

CTJ Issue Brief: The Bush Tax Cuts in New Mexico

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

New Mexico'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 Mexicans in each year from 2001 to 2006.

- In 2003, the top one percent of New Mexicans, with average incomes of \$531,000, get 19.5 percent of the Bush tax cuts that go to New Mexicans, with an average tax cut of \$28,024. By 2006, this group will get 23.1 percent of the tax cuts.
- In contrast, the poorest sixty percent of New Mexico residents, with average incomes of \$20,000, collectively get only 18 percent of the Bush tax cuts in 2003.
- The poorest twenty percent of New Mexicans, with an average income of \$9,000, get an average of \$65 from the Bush tax cuts in 2003. This is only 0.9 percent of the total tax cuts for New Mexicans.
- The average tax cut for the middle twenty percent of New Mexicans in 2003 is \$832. That falls to \$586 in 2006.

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

Calendar years	2001	2002	2003	2004	2005	2006	2001	2002	2003	2004	2005	2006	
New Mexico 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	\$ -44	\$ -57	\$ -65	\$ -72	\$ -72	\$ -79	2.2%	1.4%	0.9%	0.9%	1.5%	1.6%
Second 20%	\$ 20,000	-249	-329	-400	-418	-367	-374	12.3%	7.9%	5.6%	5.5%	7.7%	7.8%
Middle 20%	\$ 31,000	-408	-542	-832	-866	-582	-586	20.2%	13.0%	11.5%	11.3%	12.2%	12.3%
Fourth 20%	\$ 50,000	-528	-816	-1,343	-1,391	-824	-842	26.0%	19.6%	18.6%	17.9%	16.9%	17.2%
Next 15%	\$ 82,000	-691	-1,299	-2,580	-2,712	-1,600	-1,556	25.8%	23.4%	27.2%	27.5%	26.3%	25.6%
Next 4%	\$ 152,000	-889	-3,076	-5,962	-6,326	-3,517	-2,919	8.8%	14.8%	16.6%	16.6%	14.8%	12.3%
Top 1%	\$ 531,000	-1,881	-16,441	-28,024	-30,687	-19,504	-21,971	4.7%	19.8%	19.5%	20.1%	20.5%	23.1%
ALL	\$ 45,000	\$ -399	\$ -823	\$ -1,421	\$ -1,506	\$ -939	\$ -941	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
ADDENDUM:													
Poorest 60%	\$ 20,000	\$ -234	\$ -309	\$ -432	\$ -452	\$ -340	\$ -346	34.7%	22.3%	18.0%	17.8%	21.4%	21.8%
Top 20%	\$ 118,000	\$ -790	\$ -2,414	\$ -4,513	\$ -4,787	\$ -2,841	\$ -2,813	39.2%	58.0%	63.3%	64.3%	61.6%	61.0%

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

Net Burden of Bush Fiscal Policies 2001-2006, New Mexico Taxpayers

Total	\$17.1 Billion
Per Person	\$ 9,194
Per Family of Four	\$ 36,774

- Between 2001 and 2006, taxpayers will receive \$4.2 billion in tax cuts—but will face \$21.2 billion in added federal debt, for a net added burden of \$17.1 billion.
- This means that the net impact of the Bush fiscal policies so far is an added burden of \$9,194 per New Mexico resident—or \$36,774 for a New Mexico family of four.
- For the middle 20 percent of New Mexico taxpayers, the net burden of Bush’s tax and budget policies will average \$20,087 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 Mexicans (\$Billions)							
Total Tax Cuts	\$ 0.3	\$ 0.6	\$ 1.0	\$ 1.0	\$ 0.7	\$ 0.7	\$ 4.2
Added Debt	2.1	3.2	4.0	3.8	3.8	4.2	21.2
Net Added Burdens	\$ 1.9	\$ 2.6	\$ 3.0	\$ 2.8	\$ 3.2	\$ 3.6	\$ 17.1
Average Impact on Middle 20% of New Mexicans							
Average tax cuts	\$ -408	\$ -542	\$ -832	\$ -866	\$ -582	\$ -586	\$ -3,816
Average added debt	\$ +2,484	\$ +3,637	\$ +4,553	\$ +4,303	\$ +4,283	\$ +4,644	\$ +23,904
Average net added burden	\$ +2,076	\$ +3,095	\$ +3,721	\$ +3,437	\$ +3,700	\$ +4,058	\$ +20,087

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 Mexicans get far less than this “average.” In fact, most New Mexicans 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, 54 percent of New Mexicans will get less than \$100 from the 2003 tax bill.
- By 2006, 634,000 New Mexico taxpayers—90 percent of all state residents—will receive less than \$100 in tax cuts as a result of the latest Bush tax cut.

New Mexico 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
367	54%	362	53%	551	79%	634	90%

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

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

# of Families Not Helped	89,430
% of Families Not Helped	36%
# of Kids Not Helped	156,973

- More than 89,000 New Mexico families—with 157,000 children under 17—will get zero benefit from the 2003 boost in the child credit.
- These families represent 36 percent of New Mexico 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 .