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BUSH TAX PLAN OFFERS NO BENEFITS TO ONE IN THREE FAMILIES

On February 7, the Center on Budget and Policy Priorities issued an analysis, “An Estimated 12 Million Low- and Moderate-Income Families — with 24 Million Children — Would Not Benefit from Bush Tax Plan.” Based on an examination of the most recent

The full report can be viewed at
<http://www.cbpp.org/2-7-01tax.htm>

Census data, the report finds that the President’s tax-cut proposals would provide no benefit to nearly one in every three U.S. families. The report includes the following findings:

- An estimated 12.2 million low- and moderate-income families with children — 31.5 percent of all families — would not receive any tax cut from the Bush proposal. Some 80 percent of these families have workers.
- Approximately 24.1 million children — 33.5 percent of all children — live in the excluded families.
- While one-third of all children would not benefit from the Bush tax plan, *more than half* of black and Hispanic children would not receive any assistance. An estimated 55 percent of African-American children and 56 percent of Hispanic children live in families that would receive nothing from the tax cut.
- The Bush proposal to double the child tax credit would be of little or no help to many low- and moderate-income families. Indeed, because the proposal would provide benefits for the first time to families with incomes in the \$110,000 to \$200,000 range, the proposed child credit expansion would confer a larger share of its benefits on upper-income families than on low- and middle-income families. The top 20 percent of families would receive 46 percent of the tax-cut benefits from this proposal, a larger share than any fifth of the population would receive.
- These 12 million families do not benefit from the Bush tax-cut plan because they have no *income* tax liability before the Earned Income Tax Credit is computed. These families would still pay substantial amounts in other taxes, such as the payroll tax and excise taxes. For example, in 2001, a two-parent family of four does not begin to owe income tax — and thus does not begin to benefit from the Bush plan — until its income reaches \$25,870, some 44 percent above the poverty line of \$17,950.
- Most of these families pay taxes other than federal income taxes, often paying significant amounts. CBO data indicate that in 1999, three-quarters of all households paid more in payroll taxes than in income taxes. Consider a two-parent family of four with income of \$25,000 in 2001. This family would pay \$3,825 in payroll taxes (counting both the employee and employer share as economists suggest); it would also pay excise taxes and state taxes. Its EITC of \$1,500 would offset well under half of the payroll taxes it owes. Although the family’s net federal tax bill thus would be at least \$2,325, this family would receive no tax cut under the Bush plan.