



Only 2.5% of Taxpayers Would Lose Some of the Bush Income Tax Cuts Under Obama’s Tax Plan in 2009: State-by-State Figures

While presidential candidate John McCain has promised to make permanent the Bush income tax cuts for all Americans, his opponent, Barack Obama, promises to make them permanent for *almost all* Americans. A new analysis from Citizens for Tax Justice shows that only a small percentage of the taxpayers in each state would lose a portion of the Bush income tax cuts if Obama’s plan is enacted. For these very rich taxpayers, Obama would repeal most of the Bush income tax cuts before their expiration date at the end of 2010. For everyone else — for 97.5 percent of taxpayers nationally — all of these tax cuts would be made permanent.

The McCain campaign has tried to convince the public that Obama proposes “painful tax increases on working American families.” The truth is quite the opposite. Obama proposes to make permanent the enormous Bush income tax cuts for almost all Americans, and then enact more tax cuts on top of that.

On the other hand, Obama’s proposal would cost less than McCain’s and would target far fewer benefits to the rich, as we explain in a longer paper on the tax plans of the two candidates.¹ Since such a large portion of the Bush income tax cuts go to the very richest taxpayers, Obama’s proposal to extend them for all but the richest few would cost around a third less than McCain’s proposal to extend them for even the richest taxpayers.

Obama’s Tax Plan

Obama proposes to make all of the Bush income tax cuts permanent for married couples with adjusted gross income (AGI) below \$250,000 and unmarried taxpayers with AGI below \$200,000.

Percentage of Taxpayers Who Would Lose Some of The Bush Income Tax Cuts in 2009 Under Senator Obama's Tax Plan (listed by state, in alphabetical order)			
Alabama	1.5%	Montana	1.3%
Alaska	2.0%	Nebraska	1.5%
Arizona	2.4%	Nevada	2.3%
Arkansas	1.3%	New Hampshire	2.7%
California	3.4%	New Jersey	4.3%
Colorado	2.6%	New Mexico	1.4%
Connecticut	5.1%	New York	3.3%
Delaware	2.4%	North Carolina	2.0%
District of Columbia	4.8%	North Dakota	1.3%
Florida	2.8%	Ohio	1.6%
Georgia	2.1%	Oklahoma	1.4%
Hawaii	2.2%	Oregon	2.0%
Idaho	1.6%	Pennsylvania	2.1%
Illinois	2.8%	Rhode Island	2.0%
Indiana	1.4%	South Carolina	1.6%
Iowa	1.4%	South Dakota	1.5%
Kansas	1.8%	Tennessee	1.6%
Kentucky	1.3%	Texas	2.3%
Louisiana	1.4%	Utah	1.8%
Maine	1.5%	Vermont	2.0%
Maryland	3.3%	Virginia	3.1%
Massachusetts	3.8%	Washington	2.7%
Michigan	1.7%	West Virginia	1.0%
Minnesota	2.4%	Wisconsin	1.6%
Mississippi	1.1%	Wyoming	2.1%
Missouri	1.6%	United States	2.5%

Source: ITEP Microsimulation Tax Model, October 2008

The nearby table shows the number of taxpayers who are either married couples with AGI above \$250,000 or unmarried individuals with AGI above \$200,000, as a percentage of the total taxpayers, in each state in 2009.

¹Citizens for Tax Justice, “The Tax Proposals of Presidential Candidates John McCain and Barack Obama,” October 16, 2008. <http://www.ctj.org/pdf/presidential2008.pdf>

Only the Richest 2.5 Percent Must Give Up (Most) of the Treats President Bush Gave Out

Nationally, we find that only 2.5 percent of taxpayers will fall above the \$250,000/\$200,000 AGI threshold in 2009. The state with the largest percentage of taxpayers above this threshold is Connecticut (5.1 percent) and the state with the lowest is West Virginia (1.0 percent).

Even the Richest 2.5 Percent Get to Keep Some of Bush's Treats

It is important to remember that even these richest few will not lose *all* of the Bush income tax cuts if Obama's plan is enacted.

For example, President Bush and Congress created a new tax loophole for corporate stock dividends, which were previously taxed just like any other income but are now subject to a top income tax rate of 15 percent. For taxpayers above the \$250,000/\$200,000 threshold, Obama would subject dividends to a top income tax rate of 20 percent, which is much lower than the top rates of 36 percent and 39.6 percent that would apply to ordinary income. (For everyone below the \$250,000/\$200,000 threshold, Obama would make permanent the top income tax rate of 15 percent for dividends.)

Also, even extremely rich taxpayers could benefit somewhat from making permanent the reductions (enacted under Bush) in rates in the lower income tax brackets. This is because all of the progressive income tax rates apply to taxable income. For example, taxable income up to a specific amount is taxed at the lowest rate, then the remaining taxable income up to a specific amount is taxed at the second to lowest rate, and so on.² As far as we know, Obama has not proposed any way of recapturing the benefits (of reducing the rates in the lower income tax brackets) from very rich taxpayers.

“Senator Obama wants to extend the Bush income tax cuts for 97.5 percent of taxpayers, and then enact more tax cuts for middle-income families,” said CTJ director Robert McIntyre. “Obama even wants to extend a portion of the Bush income tax cuts for that richest 2.5 percent of taxpayers. Senator McCain defines a ‘painful tax increase’ as any plan that does not continue Bush’s policy of giving *huge* tax cuts to these very richest taxpayers and having future generations of average Americans pick up the tab.”

²In our more in-depth study of the candidates' tax plans, we found that taxpayers who are far above the \$250k/\$200k threshold and who have only ordinary income (meaning no capital gains or dividends) could save over \$8,000 in this way under Obama's plan in 2012.