

WEDNESDAY, JUNE 4, 2003, 3 PAGES

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Effects of First Three Bush Tax Cuts Charted

As a result of the three major tax cuts enacted at President Bush's instigation in 2001, 2002 and 2003, taxes on the best-off one percent of Americans will fall by 17 percent by the end of this decade. For the remaining 99 percent of taxpayers, the average tax reduction will be 5 percent.

The share of total federal taxes paid by the best-off one percent will fall from 23.7 percent to 21.3 percent in 2010 compared to prior law — a drop of 2.4 percentage points. The top one percent is the only income group with a substantial reduction in its share of the total federal tax burden.

These are two of the central findings of an analysis by the Institute on Taxation and Economic Policy of the effects of the Bush tax cuts enacted so far. The analysis covered 2003 through 2010. It is based on the tax laws in place today, and thus honors the various tax-cut sunsets in the Bush bills. Without those sunsets, primarily affecting taxes on capital gains, dividends and corporate profits and alternative minimum tax relief, the tax cuts at the upper end of the income scale will be considerably larger by the end of this decade (see page 3).

Changes in Taxes and Tax Shares under the First Three Bush Tax Cuts, in 2010

Income group	% tax cut	Change in share of total taxes (percentage points)
Lowest 20%	-9%	-0.0%
Second 20%	-12%	-0.2%
Middle 20%	-8%	+0.0%
Fourth 20%	-6%	+0.5%
Next 15%	-3%	+1.4%
Next 4%	-3%	+0.7%
Top 1%	-17%	-2.4%
ADDENDUM: All but top 1%	-5%	+2.4%

Source: Institute on Taxation and Economic Policy.
See notes to full tables.

% Changes in Total Federal Taxes Under the Bush Tax Cuts Passed So Far (as of May 2003)

Income group	2003	2004	2005	2006	2007	2008	2009	2010	Ave 2003-10
Lowest 20%	-10%	-10%	-8%	-8%	-8%	-9%	-9%	-9%	-10%
Second 20%	-13%	-13%	-10%	-10%	-10%	-11%	-11%	-12%	-12%
Middle 20%	-11%	-11%	-7%	-7%	-7%	-7%	-7%	-8%	-9%
Fourth 20%	-11%	-11%	-6%	-6%	-6%	-6%	-5%	-6%	-7%
Next 15%	-12%	-12%	-7%	-6%	-5%	-5%	-3%	-3%	-7%
Next 4%	-12%	-12%	-6%	-5%	-5%	-4%	-3%	-3%	-7%
Top 1%	-15%	-17%	-11%	-13%	-13%	-14%	-13%	-17%	-15%
ADDENDUM: All but top 1%	-11%	-12%	-7%	-6%	-6%	-6%	-5%	-5%	-7%

Note: figures reflect the effects of the 2001, 2002 and 2003 Bush tax cuts on total federal taxes by income group. Total federal taxes include personal income taxes, corporate income taxes, payroll taxes, excise taxes and estate taxes. All sunset provisions in the three bills were honored (except for the supposed recapture of the corporate tax cuts in the 2002 and 2003 bills, which was ignored, i.e., the corporate tax cuts were not extended past their expiration dates, but were simply treated as zero thereafter.) If major sunsetted provisions (primarily tax cuts on dividends, capital gains and corporate profits and alternative minimum tax relief) are extended, the tax cuts in the upper-income groups will be substantially higher.

Source: Institute on Taxation and Economic Policy Tax Model, June 4, 2003

MORE . . .

Changes in Shares of Total Federal Taxes from the 2001, 2002 & 2003 Bush Tax Cuts, 2003–2010

Income group	% of all income 03	Shares of total federal taxes before tax cuts							
		2003	2004	2005	2006	2007	2008	2009	2010
Lowest 20%	3.5%	1.2%	1.1%	1.1%	1.1%	1.1%	1.1%	1.1%	1.0%
Second 20%	7.5%	4.4%	4.4%	4.4%	4.3%	4.3%	4.3%	4.2%	4.2%
Middle 20%	12.5%	9.7%	9.7%	9.6%	9.7%	9.7%	9.7%	9.7%	9.7%
Fourth 20%	20.2%	18.8%	18.7%	18.7%	18.7%	18.8%	18.8%	18.8%	18.8%
Next 15%	25.8%	27.1%	27.1%	27.1%	27.1%	27.2%	27.2%	27.2%	27.2%
Next 4%	14.1%	15.8%	15.9%	15.9%	15.8%	15.7%	15.6%	15.5%	15.3%
Top 1%	16.6%	22.9%	23.0%	23.0%	23.1%	23.3%	23.4%	23.6%	23.7%
ALL	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Income group	% of all income 03	Shares of total federal taxes after tax cuts							
		2003	2004	2005	2006	2007	2008	2009	2010
Lowest 20%	3.5%	1.2%	1.2%	1.1%	1.1%	1.1%	1.1%	1.0%	1.0%
Second 20%	7.5%	4.4%	4.4%	4.3%	4.2%	4.2%	4.1%	4.0%	4.0%
Middle 20%	12.5%	9.8%	9.8%	9.7%	9.7%	9.7%	9.7%	9.6%	9.7%
Fourth 20%	20.2%	19.1%	19.1%	19.0%	19.0%	19.1%	19.2%	19.1%	19.3%
Next 15%	25.8%	27.3%	27.3%	27.4%	27.7%	27.8%	28.0%	28.1%	28.6%
Next 4%	14.1%	15.9%	16.0%	16.2%	16.3%	16.2%	16.1%	16.1%	16.1%
Top 1%	16.6%	22.1%	22.0%	22.2%	21.7%	21.8%	21.7%	22.0%	21.3%
ALL	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Income group		Change in share of total federal taxes due to tax cuts							
		2003	2004	2005	2006	2007	2008	2009	2010
Lowest 20%		+0.0%	+0.0%	-0.0%	-0.0%	-0.0%	-0.0%	-0.0%	-0.0%
Second 20%		-0.1%	-0.0%	-0.1%	-0.1%	-0.1%	-0.1%	-0.2%	-0.2%
Middle 20%		+0.1%	+0.1%	+0.1%	+0.1%	+0.1%	+0.1%	-0.1%	+0.0%
Fourth 20%		+0.4%	+0.5%	+0.3%	+0.3%	+0.3%	+0.4%	+0.3%	+0.5%
Next 15%		+0.2%	+0.2%	+0.3%	+0.6%	+0.7%	+0.9%	+0.9%	+1.4%
Next 4%		+0.1%	+0.1%	+0.3%	+0.5%	+0.5%	+0.5%	+0.6%	+0.7%
Top 1%		-0.8%	-1.0%	-0.8%	-1.4%	-1.5%	-1.7%	-1.6%	-2.4%

Note: figures reflect the effects of the 2001, 2002 and 2003 Bush tax cuts on total federal taxes by income group. Total federal taxes include personal income taxes, corporate income taxes, payroll taxes, excise taxes and estate taxes. All sunset provisions in the three bills were honored (except for the supposed recapture of the corporate tax cuts in the 2002 and 2003 bills, which was ignored, i.e., the corporate tax cuts were not extended past their expiration dates, but were simply treated as zero thereafter.) Income shares reflect total cash income received by individuals. Income at the upper end is understated due to unrealized capital gains, inside build-up in retirement plans, etc.

Source: Institute on Taxation and Economic Policy Tax Model, June 4, 2003

MORE . . .

ADDENDUM:

**Changes in Taxes and Tax Shares under the
First Three Bush Tax Cuts
In 2010, Without Major Sunsets***

Income group	% tax cut	Change in share of total federal taxes (percentage points)
Lowest 20%	-10%	+0.1%
Second 20%	-13%	+0.1%
Middle 20%	-9%	+0.7%
Fourth 20%	-8%	+1.5%
Next 15%	-11%	+1.4%
Next 4%	-21%	-1.0%
Top 1%	-25%	-2.7%
ADDENDUM: All but top 5%	-10%	+3.8%

*Keep bonus depreciation & sec. 179 depreciation; keep dividend and capital gain tax cut; completely fix AMT.

Source: Institute on Taxation and Economic Policy.