

## CTJ Issue Brief: The Bush Tax Cuts in D.C.

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 D.C. residents at different income levels and on how District of Columbia residents are affected by the ballooning federal debt.

### D.C.'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 D.C. residents in each year from 2001 to 2006.

- In 2003, the top one percent of D.C. residents, with average incomes of \$1,720,000, get 43.6 percent of the Bush tax cuts that go to D.C. residents, with an average tax cut of \$102,114. By 2006, this group will get 53.1 percent of the cuts.
- In contrast, the poorest sixty percent of District of Columbia residents, with average incomes of \$25,000, collectively get only 12.2 percent of the Bush tax cuts in 2003.
- The poorest twenty percent of D.C. residents, with an average income of \$12,000, get an average of \$123 from the Bush tax cuts in 2003. This is only 1 percent of the total tax cuts for D.C. residents.
- The average tax cut for the middle twenty percent of D.C. residents in 2003 is \$764. That falls to \$485 in 2006.

**Impact of the Bush tax cuts enacted so far on D.C. residents, 2001-2006**

| Calendar years                           | 2001               | 2002               | 2003               | 2004               | 2005               | 2006               | 2001                | 2002                | 2003                | 2004                | 2005                | 2006                |               |
|--|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------|
| <b>District of Columbia Income Group</b> | <b>Ave tax cut</b> | <b>Ave tax cut</b> | <b>Ave tax cut</b> | <b>Ave tax cut</b> | <b>Ave tax cut</b> | <b>Ave tax cut</b> | <b>% of tax cut</b> | <b>% of tax cut</b> | <b>% of tax cut</b> | <b>% of tax cut</b> | <b>% of tax cut</b> | <b>% of tax cut</b> |               |
| Lowest 20%                               | \$ 12,000          | \$ -101            | \$ -109            | \$ -123            | \$ -136            | \$ -137            | \$ -139             | 4.7%                | 1.6%                | 1.0%                | 1.0%                | 1.7%                | 1.7%          |
| Second 20%                               | \$ 25,000          | -335               | -377               | -554               | -580               | -424               | -431                | 15.5%               | 5.6%                | 4.7%                | 4.4%                | 5.1%                | 5.2%          |
| Middle 20%                               | \$ 39,000          | -346               | -541               | -764               | -791               | -478               | -485                | 15.8%               | 8.1%                | 6.4%                | 6.1%                | 5.8%                | 5.8%          |
| Fourth 20%                               | \$ 59,000          | -453               | -798               | -1,253             | -1,334             | -872               | -840                | 20.7%               | 11.6%               | 10.5%               | 10.2%               | 10.6%               | 10.1%         |
| Next 15%                                 | \$ 108,000         | -649               | -1,528             | -3,160             | -3,403             | -2,014             | -1,570              | 23.5%               | 17.8%               | 20.1%               | 19.9%               | 18.5%               | 14.3%         |
| Next 4%                                  | \$ 245,000         | -996               | -4,354             | -7,762             | -8,504             | -4,372             | -4,028              | 9.3%                | 13.2%               | 13.6%               | 13.4%               | 10.7%               | 9.8%          |
| Top 1%                                   | \$ 1,720,000       | -4,437             | -55,586            | -102,114           | -115,056           | -78,225            | -87,672             | 10.5%               | 42.1%               | 43.6%               | 45.0%               | 47.7%               | 53.1%         |
| <b>ALL</b>                               | <b>\$ 70,000</b>   | <b>\$ -428</b>     | <b>\$ -1,330</b>   | <b>\$ -2,361</b>   | <b>\$ -2,582</b>   | <b>\$ -1,640</b>   | <b>\$ -1,652</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%                              | \$ 25,000          | \$ -260            | \$ -343            | \$ -483            | \$ -502            | \$ -346            | \$ -351             | 36.0%               | 15.3%               | 12.2%               | 11.6%               | 12.5%               | 12.6%         |
| Top 20%                                  | \$ 217,000         | \$ -903            | \$ -4,732          | \$ -9,047          | \$ -10,026         | \$ -6,281          | \$ -6,356           | 43.3%               | 73.0%               | 77.4%               | 78.2%               | 76.9%               | 77.3%         |

## 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 D.C. residents. When the added debt burden and the tax reductions are netted together, the Bush tax cuts are even more clearly a bad deal for D.C. residents at all but the top income levels:

### Net Burden of Bush Fiscal Policies 2001-2006, D.C. Taxpayers

|                    |               |
|--------------------|---------------|
| Total              | \$5.5 Billion |
| Per Person         | \$ 9,609      |
| Per Family of Four | \$ 38,436     |

- Between 2001 and 2006, D.C. taxpayers will receive \$2.7 billion in tax cuts—but will face \$8.1 billion in added federal debt, for a net added burden of \$5.5 billion.
- This means that the net impact of the Bush fiscal policies so far is an added burden of \$9,609 per District of Columbia resident—or \$38,436 for a District of Columbia family of four.
- For the middle 20 percent of District of Columbia taxpayers, the net burden of Bush’s tax and budget policies will average \$21,830 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 D.C. residents (\$Billions)</b>      |                  |                  |                  |                  |                  |                  |                   |
| Total Tax Cuts  | \$ 0.1           | \$ 0.4           | \$ 0.6           | \$ 0.7           | \$ 0.4           | \$ 0.4           | \$ 2.7            |
| Added Debt  | 0.8              | 1.2              | 1.5              | 1.5              | 1.5              | 1.6              | 8.1               |
| <b>Net Added Burdens</b>                              | <b>\$ 0.7</b>    | <b>\$ 0.9</b>    | <b>\$ 0.9</b>    | <b>\$ 0.8</b>    | <b>\$ 1.0</b>    | <b>\$ 1.2</b>    | <b>\$ 5.5</b>     |
| <b>Average Impact on Middle 20% of D.C. residents</b> |                  |                  |                  |                  |                  |                  |                   |
| Average tax cuts                                      | \$ -346          | \$ -541          | \$ -764          | \$ -791          | \$ -478          | \$ -485          | \$ -3,405         |
| Average added debt                                    | \$ +2,612        | \$ +3,839        | \$ +4,808        | \$ +4,542        | \$ +4,525        | \$ +4,909        | \$ +25,235        |
| <b>Average net added burden</b>                       | <b>\$ +2,266</b> | <b>\$ +3,298</b> | <b>\$ +4,044</b> | <b>\$ +3,751</b> | <b>\$ +4,047</b> | <b>\$ +4,425</b> | <b>\$ +21,830</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 D.C. residents get far less than this “average.” In fact, half of D.C. residents get less than \$100 from the 2003 Bush tax cuts in 2003—and most will get less than \$100 a year after 2004.

- In 2003, 50 percent of D.C. residents will get less than \$100 from the 2003 tax bill.
- By 2006, 234,000 District of Columbia taxpayers—87 percent of all state residents—will receive less than \$100 in tax cuts as a result of the latest Bush tax cut.

| D.C. 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 |
| 132  | 50%      | 132            | 50%      | 181            | 68%      | 234            | 87%      |

## Child Credit Expansion Bypasses Many D.C. 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 District of Columbia families with children. In particular:

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

|                          |        |
|--------------------------|--------|
| # of Families Not Helped | 17,833 |
| % of Families Not Helped | 30%    |
| # of Kids Not Helped     | 27,698 |

- More than 18,000 District of Columbia families—with 28,000 children under 17—will get zero benefit from the 2003 boost in the child credit.
- These families represent 30 percent of District of Columbia 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) .