

Two New 2006 Tax Cuts Benefit Only Wealthiest Few

Almost all of George W. Bush's tax cuts are now in place, or have begun to phase in. But two of the most regressive (and most overlooked) tax cuts enacted in 2001 will begin to take effect starting on January 1, 2006.

Since 1991, under a law signed by the first President Bush, the benefits of personal exemptions and most itemized deductions have been gradually phased out for the very wealthiest taxpayers. In 2001, however, the second President Bush succeeded in repealing his father's reforms. The repeal is scheduled to begin to take effect in 2006, with full repeal in 2010.

When and if these two tax changes take effect, their benefits would go almost entirely to the wealthiest Americans. In particular:

- In 2006, 97 percent of the tax cuts would go to the wealthiest 1 percent of Americans. The share going to the top 1 percent would rise slightly thereafter.
- More than 99 percent of Americans would receive nothing at all from these new tax cuts in 2006.
- The scheduled cuts would cost \$2.6 billion in 2006 if allowed to take effect. The annual cost of these cuts would increase rapidly in later years, and would exceed \$10 billion in 2010.

Senators Dick Durbin (D-IL) and Tom Harkin (D-IA) have introduced legislation, S.B. 605, that would prevent these two tax cuts from taking effect. But this proposal has drawn little attention—and unless Congress votes to repeal these rarely-discussed tax cuts, they will take effect on January 1.

“Budget negotiations in the House and Senate will likely slash tens of billions of dollars in needed public services over the next five years—and preventing these new tax cuts from taking effect would go a long way toward preventing these harmful cuts,” said CTJ director Robert S. McIntyre. “Unfortunately, the Congressional leadership seems intent on pretending this option doesn't exist.”

A table showing the impact of these two scheduled 2006 tax cuts follows.

For more details on the scheduled phase-in (and phaseout) dates for the Bush tax cuts, visit <http://www.ctj.org/pdf/gwbpi.pdf>.

Impact of Two High-Income Tax Cuts Scheduled to Take Effect January 1, 2006

Income Group	Average Income in 2009	Average Tax Cuts						Shares of Tax Cuts					% with tax cuts in 2006
		2006	2007	2008	2009	2010	Five Year Total	2006	2007	2008	2009	2010	
Lowest 20%	\$ 11,000	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	—	—	—	—	—	—
Second 20%	\$ 23,000	—	—	—	—	—	—	—	—	—	—	—	—
Middle 20%	\$ 38,000	—	—	—	—	—	—	—	—	—	—	—	—
Fourth 20%	\$ 63,000	—	—	—	—	—	—	—	—	—	—	—	—
Next 10%	\$ 95,000	—	—	—	—	—	—	—	—	—	—	—	—
Next 5%	\$ 134,000	*	*	*	*	*	*	0.0%	0.0%	0.0%	0.0%	0.0%	0.8%
Next 4%	\$ 228,000	-15	-15	-26	-26	-35	-117	2.9%	2.7%	2.2%	2.1%	1.9%	6.4%
Top 1%	\$ 1,206,000	-2,070	-2,175	-4,511	-4,755	-7,378	-20,889	97.0%	97.2%	97.7%	97.8%	98.1%	47.2%
ALL	\$ 64,000	\$ -21	\$ -22	\$ -46	\$ -48	\$ -74	\$ -211	100.0%	100.0%	100.0%	100.0%	100.0%	0.8%

Note: Figures show the impact, in each year between 2006 and 2010, of two tax cuts scheduled to take effect over this five year period. These tax cuts would repeal the high-income disallowance for itemized deductions and for personal exemptions. * = less than 50 cents.

Source: Institute on Taxation and Economic Policy Tax Model, November 21, 2005

Citizens for Tax Justice, November 21, 2005