CTJ Citizens for Tax Justice

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The Bush Tax Cuts After Ten Years

(State-by-state figures available at www.ctj.org/bushtaxcuts10yrs.php)

Ten years ago, on June 7, 2001, President George W. Bush signed into law the first of several tax cuts that drove the balanced budget he inherited from President Clinton deep into the red. Last year, Congressional supporters of Bush's policies pushed through an extension of these tax cuts through the end of 2012.

Fiscally irresponsible: Many lawmakers want to extend the Bush tax cuts again into 2013 and beyond, which would almost *double* the federal budget deficit.

Unfair: The table below shows that 47.2 percent of the benefits of this tax cut extension would go to the richest five percent of the nation's taxpayers.

Hypocritical: Many of the same lawmakers insist that the budget deficit forces them to cut or eliminate public services like Medicare and Medicaid.

Not helping the economy: A few months after President Clinton left office, the unemployment rate in America was 4.4 percent. A few months after President George W. Bush left office, the unemployment rate was 8.9 percent.

We are still suffering from the policies and economy left behind by President Bush. The Bush tax cuts are not good for America, and Congress should not repeat this mistake again.

The table to the right shows how another extension of the Bush tax cuts would affect taxpayers in the U.S.

The richest one percent of the nation's taxpayers would get an average tax cut of $68,079 in 2013.

The bottom three fifths of taxpayers would get an average tax cut of $487 in that year.

Impact of Extending Bush Tax Cuts in 2013 in the U.S.

Income Group	Average Income	Average Tax Cut	Share of Tax Cuts	Avg Tax Cut as % of Income
Lowest 20%	$ 13,972	$ –125	1.1%	0.9%
Second 20%	28,157	–516	4.7%	1.8%
Middle 20%	45,225	–819	7.5%	1.8%
Fourth 20%	74,252	–1,540	14.2%	2.1%
Next 15%	128,389	–3,656	25.2%	2.8%
Next 4%	275,151	–8,613	15.8%	3.1%
Top 1%	1,472,933	–68,079	31.3%	4.6%
ALL	$ 76,142	$ –2,144	100.0%	2.8%
ADDENDUM:				
Top 5%	$ 514,786	$ –20,510	47.2%	4.0%
Bottom 60%	$ 29,119	$ –487	13.4%	1.7%

Technical Notes

1. Extending the Bush tax cuts would almost double the projected budget deficit. See Congressional Budget Office, “The Budget and Economic Outlook: Fiscal Years 2011 to 2021,” January 27, 2011, Table 1-7. The figures show that the combined cost of extending the Bush tax cuts (income tax cuts and estate tax cuts) and AMT relief would grow each year in proportion to the deficit projected under current law. (The current law projection assumes the Bush tax cuts expire at the end of 2012.)

By 2018, the cost of the Bush tax cuts and AMT relief (including additional debt service costs that would result) would be $566 billion in that year alone. This would increase the current law deficit projection of $610 billion in 2018 by 93 percent. By 2021, the cost of the tax cuts would be $749 billion in that year alone, which would increase the current law deficit projection of $763 in 2021 by 98 percent.

2. The tax cuts included in these estimates are the Bush tax cuts that were extended through 2012 in the “compromise” signed into law by President Obama in December of 2010.

These include the full extension of the income tax cuts first enacted under President Bush in 2001 and 2003, as well as the partial extension of the estate tax cut that was first enacted in 2001.

3. The income tax cuts include:

- reduction of the 28%, 31%, 36% and 39.6% rates to 25%, 28%, 33% and 35%.
- introduction of the ten percent tax bracket (lowest bracket was previously 15 percent)
- rate reduction for capital gains and dividends
- expansion of Child Tax Credit
- elimination of “marriage penalty” in the standard deduction
- elimination of “marriage penalty” in the 15 percent rate bracket
- reduction in “marriage penalty” in the Earned Income Tax Credit.
- expansion of the Dependent Care Credit
- repeal of the personal exemption phase-out
- repeal of the itemized deduction disallowance
- increase in the exemptions in the Alternative Minimum Tax (AMT)

4. The estate tax cut enacted in 2001 gradually repealed the estate tax until causing it to completely disappear in 2010. The “compromise” signed into law at the end of 2010 did not fully extend the repeal of the estate tax but instead reduced the estate tax by increasing the estate tax exemption to $10 million for a married couple and reducing the estate tax rate to 35 percent.

Our figures assume that these estate tax rules (the rules enacted as part of the compromise at the end of 2010) would be extended if the Bush tax cuts are extended again.

5. President Obama expanded the few parts of the Bush tax cuts that helped low-income families, including the provisions affecting the Child Tax Credit (CTC) and the Earned Income Tax Credit EITC). President Obama's CTC and EITC provisions were first enacted in early 2009 as part of the economic recovery act, and then extended through 2012 as part of the compromise he signed into law in December 2010.

President Obama's EITC and CTC expansions are not included in these figures, which focus on tax cuts that were originally enacted under President Bush.

6. Unemployment figures refer to April 2001 and April 2009, and come from the Bureau of Labor Statistics.