

Proposed 10% Income Tax Rate Cut Would Cost More Than a Trillion Dollars Over Next Decade. Almost Two-thirds of Tax Cuts Would Go to Best-off 10%

A new analysis of the 10% income tax rate cut proposed by House and Senate leaders shows that the plan would reduce federal revenues by more than a trillion dollars over the next decade. The analysis also shows that 62% of the proposed tax cuts would go to the best-off tenth of all taxpayers.

The computer analysis of the proposed 10% income tax rate reduction was released by Citizens for Tax Justice, a non-partisan, non-profit group that favors fairer tax policies. The analysis also found:

- # For taxpayers making less than \$38,000, a group that includes 60 percent of all taxpayers, the average tax cut under the proposal would be \$99 a year.
- # For the one percent of taxpayers making more than \$301,000, the average tax cut would be \$20,697 annually.

“The proposed 10% income tax rate cut is billed as an even-handed tax cut, but that’s not case at all,” noted CTJ director Robert S. McIntyre. “In fact, this plan would reduce the federal government’s most progressive tax, the income tax, while leaving other, generally regressive taxes in place. That approach, by definition, has to favor the best-off taxpayers at the expense of everyone else.”

“Indeed,” McIntyre continued, “by spending more than a trillion dollars on tax cuts, mostly for the highest-income people, this irresponsible income tax rate reduction plan will make it difficult or impossible to sustain important government programs that average families depend on, such as Social Security, in the future.”

2000	\$ -36
2001	-93
2002	-97
2003	-101
2004	-105
2005	-111
2006	-116
2007	-122
2008	-128
2009	-134
Total, 2000-2009	\$ -1,042

Note: Assumes effective date of 1/1/2000. Estimates are based on 8/98 CBO income tax projections and will change under upcoming new CBO figures.

Distributional Effects of a 10% Cut in Personal Income Tax Rates

Income Group 1999 levels	% of All Returns	Average Income	Tax Cut \$-billions	Average All Returns	% of Total Cut
<\$10,000	12.7%	\$ 6,600	\$ -0.1	\$ -4	0.1%
\$10-20,000	20.3%	14,800	-1.3	-49	1.6%
\$20-30,000	16.9%	24,900	-3.2	-146	3.9%
\$30-40,000	11.4%	34,700	-3.8	-260	4.6%
\$40-50,000	9.5%	44,800	-5.1	-424	6.3%
\$50-75,000	14.4%	61,000	-12.2	-664	14.9%
\$75-100,000	6.5%	86,200	-9.4	-1,138	11.5%
\$100-200,000	5.7%	132,600	-15.0	-2,067	18.3%
\$200,000+	1.9%	546,900	-31.8	-12,874	38.9%
ALL	100.0%	\$ 48,700	\$ -81.7	\$ -640	100.0%
Addendum:					
Top 1%	> \$ 301,000	\$ 833,000	\$ -26.2	\$ -20,697	32.0%
Top 10%	> \$ 89,000	204,000	-50.6	-3,992	61.9%
Bottom 60%	< \$ 38,000	19,000	-7.6	-99	9.3%

