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Citizens for Tax Justice

CTJ Issue Brief: The Bush Tax Cuts in Maine

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

Maine'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 Mainers in each year from 2001 to 2006.

- In 2003, the top one percent of Mainers, with average incomes of $595,000, get 22.3 percent of the Bush tax cuts that go to Mainers, with an average tax cut of $32,264. By 2006, this group will get 28.7 percent of the tax cuts.
- In contrast, the poorest sixty percent of Maine residents, with average incomes of $22,000, collectively get only 17.8 percent of the Bush tax cuts in 2003.
- The poorest twenty percent of Mainers, with an average income of $10,000, get an average of $85 from the Bush tax cuts in 2003. This is only 1.1 percent of the total tax cuts for Mainers.
- The average tax cut for the middle twenty percent of Mainers in 2003 is $859. That falls to $561 in 2006.

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

Calendar years		2001	2002	2003	2004	2005	2006	2001	2002	2003	2004	2005	2006
Maine 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%	$ 10,000	$ –56	$ –73	$ –85	$ –88	$ –76	$ –80	2.8%	1.6%	1.1%	1.1%	1.5%	1.6%
Second 20%	$ 21,000	–263	–355	–429	–451	–346	–348	12.8%	8.0%	5.6%	5.4%	7.0%	7.1%
Middle 20%	$ 34,000	–395	–572	–859	–893	–549	–561	18.6%	12.8%	11.1%	10.7%	10.9%	11.1%
Fourth 20%	$ 53,000	–541	–848	–1,393	–1,438	–836	–859	27.3%	19.0%	18.2%	17.6%	17.2%	18.0%
Next 15%	$ 84,000	–683	–1,322	–2,698	–2,904	–1,719	–1,599	25.0%	22.2%	26.2%	26.2%	26.1%	24.7%
Next 4%	$ 159,000	–882	–3,070	–5,922	–6,343	–2,940	–2,174	8.5%	13.7%	15.4%	15.3%	11.9%	8.8%
Top 1%	$ 595,000	–1,930	–18,664	–32,264	–36,820	–23,776	–26,838	4.9%	22.4%	22.3%	23.6%	25.3%	28.7%
ALL	$ 48,000	**$ –406**	**$ –882**	**$ –1,524**	**$ –1,640**	**$ –979**	**$ –969**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**
ADDENDUM:													
Poorest 60%	$ 22,000	**$ –237**	**$ –334**	**$ –457**	**$ –477**	**$ –322**	**$ –327**	**34.2%**	**22.5%**	**17.8%**	**17.2%**	**19.4%**	**19.9%**
Top 20%	$ 126,000	**$ –788**	**$ –2,597**	**$ –4,914**	**$ –5,390**	**$ –3,117**	**$ –3,025**	**38.5%**	**58.4%**	**64.0%**	**65.2%**	**63.3%**	**62.1%**

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

Net Burden of Bush Fiscal Policies 2001-2006, Maine Taxpayers	
Total	$12.2 Billion
Per Person	$ 9,435
Per Family of Four	$ 37,740

- Between 2001 and 2006, Maine taxpayers will receive $4 billion in tax cuts—but will face $16.2 billion in added federal debt, for a net added burden of $12.2 billion.
- This means that the net impact of the Bush fiscal policies so far is an added burden of $9,435 per Maine resident—or $37,740 for a Maine family of four.
- For the middle 20 percent of Maine taxpayers, the net burden of Bush's tax and budget policies will average $20,658 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 Mainers ($Billions)							
Total Tax Cuts	$ 0.2	$ 0.5	$ 0.9	$ 1.0	$ 0.6	$ 0.6	**$ 4.0**
Added Debt	1.6	2.4	3.1	2.9	2.9	3.2	**16.2**
Net Added Burdens	**$ 1.4**	**$ 1.9**	**$ 2.1**	**$ 1.9**	**$ 2.3**	**$ 2.6**	**$ 12.2**
Average Impact on Middle 20% of Mainers							
Average tax cuts	$ –395	$ –572	$ –859	$ –893	$ –549	$ –561	**$ –3,830**
Average added debt	$ +2,542	$ +3,724	$ +4,667	$ +4,407	$ +4,387	$ +4,759	**$ +24,487**
Average net added burden	**$ +2,147**	**$ +3,152**	**$ +3,808**	**$ +3,514**	**$ +3,838**	**$ +4,199**	**$ +20,658**

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 Mainers get far less than this "average." In fact, many Mainers 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, 52 percent of Mainers will get less than $100 from the 2003 tax bill.
- By 2006, 553,000 Maine taxpayers—87 percent of all state residents—will receive less than $100 in tax cuts as a result of the latest Bush tax cut.

Maine 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
320	52%	313	50%	487	78%	553	87%

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

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

# of Families Not Helped	44,015
% of Families Not Helped	26%
# of Kids Not Helped	73,090

- More than 44,000 Maine families—with 73,000 children under 17—will get zero benefit from the 2003 boost in the child credit.
- These families represent 26 percent of Maine 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 .