



## 99% of Americans Are Net Losers Under Bush Tax and Spending Policies

Last month, President George W. Bush signed into law another round of tax cuts. The latest cuts provide temporary capital gains and dividends tax cuts and AMT relief. But these tax cuts are being paid for entirely with borrowed money. In fact, over the fiscal 2002-07 period, the national debt, including amounts owed to the Social Security Trust Fund, will balloon by \$3 trillion. The cost of this borrowing binge will ultimately come out of taxpayers' pockets, either through spending cuts or future tax hikes.

A new Citizens for Tax Justice analysis takes a close look at how the Bush administration's fiscal policies through 2006 affect Americans. It compares the tax cuts — generally small for most families — to the gigantic debt burden imposed by these unfunded tax cuts. The analysis shows that for all but the very wealthiest United States residents, the Bush tax cuts between 2001 and 2006 are outweighed by a dramatic increase in the burden of debt on American families. In particular:

- From 2001 to 2006, the typical middle-income American has received a tax cut totaling \$1,855 per family member. But that family's share of the added national debt burden is \$8,936 per person.
- This means that the net impact of the Bush fiscal policies on the middle 20 percent is an added burden of \$7,081 per American—or \$28,322 for a family of four.

Average Tax Cut	\$ -1,855
Average Added Debt	+8,936
Per Person Net Loss	\$ 7,081

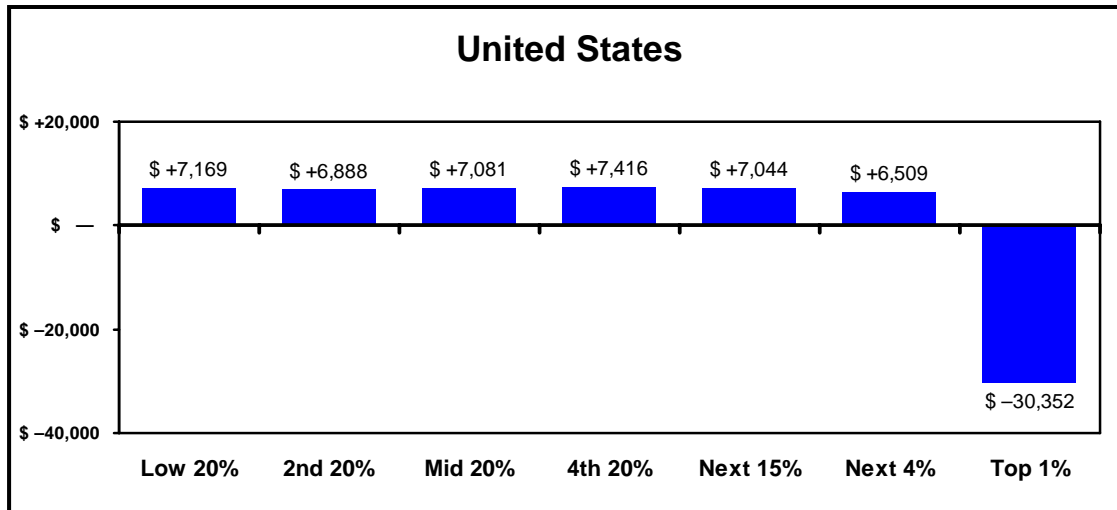
### Wealthiest Americans Benefit Most From Bush Borrow-and-Spend Policies

The benefits and burdens of the Bush fiscal policies will not be felt equally by all. Because the benefits of the Bush tax cuts have gone primarily to the wealthiest one percent of Americans, this small group still comes out ahead even after the added debt burden is factored in. But the other 99 percent of American families are net losers from the Bush administration's fiscal policies—leaving the vast majority to pick up the tab for a redistribution of income towards the wealthiest few.

- For the wealthiest one percent of Americans, who have an average 2006 income of \$1,272,000, the tax breaks outweigh the added debt burden accumulated from 2001 through 2006 by an average of \$30,352 per family member. They have received an average tax break of \$84,482 per family member, which exceeds their added debt burden of \$54,130 per person by \$30,352.
- In contrast, the added debt burden accumulated from 2001 through 2006 outweighs the tax breaks for the other 99 percent of U.S. residents by an average of \$7,166 per person. They have received a tax break of \$2,616, but their added debt burden is \$9,782 per person.
- Put another way, if you're among the 99 percent of Americans who lose, then for every \$1.00 in tax cuts the federal government has given you over the past six years, you're left holding a bill for \$3.74.

“A tax cut paid for with borrowed money is just a deferred tax increase or program cut, with interest,” noted CTJ director Robert S. McIntyre. “The vast majority of Americans are worse off now than before President Bush's tax cuts were enacted. Only the very rich are net winners.”

**Net Added Burden or Benefit (-) under Bush Policies, 2001-2006  
Per family member**



**Average Tax Cuts, Added Debt, and Net Cost or Benefit (-) by Income Group  
in 2001-2006, per family member**

Income Group & Average Income	Lowest 20% \$11,200	Second 20% \$22,900	Middle 20% \$37,500	Fourth 20% \$61,800	Next 15% \$107,000	Next 4% \$230,000	Top 1% \$1,272,000
Average tax cut per person	-\$299	-\$1,244	-\$1,855	-\$2,580	-\$4,576	-\$9,771	-\$84,482
Average added debt per person	+7,468	+8,132	+8,936	+9,996	+11,620	+16,280	+54,130
Average net cost or gain (-)	\$7,169	\$6,888	\$7,081	\$7,416	\$7,044	\$6,509	-\$30,352

The reasons why Bush’s debt build-up is so much larger than his tax cuts are straightforward. First of all, Bush has borrowed all the money to finance his tax reductions, and the interest on that enormous borrowing is building up rapidly. Second, the rapid rise in defense spending—up from \$306 billion in 2001 to more than \$500 billion in fiscal 2006—has enlarged the debt load still further.

Although the study looks only at the first six years of Bush’s tax-and-borrow policies, the situation looks even more dire further down the road. In fact, left unchecked, Bush’s policies will explode the debt burden on American taxpayers and our children by trillions of dollars more after fiscal 2007.

**Technical notes:**

Tax cuts by state and income group were calculated by the Institute on Taxation and Economic Policy. For more details, see: “The Bush Tax Cuts Enacted Through 2006, The Latest CTJ Data (June 2006), <http://www.ctj.org/pdf/gwbdata.pdf>. Additions to the national debt (including amounts borrowed from the Social Security Trust Fund) are based on actual figures for fiscal 2002 through 2005 and Congressional Budget Office estimates for fiscal 2006 and 2007. The added debt was allocated among states and income groups based on shares of adjusted gross income and population (double-weighted). Of course, no one can say for sure how the debt will be paid for in the future, whether through huge program cuts or very large, potentially regressive tax increases. The approach here, which allocates the debt payments two-thirds to spending cuts (per capita) and one-third to proportional tax increases (by AGI), seems to be a middle ground of the possible outcomes.