

CTJ Issue Brief: The Bush Tax Cuts in Rhode Island

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 Rhode Islanders at different income levels and on how Rhode Island residents are affected by the ballooning federal debt.

Rhode Island'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 Rhode Islanders in each year from 2001 to 2006.

- In 2003, the top one percent of Rhode Islanders, with average incomes of \$808,000, get 25.4 percent of the Bush tax cuts that go to Rhode Islanders, with an average tax cut of \$45,262. By 2006, this group will get 32.9 percent of the cuts.
- In contrast, the poorest sixty percent of Rhode Island residents, with average incomes of \$23,000, collectively get only 14.8 percent of the Bush tax cuts in 2003.
- The poorest twenty percent of Rhode Islanders, with an average income of \$9,000, get an average of \$71 from the Bush tax cuts in 2003. This is only 0.8 percent of the total tax cuts for Rhode Islanders.
- The average tax cut for the middle twenty percent of Rhode Islanders in 2003 is \$752. That falls to \$512 in 2006.

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

Calendar years	2001	2002	2003	2004	2005	2006	2001	2002	2003	2004	2005	2006	
Rhode Island 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	\$ -37	\$ -64	\$ -71	\$ -76	\$ -53	\$ -54	1.8%	1.3%	0.8%	0.8%	0.9%	1.0%
Second 20%	\$ 22,000	-274	-335	-454	-468	-380	-391	12.4%	6.9%	5.1%	5.0%	6.5%	7.0%
Middle 20%	\$ 37,000	-346	-525	-752	-782	-500	-512	17.1%	11.3%	8.9%	8.5%	9.2%	9.9%
Fourth 20%	\$ 59,000	-567	-886	-1,486	-1,542	-961	-965	27.3%	18.6%	17.2%	16.9%	17.0%	17.9%
Next 15%	\$ 97,000	-737	-1,478	-3,185	-3,385	-1,965	-1,677	26.4%	23.2%	27.6%	27.4%	26.1%	23.3%
Next 4%	\$ 191,000	-958	-3,281	-6,436	-6,884	-3,288	-2,191	9.1%	13.8%	15.0%	14.7%	11.6%	8.1%
Top 1%	\$ 808,000	-2,431	-24,335	-45,262	-48,019	-31,496	-34,415	6.0%	24.9%	25.4%	26.7%	28.7%	32.9%
ALL	\$ 55,000	\$ -416	\$ -947	\$ -1,717	\$ -1,840	\$ -1,121	\$ -1,071	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
ADDENDUM:													
Poorest 60%	\$ 23,000	\$ -220	\$ -310	\$ -428	\$ -445	\$ -313	\$ -321	31.3%	19.5%	14.8%	14.3%	16.6%	17.8%
Top 20%	\$ 150,000	\$ -868	\$ -2,956	\$ -5,884	\$ -6,380	\$ -3,749	\$ -3,464	41.4%	61.9%	68.0%	68.8%	66.4%	64.3%

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

Net Burden of Bush Fiscal Policies 2001-2006, Rhode Island Taxpayers

Total	\$10.3 Billion
Per Person	\$ 9,662
Per Family of Four	\$ 38,647

- Between 2001 and 2006, state residents will receive \$3.7 billion in tax cuts—but will face \$14 billion in added federal debt, for a net added burden of \$10.3 billion.
- This means that the net impact of the Bush fiscal policies so far is an added burden of \$9,662 per Rhode Island resident—or \$38,647 for a Rhode Island family of four.
- For the middle 20 percent of Rhode Island taxpayers, the net burden of Bush’s tax and budget policies will average \$21,301 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 Rhode Islanders (\$Billions)							
Total Tax Cuts	\$ 0.2	\$ 0.5	\$ 0.9	\$ 0.9	\$ 0.6	\$ 0.6	\$ 3.7
Added Debt	1.4	2.1	2.6	2.5	2.5	2.8	14.0
Net Added Burdens	\$ 1.2	\$ 1.6	\$ 1.8	\$ 1.6	\$ 2.0	\$ 2.2	\$ 10.3
Average Impact on Middle 20% of Rhode Islanders							
Average tax cuts	\$ -346	\$ -525	\$ -752	\$ -782	\$ -500	\$ -512	\$ -3,417
Average added debt	\$ +2,550	\$ +3,768	\$ +4,722	\$ +4,457	\$ +4,424	\$ +4,798	\$ +24,719
Average net added burden	\$ +2,204	\$ +3,243	\$ +3,970	\$ +3,675	\$ +3,924	\$ +4,286	\$ +21,301

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 Rhode Islanders get far less than this “average.” In fact, many Rhode Islanders 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, 50 percent of taxpayers will get less than \$100 from the 2003 tax bill.
- By 2006, 464,000 Rhode Island taxpayers—88 percent of all state residents—will receive less than \$100 in tax cuts as a result of the latest Bush tax cut.

Rhode Island 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
256	50%	254	49%	375	72%	464	88%

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

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

# of Families Not Helped	29,903
% of Families Not Helped	22%
# of Kids Not Helped	55,385

- More than 30,000 Rhode Island families—with 55,000 children under 17—will get zero benefit from the 2003 boost in the child credit.
- These families represent 22 percent of Rhode Island 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 .