



President Bush Has Made Tax Day Easier for the Rich — at the Expense of Everyone Else

April 15 will mark the eighth “tax day” during the administration of President George W. Bush. How has tax day changed? The answer for most Americans is: very little. Despite claims made by the President and his supporters, the tax breaks enacted after 2000 provide little benefit for the middle-class. However, for the richest one percent of American families, tax day is considerably easier. Once the President’s tax cuts are fully phased in, the majority of the benefits will flow to this small group of lucky families.

What *has* changed for most Americans is the very real threat posed by the increased national debt resulting from these tax cuts. The national debt must eventually be paid off with tax increases or cuts in public services that Americans — particularly the middle-class — rely on.

Most Americans Don’t Get Nearly as Much in Tax Cuts as the President Implies

During his State of the Union Address on January 28, President Bush said that if his tax cuts are not made permanent, families everywhere will lose tax cuts worth an average of \$1,800. This statement is highly misleading because this is not the size of the tax cut received by the typical American.

In 2010, when all of the Bush tax cuts are finally in effect, only 16 percent of families will have income tax cuts as large as \$1,800. In other words, 84 percent of Americans will see a tax cut smaller than the “average” touted by the President.

Percentage of Taxpayers in 2010 Receiving Income Tax Cuts of:

Less than \$1,800	84%
Less than \$600	51%

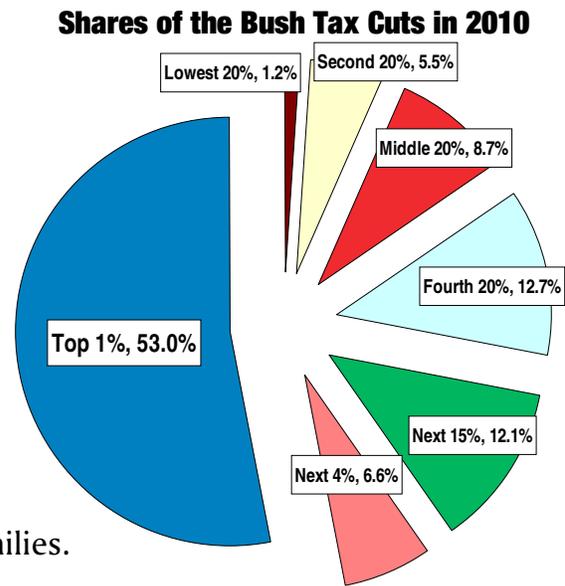
For most people, the tax cut will actually be less than a third of that amount. In 2010, more than half of families will have income tax cuts totaling less than \$600.

The Bush tax cuts consist of a major income tax reduction and the gradual repeal of the estate tax. Only the first affects middle-income people in any way,¹ and even its effects are very limited for typical Americans, as these figures illustrate.

¹If the estate tax legislation enacted by President Bush is not extended past 2010, only net estates of over a million dollars (\$2 million for couples) would be affected.

The Majority of the Bush Tax Cuts Go to the Richest One Percent

The Bush tax cuts provide extremely wealthy families with vast benefits. The richest one percent of families will get an average tax cut of \$92,000 in 2010, including cuts in income and estate taxes. The average income for families in the top one percent will be \$1.6 million in 2010, and yet, the President and his allies in Congress have showered the most generous tax cuts on these fortunate families.



Meanwhile, the poorest 60 percent will get only 12-15 percent of the total tax cuts in 2010.²

Who Are the Families in the Richest One Percent?

A *Time Magazine* poll in 2000 found that 19 percent of those surveyed believed themselves to be among the richest 1 percent of Americans. Another 20 percent said they expected to one day be among the richest 1 percent. This goes way beyond the Lake Wobegon effect, where everyone is above average. It has been speculated by pundits like David Brooks of the *New York Times* that this is why Al Gore’s accurate charge that George W. Bush’s tax plan would primarily help the richest one percent of Americans didn’t have the devastating effect that many people thought it should have.

Some argue that the definition of “rich” really differs from one part of the country to another, and that

What Does It Take to Be in the Richest 1 Percent?

In 2008 the best-off one percent will have an estimated average income of almost \$1.5 million each. Just to get into this elite group requires an income greater than \$462,000. If all of that came from wages, then for single people it would take an average wage of \$224 an hour to make it into the top one percent, and \$722 an hour to become an average member.

For two-earner couples with both spouses working full time, it would take an average wage for each spouse of \$112 an hour to get into the top one percent and \$361 an hour each to be an average member of the top one percent.

²The tax cut shares depend in part on whether AMT relief is extended. If it is not, as the President proposes, 53 percent of the tax cuts will go to the top one percent in 2010 and thereafter. With AMT relief extended, the top one percent will get 40 percent of the tax cuts.

an income level that is considered high in one place is just enough to get by in another area.

Whether or not that's true, it is still the case that very few people in any state or city can claim to be among the richest one percent of Americans. The share of each state's residents who are in the top one percent nationally varies from a high of about 2 percent in Washington, D.C. and Connecticut down to a low of only 0.4 percent in West Virginia. But even in DC and Connecticut, only one out of fifty residents is in the top 1 percent nationally.

The Consequences of the Bush Tax Cuts

The cost of the Bush tax cuts for the years 2001 through 2010 will total around \$2.6 trillion.³ If the Bush tax cuts are all made permanent, as the President has proposed, that will cost another \$5 trillion over the 2011-2020 period. This includes the additional interest payments we must pay on the national debt because of the Bush administration's practice of using debt to pay for its tax cuts.

To put this figure in context, note that the federal government only collected around \$2.6 trillion in revenue last year.⁴

The importance of the debt associated with the Bush tax cuts cannot be overstated. Even if the Bush tax cuts are allowed to expire at the end of 2010, as they are scheduled to do under current law, interest payments would continue to cost us about \$1.5 trillion during the 2011-2020 period. (This is not included in the \$5 trillion cost of extending the tax cuts.)

These costs should not be written off as some abstract or distant problem. The national debt must be paid off eventually,

Bush Tax Cuts and the National Debt

President George W. Bush has added \$3 trillion to the national debt so far, despite inheriting a balanced budget when he took office in 2001. Since then, Congress has been forced to raise the statutory limit on the total amount the federal government is allowed to borrow five times.

The largest cause of this debt explosion is the cuts in federal income taxes enacted by President Bush and Congress. Federal income taxes fell from 10.1 percent of the gross domestic product in fiscal year 2000 to an average of only 7.3 percent of the GDP in fiscal 2002 through 2006 — a 28 percent drop — and are now near their lowest levels as a share of the GDP in 55 years.

The total cost of the Bush tax cuts, including interest on the money borrowed to finance them, has been just over \$1.4 trillion so far — about half of the total increase in the national debt under President Bush.

³The cost could reach this level if Congress continues to extend the increase in exemptions from the Alternative Minimum Tax (AMT) to keep down the number of people subject to it, as Congress has for the last several years.

⁴Congressional Budget Office, "Historical Budget Data," <http://www.cbo.gov/budget/data/historical.shtml>

either in the form of increased taxes or cuts in public services that Americans rely on.

In fact, the White House has admitted this much by submitting budget proposals that slash public services. Under the most recent Bush budget proposal, federal funding for veterans' benefits would be 9 percent lower in 2012, as a percentage of the economy, than in 2008. Funding for education and social services would be a fifth lower, natural resources and environmental programs over a fourth lower, transportation a third lower and community development over 62 percent lower. Medicare spending in 2012 would be 9 percent lower than in 2008, as a percentage of the cost of maintaining current services.

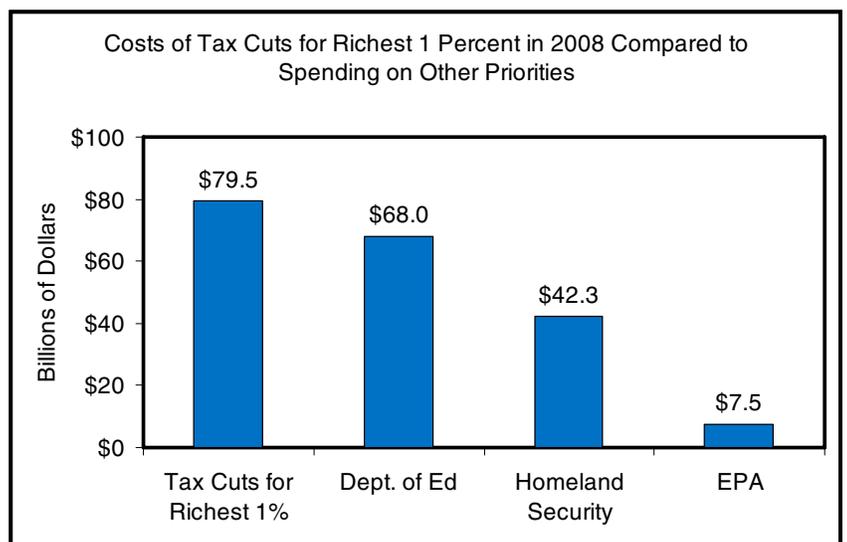
If anything, these spending cuts are actually much smaller than what would be needed to truly offset the costs of the Bush tax breaks.

Anyone who uses public roads, has children in public schools, relies on Medicare or Medicaid, or cares about the environment will see a change in their quality of life because of the reductions in public services resulting from the Bush tax cuts.

A Question of Priorities

The cost of the Bush tax cuts going to just the richest one percent in 2008 (about \$79.5 billion) is more than the entire budget for the Department of Education this year (\$68 billion), almost twice as much as the entire budget for the Department of Homeland Security this year (\$42.3 billion) and over ten times as much as the budget for the Environmental Protection Agency (\$7.5 billion)⁵.

“At a time when the United States faces a war with no end in sight, a health care crisis and the impending retirement of the baby boomers,” said CTJ director Robert McIntyre, “the Bush Administration decided its top priority would be making life easier on tax day — for the richest one percent of Americans.”



⁵Budget numbers are taken from Historical Tables, Budget of the United States Government, Fiscal Year 2009, p. 79, <http://www.whitehouse.gov/omb/budget/fy2009/pdf/hist.pdf>.