President Bush's new, $674 billion tax cut plan would boost the size of his 2001 tax cuts by more than half over this decade, sending our country even deeper in debt and endangering important public programs, while doing little to stimulate the economy. A computer analysis of the effects of Bush's new tax cut proposals shows:

- Despite some tax changes slightly lowering taxes on average families in the short run, three-fifths of Bush's proposed tax reductions for this year would go to the best-off 10 percent of all taxpayers.
- The typical taxpayer would get a tax cut of $289 this year.
- In contrast, taxpayers in the top one percent of the income scale, whose average income exceeds $1 million, would get tax cuts this year of more than $30,000 each.
- By the end of the decade, more than half of the President's proposed new tax reductions would go to the top one percent.

"President Bush seems to have decided that the biggest problem facing America today is that the rich don't have enough money," said Robert S. McIntyre, director of Citizens for Tax Justice, which released the analysis of Bush's plan. "If you agree with that odd diagnosis, then the President's latest tax plan is perfectly designed."

Most of the new tax cuts in the President's plan come from his proposals to (a) eliminate personal income taxes on dividends and (b) reduce capital gains taxes on sales of corporate stock. According to the administration, these new loopholes would cost $364 billion over the next 10 years. In 2003, half of the tax reductions from these provisions would go to only one percent of all taxpayers, and almost three-quarters would go to the best-off five percent. In later years, these tax cuts would become even more concentrated at the top.

Details of the Effects of the Bush 2003 Tax Cut Plan in 2003

			Average Tax Cuts From				Shares of Tax Cuts			
Income Group	Income Range	Average Income	Child credit	Dividend exemption	Rate cuts & other	Total	Child credit	Dividend exemption	Rate cuts & other	Total
Lowest 20%	Less than $16,000	$ 9,900	$ –1	$ –1	$ –4	**$ –6**	0.1%	0.1%	0.2%	**0.1%**
Second 20%	$16,000 – 29,000	22,000	–51	–7	–40	**–99**	7.8%	0.6%	1.4%	**2.1%**
Middle 20%	$29,000 – 46,000	36,600	–144	–27	–118	**–289**	22.1%	2.3%	4.2%	**6.2%**
Fourth 20%	$46,000 – 77,000	59,800	–252	–83	–323	**–657**	38.6%	7.0%	11.5%	**14.2%**
Next 15%	$77,000 – 154,000	103,000	–263	–288	–1,291	**–1,841**	30.2%	18.4%	34.4%	**29.7%**
Next 4%	$154,000 – 374,000	217,000	–35	–1,332	–2,157	**–3,524**	1.1%	22.7%	15.3%	**15.2%**
Top 1%	$374,000 or more	1,082,000	–1	–11,483	–18,643	**–30,127**	0.0%	48.9%	33.1%	**32.4%**
ALL		**$ 60,100**	**$ –130**	**$ –233**	**$ –559**	**$ –922**	**100.0%**	**100.0%**	**100.0%**	**100.0%**
ADDENDUM										
Bottom 60%	Less than $46,000	$ 22,900	$ –65	$ –12	$ –54	**$ –131**	30.0%	3.0%	5.8%	**8.5%**
Top 10%	$104,000 or more	259,000	–126	–1,884	–3,568	**–5,578**	9.7%	80.2%	63.3%	**60.1%**

Figures include the effects of accelerating the 2006 income tax rate cuts to 2003, excluding 100% of dividend income, accelerating part of the marriage penalty relief to 2003, raising the child tax credit to $1,000, accelerating the expansion of the 10% tax bracke to 2003, AMT relief, and increased business expensing. Columns showing the effects of rate cuts and other provisions are net of offsetting interactions among the various provisions (for example, the effects of the rate cuts would be bigger without the dividend exemption).

Source: Institute on Taxation and Economic Policy Tax Model, Jan. 7, 2003, PRELIMINARY

Citizens for Tax Justice, January 7, 2003

The Myth of the "Double Tax" on Corporate Profits

In defense of his plan to exempt dividends from tax, President Bush claims he's merely serving tax equity. Corporate profits are unfairly "double-taxed," he says, first when companies earn them and second when they're distributed to shareholders as dividends. This argument, however, has two defects: it's conceptually unsound and factually untrue.

When you think about it, the number of times something is taxed isn't an enlightening concept. Instead, it's the total amount of taxes, whatever the number of levels, that matters. Who wouldn't feel better, for instance, about paying two taxes of 10 percent each rather than a single tax of 40 percent?

So the real question is: does the so-called "double tax" on corporate profits cause them to be overtaxed compared to other kinds of income? It sure doesn't look that way.

Let's start with the corporate income tax, which, as is well known, corporations have become are extremely agile and aggressive at avoiding. CSX, the company run by Bush's new Treasury Secretary, John Snow, is a case in point. Snow brags in CSX's latest annual report that his firm "pursue[s] all available opportunities to pay the lowest federal, state and foreign taxes . . . [and] works through the legislative process for lower tax rates." As a result of all that clever accounting and lobbying, CSX paid nothing at all in federal income taxes on its $934 million in U.S. profits over the past four years. Instead, it got tax rebate checks from the Treasury totaling $164 million. Obviously, CSX's profits can't possibly be "double taxed."

CSX's tax dodging may be particularly egregious, but most other companies do their darnedest to avoid taxes, too—so much so that last year, less than half of actual total corporate profits were subject to corporate income tax. As for personal taxes on dividends, well, only a small portion of profits are paid out as dividends, and most of those dividends are tax-exempt, too, because they're paid to pension funds and tax-exempt retirement accounts.

Here's the bottom line: last year, barely over half of corporate profits were subject to tax at any level. In other words, the so-called "double tax" doesn't come close to taxing corporate profits even once.

Addendum — Our Low, Low Corporate Taxes:

The Organisation for Economic Co-operation and Development (OECD) recently issued its latest comparison of federal, state and local taxes in its member nations, which include most of Europe, North America and the major free-market, Pacific Rim democracies. Overall, U.S. taxes are among the lowest in the world, ranking 27th out of the 30 OECD countries as a share of gross domestic product in 2001 (and probably down to 29th these days). But are our corporate taxes an exception?

Actually, they used to be. Back in 1965, U.S. federal and state corporate taxes, at 4.1 percent of our GDP, ranked 3rd among all OECD nations. But that's only a distant memory. By 2000, the latest year with complete OECD data, our corporate income taxes were down to only 2.5 percent of GDP. Meanwhile, in the other OECD countries, corporate income taxes went in the opposite direction, jumping from 2.4 percent of GDP in 1965 to 3.4 percent in 2000. As a result, by 2000 U.S. corporate taxes had dropped to 22nd among the 29 reporting OECD countries. And lately, with the ever-growing torrent of offshore tax shelters and President Bush's huge corporate loophole package enacted in January of 2002, things have gotten even worse. In fiscal 2002, U.S. federal and state corporate income taxes plummeted to only 1.5 percent of our GDP, less than the amount collected in 2000 by every other OECD country except Iceland.

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