

820 First Street, NE
Suite 510
Washington, DC 20002

Tel: 202-408-1080
Fax: 202-408-1056

center@cbpp.org
www.cbpp.org

FOR IMMEDIATE RELEASE:
February 15, 2001

CONTACT: Jim Jaffe, Michelle Bazie
(202) 408-1080

MAJORITY OF BLACK, HISPANIC FAMILIES WITH CHILDREN WOULD GET NOTHING FROM BUSH TAX PLAN

Robert Greenstein
Executive Director

Iris J. Lav
Deputy Director

Board of Directors

John R. Kramer, Chair
Tulane Law School

Henry J. Aaron
Brookings Institution

Ken Apfel
University of Texas

Barbara B. Blum
Columbia University

David de Ferranti
The World Bank

Marian Wright Edelman
Children's Defense Fund

James O. Gibson
DC Agenda

Beatrix Hamburg, M.D.
Cornell Medical College

Frank Mankiewicz
Hill and Knowlton

Richard P. Nathan
*Nelson A Rockefeller Institute
of Government*

Marion Pines
Johns Hopkins University

Sol Price
*Chairman, The Price Company
(Retired)*

Robert D. Reischauer
Urban Institute

Audrey Rowe
Lockheed Martin, IMS

Susan Sechler
The Aspen Institute

Juan Sepulveda, Jr.
*The Common Experience/
San Antonio*

William Julius Wilson
Harvard University

The majority of black and Hispanic families with children would receive no tax cut if the Bush tax plan becomes law, according to a new analysis from the Center on Budget and Policy Priorities, a non-partisan policy institute in Washington D.C.

The new analysis, "More Than Half of Black and Hispanic Families Would Not Benefit From Bush Tax Cut," finds that 53 percent of black and Hispanic families with children would receive no tax reduction if the Bush plan were enacted. About three in four of these families include someone who is working.

The six million black and Hispanic families that would receive no benefit from the proposal include 6.1 million black children and 6.5 million Hispanic children— or 55 percent of all black children and 56 percent of Hispanic children.

The outcome reflects a Bush Administration decision not to provide relief to low- and moderate-income working families that do not earn enough to owe federal income tax but pay substantial amounts of payroll and other taxes. Millions of black and Hispanic families fall into this category. They are among the 74 percent of American families that pay more in payroll taxes than income taxes.

The Center's analysis finds that black and Hispanic children would be more than twice as likely to fail to receive any assistance from the Bush tax plan as non-Hispanic white children.

Tax Cut Would Drain Resources for Other Needs

The exclusion of a majority of black and Hispanic families from the Bush tax plan raises particular concerns, the Center said, because the tax plan would absorb virtually all of the available budget surpluses projected for the next 10 years. The administration has said the plan would cost \$1.6 trillion over this period, but the Center's analysis finds that when the cost of added interest payments on the national debt are taken into account, the cost of the tax cut rises to \$2 trillion or more. Interest payments on the debt would be greater because at least \$1.6 trillion of projected surpluses would be used for tax cuts rather than for paying down the debt.

— more —

With Congress walling off the portion of the budget surpluses that are due to the building of reserves in the Social Security and Medicare trust funds, the Center noted, the amount of the surplus available for all tax cuts and program initiatives is itself about \$2 trillion. As a result, the Bush tax cut would consume virtually all of the available budget surpluses, leaving little available for improvements in other areas, such as reducing the number of Americans without health insurance, providing more housing that is affordable for low- and moderate-income families, improving job training programs, reducing child poverty, providing an adequate Medicare prescription drug benefit for seniors, and the like.

High-income Households Would Receive Bulk of Tax Cut

Altogether, the administration's tax-cut proposal leaves out 12 million families with children and 24 million children (including non-minority as well as minority families and children). But the proposal carries a very high cost because it confers extremely large tax cuts on wealthy households. The Center reported that the one percent of households with the highest incomes would receive about 40 percent of the tax cuts; the tax cut these households would receive averages about \$40,000 per household. By contrast, the bottom 40 percent of households — a group that includes a majority of the black and Hispanic population — would receive just four percent of the tax cuts, while the bottom 60 percent of the population would receive 13 percent of the tax cuts.

The Center's analysis also finds that the top one percent of households would receive more in tax cuts from the Bush plan than the bottom 80 percent of households combined.

The Bush tax cut leaves out large numbers of low- and moderate-income families because it applies only to households that owe federal *income* or *estate* taxes, as distinguished from other taxes such as payroll taxes and excise taxes. A two-parent family currently does not owe federal income tax until its income exceeds \$25,870. (If the family has child care costs, it owes no income tax until its income reaches a higher level.) A family at this level is well above the poverty line and pays several thousand dollars in payroll taxes but would receive no tax reduction under the Bush plan.

“Although President Bush has been presenting his tax cut as helping low- income families enter the middle class, his proposal does little to achieve this goal,” said Isaac Shapiro, who was joined in authoring the study by Allen Dupree and James Sly. Instead, Shapiro said, “his tax proposal provides windfalls to the wealthiest Americans while draining the federal budget of resources that could help low- and moderate-income families and aid lower-income communities.” The Center study concludes that a sounder approach would be to reduce the cost of the Bush tax plan substantially by scaling back its very large tax cuts for high-income individuals, while providing some tax relief to lower-income families left out of the Bush plan.

A full text of the analysis is available at the CBPP website, www.cbpp.org (www.cbpp.org/2-15-01tax.htm).

The Center on Budget and Policy Priorities is a nonpartisan research organization and policy institute that conducts research and analysis on a range of government policies and programs. It is supported primarily by foundation grants