe Donnelly	(IN- 2)	1.0%	0.1%
Brad Ellsworth	(IN- 8)	0.9%	0.1%
Frank Kratovil	(MD- 1)	3.3%	0.3%
Gary Peters	(MI- 9)	4.6%	0.7%
Travis Childers	(MS- 1)	0.9%	0.1%
Harry Teague	(NM- 2)	0.9%	0.1%
Michael McMahon	(NY- 13)	2.0%	0.2%
Mike McIntyre	(NC- 7)	1.2%	0.1%
Earl Pomeroy	(ND-all)	1.6%	0.1%
Zack Space	(OH- 18)	0.6%	0.1%
Dan Boren	(OK- 2)	0.7%	0.1%
Jason Altmire	(PA- 4)	2.9%	0.3%
Stephan Herseth-Sandlin	(SD-all)	1.5%	0.2%
Lincoln Davis	(TN- 4)	0.8%	0.1%
Jim Cooper	(TN- 5)	2.1%	0.3%
Jim Matheson	(UT- 2)	2.6%	0.4%
Glenn Nye	(VA- 2)	1.8%	0.2%
Rick Boucher	(VA- 9)	0.7%	0.1%

Note: Percentages extrapolated from IRS data obtained from the Taxpayer Advocate Service.