

## CTJ Issue Brief: The Bush Tax Cuts in Alabama

In his first three years, President George W. Bush has presided over three rounds of major tax cuts, including special tax breaks for capital gains and dividends, reductions in personal income tax rates, estate tax repeal and an array of corporate tax loopholes. This issue brief summarizes the findings of several previously released CTJ analyses of the Bush tax cuts, focusing on their impact on Alabamians at different income levels and on how Alabama residents are affected by the ballooning federal debt.

### Alabama’s Wealthiest Residents Benefit Most From Bush Tax Cuts

The Bush tax cuts that have taken effect so far are heavily tilted toward the very wealthiest taxpayers—and the tax cuts will become even more regressive in the future. The following table shows the impact of the Bush tax cuts on Alabamians in each year from 2001 to 2006.

- In 2003, the top one percent of Alabamians, with average incomes of \$625,000, get 26 percent of the Bush tax cuts that go to Alabamians, with an average tax cut of \$36,947. By 2006, this group will get 30.1 percent of the tax cuts.
- In contrast, the poorest sixty percent of Alabama residents, with average incomes of \$18,000, collectively get only 15.2 percent of the Bush tax cuts in 2003.
- The poorest twenty percent of Alabamians, with an average income of \$9,000, get an average of \$51 from the Bush tax cuts in 2003. This is only 0.7 percent of the total tax cuts for Alabamians.
- The average tax cut for the middle twenty percent of Alabamians in 2003 is \$715. That falls to \$526 in 2006.

**Impact of the Bush tax cuts enacted so far on Alabamians, 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%
<b>ALL</b>	<b>\$ 45,000</b>	<b>\$ -396</b>	<b>\$ -797</b>	<b>\$ -1,407</b>	<b>\$ -1,497</b>	<b>\$ -969</b>	<b>\$ -992</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>
<b>ADDENDUM:</b>													
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 in federal debt that accompanies the tax cuts will fall on the backs of all Alabamians. When the added debt burden and the tax reductions are netted together, the Bush tax cuts are even more clearly a bad deal for Alabamians at all but the top 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 \$54.0 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 over 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 total
<b>Impact on All Alabamians (\$Billions)</b>							
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
<b>Net Added Burdens</b>	<b>\$ 4.7</b>	<b>\$ 6.5</b>	<b>\$ 7.4</b>	<b>\$ 6.7</b>	<b>\$ 7.8</b>	<b>\$ 8.7</b>	<b>\$ 41.8</b>
<b>Average Impact on Middle 20% of Alabamians</b>							
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
<b>Average net added burden</b>	<b>\$ +2,067</b>	<b>\$ +3,086</b>	<b>\$ +3,783</b>	<b>\$ +3,509</b>	<b>\$ +3,714</b>	<b>\$ +4,061</b>	<b>\$ +20,220</b>

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

President Bush describes his 2003 round of tax cuts as “on average, a tax cut of \$1,126” a year. This statistic is misleading, since most Alabamians get far less than this “average.” In fact, most Alabamians get less than \$100 from the 2003 Bush tax cuts in 2003—and almost all will get less than \$100 a year after 2004.

- In 2003, 57 percent of Alabamians will get less than \$100 from the 2003 tax bill.
- By 2006, 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.

Alabama Taxpayers Getting \$100 or Less from the Bush 2003 Tax Cut Program, 2003-2006							
<\$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%

## 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:

### How the \$1,000 Child Credit Affects Alabama Families with Children Under 17 in 2003

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

- More than 208,000 Alabama families—with 326,000 children under 17—will get zero benefit from the 2003 boost in the child credit.
- These families represent 31 percent of Alabama families with children under 17 (excluding the small number of families ineligible for the child credit because their incomes are too high).

#### 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](http://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](http://www.ctj.org/pdf/debt0903.pdf) .

Taxpayers Receiving Less than \$100 from 2003 cuts: [www.ctj.org/pdf/2003statecut.pdf](http://www.ctj.org/pdf/2003statecut.pdf) .

Child Credit Expansion Bypasses Many Families: [www.ctj.org/pdf/2003statekid.pdf](http://www.ctj.org/pdf/2003statekid.pdf) .