

CTJ Issue Brief: The Bush Tax Cuts in North Carolina

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 North Carolinians at different income levels and on how North Carolina residents are affected by the ballooning federal debt.

North Carolina’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 North Carolinians in each year from 2001 to 2006.

- In 2003, the top one percent of North Carolinians, with average incomes of \$682,000, get 24.4 percent of the Bush tax cuts that go to North Carolinians, with an average tax cut of \$36,864. By 2006, this group will get 31.5 percent of the cuts.
- In contrast, the poorest sixty percent of North Carolina residents, with average incomes of \$20,000, collectively get only 17.6 percent of the Bush tax cuts in 2003.
- The poorest twenty percent of North Carolinians, with an average income of \$9,000, get an average of \$69 from the Bush tax cuts in 2003. This is only 0.9 percent of the total tax cuts for North Carolinians.
- The average tax cut for the middle twenty percent of North Carolinians in 2003 is \$812. That falls to \$564 in 2006.

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

Calendar years	2001	2002	2003	2004	2005	2006	2001	2002	2003	2004	2005	2006	
North Carolina 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%	\$ 9,000	\$ -42	\$ -62	\$ -69	\$ -74	\$ -62	\$ -64	2.0%	1.4%	0.9%	0.9%	1.2%	1.3%
Second 20%	\$ 20,000	-292	-335	-454	-472	-411	-423	13.7%	7.7%	6.0%	5.9%	8.0%	8.3%
Middle 20%	\$ 32,000	-409	-552	-812	-837	-559	-564	19.4%	12.7%	10.7%	10.4%	10.9%	11.1%
Fourth 20%	\$ 51,000	-544	-778	-1,240	-1,281	-786	-809	25.7%	17.9%	16.4%	15.9%	15.3%	16.0%
Next 15%	\$ 87,000	-699	-1,325	-2,656	-2,820	-1,699	-1,556	24.8%	22.8%	26.2%	26.3%	24.8%	23.0%
Next 4%	\$ 173,000	-930	-2,914	-5,822	-6,123	-3,080	-2,222	8.8%	13.5%	15.4%	15.2%	12.0%	8.8%
Top 1%	\$ 682,000	-2,330	-20,601	-36,864	-40,880	-28,382	-31,875	5.5%	23.8%	24.4%	25.4%	27.7%	31.5%
ALL	\$ 48,000	\$ -416	\$ -855	\$ -1,494	\$ -1,588	\$ -1,011	\$ -999	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
ADDENDUM:													
Poorest 60%	\$ 20,000	\$ -247	\$ -316	\$ -445	\$ -461	\$ -344	\$ -351	35.1%	21.9%	17.6%	17.2%	20.1%	20.7%
Top 20%	\$ 134,000	\$ -827	\$ -2,612	\$ -5,005	\$ -5,387	\$ -3,310	\$ -3,206	39.2%	60.2%	66.0%	66.9%	64.5%	63.3%

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

Net Burden of Bush Fiscal Policies 2001-2006, N. Carolina Taxpayers

Total	\$79.4 Billion
Per Person	\$ 9,543
Per Family of Four	\$ 38,172

- Between 2001 and 2006, North Carolina taxpayers will receive \$24.9 billion in tax cuts—but will face \$104.3 billion in added federal debt, for a net added burden of \$79.4 billion.
- This means that the net impact of the Bush fiscal policies so far is an added burden of \$9,543 per North Carolina resident—or \$38,172 for a family of four.
- For the middle 20 percent of North Carolina taxpayers, the net burden of Bush’s tax and budget policies will average \$20,459 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 North Carolinians (\$Billions)							
Total Tax Cuts	\$ 1.6	\$ 3.3	\$ 5.8	\$ 6.2	\$ 4.0	\$ 4.0	\$ 24.9
Added Debt	10.6	15.6	19.7	18.8	18.9	20.7	104.3
Net Added Burdens	\$ 9.0	\$ 12.3	\$ 13.9	\$ 12.6	\$ 14.9	\$ 16.7	\$ 79.4
Average Impact on Middle 20% of North Carolinians							
Average tax cuts	\$ -409	\$ -552	\$ -812	\$ -837	\$ -559	\$ -564	\$ -3,733
Average added debt	\$ +2,519	\$ +3,677	\$ +4,609	\$ +4,352	\$ +4,334	\$ +4,700	\$ +24,192
Average net added burden	\$ +2,110	\$ +3,126	\$ +3,797	\$ +3,515	\$ +3,775	\$ +4,136	\$ +20,459

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 North Carolinians get far less than this “average.” In fact, many North Carolinians 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 residents will get less than \$100 from the 2003 tax bill.
- By 2006, 3.6 million North Carolina taxpayers—90 percent of all state residents—will receive less than \$100 in tax cuts as a result of the latest Bush tax cut.

North Carolina 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
2,030	52%	1,959	50%	3,177	80%	3,604	90%

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

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

# of Families Not Helped	237,624
% of Families Not Helped	21%
# of Kids Not Helped	382,821

- More than 238,000 North Carolina families—with 383,000 children under 17—will get zero benefit from the 2003 boost in the child credit.
- These families represent 21 percent of North Carolina 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 .