

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

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 Iowans at different income levels and on how Iowa residents are affected by the ballooning federal debt.

### Iowa'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 Iowans in each year from 2001 to 2006.

- In 2003, the top one percent of Iowans, with average incomes of \$581,000, get 19.7 percent of the Bush tax cuts that go to Iowans, with an average tax cut of \$31,334. By 2006, this group will get 26.3 percent of the tax cuts.
- In contrast, the poorest sixty percent of Iowa residents, with average incomes of \$22,000, collectively get only 17.4 percent of the Bush tax cuts in 2003.
- The poorest twenty percent of Iowans, with an average income of \$9,000, get an average of \$76 from the Bush tax cuts in 2003. This is only 1 percent of the total tax cuts for Iowans.
- The average tax cut for the middle twenty percent of Iowans in 2003 is \$876. That falls to \$578 in 2006.

#### Impact of the Bush tax cuts enacted so far on Iowans, 2001-2006

Calendar years	2001	2002	2003	2004	2005	2006	2001	2002	2003	2004	2005	2006	
<b>Iowa 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>	
<b>Lowest 20%</b>	\$ 9,000	\$ -40	\$ -69	\$ -76	\$ -81	\$ -61	\$ -65	1.9%	1.5%	1.0%	1.0%	1.2%	1.3%
<b>Second 20%</b>	\$ 21,000	-245	-349	-449	-463	-323	-327	11.6%	7.7%	5.6%	5.5%	6.4%	6.5%
<b>Middle 20%</b>	\$ 36,000	-391	-607	-876	-908	-562	-578	18.7%	13.0%	10.8%	10.7%	11.1%	11.5%
<b>Fourth 20%</b>	\$ 55,000	-594	-960	-1,601	-1,689	-943	-961	28.2%	21.6%	20.4%	19.9%	18.6%	19.1%
<b>Next 15%</b>	\$ 85,000	-726	-1,409	-2,924	-3,113	-1,785	-1,658	25.9%	23.3%	27.5%	27.6%	26.4%	24.7%
<b>Next 4%</b>	\$ 155,000	-906	-3,007	-5,916	-6,263	-3,378	-2,674	8.6%	13.3%	14.9%	14.8%	13.3%	10.6%
<b>Top 1%</b>	\$ 581,000	-2,198	-17,658	-31,334	-34,679	-23,239	-26,349	5.2%	19.5%	19.7%	20.5%	23.0%	26.3%
<b>ALL</b>	\$ 49,000	\$ -418	\$ -900	\$ -1,579	\$ -1,681	\$ -1,007	\$ -999	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
<b>ADDENDUM:</b>													
<b>Poorest 60%</b>	\$ 22,000	\$ -226	\$ -340	\$ -465	\$ -485	\$ -316	\$ -323	32.1%	22.3%	17.4%	17.2%	18.7%	19.3%
<b>Top 20%</b>	\$ 124,000	\$ -836	\$ -2,543	\$ -4,946	\$ -5,323	\$ -3,181	\$ -3,102	39.7%	56.0%	62.1%	62.9%	62.7%	61.6%

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

### Net Burden of Bush Fiscal Policies 2001-2006, Iowa Taxpayers

Total	\$27.5 Billion
Per Person	\$ 9,374
Per Family of Four	\$ 37,496

- Between 2001 and 2006, Iowa taxpayers will receive \$9.0 billion in tax cuts—but will face \$36.5 billion in added federal debt, for a net added burden of \$27.5 billion.
- This means that the net impact of the Bush fiscal policies so far is an added burden of \$9,374 per Iowa resident—or \$37,496 for an Iowa family of four.
- For the middle 20 percent of Iowa taxpayers, the net burden of Bush’s tax and budget policies will average \$20,706 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 Iowans (\$Billions)</b>							
Total Tax Cuts	\$ 0.6	\$ 1.2	\$ 2.1	\$ 2.3	\$ 1.4	\$ 1.4	\$ 9.0
Added Debt	3.7	5.4	6.9	6.6	6.6	7.2	36.5
<b>Net Added Burdens</b>	<b>\$ 3.1</b>	<b>\$ 4.2</b>	<b>\$ 4.8</b>	<b>\$ 4.3</b>	<b>\$ 5.2</b>	<b>\$ 5.9</b>	<b>\$ 27.5</b>
<b>Average Impact on Middle 20% of Iowans</b>							
Average tax cuts	\$ -391	\$ -607	\$ -876	\$ -908	\$ -562	\$ -578	\$ -3,923
Average added debt	\$ +2,551	\$ +3,750	\$ +4,692	\$ +4,433	\$ +4,415	\$ +4,789	\$ +24,629
<b>Average net added burden</b>	<b>\$ +2,160</b>	<b>\$ +3,143</b>	<b>\$ +3,816</b>	<b>\$ +3,524</b>	<b>\$ +3,852</b>	<b>\$ +4,211</b>	<b>\$ +20,706</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 Iowans get far less than this “average.” In fact, many Iowans 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, 51 percent of Iowans will get less than \$100 from the 2003 tax bill.
- By 2006, 1.2 million Iowa taxpayers—87 percent of all state residents—will receive less than \$100 in tax cuts as a result of the latest Bush tax cut.

Iowa 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
686	51%	667	49%	1,047	76%	1,208	87%

## Child Credit Expansion Bypasses Many Iowa 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 Iowa families with children. In particular:

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

# of Families Not Helped	66,348
% of Families Not Helped	18%
# of Kids Not Helped	125,296

- More than 66,000 Iowa families—with 125,000 children under 17—will get zero benefit from the 2003 boost in the child credit.
- These families represent 18 percent of Iowa 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) .