

CTJ Issue Brief: The Bush Tax Cuts in New Hampshire

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

New Hampshire'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 New Hampshire residents in each year from 2001 to 2006.

- In 2003, the top one percent of New Hampshire residents, with average incomes of \$958,000, get 26.5 percent of the Bush tax cuts that go to New Hampshire residents, with an average tax cut of \$58,598. By 2006, this group will get 34.8 percent of the cuts.
- In contrast, the poorest sixty percent of New Hampshire residents, with average incomes of \$28,000, collectively get only 16.8 percent of the Bush tax cuts in 2003.
- The poorest twenty percent of New Hampshire residents, with an average income of \$12,000, get an average of \$244 from the Bush tax cuts in 2003. This is only 2.2 percent of the total tax cuts for New Hampshire residents.
- The average tax cut for the middle twenty percent of New Hampshire residents in 2003 is \$1,062. That falls to \$712 in 2006.

Impact of the Bush tax cuts enacted so far on New Hampshire residents, 2001-2006

| Calendar years | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | |
|-----------------------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------|
| New Hampshire 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% | \$ 12,000 | \$ -124 | \$ -213 | \$ -244 | \$ -243 | \$ -175 | \$ -177 | 4.8% | 3.7% | 2.2% | 2.0% | 2.1% | 2.1% |
| Second 20% | \$ 27,000 | -331 | -427 | -584 | -615 | -463 | -468 | 13.2% | 7.4% | 5.2% | 5.1% | 5.7% | 5.7% |
| Middle 20% | \$ 44,000 | -462 | -629 | -1,062 | -1,110 | -695 | -712 | 18.1% | 11.0% | 9.5% | 9.2% | 8.6% | 8.6% |
| Fourth 20% | \$ 69,000 | -633 | -1,059 | -1,957 | -2,078 | -1,277 | -1,328 | 24.8% | 18.4% | 17.4% | 17.2% | 15.7% | 16.0% |
| Next 15% | \$ 111,000 | -807 | -1,538 | -3,610 | -3,800 | -2,459 | -2,358 | 23.7% | 20.1% | 24.1% | 23.5% | 22.6% | 21.3% |
| Next 4% | \$ 221,000 | -1,120 | -4,190 | -8,541 | -9,107 | -5,605 | -4,746 | 8.8% | 14.5% | 15.1% | 15.0% | 13.8% | 11.4% |
| Top 1% | \$ 958,000 | -3,247 | -27,970 | -58,598 | -67,259 | -50,913 | -57,416 | 6.5% | 24.8% | 26.5% | 28.1% | 31.5% | 34.8% |
| ALL | \$ 65,000 | \$ -507 | \$ -1,143 | \$ -2,237 | \$ -2,415 | \$ -1,622 | \$ -1,651 | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% |
| ADDENDUM: | | | | | | | | | | | | | |
| Poorest 60% | \$ 28,000 | \$ -307 | \$ -423 | \$ -631 | \$ -659 | \$ -446 | \$ -454 | 36.1% | 22.1% | 16.8% | 16.3% | 16.4% | 16.4% |
| Top 20% | \$ 176,000 | \$ -993 | \$ -3,412 | \$ -7,389 | \$ -8,073 | \$ -5,526 | \$ -5,597 | 39.0% | 59.4% | 65.7% | 66.5% | 67.9% | 67.5% |

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

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

| | |
|--------------------|----------------|
| Total | \$12.1 Billion |
| Per Person | \$ 9,458 |
| Per Family of Four | \$ 37,830 |

- Between 2001 and 2006, taxpayers will receive \$5.8 billion in tax cuts—but will face \$17.9 billion in added federal debt, for a net added burden of \$12.1 billion.
- This means that the net impact of the Bush fiscal policies so far is an added burden of \$9,458 per New Hampshire resident—or \$37,830 for a family of four.
- For the middle 20 percent of New Hampshire taxpayers, the net burden of Bush’s tax and budget policies will average \$21,857 over the six-year period.

Most Taxpayers Receive Less than \$100 from the 2003 Tax Cuts

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 New Hampshirites (\$Billions) | | | | | | | |
| Total Tax Cuts | \$ 0.3 | \$ 0.7 | \$ 1.3 | \$ 1.5 | \$ 1.0 | \$ 1.0 | \$ 5.8 |
| Added Debt | 1.8 | 2.7 | 3.4 | 3.2 | 3.2 | 3.5 | 17.9 |
| Net Added Burdens | \$ 1.5 | \$ 2.0 | \$ 2.0 | \$ 1.8 | \$ 2.2 | \$ 2.5 | \$ 12.1 |
| Average Impact on Middle 20% of New Hampshirites | | | | | | | |
| Average tax cuts | \$ -462 | \$ -629 | \$ -1,062 | \$ -1,110 | \$ -695 | \$ -712 | \$ -4,671 |
| Average added debt | \$ +2,768 | \$ +4,026 | \$ +5,043 | \$ +4,774 | \$ +4,757 | \$ +5,160 | \$ +26,528 |
| Average net added burden | \$ +2,306 | \$ +3,397 | \$ +3,981 | \$ +3,663 | \$ +4,062 | \$ +4,448 | \$ +21,857 |

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 New Hampshirites get far less than this “average.” In fact, many New Hampshirites 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, 41 percent of state residents will get less than \$100 from the 2003 tax bill.
- By 2006, 519,000 New Hampshire taxpayers—84 percent of all state residents—will receive less than \$100 in tax cuts as a result of the latest Bush tax cut.

| New Hampshire 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 |
| 248 | 41% | 241 | 40% | 396 | 65% | 519 | 84% |

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

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

| | |
|--------------------------|--------|
| # of Families Not Helped | 14,948 |
| % of Families Not Helped | 10% |
| # of Kids Not Helped | 26,825 |

- More than 15,000 New Hampshire families—with 27,000 children under 17—will get zero benefit from the 2003 boost in the child credit.
- These families represent 10 percent of New Hampshire 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 .