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**ARE CHILD TAX CREDIT CHECKS — OR CHECKS TO MILLIONAIRES — THE  
APPROPRIATE BACKDROP FOR A SPEECH ON THE 2003 TAX CUTS?**

by Isaac Shapiro

As the increased child tax credits from the 2003 tax bill have begun to be mailed out, the President and Administration officials are fanning out across the country, touting these credits and their benefits to American families and the economy. Standing in front of a giant-sized mock-up of a child tax credit check, the President kicked off this effort July 24 with a speech in Philadelphia delivered at one of the government facilities where the child tax credit checks are being printed.

Since the child tax credit expansion benefits many middle-class families with children, the Administration's desire to highlight this provision of the tax bill is understandable. But the middle-class aspect of the child tax credit expansion should not obscure the degree to which the overall tax legislation enacted in May is tilted toward high-income households. Based on the amount of tax cuts dedicated to different groups, a more accurate backdrop for the President's speech would have been a large check addressed to the nation's millionaires:

- This year, the 184,000 tax filers with incomes of \$1 million or more will receive *slightly more* in total new income tax cuts as a result of the new legislation — \$17 billion in tax cuts — than the \$16 billion in increased child tax credits going to 26 million tax filers.
- Over the next 10 years millionaires will receive approximately \$90 billion in tax cuts from the legislation. This is nearly three times the \$32 billion the legislation provides in increased child tax credits.
- If one compares the tax cuts that millionaires will secure as a result of this year's tax-cut law to *all* of the tax cuts that middle-class and other families will receive under the law (not just the child tax credit increases), the result still shows how much better the millionaires fare. The roughly \$90 billion in tax cuts that millionaires (0.1 percent of households) will receive is as large as the total amount that will go to the bottom 121 million U.S. households — the bottom 88 percent of the population — combined.

**New Tax Cut Legislation, Effects in 2003**

	Beneficiaries	Amount	Average check
Child tax credit	26,000,000	\$16 billion	\$615
Tax cuts for millionaires	184,000	\$17 billion	\$93,500

## Tax Year 2003

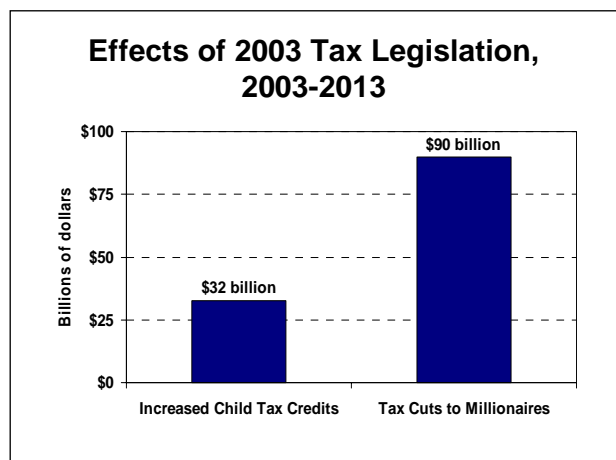
According to data from the Urban Institute-Brookings Institution's Tax Policy Center:

- The tax-cut legislation enacted in May will increase the size of the child tax credit for 26 million tax filers (or households) by a total of \$16 billion.<sup>1</sup>
- This \$16 billion in increased child tax credits is less than the \$17 billion in newly-enacted tax cuts that households with incomes of more than \$1 million will receive.
- The average child tax credit increase is about \$615 this year. The average new tax cut that tax filers with incomes of more than \$1 million will receive this year is \$93,500.

## Balance Of Bill Becomes More Top Heavy Over Time

The distribution of the tax cuts provided by this year's tax-cut legislation will become more heavily concentrated among high-income households over time. This is because the principal provisions that benefit middle-income families simply accelerate tax cuts that would have taken place anyway in subsequent years, while the major *new* tax cut in the legislation — the provision reducing taxes on capital gains and dividend income — disproportionately helps those with very high incomes. Tax Policy Center data indicate that ultimately, about 40 percent of the tax-cut benefits from this provision will accrue to the one-tenth of one percent of filers with incomes of more than \$1 million.

- According to the Joint Committee on Taxation, the total cost of the child tax credit expansion — which only directly affects the credit in 2003 and 2004 — is \$32 billion. This is less than one-tenth of the overall \$350 billion cost of the bill.
- Based on cost estimates from the Joint Committee on Taxation and distributional estimates from the Tax Policy Center, millionaires will receive approximately \$90 billion in new tax cuts from the legislation, or nearly three times the \$32 billion increase in the child tax credit.



<sup>1</sup> This figure is larger than the \$13 billion figure often cited by the Administration. The \$13 billion figure represents the child tax credit checks being issued from July 25 through August 8, while the Tax Policy Center's \$16 billion figure includes the additional child tax credit increases that some households will receive when they file their 2003 tax returns early next year.

Comparing the tax cuts that millionaires will receive to all the tax cuts that other tax filers will receive, not just increases in the child tax credit, also illustrates the degree to which this year's tax-cut law disproportionately benefits those at the top of the income scale.

- As the table below indicates, millionaires comprise 0.1 percent of U.S. households but will receive essentially the same amount in tax cuts as will be received by the entire bottom 88 percent of households.<sup>2</sup>
- The share of the tax cuts that millionaires will receive — 27 percent — exceeds the share of income taxes they pay (which is 19 percent) as well as the share of all federal taxes they pay (which is far lower than 19 percent).<sup>3</sup>
- Millionaires would benefit primarily from two parts of the bill. They would gain \$58 billion from the provision to cut the capital gains tax rate and taxes on dividend income (assuming these provisions sunset, as scheduled, at the end of 2008). The large majority of the remaining tax cuts they would receive would come from accelerating the rate reductions now scheduled for 2006 into 2003. (If the bonus depreciation provision in the bill is extended beyond its expiration date of December 31, 2004, millionaires might also benefit significantly from that provision; this analysis does not assume such an extension.)

<b>Who Gets the 2003 Tax Cuts?</b>			
	<b>Number of Households, 2003</b>	<b>Proportion of U.S. Households, 2003</b>	<b>Approximate Tax Cut Amount, 2003-2013</b>
Households with Income Over \$1 Million	184,000	Top 0.1%	\$90 billion
Households with Income Below About \$95,000*	121,000,000	Bottom 88%	\$90 billion
* Income cut-off is slightly below \$95,000			

<sup>2</sup> This comparison is based on a distribution of the individual income tax cuts in the 2003 tax bill; it does not reflect a distribution of the business tax cuts. Individual income tax cuts amount to 97 percent of the total tax cuts in the bill, according to the official cost estimates of the bill by the Joint Committee on Taxation. Thanks to Andrew Lee for this calculation and for other research assistance on this paper.

<sup>3</sup> A precise estimate for the share of all federal taxes paid by millionaires is not available. Since, however, they pay substantially smaller shares of most other taxes than they pay of income taxes, the share of all federal taxes paid by millionaires is certain to be significantly below 19 percent.