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TAX FACTS

Taxes and revenues are low.

- **Tax burdens lowest in decades**. Tax burdens, especially income-tax burdens, on all groups of households are low by historical standards. In every year starting with 1998, the typical middle-income family of four has paid a smaller share of its income in federal income taxes than in any year from 1967 through 1997. [http://www.cbpp.org/4-10-06tax4.htm]

- **Federal revenues below historical norms**. Federal revenues in 2005 were smaller as a share of the economy than their average level of the 1960s, 1970s, 1980s, or 1990s. [http://www.cbpp.org/4-10-06tax4.htm] These low revenues have been a major contributor to the return of large deficits.

- **Tax evasion further reduces revenues**. Nearly $300 billion in taxes went unpaid in 2001 (the most recent year for which these data are available). These uncollected taxes lead to higher deficits or to higher tax burdens for other taxpayers. To subsidize those who do not pay the taxes they owe, other taxpayers must pay about 17 percent more in taxes. [http://www.cbpp.org/4-10-06tax3.htm]

Recent tax policy has largely benefited the most fortunate and has not yielded strong economic growth.

- **People making over $1 million a year are $100,000 better off on Tax Day**. In 2005, households with annual incomes above $1 million (who represent only one out of every 500 households) will receive an average of $100,000 apiece due to the tax cuts enacted by Congress in 2001 and 2003. This is about twice the total annual income of the typical American household. [http://www.cbpp.org/4-10-06tax5.htm]

- **Tax cuts for millionaires wipe out deficit savings from program cuts**. The President's budget proposes sizeable reductions over the next five years in nearly every domestic discretionary (non-entitlement) program. Yet the President's tax cuts for people who make over $1 million a year would cost more than the total savings from all of the proposed cuts in domestic discretionary programs, including the cuts proposed in education, environmental protection, veterans' medical care, and medical research. [http://www.cbpp.org/2-23-06tax.htm]

- **Tax cuts have not yielded strong economic growth**. The current recovery has been weaker than the typical post-World War II recovery in terms of employment, wage and salary, GDP, consumption, and investment growth. [http://www.cbpp.org/8-9-05bud.htm] This strongly indicates that the tax cuts have not significantly boosted the economy. [http://www.cbpp.org/3-27-06tax.htm]

- **Tax cuts have not paid for themselves**. Revenues over the past three years have been $316 billion below what the Administration projected they would be before the 2003 tax cuts were enacted. That is, despite claims that these tax cuts have paid for themselves, revenues are well below the levels predicted in the absence of the tax cuts. [http://www.cbpp.org/3-8-06tax.htm]

Important tax choices lie on the horizon.

- **A trillion-dollar choice**. Extending the 2001 and 2003 tax cuts would add $3.3 trillion (including interest) to deficits over the next decade. Each year the tax cuts would cost as much as the annual budgets of all these federal departments combined: Education, Veterans Affairs, Homeland Security, Energy, State, Housing and Urban Development, and the Environmental Protection Agency. [http://www.cbpp.org/2-6-06tax.htm]

- **Investment tax cuts for the few**. Only 4 percent of the benefits of extending the capital gains and dividend tax cuts would flow to the 60 percent of American households that have incomes below $50,000, and only 14 percent of the benefits would go the four-fifths of households with incomes under $100,000. In contrast, households with incomes of more than $1 million would receive close to half — 45 percent — of the benefits of these investment tax cuts even though they will constitute only 0.3 percent of the households in the nation in 2009. [http://www.cbpp.org/1-30-06tax2.htm]

- **Estate tax repeal unaffordable**. The estate tax will affect only 12,600 estates this year, or the estates of about one-half of one percent of all people who die. Nearly two-thirds of the tax will be paid by estates valued at over $10 million. Repeal of the estate tax, which would overwhelmingly benefit these multi-million dollar estates, would cost about $80 billion a year by 2016 (or, in today's dollars, about the same amount we spend on homeland security each year). [http://www.cbpp.org/pubs/estatetax.htm]

Low-income families are still struggling.

- **Federal income taxes not the whole story**. While many low-income households do not owe federal income taxes, they pay federal payroll taxes as well as state and local taxes. Federal tax burdens on low-income single individual and childless couples (who do not receive the significant child tax credit and Earned Income Tax Credit benefits available to working-poor families with children) can be high. In addition, most state tax systems as a whole are regressive; as a result, the overall tax system — when federal, state, and local taxes are combined — is only modestly progressive. [http://www.cbpp.org/4-10-06tax5.htm]

- **Taxing families deeper into poverty**. In 19 of the 42 states that levy a state income tax, a family of four owes the tax even if its income falls below the poverty line ($19,961 for a family of this size). Many working-poor families in these states are taxed deeper into poverty. On a positive note, the state with the worst tax treatment of poor families -- Alabama, which for decades has taxed families with incomes as low as $4,600 per year -- now is poised to raise that threshold to $12,600 under legislation that is on its way to the governor. [http://www.cbpp.org/2-22-06sfp.htm]

- **Low-income families also burdened by wage stagnation**. The incomes of those in the bottom 20 percent of the income spectrum grew by only 4 percent, or about $600, in inflation-adjusted terms over the 24-year period from 1979 to 2003 (2003 is the latest year for which these data are available). Over the same period, the incomes of those in the top 1 percent of households grew by 129 percent, or $395,700 per household, after adjusting for inflation. The after-tax incomes of households in the lowest-income group actually fell between 2002 and 2003. [http://www.cbpp.org/1-29-06tax.htm]

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