

Citizens for Tax Justice Analysis Of Presidential Candidate George W. Bush's Tax Plan December 1, 1999.

The tax cut plan announced today by GOP presidential candidate George W. Bush would reduce federal revenues by more than \$1.7 trillion over ten years. Almost two-thirds of Bush's proposed tax cuts would go to the best-off 10 percent of Americans.

- # Taxpayers in the lowest 60 percent of the income scale would get only 11 percent of Bush's proposed tax cuts. Their average annual tax reduction, in 1999 dollars, would be \$249.
- # For the bottom 20 percent of taxpayers, the average tax cut under the Bush plan would be \$43 a year.
- # In contrast, the best-off 10 percent of all taxpayers would get 61.6 percent of Bush's proposed tax cuts, and an average tax cut of \$8,362 a year.
- # The wealthiest one percent of all taxpayers would get an average tax reduction of \$50,166 a year in 1999 dollars when all the provisions of the Bush plan are phased in.

Effects of Major Elements of George W. Bush's Tax Plan (Annual effects at 1999 income levels, \$-billions except averages)

Income Group	Income Range	Average Income	Average Tax Cut	% of Total Tax Cut
Lowest 20%	Less than \$13,600	\$ 8,600	\$ -43	0.6%
Second 20%	\$13,600-24,400	18,800	-203	3.0%
Middle 20%	\$24,400-39,300	31,100	-501	7.4%
Fourth 20%	\$39,300-64,900	50,700	-1,043	15.4%
Next 15%	\$64,900-130,000	86,800	-1,906	21.1%
Next 4%	\$130,000-319,000	183,000	-5,337	15.7%
Top 1%	\$319,000 or more	915,000	-50,166	36.9%
ALL		\$ 50,800	\$ -1,348	100.0%
ADDENDUM				
Bottom 60%	Less than \$39,300	\$ 19,500	\$ -249	11.0%
Top 10%	\$92,500 or more	218,000	-8,362	61.6%

Estimates are preliminary, and exclude expanded Education Savings Accounts.
Tax changes are shown fully effective at 1999 levels.

Source: Institute on Taxation and Economic Policy Tax Model.

The plan's annual revenue losses would grow rapidly as the provisions are phased in, from about \$25 billion in fiscal 2002 to almost \$290 billion in fiscal 2011. For the 10 year period, 2002 - 2011, the total cost would be over \$1.7 trillion. This is more than twice the ten year costs of the \$800 billion tax cut plan passed by Congress last summer and vetoed by President Clinton. The Bush proposal would thus appear to require significant cuts in federal government programs on top of the severe cuts already mandated by the 1997 budget agreement.

The estimates for the cost of the Bush tax cuts presented here are similar to those put forward by the Bush campaign for the first five years, but considerably greater thereafter. The Bush campaign estimates appear to assume no growth in the annual cost of the program after the first five years, despite continued phase-ins of some of the plan's provisions and (one hopes) continued growth in the economy.

Estimated Revenue Effects of the George W. Bush Tax Plan
Fiscal 2002 to Fiscal 2011, \$-billions

(fiscal years)	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2002-06	2002-11
Income Tax Cuts	\$-25.5	\$-64.8	\$-81.4	\$-120.3	\$-162.6	\$-192.9	\$-202.6	\$-212.7	\$-223.4	\$-234.5	\$-454.5	\$ -1,520.6
Estate Tax Cuts	—	-3.1	-3.2	-6.8	-10.7	-14.9	-23.5	-32.9	-47.5	-49.9	-23.7	-192.5
R&E Tax Credit	—	—	-0.3	-2.0	-2.7	-2.8	-2.9	-3.0	-3.1	-3.3	-5.0	-20.1
TOTALS	\$-25.5	\$-67.8	\$-84.9	\$-129.0	\$-175.9	\$-210.7	\$-229.0	\$-248.7	\$-274.0	\$-287.7	\$-483.2	\$ -1,733.3

Source: Institute on Taxation and Economic Policy Tax Model.

The estimates presented here include Bush's proposals to:

- # Repeal the federal estate tax. The federal estate tax, which has been in place since 1916, applies only to the largest estates. In 1995, for example, only 1.4% of those expiring left estates subject to tax. Currently the first \$1.3 million of net estate value (after charitable donations, reductions for debt, etc.) is exempt from tax for couples (\$650,000 for singles). Under a law passed in 1997, this exemption amount is being increased. It is scheduled to reach \$2 million for couples (\$1 million for singles) in 2006.
- # Extend permanently the corporate research tax credit. This credit, which subsidizes already highly profitable corporate research, was originally adopted in 1981 as a temporary measure. Since that time it has been extended many times. Currently it is set to expire in 2004.
- # Cut personal income tax marginal rates, by (1) reducing the top rates of 39.6% and 36% to 33%; (2) reducing the 31% and 28% rates to 25%; and (3) adding a new bottom tax bracket of 10% for the first \$12,000 in taxable income for couples, \$6,000 for singles without children and \$10,000 for single parents. Because wealthier taxpayers benefit from all of the rate cuts, and because the cuts are most substantial at the very highest incomes, these cuts benefit the wealthy more than those at lower incomes.

- # Allow a deduction for charitable contributions for non-itemizers. Currently, only those who have itemized deductions in excess of the standard deduction get an additional tax benefit from giving to charity.
- # Allow a deduction of up to \$3,000 for two-earner couples. The deduction is equal to 10 percent of the lower-earner spouses earned income. This is a provision that existed prior to 1986, but was eliminated, in concert with other changes, to simplify tax-filing and reduce tax discrimination against one-job couples.
- # Double the \$500 per child tax credit to \$1,000 and raise the level at which the credit begins to be phased out to \$200,000. Currently the phase-out range starts at \$110,000 for couples and at \$75,000 for single parents.

The estimates do not include Bush's proposal to increase the annual contribution limit for Education Savings Accounts from the current \$500 to \$5,000.

The analysis was performed using the Institute on Taxation and Economic Policy Tax Model, a widely respected tool for analyzing the revenue and distributional effects of tax proposals. More information about the model can be found at www.ctj.org or is available on request.

Effects of Major Elements of George W. Bush's Tax Plan

(Annual effects at 1999 income levels, \$-billions except averages)

Income Group	Income Range	Average Income	Income Tax Rates, Per Child Credit, 2-Earner & Charitable	Estate Tax Repeal	R&E Tax Credit	Total	Average Tax Cut	% of Total Tax Cut
Lowest 20%	Less than \$13,600	\$ 8,600	\$ -1.1	\$ -0.0	\$ -0.0	\$ -1.1	\$ -43	0.6%
Second 20%	\$13,600-24,400	18,800	-5.1	-0.0	-0.1	-5.1	-203	3.0%
Middle 20%	\$24,400-39,300	31,100	-12.6	-0.0	-0.1	-12.7	-501	7.4%
Fourth 20%	\$39,300-64,900	50,700	-26.2	-0.0	-0.2	-26.4	-1,043	15.4%
Next 15%	\$64,900-130,000	86,800	-35.9	-0.0	-0.3	-36.2	-1,906	21.1%
Next 4%	\$130,000-319,000	183,000	-24.2	-2.5	-0.4	-27.0	-5,337	15.7%
Top 1%	\$319,000 or more	915,000	-37.2	-25.2	-1.0	-63.4	-50,166	36.9%
ALL		\$ 50,800	\$ -142.2	\$ -27.7	\$ -2.2	\$ -172.1	\$ -1,348	100.0%
ADDENDUM			—					
Bottom 60%	Less than \$39,300	\$ 19,500	\$ -18.7	\$ -0.0	\$ -0.2	\$ -18.9	\$ -249	11.0%
Top 10%	\$92,500 or more	218,000	-76.7	-27.7	-1.6	-105.9	-8,362	61.6%

Estimates are preliminary, and exclude expanded Education Savings Accounts.

Tax changes are shown fully effective at 1999 levels.

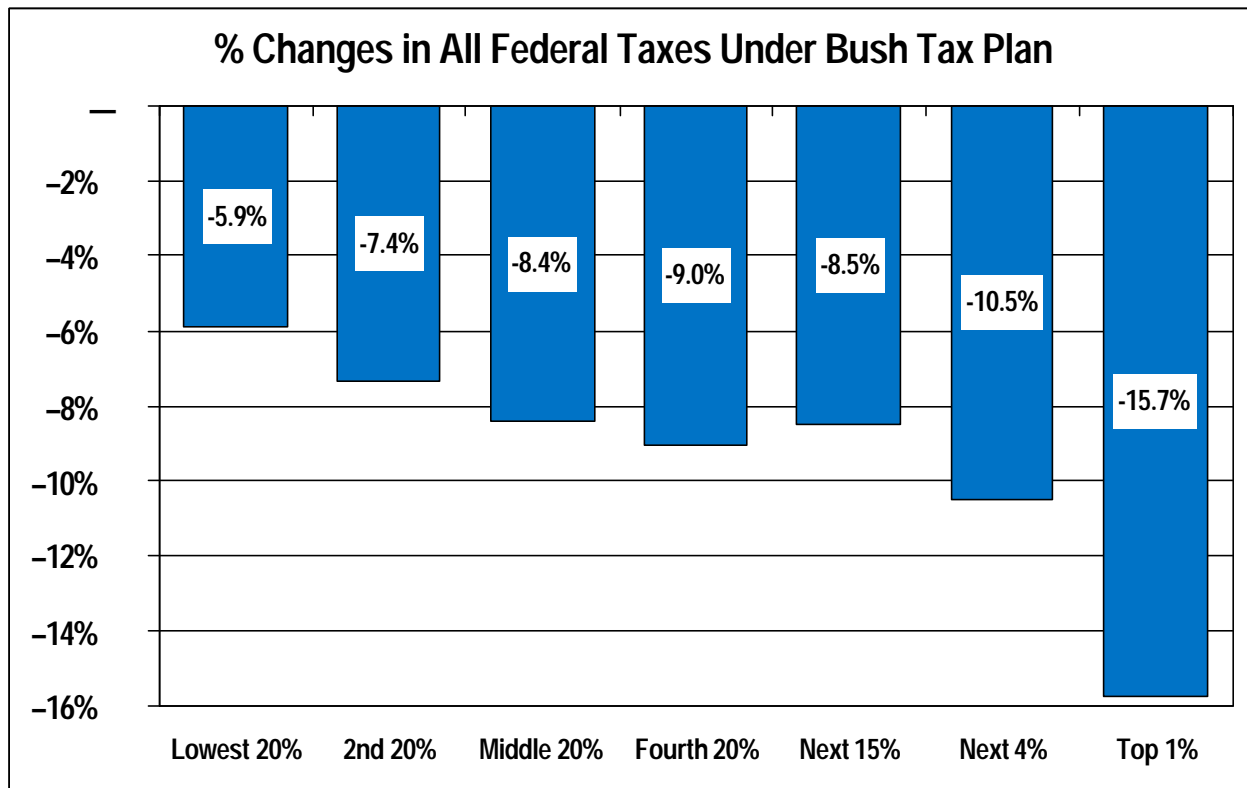
Source: Institute on Taxation and Economic Policy Tax Model.

Addendum: Regarding Bush's Claim That His Plan Favors the Poor

According to the "Fact Sheet" accompanying George W. Bush's Dec. 1, 1999 announcement of his tax plan, "The Bush tax cuts benefit all Americans, but reserve the greatest percentage reduction for the lowest income families."

This statement is false. Bush's proposed tax cuts do not benefit all Americans, and they do not provide the largest percentage reduction to lower-income people. In fact, more than a quarter of taxpayers would get nothing at all from the Bush plan. Moreover, as a share of current federal taxes, the Bush plan amounts to:

- # a 5.9% reduction for the bottom 20%,
- # an 8.4% reduction for those in the middle and
- # a 15.7% tax cut for the best-off one percent.



All federal taxes include personal and corporate income taxes, Social Security & Medicare payroll taxes, estate taxes & excises taxes. Current law is shown at 1999 levels. Bush plan is shown fully effective at 1999 levels.

Source: Institute on Taxation and Economic Policy Tax Model.

In dollars, the Bush plan would cut total federal taxes for the lowest fifth from an average of \$734 a year now to \$691, a reduction of only \$43 a year. Taxpayers in the middle of the income scale would see their average federal tax liability cut from \$5,965 to \$5,464, a reduction of \$501. But those at the top would see their taxes cut by an average of more than \$50,000 a year.

Over-spin: To assert that his tax plan favors those at lower income levels, Bush chose to misleadingly focus on only one federal tax, the personal income tax. But because the income tax is progressive, it imposes little or no burden on lower income taxpayers now. In fact, most of the federal taxes that lower- and middle-income people pay reflect Social Security payroll taxes and excise taxes, neither of which is affected by Bush's plan.

Measuring the fairness or unfairness of any tax proposal by its percentage change in taxes for different income groups is almost always a misleading exercise because the current federal tax system is modestly progressive. Much more relevant measures are to look at proposed tax cuts for different income groups: (a) in average dollar terms, (b) as shares of the total tax cuts, and (c) as shares of income. By any of these measures, Bush's plan is clearly targeted at the upper end of the income scale:

	Average Dollar Cut	Share of Total Cut	Tax Cut/ Income
Lowest 20%	\$ 43	0.6%	0.5%
Middle 20%	501	7.4%	1.6%
Top 1%	50,166	36.9%	5.7%
