

CTJ Issue Brief: The Bush Tax Cuts in Vermont

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

Vermont'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 Vermonters in each year from 2001 to 2006.

- In 2003, the top one percent of Vermonters, with average incomes of \$647,000, get 21.6 percent of the Bush tax cuts that go to Vermonters, with an average tax cut of \$37,516. By 2006, this group will get 26.7 percent of the tax cuts.
- In contrast, the poorest sixty percent of Vermont residents, with average incomes of \$24,000, collectively get only 18 percent of the Bush tax cuts in 2003.
- The poorest twenty percent of Vermonters, with an average income of \$10,000, get an average of \$126 from the Bush tax cuts in 2003. This is only 1.4 percent of the total tax cuts for Vermonters.
- The average tax cut for the middle twenty percent of Vermonters in 2003 is \$932. That falls to \$645 in 2006.

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

Calendar years	2001	2002	2003	2004	2005	2006	2001	2002	2003	2004	2005	2006	
Vermont 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%	\$ 10,000	\$ -67	\$ -110	\$ -126	\$ -137	\$ -95	\$ -98	3.0%	2.2%	1.4%	1.4%	1.7%	1.7%
Second 20%	\$ 23,000	-322	-404	-535	-553	-441	-448	14.5%	8.0%	6.0%	5.8%	7.7%	7.8%
Middle 20%	\$ 38,000	-421	-588	-932	-987	-618	-645	19.1%	11.7%	10.6%	10.4%	10.8%	11.2%
Fourth 20%	\$ 58,000	-569	-885	-1,510	-1,578	-981	-1,009	25.7%	17.6%	17.1%	16.6%	17.1%	17.4%
Next 15%	\$ 91,000	-734	-1,547	-3,302	-3,525	-2,023	-1,901	25.1%	23.1%	28.0%	27.8%	26.7%	24.9%
Next 4%	\$ 178,000	-919	-3,483	-6,782	-7,295	-3,680	-2,972	8.3%	14.0%	15.4%	15.4%	12.8%	10.3%
Top 1%	\$ 647,000	-1,833	-23,237	-37,516	-42,174	-26,073	-30,272	4.2%	23.3%	21.6%	22.6%	23.2%	26.7%
ALL	\$ 53,000	\$ -438	\$ -996	\$ -1,759	\$ -1,891	\$ -1,137	\$ -1,145	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
ADDENDUM:													
Poorest 60%	\$ 24,000	\$ -270	\$ -367	\$ -532	\$ -559	\$ -385	\$ -397	36.7%	22.0%	18.0%	17.6%	20.2%	20.7%
Top 20%	\$ 137,000	\$ -826	\$ -3,024	\$ -5,738	\$ -6,241	\$ -3,572	\$ -3,552	37.6%	60.3%	64.9%	65.7%	62.7%	61.9%

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

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

Total	\$5.8 Billion
Per Person	\$ 9,386
Per Family of Four	\$ 37,546

- Between 2001 and 2006, Vermont taxpayers will receive \$2.1 billion in tax cuts—but will face \$7.9 billion in added federal debt, for a net added burden of \$5.8 billion.
- This means that the net impact of the Bush fiscal policies so far is an added burden of \$9,386 per Vermont resident—or \$37,546 for a Vermont family of four.
- For the middle 20 percent of Vermont taxpayers, the net burden of Bush’s tax and budget policies will average \$20,839 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 Vermonters (\$Billions)							
Total Tax Cuts	\$ 0.1	\$ 0.3	\$ 0.5	\$ 0.5	\$ 0.3	\$ 0.3	\$ 2.1
Added Debt	0.8	1.2	1.5	1.4	1.4	1.6	7.9
Net Added Burdens	\$ 0.7	\$ 0.9	\$ 1.0	\$ 0.9	\$ 1.1	\$ 1.2	\$ 5.8
Average Impact on Middle 20% of Vermonters							
Average tax cuts	\$ -421	\$ -588	\$ -932	\$ -987	\$ -618	\$ -645	\$ -4,191
Average added debt	\$ +2,600	\$ +3,806	\$ +4,768	\$ +4,502	\$ +4,486	\$ +4,869	\$ +25,030
Average net added burden	\$ +2,179	\$ +3,218	\$ +3,836	\$ +3,515	\$ +3,868	\$ +4,224	\$ +20,839

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 Vermonters get far less than this “average.” In fact, many Vermonters 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, 43 percent of Vermonters will get less than \$100 from the 2003 tax bill.
- By 2006, 253,000 Vermont taxpayers—86 percent of all state residents—will receive less than \$100 in tax cuts as a result of the latest Bush tax cut.

Vermont 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
123	43%	120	42%	209	72%	253	86%

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

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

# of Families Not Helped	21,379
% of Families Not Helped	24%
# of Kids Not Helped	37,604

- More than 21,000 Vermont families—with 38,000 children under 17—will get zero benefit from the 2003 boost in the child credit.
- These families represent 24 percent of Vermont 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 .