

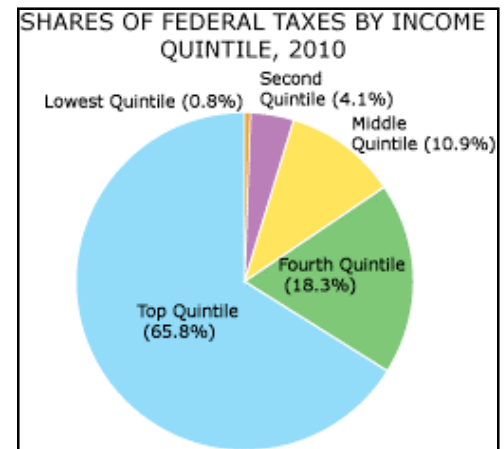


DISTRIBUTION AND COST OF BUSH TAX CUTS

According to Citizens for Tax Justice (CTJ), “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.”¹

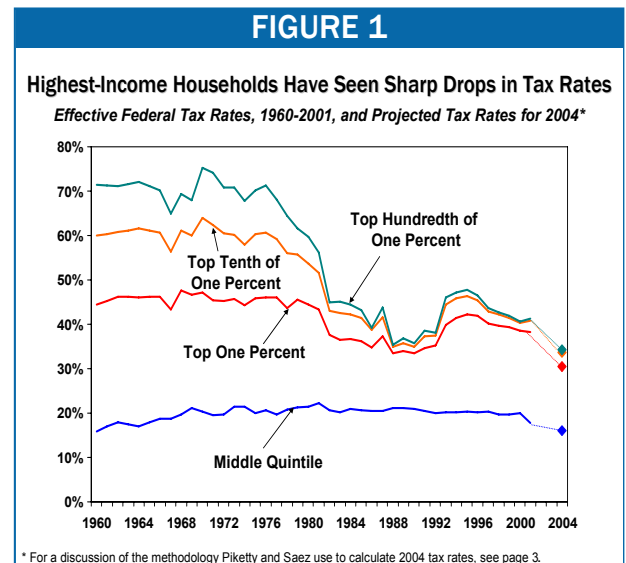
Individual Income and Estate Tax Provisions in 2001-08 Tax Cuts				
Distribution of Federal Tax Change by Cash Income Percentile, 2010 ¹				
Detail Table				
Cash Income Percentile ^{2,3}	Percent of Tax Units ⁴		Percent Change in After-Tax Income ⁵	Share of Total Federal Tax Change
	With Tax Cut	With Tax Increase		
Lowest Quintile	25.1	0.5	0.7	1.0
Second Quintile	81.5	0.3	2.5	7.3
Middle Quintile	94.8	0.2	2.5	11.2
Fourth Quintile	95.9	0.2	2.6	15.8
Top Quintile	93.1	0.0	4.0	64.6
All	73.4	0.3	3.2	100.0

Source: Urban-Brookings Tax Policy Center “Table T08-0151”; Urban-Brooking Tax Policy Center, taxpolicycenter.org/taxtopics/images/shares_of_tax_2010_1.gif



From 2001-2006, Congress has passed cuts that almost entirely reduced the most progressive federal taxes- income and estate taxes- while only 12 percent of tax units in the bottom income quintile received any benefit.² As a result, individuals in the lowest quintile only received an average of about \$20 in tax savings in 2006 while the richest 1 percent saw tax savings of around \$44,000 on average.³

As seen in Figure 1 and as Thomas Piketty and Emmanuel Saez state, “The progressivity of the U.S. federal tax system at the top of the income distribution has declined dramatically since the 1960s.”⁴ While tax rates have sharply declined for the top earners, the incomes of these same people have risen drastically as well. Arloc Sherman of the Center for Budget and Policy Priorities writes, “Between 1979 and 2006, real after-tax incomes rose by 256 percent-or \$863,000- for the top 1 percent of households, compared to 21 percent-or \$9,200- for households in the middle fifth of



Source: Aviva Aron-Dine, “New Study Finds ‘Dramatic’ Reduction since 1960 in the Progressivity of the Federal Tax System,” CBPP, Mar 29, 2007.

¹ Citizens for Tax Justice (CTJ), “President Bush Has Made Tax Day Easier for the Rich- at the Expense of Everyone Else,” Apr 14, 2008.

² Leonard Burman, “Tax Fairness, the 2001-2006 Tax Cuts, and the AMT,” Statement before the Committee on Ways and Means, Sept 6, 2007.

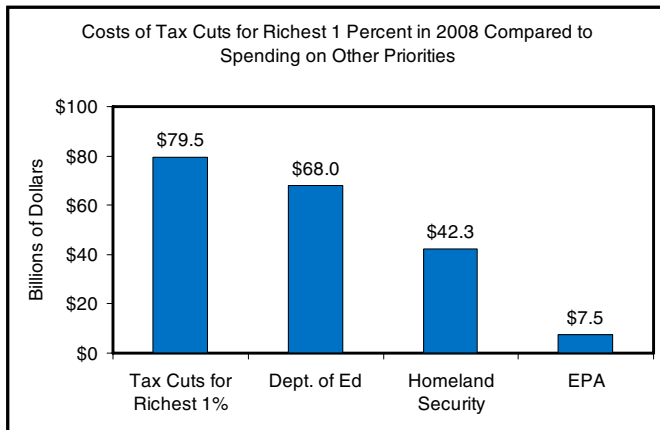
³ Id.

⁴ Thomas Piketty, Emmanuel Saez, “How Progressive is the U.S. Federal Tax System? A Historical and International Perspective,” National Bureau of Economic Research, No. 12404, Aug 2006.



households and 11 percent- or \$1,600- for households in the bottom fifth.”⁵ The declining tax rates coupled with the accelerating income gains of the top earners has resulted in a sharp increase in the **economic wealth divide** between the top one percent of households and the rest of the country. This wealth divide has doubled since the mid-1980s,⁶ reaching **its greatest difference in 2006 since 1929.**⁷

With all of the provisions that Congress has passed in the last twenty years to cut taxes, Congress has not coupled these cuts with reduction in their spending, leading to serious deficits and an increase in the national debt. According to a 2008 report by G. Lieserson and J. Rohaly of the Urban-Brookings Tax Policy Center, “The largest revenue loss—\$1.35 trillion over ten years—came from the Economic Growth and Tax Relief Reconciliation Act of 2001 (EGTRRA). The Jobs and Growth Tax Relief Reconciliation Act of 2003 (JGTRRA) reduced revenues by another \$350 billion (again over the subsequent decade). Subsequent legislation cut taxes further... The tax cuts total almost \$2.2 trillion over ten years.”⁸



Source: Citizens for Tax Justice (CTJ), “President Bush Has Made Tax Day Easier for the Rich- at the Expense of Everyone Else,” Apr 14, 2008.

Also, CTJ concluded that Bush **tax cuts that benefited the top one percent in just 2008 alone totaled \$79.5 billion**, which 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).”⁹

⁵ Arloc Sherman, “Income Gaps Hit Record Levels in 2006, New Data Show Rich-poor Gap Tripled Between 1979 and 2006,” Center for Budget and Policy Priorities, Apr 17, 2009.

⁶ Leonard Burman, “Tax Fairness, the 2001-2006 Tax Cuts, and the AMT,” Statement before the Committee on Ways and Means, Sept 6, 2007.

⁷ Id.; Arloc Sherman, “Income Gaps Hit Record Levels in 2006, New Data Show Rich-poor Gap Tripled Between 1979 and 2006,” Center for Budget and Policy Priorities, Apr 17, 2009

⁸ Greg Lieserson & Jeffrey Rohaly, “Distribution of the 2001-2006 Tax Cuts: Updated Projections, July 2008,” Urban-Brookings Tax Policy Center, July 2008; Citizens for Tax Justice deduced that their calculation of the total cost of Bush’s tax cuts amounts to \$2.5 trillion for 2001-2010 in CTJ, “The Bush Tax Cuts Cost Two and a Half Times as Much as the House Democrats’ Health Care Proposal,” Sept 8, 2009.

⁹ Citizens for Tax Justice (CTJ), “President Bush Has Made Tax Day Easier for the Rich- at the Expense of Everyone Else,” Apr 14, 2008.