

THE TAXONOMIST

Third Time's No Charm

So Congress has passed the Third Annual Awful Bush Tax Cut. It was a close vote in the Senate, with Vice-president Dick Cheney breaking a 50-50 tie. But both sides agree on one thing: the cost of the bill over the next decade will be far more than its officially advertised \$350 billion. A trillion dollars or so is more plausible.

To squeeze a trillion dollars into this year's \$350 billion target, Republican leaders specified an array of "sunset" dates for most of the various tax cuts. Items mainly affecting middle-income taxpayers, such as the increase in the child credit to \$1,000 and lower tax brackets for married couples, will end after two years. A \$60 billion cut in corporate taxes also supposedly expires after two years—allegedly to be followed by big corporate tax increases! Likewise, measures to keep tens of millions of taxpayers from falling under the dreaded "alternative minimum tax" have a two-year time limit.

More generous treatment goes to the GOP's favorite items. The cuts in the top tax rates previously scheduled for 2006 will be moved up to 2003 and stay in place for the rest of the decade. The drop in the top tax rate on capital gains and dividends to 15 percent will run through 2008 (although even that late sunset was crucial to the pretense that the bill will cost only \$350 billion).

Even before the bill passed, its backers were boldly promising that the sunsets were merely a charade to get around the budget rules. But that transparent hoax was enough to gather the deciding vote from Ohio Republican Senator George Voinovich, who had earlier pledged to oppose any tax cut totaling more than \$350 billion over ten years because it would be fiscally irresponsible. As the final vote neared, Voinovich was effusive in praising Republican leaders for letting him pretend not to prostitute his alleged principles. "I appreciate the fact that they've been trying to honor my concerns and make me an honest man," he told the Associated Press.

Meanwhile, the President is crowing about getting pretty much everything he wanted in terms of upper-income tax cuts, and is trying assiduously to persuade ordinary Americans that there's much more for them in

the bill than actually exists. In his speeches, Bush strongly implies that most people stand to gain \$1,000 or more a year in tax savings. But he's off by about a factor of ten.

Married couples with children are the only household type whose typical tax cut will (temporarily) approach the President's thousand dollars. Their median tax cut will be \$958 this year and next, mostly from the short-term boost in the child credit. But couples with children represent only 22 percent of all tax units. Couples without kids, a slightly larger group, will typically get only \$332. The 42 percent of taxpayers who are single without children will get a mere \$50 each. As for single parents, most earn so little they won't even benefit from the temporary child credit increase. Their typical tax cut will be \$5.

Overall, almost half of America's taxpayers will get less than \$100 a year in tax cuts this year and next, and three-quarters will get less than \$100 in 2005. After that, when only the tax breaks for capital gains and dividends remain in effect, nine out of 10 taxpayers will get less than \$100.

Thus, contrary to Bush's falsely advertised \$1,000, the typical tax cut from this year's tax bill is actually only \$120, and it drops to zero after 2004. The best-off one percent, however, do just fine. Their tax cuts will total almost \$100,000 each over the next four years, and continue thereafter.

So what has George Bush wrought so far with his first three rounds of tax cutting? Deficits as far as the eye can see, of course. A government too broke to meet its obligations, even to Social Security. And a huge shift in the tax burden away from the rich.

Assuming that this year's tax cuts for investors and corporations don't actually expire and the alternative minimum tax is fixed, by the end of this decade Bush's tax cuts are scheduled to slash the taxes that pay for the vast bulk of general government programs by a quarter. Add in the staggering increase in interest payments that the tax cuts entail, and Bush's program will reduce the money available to pay for defense, homeland security, education and all other appropriations by a third. Scared yet?