

CTJ Issue Brief: The Bush Tax Cuts in Virginia

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

Virginia'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 Virginians in each year from 2001 to 2006.

- In 2003, the top one percent of Virginians, with average incomes of \$919,000, get 27.6 percent of the Bush tax cuts that go to Virginians, with an average tax cut of \$53,536. By 2006, this group will get 36.3 percent of the tax cuts.
- In contrast, the poorest sixty percent of Virginia 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 Virginians, with an average income of \$9,000, get an average of \$112 from the Bush tax cuts in 2003. This is only 1.2 percent of the total tax cuts for Virginians.
- The average tax cut for the middle twenty percent of Virginians in 2003 is \$832. That falls to \$582 in 2006.

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

Calendar years	2001	2002	2003	2004	2005	2006	2001	2002	2003	2004	2005	2006	
Virginia 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	\$ -64	\$ -102	\$ -112	\$ -118	\$ -86	\$ -87	2.7%	2.0%	1.2%	1.1%	1.3%	1.3%
Second 20%	\$ 22,000	-305	-372	-481	-504	-406	-416	13.0%	7.0%	4.9%	4.9%	6.1%	6.3%
Middle 20%	\$ 38,000	-414	-547	-832	-864	-565	-582	17.8%	10.8%	8.8%	8.4%	8.5%	8.8%
Fourth 20%	\$ 63,000	-599	-942	-1,629	-1,717	-1,062	-1,084	25.7%	18.2%	16.8%	16.6%	15.9%	16.5%
Next 15%	\$ 104,000	-761	-1,558	-3,418	-3,612	-2,210	-1,995	24.4%	22.6%	26.5%	26.3%	24.9%	22.6%
Next 4%	\$ 213,000	-1,089	-3,373	-6,905	-7,189	-3,781	-2,696	9.4%	13.0%	14.3%	13.9%	11.4%	8.2%
Top 1%	\$ 919,000	-3,223	-27,312	-53,536	-59,242	-42,519	-48,043	6.9%	26.4%	27.6%	28.7%	31.9%	36.3%
ALL	\$ 59,000	\$ -463	\$ -1,026	\$ -1,920	\$ -2,045	\$ -1,320	\$ -1,310	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
ADDENDUM:													
Poorest 60%	\$ 23,000	\$ -261	\$ -341	\$ -478	\$ -496	\$ -353	\$ -361	33.6%	19.8%	14.8%	14.4%	15.9%	16.4%
Top 20%	\$ 167,000	\$ -950	\$ -3,208	\$ -6,622	\$ -7,108	\$ -4,537	\$ -4,434	40.7%	62.0%	68.4%	68.9%	68.2%	67.1%

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

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

Total	\$70.9 Billion
Per Person	\$ 9,727
Per Family of Four	\$ 38,910

- Between 2001 and 2006, Virginians will receive \$27.7 billion in tax cuts—but will face \$98.7 billion in added federal debt, for a net added burden of \$70.9 billion.
- This means that the net impact of the Bush fiscal policies so far is an added burden of \$9,727 per Virginia resident—or \$38,910 for a Virginia family of four.
- For the middle 20 percent of Virginia taxpayers, the net burden of Bush’s tax and budget policies will average \$21,729 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 Virginians (\$Billions)							
Total Tax Cuts	\$ 1.5	\$ 3.4	\$ 6.5	\$ 7.0	\$ 4.6	\$ 4.6	\$ 27.7
Added Debt	10.0	14.7	18.6	17.8	17.9	19.6	98.7
Net Added Burdens	\$ 8.5	\$ 11.3	\$ 12.1	\$ 10.8	\$ 13.3	\$ 15.0	\$ 70.9
Average Impact on Middle 20% of Virginians							
Average tax cuts	\$ -414	\$ -547	\$ -832	\$ -864	\$ -565	\$ -582	\$ -3,803
Average added debt	\$ +2,659	\$ +3,882	\$ +4,860	\$ +4,594	\$ +4,576	\$ +4,961	\$ +25,532
Average net added burden	\$ +2,245	\$ +3,335	\$ +4,028	\$ +3,730	\$ +4,011	\$ +4,379	\$ +21,729

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 Virginians get far less than this “average.” In fact, many Virginians 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, 49 percent of Virginians will get less than \$100 from the 2003 tax bill.
- By 2006, 3.1 million Virginia taxpayers—88 percent of all state residents—will receive less than \$100 in tax cuts as a result of the latest Bush tax cut.

Virginia 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
1,672	49%	1,628	47%	2,504	72%	3,079	88%

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

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

# of Families Not Helped	192,526
% of Families Not Helped	22%
# of Kids Not Helped	333,342

- More than 193,000 Virginia families—with 333,000 children under 17—will get zero benefit from the 2003 boost in the child credit.
- These families represent 22 percent of Virginia 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 .