

An Estimated 1.7 Million Low- and Moderate-Income Families in California — With 3.7 Million Children — Would Not Benefit from Bush Tax Plan

About one in three California families with children would not benefit from President Bush's tax proposal.

- ☞ An estimated **1.7 million families** in California, or **35 percent** of California families with children, would not benefit from the Bush tax plan because their incomes are too low to owe federal income taxes.
- ☞ Those families include **3.7 million children**, or about **40 percent** of all California children.
- ☞ The proportion of families with children that would not benefit from the tax cut plan is higher in California than in other states. Nationwide, about 12 million families, or 31 percent of all families, would not benefit. Those families include 24 million children, or 34 percent of all children.
- ☞ Some **71 percent** of the excluded California families include a worker.

Why don't families benefit?

- ☞ These 1.7 million California families do not benefit from the Bush tax-cut plan because they have no income tax liability. Many of these families would still pay significant amounts in other taxes, such as the payroll tax and excise taxes. Congressional Budget Office data indicate that in 1999, three-quarters of all households paid more in federal payroll taxes than in income taxes.
- ☞ In addition, low- and moderate-income families in California pay substantial state and local taxes. These taxes include sales taxes, property taxes, and excise taxes.
- ☞ The Bush proposal to double the child tax credit would be of little or no help to many low- and moderate-income families with children. Because the proposal would extend the child credit for the first time to families with two children with incomes between \$130,000 and \$300,000, the proposed child credit expansion would confer larger benefits on upper-income families than on low- and middle-income families.
- ☞ It would be straightforward to structure a tax cut proposal that can provide tax reductions to low- and moderate-income families with children, along with higher-income families, and do so for a much smaller cost than the Bush plan. This can be done, in part, by scaling back the elements of the Bush plan that accrue heavily to those at very high income levels. When the Bush plan is fully in effect, at least 39 percent of the tax cuts it provides would go to the top one percent of households, and at least 71 percent would go to the top 20 percent of households. Such an alternative approach would encourage work by low- and moderate-income families, help offset their federal, state and local tax burdens, and ensure that the rewards from the surplus are broadly distributed through the population.