

CTJ Issue Brief: The Bush Tax Cuts in Alabama

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Alabama's Wealthiest Residents Benefit Most From Bush Tax Cuts

The benefits from the Bush tax cuts enacted so far go primarily to the very wealthiest taxpayers in 2003, and will become even more regressive by 2006. The following table shows the impact of the Bush tax cuts on Alabamans in each year from 2001 to 2006.

- In 2003, the wealthiest 1 percent of Alabamans, with an average income of \$625,000, will receive 26 percent of the Bush tax cuts, for an average tax cut of \$36,947. By 2006, this same group will receive 30.1 percent of the Bush tax cuts.
- The poorest twenty percent of Alabamans, with an average income of \$9,000, will receive an average of \$51 from the Bush tax cuts in 2003. This represents 0.7 percent of the total tax cuts for Alabamans.
- The wealthiest twenty percent of Alabamans receive 67.7 percent of the tax cuts in 2003—more than two-thirds of the Bush tax cuts enacted so far.
- The poorest sixty percent of Alabama residents, with an average income of \$18,000, collectively receive just 15 percent of the Bush tax cuts in 2003.

Impact of the Bush tax cuts enacted so far on Alabamans, 2001-2006

Calendar years		2001	2002	2003	2004	2005	2006	2001	2002	2003	2004	2005	2006
Alabama Income Group	Average Income	Ave tax cut	Ave tax cut	Ave tax cut	Ave tax cut	Ave tax cut	Ave tax cut	% of tax cut	% of tax cut	% of tax cut	% of tax cut	% of tax cut	% of tax cut
Lowest 20%	\$ 9,000	\$ -28	\$ -47	\$ -51	\$ -55	\$ -47	\$ -50	1.4%	1.2%	0.7%	0.7%	1.0%	1.0%
Second 20%	\$ 17,000	-229	-267	-314	-334	-311	-317	11.4%	6.6%	4.4%	4.4%	6.4%	6.3%
Middle 20%	\$ 29,000	-389	-503	-715	-741	-516	-526	19.4%	12.5%	10.0%	9.8%	10.5%	10.5%
Fourth 20%	\$ 49,000	-529	-758	-1,220	-1,263	-757	-785	26.4%	18.8%	17.1%	16.7%	15.4%	15.6%
Next 15%	\$ 81,000	-705	-1,209	-2,471	-2,632	-1,602	-1,612	26.4%	22.5%	26.1%	26.0%	24.5%	24.1%
Next 4%	\$ 155,000	-918	-2,766	-5,521	-5,770	-3,498	-3,112	9.2%	13.7%	15.6%	15.3%	14.3%	12.4%
Top 1%	\$ 625,000	-2,297	-20,022	-36,947	-40,607	-26,793	-30,185	5.7%	24.7%	26.0%	27.0%	28.0%	30.1%
ALL	\$ 45,000	\$ -396	\$ -797	\$ -1,407	\$ -1,497	\$ -969	\$ -992	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
ADDENDUM:													
Poorest 60%	\$ 18,000	\$ -215	\$ -272	\$ -360	\$ -377	\$ -292	\$ -297	32.3%	20.3%	15.2%	14.9%	17.8%	17.8%
Top 20%	\$ 123,000	\$ -827	\$ -2,455	\$ -4,802	\$ -5,174	\$ -3,269	\$ -3,341	41.3%	60.9%	67.7%	68.4%	66.7%	66.6%

Increased Debt More than Offsets the Impact of the Bush Tax Cuts

While the three Bush tax cuts enacted so far are targeted to the wealthy, the explosion of added federal debt that will result from these tax cuts will fall on the backs of all Americans. When the added burden of federal debt and the benefits of the Bush tax cuts are added together, the Bush tax cuts are even more clearly a bad deal for Americans at all income levels:

Net Burden of Bush Fiscal Policies 2001-2006, Alabama Taxpayers

Total	41.8 Billion
Per Person	\$ 9,306
Per Family of Four	\$ 37,224

- Between 2001 and 2006, Alabama taxpayers will receive \$12.2 billion in tax cuts—but will face \$54 billion in added federal debt, for a net added burden of \$41.8 billion.
- This means that the net impact of the Bush fiscal policies so far is an added burden of \$9,306 per Alabama resident—or \$37,224 for an Alabama family of four.
- For the middle 20 percent of Alabama taxpayers, the net burden of Bush’s tax and budget policies will average \$20,220 for the six-year period.

The Bush Debt Buildup versus Tax Cuts: Six-Year Totals by State

Calendar years	2001	2002	2003	2004	2005	2006	01-06 tot
Impact on All Alabamans (\$Billions)							
Total Tax Cuts	\$ 0.8	\$ 1.6	\$ 2.8	\$ 3.0	\$ 2.0	\$ 2.0	\$ 12.2
Added Debt	5.5	8.1	10.2	9.7	9.8	10.7	54.0
Net Added Burdens	4.7	6.5	7.4	6.7	7.8	8.7	41.8
Average Impact on Middle 20% of Alabamans							
Average tax cuts	-389	-503	-715	-741	-516	-526	-3,390
Average added debt	+2,456	+3,589	+4,498	+4,250	+4,230	+4,587	+23,610
Average net added burden	+2,067	+3,086	+3,783	+3,509	+3,714	+4,061	+20,220

Most Taxpayers Receive Less than \$100 from the 2003 Tax Cuts

The Bush administration describes the 2003 tax cuts as providing, “on average, a tax cut of \$1,126.” Yet this statistic is misleading, since most Alabamans will receive less than this “average.” In fact, most Alabamans will receive less than \$100 from the latest Bush tax cuts in 2003—and almost all state residents will receive less than \$100 by 2006.

- In 2003, 57 percent of Alabamans will get less than \$100 from the 2003 tax bill.
- By 2006, fully 1.9 million Alabama taxpayers—93 percent of all state residents—will receive less than \$100 in tax cuts as a result of the latest Bush tax cut.

Child Credit Expansion Bypasses Many Alabama Families

One of the mostly highly touted provisions of the 2003 Bush tax cut, the temporary increase in the per-child tax credit to \$1,000, actually provides no benefit for many Alabama families with children.

In particular:

- More than 208,000 Alabama families with children under 17 will get zero benefit from the boost in the child credit.
- These families represent 31 percent of Alabama families with children under 17 who are not otherwise disqualified by the phase-out of the credit at upper-income levels.
- More than 326,000 Alabama children under 17 live in families getting nothing from the child credit increase because of their low earnings.

How the \$1,000 Child Credit Affects Alabama Families with Children Under 17 in 2004

# of Families Not Helped	208,118
% of Families Not Helped	31%
# of Kids Not Helped	326,382

CTJ Fifty-State Analyses of the Bush Tax Cut on the Internet: Where to Find Them

Distributional Impact of the 2003 Tax Cuts by State: www.ctj.org/html/gwb03st.htm .

Net Impact of Added Debt and Tax Cuts, First Three Bush Tax Cuts: www.ctj.org/pdf/debt0903.pdf .

Taxpayers Receiving Less than \$100 from 2003 cuts: www.ctj.org/pdf/2003statecut.pdf .

Child Credit Expansion Bypasses Many Families: www.ctj.org/pdf/2003statekid.pdf .

<\$100 in 2003		<\$100 in 2004		<\$100 in 2005		<\$100 in 2006	
#-000	% of TPs	#-000	% of TPs	#-000	% of TPs	#-000	% of TPs
1,136	57%	1,078	54%	1,698	84%	1,899	93%

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