

CTJ Issue Brief: The Bush Tax Cuts in Texas

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

Texas'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 Texans in each year from 2001 to 2006.

- In 2003, the top one percent of Texans, with average incomes of \$937,000, get 29.2 percent of the Bush tax cuts that go to Texans, with an average tax cut of \$54,958. By 2006, this group will get 35.7 percent of the tax cuts.
- In contrast, the poorest sixty percent of Texas residents, with average incomes of \$21,000, collectively get only 14.9 percent of the Bush tax cuts in 2003.
- The poorest twenty percent of Texans, with an average income of \$9,000, get an average of \$95 from the Bush tax cuts in 2003. This is only 1 percent of the total tax cuts for Texans.
- The average tax cut for the middle twenty percent of Texans in 2003 is \$806. That falls to \$589 in 2006.

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

Calendar years	2001	2002	2003	2004	2005	2006	2001	2002	2003	2004	2005	2006	
Texas 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	\$ -72	\$ -86	\$ -95	\$ -103	\$ -101	\$ -108	3.1%	1.7%	1.0%	1.0%	1.5%	1.6%
Second 20%	\$ 20,000	-330	-395	-500	-521	-464	-475	14.2%	7.9%	5.3%	5.2%	6.9%	6.8%
Middle 20%	\$ 33,000	-418	-539	-806	-831	-576	-589	17.9%	10.8%	8.6%	8.3%	8.5%	8.5%
Fourth 20%	\$ 53,000	-564	-831	-1,413	-1,470	-903	-928	24.1%	16.6%	15.0%	14.7%	13.4%	13.4%
Next 15%	\$ 95,000	-767	-1,465	-3,280	-3,448	-2,089	-2,041	24.6%	22.0%	26.1%	25.8%	23.2%	22.1%
Next 4%	\$ 199,000	-1,072	-3,376	-6,916	-7,257	-4,618	-4,160	9.2%	13.5%	14.7%	14.5%	13.7%	12.0%
Top 1%	\$ 937,000	-3,260	-27,511	-54,958	-61,053	-44,360	-49,455	7.0%	27.5%	29.2%	30.5%	32.8%	35.7%
ALL	\$ 54,000	\$ -463	\$ -991	\$ -1,864	\$ -1,986	\$ -1,338	\$ -1,375	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
ADDENDUM:													
Poorest 60%	\$ 21,000	\$ -274	\$ -340	\$ -467	\$ -485	\$ -380	\$ -391	35.1%	20.4%	14.9%	14.5%	16.9%	16.9%
Top 20%	\$ 158,000	\$ -953	\$ -3,149	\$ -6,593	\$ -7,095	\$ -4,709	\$ -4,838	40.8%	62.9%	70.0%	70.8%	69.7%	69.7%

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

Net Burden of Bush Fiscal Policies 2001-2006, Texas Taxpayers

Total	\$198.9 Billion
Per Person	\$ 9,134
Per Family of Four	\$ 36,536

- Between 2001 and 2006, Texans will receive \$74.3 billion in tax cuts—but will face \$273.2 billion in added federal debt, for a net added burden of \$198.9 billion.
- This means that the net impact of the Bush fiscal policies so far is an added burden of \$9,134 per Texas resident—or \$36,536 for a Texas family of four.
- For the middle 20 percent of Texas taxpayers, the net burden of Bush’s tax and budget policies will average \$20,567 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 Texans (\$Billions)							
Total Tax Cuts	\$ 4.1	\$ 8.9	\$ 17.1	\$ 18.5	\$ 12.6	\$ 13.1	\$ 74.3
Added Debt	27.7	40.8	51.6	49.3	49.5	54.3	273.2
Net Added Burdens	\$ 23.6	\$ 31.9	\$ 34.6	\$ 30.7	\$ 36.9	\$ 41.2	\$ 198.9
Average Impact on Middle 20% of Texans							
Average tax cuts	\$ -418	\$ -539	\$ -806	\$ -831	\$ -576	\$ -589	\$ -3,758
Average added debt	\$ +2,538	\$ +3,699	\$ +4,633	\$ +4,377	\$ +4,356	\$ +4,723	\$ +24,326
Average net added burden	\$ +2,121	\$ +3,160	\$ +3,827	\$ +3,545	\$ +3,780	\$ +4,134	\$ +20,567

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 Texans get far less than this “average.” In fact, most Texans 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, 50 percent of Texans will get less than \$100 from the 2003 tax bill.
- By 2006, 8.6 million Texas taxpayers—91 percent of all state residents—will receive less than \$100 in tax cuts as a result of the latest Bush tax cut.

Texas 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
4,585	50%	4,603	49%	7,154	76%	8,646	91%

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

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

# of Families Not Helped	819,274
% of Families Not Helped	27%
# of Kids Not Helped	1,473,550

- More than 819,000 Texas families—with 1,474,000 children under 17—will get zero benefit from the 2003 boost in the child credit.
- These families represent 27 percent of Texas 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 .