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BUSH TAX CUT DELIVERS THE MOST TO THE TOP OF THE INCOME SPECTRUM, NO MATTER HOW IT'S MEASURED

On February 6, the Center on Budget and Policy Priorities issued an analysis, "How Would Families At Different Income Levels Benefit From the Bush Tax Cut?" The report finds that the package of tax cuts proposed by President Bush are heavily skewed toward those at the top of the income spectrum. The report includes the following information:

The full report can be viewed at
<http://www.cbpp.org/2-6-01tax3.htm>

- The one percent of the population with the highest incomes would receive between 36 percent and 43 percent of the tax cut, depending on the calculation used. This is more than the bottom 80 percent combined would receive; the bottom 80 percent of the population would receive 29 percent of the tax cut. The bottom 40 percent of the population would receive four percent of the tax cut. The Bush plan will deliver an average tax reduction of at least \$39,000 to the top one percent of the population.
- According to a Treasury Department study, the top one percent of the population pays 20 percent of all federal taxes under current law. Thus, under the Bush plan, the share of the tax cut that would go to the top one percent is about double the share of the federal taxes they pay.
- Figures that the Bush campaign issued, which showed the top one percent receiving a *smaller* share of the tax cut than the share of the taxes this group pays, reflected only federal *income* taxes. Those figures omitted payroll, estate, and other taxes. As a result, the figures provided an incomplete picture. Leaving payroll taxes out of the analysis makes the share of taxes that the top one percent pays look larger, while leaving out the estate tax makes the share of the tax cut they will receive appear smaller. When all federal taxes are included, as they should be, the figures show the top one percent would receive a share of the tax cut (36 percent to 43 percent) that is about twice as large as the share of federal taxes it pays (20 percent).
- This high-income group also would receive a larger percentage reduction in total federal taxes (as distinguished from just income taxes) than any other income group, while low-income families would receive one of the smallest percentage tax reductions. High-income families would receive the largest percentage increase in income, as well.

White House officials who claim lower-income families would receive the largest percentage tax reduction are focusing only on *income* taxes. Low- and moderate-income families pay more in other federal taxes — principally payroll taxes — than in income taxes. It is possible to eliminate a large percentage of the small income tax liability that many moderate-income families incur and register only a small impact on the total federal taxes that such families pay.