

## Effects of the Senate Finance Committee-passed version of the Bush tax plan (Annual effects when fully in place, at 2001 income levels)

Income Group	Income Range	Average Income	Income tax cuts (\$-bill.)	Estate tax repeal (\$-bill.)	Total Tax Cuts (\$-bill.)	Average income tax cuts	Average Total Tax Cut	% of income tax cut	% of Total Tax Cut
Lowest 20%	Less than \$15,000	\$ 9,300	\$ -1.7	\$ -0.0	\$ -1.7	\$ -65	\$ -65	1.3%	1.0%
Second 20%	\$15,000–27,000	20,600	-9.5	-0.0	-9.5	-363	-364	7.3%	5.7%
Middle 20%	\$27,000–44,000	34,400	-14.6	-0.0	-14.6	-562	-562	11.3%	8.9%
Fourth 20%	\$44,000–72,000	56,400	-24.2	-0.0	-24.2	-931	-931	18.7%	14.7%
Next 15%	\$72,000–147,000	97,400	-40.8	-0.0	-40.8	-2,089	-2,089	31.4%	24.8%
Next 4%	\$147,000–373,000	210,000	-13.0	-3.1	-16.1	-2,500	-3,100	10.0%	9.8%
Top 1%	\$373,000 or more	1,117,000	-25.9	-31.8	-57.6	-19,892	-44,293	20.0%	35.0%
<b>ALL</b>		<b>\$ 57,800</b>	<b>\$ -129.7</b>	<b>\$ -34.9</b>	<b>\$ -164.6</b>	<b>\$ -989</b>	<b>\$ -1,256</b>	<b>100.0%</b>	<b>100.0%</b>
<b>ADDENDUM</b>									
Bottom 60%	Less than \$44,000	\$ 21,400	\$ -25.8	\$ -0.0	\$ -25.8	\$ -330	\$ -330	19.9%	15.7%
Top 10%	\$104,000 or more	256,000	-55.1	-34.9	-89.9	-4,231	-6,912	42.5%	54.6%

Notes: 1. The table shows the annual effects of the tax cut plan approved by the Senate Finance Committee Chairman on May 15, 2001, fully-effective at 2001 income levels in 2001 dollars. Income tax cuts include: Reductions in the current 28%, 31%, 36%, and 39.6% rates to 25%, 28%, 33% and 36% (phased in by 2007). Addition of a new 10% bracket on the first \$12,000 in taxable income for couples, \$10,000 for single parents, and \$6,000 for childless singles and married persons filing separately (unindexed until after 2006). Increasing the starting point for the (new) 25% tax bracket for couples to double the starting point for childless single taxpayers (phased in by 2010). Increasing the standard deduction for couples to double the childless single amount (phased in by 2010). Increasing the starting and ending points for the phase-out of the earned-income tax credit for couples by \$3,000. Doubling of the per-child credit to \$1,000 (phased in by 2011, unindexed), with 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 2002 to 2006. Repeal of the personal exemption phase out at high income levels (starting in 2009). An increase in the AGI starting points for the partial disallowance of itemized deductions at high income levels, to the old levels for the phase-outs of personal exemptions (starting in 2009). A separate column shows the effects of repeal of the federal estate tax on large estates.

2. The distributional effects of estate tax repeal are based on the approach outlined in Joint Committee on Taxation, *Methodology and Issues in Measuring Changes in the Distribution of Tax Burdens* (1993). The figures do not take account of recent Joint Committee estimates that repeal could cost 80 percent more than previously estimated due to income tax avoidance that repeal could engender (bringing the total cost of repeal to more than \$100 billion a year when fully phased in, in 2011). The Senate bill may avoid some of this added cost by retention of the federal gift tax, although it is unclear whether retaining only the gift tax is politically, practically or intellectually sustainable.

3. Retirement savings tax changes and education tax breaks, which total about \$10 billion a year in 2001 dollars, are not included in the table.

Source: Institute on Taxation and Economic Policy Tax Model.

**Citizens for Tax Justice, May 16, 2001**