

CTJ Issue Brief: The Bush Tax Cuts in Louisiana

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

Louisiana'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 Louisianians in each year from 2001 to 2006.

- In 2003, the top one percent of Louisianians, with average incomes of \$626,000, get 25.2 percent of the Bush tax cuts that go to Louisianians, with an average tax cut of \$37,652. By 2006, this group will get 30.5 percent of the tax cuts.
- In contrast, the poorest sixty percent of Louisiana residents, with average incomes of \$18,000, collectively get only 13.6 percent of the Bush tax cuts in 2003.
- The poorest twenty percent of Louisianians, with an average income of \$8,000, get an average of \$34 from the Bush tax cuts in 2003. This is only 0.5 percent of the total tax cuts for Louisianians.
- The average tax cut for the middle twenty percent of Louisianians in 2003 is \$669. That falls to \$529 in 2006.

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

Calendar years	2001	2002	2003	2004	2005	2006	2001	2002	2003	2004	2005	2006	
Louisiana Income Group	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%	\$ 8,000	\$ -19	\$ -30	\$ -34	\$ -38	\$ -38	\$ -42	1.0%	0.7%	0.5%	0.5%	0.7%	0.8%
Second 20%	\$ 17,000	-222	-259	-313	-329	-334	-341	11.3%	6.2%	4.2%	4.1%	6.4%	6.4%
Middle 20%	\$ 29,000	-365	-461	-669	-698	-516	-529	18.6%	11.1%	9.0%	8.8%	10.0%	10.0%
Fourth 20%	\$ 49,000	-533	-809	-1,304	-1,350	-782	-795	27.1%	19.4%	17.4%	16.9%	15.1%	15.0%
Next 15%	\$ 83,000	-686	-1,248	-2,656	-2,816	-1,684	-1,649	26.2%	22.5%	26.6%	26.5%	24.4%	23.3%
Next 4%	\$ 164,000	-943	-3,162	-6,385	-6,772	-4,092	-3,738	9.6%	15.1%	17.1%	17.0%	15.8%	14.1%
Top 1%	\$ 626,000	-2,418	-20,561	-37,652	-41,731	-28,436	-32,372	6.2%	24.9%	25.2%	26.2%	27.5%	30.5%
ALL	\$ 45,000	\$ -386	\$ -820	\$ -1,471	\$ -1,568	\$ -1,018	\$ -1,045	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
ADDENDUM:													
Poorest 60%	\$ 18,000	\$ -202	\$ -250	\$ -339	\$ -355	\$ -296	\$ -304	30.9%	18.0%	13.6%	13.3%	17.1%	17.2%
Top 20%	\$ 127,000	\$ -824	\$ -2,606	\$ -5,153	\$ -5,553	\$ -3,505	\$ -3,604	41.9%	62.5%	68.9%	69.7%	67.8%	67.8%

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

Net Burden of Bush Fiscal Policies 2001-2006, Louisiana Taxpayers

Total	\$41.1 Billion
Per Person	\$ 9,167
Per Family of Four	\$ 36,669

- Between 2001 and 2006, Louisiana taxpayers will receive \$12.3 billion in tax cuts—but will face \$53.4 billion in added federal debt, for a net added burden of \$41.1 billion.
- This means that the net impact of the Bush fiscal policies so far is an added burden of \$9,167 per Louisiana resident—or \$36,669 for a Louisiana family of four.
- For the middle 20 percent of Louisiana taxpayers, the net burden of Bush’s tax and budget policies will average \$20,237 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
Impact on All Louisianians (\$Billions)							
Total Tax Cuts	\$ 0.7	\$ 1.6	\$ 2.8	\$ 3.0	\$ 2.0	\$ 2.1	\$ 12.3
Added Debt	5.4	8.0	10.1	9.6	9.7	10.6	53.4
Net Added Burdens	\$ 4.7	\$ 6.4	\$ 7.2	\$ 6.6	\$ 7.7	\$ 8.5	\$ 41.1
Average Impact on Middle 20% of Louisianians							
Average tax cuts	\$ -365	\$ -461	\$ -669	\$ -698	\$ -516	\$ -529	\$ -3,238
Average added debt	\$ +2,437	\$ +3,571	\$ +4,472	\$ +4,228	\$ +4,206	\$ +4,562	\$ +23,476
Average net added burden	\$ +2,072	\$ +3,110	\$ +3,802	\$ +3,530	\$ +3,691	\$ +4,033	\$ +20,237

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 Louisianians get far less than this “average.” In fact, most Louisianians 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, 56 percent of Louisianians will get less than \$100 from the 2003 tax bill.
- By 2006, 1.8 million Louisiana taxpayers—92 percent of all state residents—will receive less than \$100 in tax cuts as a result of the latest Bush tax cut.

Louisiana 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
1,091	56%	1,085	56%	1,587	81%	1,822	92%

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

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

# of Families Not Helped	254,878
% of Families Not Helped	39%
# of Kids Not Helped	430,838

- More than 255,000 Louisiana families—with 431,000 children under 17—will get zero benefit from the 2003 boost in the child credit.
- These families represent 39 percent of Louisiana 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 .

Net Impact of Added Debt and Tax Cuts, First Three Bush Tax Cuts: www.ctj.org/pdf/debt0903.pdf .

Taxpayers Receiving Less than \$100 from 2003 cuts: www.ctj.org/pdf/2003statecut.pdf .

Child Credit Expansion Bypasses Many Families: www.ctj.org/pdf/2003statekid.pdf .