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## IRS DATA ON THE CAPITAL GAINS TAX CUT IN EACH STATE Data Show Benefits Sharply Skewed To High-Income Filers

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During consideration of the reconciliation tax-cut bill in coming weeks, Congress is expected to debate whether to extend a variety of tax cuts scheduled to expire in 2005 or subsequent years. Much attention is likely to be focused on whether to extend the reduction in the capital gains tax rate that was enacted in 2003 and that is set to expire in 2008. The table on the following page is based on Internal Revenue Service data for 2003; it shows the distribution in each state of the benefits from the capital gains tax cut. It thus provides a sense of who will benefit from extending this tax cut.

The table shows the percentage of tax returns filed in each state that reported adjusted gross income of less than \$50,000, and the percentage in each state with income above \$200,000. It also shows the proportion of the total tax savings from the capital gains rate cut that was received by each of these two income groups. The IRS calculated the savings based on the net capital gains reported in each state.

For example, as shown in the first row of the table, 70.7 percent of all filers in the nation had annual income below \$50,000 in 2003; but this group received only 3.2 percent of the benefits from the capital gains tax cut that year. In contrast, those with incomes above \$200,000 represented 2.0 percent of all filers, but received 80.5 percent of the capital gains tax-cut benefits. (The remaining 16.3 percent of the tax-benefit went to filers with incomes between \$50,000 and \$200,000.) The table provides comparable figures for each state.

The state-by-state data are presented in the table on the next page.

**DISTRIBUTION OF CAPITAL GAINS TAX CUT BENEFITS IN 2003, BY STATE**

	Taxfilers with Income Under \$50,000		Taxfilers with Income Over \$200,000	
	Percent of Returns	Percent of Capital Gains Tax Cut	Percent of Returns	Percent of Capital Gains Tax Cut
<b>United States</b>	<b>70.7%</b>	<b>3.2%</b>	<b>2.0%</b>	<b>80.5%</b>
Alabama	75.4%	5.8%	1.3%	71.8%
Alaska	69.3%	2.2%	1.4%	70.9%
Arizona	71.8%	3.9%	1.7%	74.9%
Arkansas	77.9%	7.5%	1.1%	69.6%
California	68.2%	2.1%	2.6%	84.3%
Colorado	67.2%	3.2%	2.2%	79.8%
Connecticut	61.6%	0.9%	3.9%	88.6%
Delaware	67.5%	1.1%	1.9%	80.4%
Washington, DC	69.9%	1.5%	3.6%	90.5%
Florida	75.0%	2.1%	1.9%	82.8%
Georgia	71.8%	3.8%	1.9%	79.3%
Hawaii	71.4%	3.1%	1.5%	71.5%
Idaho	75.0%	13.8%	1.2%	59.1%
Illinois	67.9%	2.8%	2.3%	83.8%
Indiana	70.9%	5.6%	1.3%	72.6%
Iowa	71.9%	10.4%	1.2%	57.3%
Kansas	71.4%	5.5%	1.5%	74.7%
Kentucky	74.6%	9.6%	1.2%	62.5%
Louisiana	76.7%	4.2%	1.2%	70.8%
Maine	73.9%	4.8%	1.3%	64.4%
Maryland	63.2%	2.2%	2.6%	82.1%
Massachusetts	64.0%	1.1%	3.1%	85.7%
Michigan	68.1%	2.8%	1.6%	75.2%
Minnesota	66.3%	4.6%	2.1%	73.8%
Mississippi	79.6%	10.4%	1.0%	66.0%
Missouri	72.7%	8.2%	1.4%	67.3%
Montana	78.1%	11.8%	1.1%	57.3%
Nebraska	72.9%	10.8%	1.3%	65.3%
Nevada	70.7%	3.3%	1.9%	86.3%
New Hampshire	65.3%	2.0%	2.0%	75.3%
New Jersey	62.7%	*	3.5%	86.2%
New Mexico	77.0%	5.9%	1.1%	65.6%
New York	69.4%	2.0%	2.6%	90.2%
North Carolina	73.2%	3.5%	1.6%	73.5%
North Dakota	75.0%	16.3%	1.1%	52.0%
Ohio	73.1%	3.2%	1.3%	72.9%
Oklahoma	76.3%	7.9%	1.2%	72.8%
Oregon	71.4%	7.3%	1.5%	66.9%
Pennsylvania	70.7%	1.9%	1.8%	80.3%
Rhode Island	68.7%	1.5%	1.9%	73.9%
South Carolina	75.5%	4.7%	1.3%	69.8%
South Dakota	76.1%	17.3%	1.2%	50.2%
Tennessee	75.0%	4.6%	1.5%	77.8%
Texas	73.3%	3.1%	1.8%	84.3%
Utah	71.9%	5.7%	1.4%	74.1%
Vermont	72.4%	7.1%	1.4%	58.7%
Virginia	65.6%	2.9%	2.4%	78.7%
Washington	66.7%	3.7%	2.0%	76.3%
West Virginia	76.8%	7.9%	0.8%	58.3%
Wisconsin	68.7%	7.7%	1.5%	64.6%
Wyoming	71.3%	4.4%	1.4%	82.0%

\*Net capital gains were negative for this income group (i.e., losses exceeded gains)

Source: Internal Revenue Service, Statistics of Income.