

# Effects of the 2001-Enacted Bush Tax Cuts in 2010

(Annual effects in 2010 at 2010 income levels)

Income Group	Income Range	Average Income	Income tax cuts (\$-bill.)	Estate tax repeal (\$-bill.)	Total Tax Cuts (\$-bill.)	Average income tax cuts	Average Total Tax Cut	% of income tax cut	% of Total Tax Cut
Lowest 20%	Less than \$20,000	\$ 12,200	\$ -2.8	\$ —	\$ -2.8	\$ -98	\$ -98	1.6%	1.2%
Second 20%	\$20,000–36,000	27,500	-14.5	—	-14.5	-508	-508	8.1%	6.2%
Middle 20%	\$36,000–59,000	46,100	-22.6	—	-22.6	-791	-791	12.6%	9.6%
Fourth 20%	\$59,000–97,000	75,800	-30.9	—	-30.9	-1,081	-1,081	17.2%	13.2%
Next 15%	\$97,000–205,000	133,200	-26.2	—	-26.2	-1,225	-1,225	14.6%	11.2%
Next 4%	\$205,000–518,000	296,000	-11.0	-4.9	-15.9	-1,923	-2,780	6.1%	6.8%
Top 1%	\$518,000 or more	1,491,000	-71.6	-49.8	-121.4	-50,149	-85,002	39.9%	51.8%
<b>ALL</b>		<b>\$ 78,400</b>	<b>\$ -179.7</b>	<b>\$ -54.7</b>	<b>\$ -234.4</b>	<b>\$ -1,249</b>	<b>\$ -1,629</b>	<b>100.0%</b>	<b>100.0%</b>
<b>ADDENDUM</b>									
Bottom 60%	Less than \$59,000	\$ 28,600	\$ -39.9	\$ —	\$ -39.9	\$ -466	\$ -466	22.2%	17.0%
Top 10%	\$141,000 or more	351,000	-91.1	-54.7	-145.8	-6,375	-10,203	50.7%	62.2%

**Notes:** 1. The table shows the annual effects of the final version of the Bush tax plan, as enacted, in 2010 in 2010 dollars. Income tax cuts include: Reductions in the current 28%, 31%, 36%, and 39.6% rates to 25%, 28%, 33% and 35% (effectively to less than 34% for the top rate, including the repeal of the itemized deduction disallowance) by 2006. Addition of a new 10% bracket on the first \$14,000 in taxable income for couples, \$10,000 for single parents, and \$7,000 for childless singles and married persons filing separately, phased in by 2008 (indexed thereafter). Increasing the starting point for the (new) 25% tax bracket for couples to double the starting point for childless single taxpayers (phased in by 2008). Increasing the standard deduction for couples to double the childless single amount (phased in by 2009). Increasing the starting and ending points for the phase-out of the earned-income tax credit for couples by \$3,000, phased in by 2008 (indexed thereafter). Doubling of the per-child credit to \$1,000 (phased in by 2010, unindexed), with phased-in expanded rules for refundability of the credit. Repeal of the personal exemption phase out and the partial disallowance of itemized deductions at high income levels (phased in by 2010). An increase in the maximum percentage for the dependent care credit to 35% below \$15,001 in AGI, with phase-down rules (to 20%) like current law, along with an increase in the child-care expenses to which the percentage applies, from \$2,400 to \$3,000 (double that for two or more eligible children). Various retirement savings tax changes.

2. A separate column shows the effects of repeal of the federal estate tax on large estates. The distributional effects of estate tax repeal are based on the approach outlined in Joint Committee on Taxation, *Methodology and Issues in Measuring Changes in the Distribution of Tax Burdens* (1993).

3. The figures do not include temporary individual alternative minimum tax relief, which ends after 2004, or education tax breaks.

Source: Institute on Taxation and Economic Policy Tax Model

**Citizens for Tax Justice, June 2002**