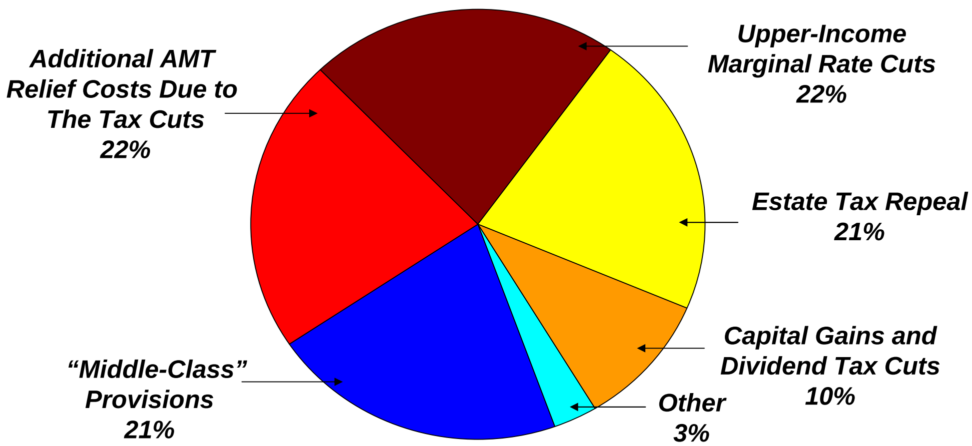
Key Features of the 2001 and 2003 Tax Cuts

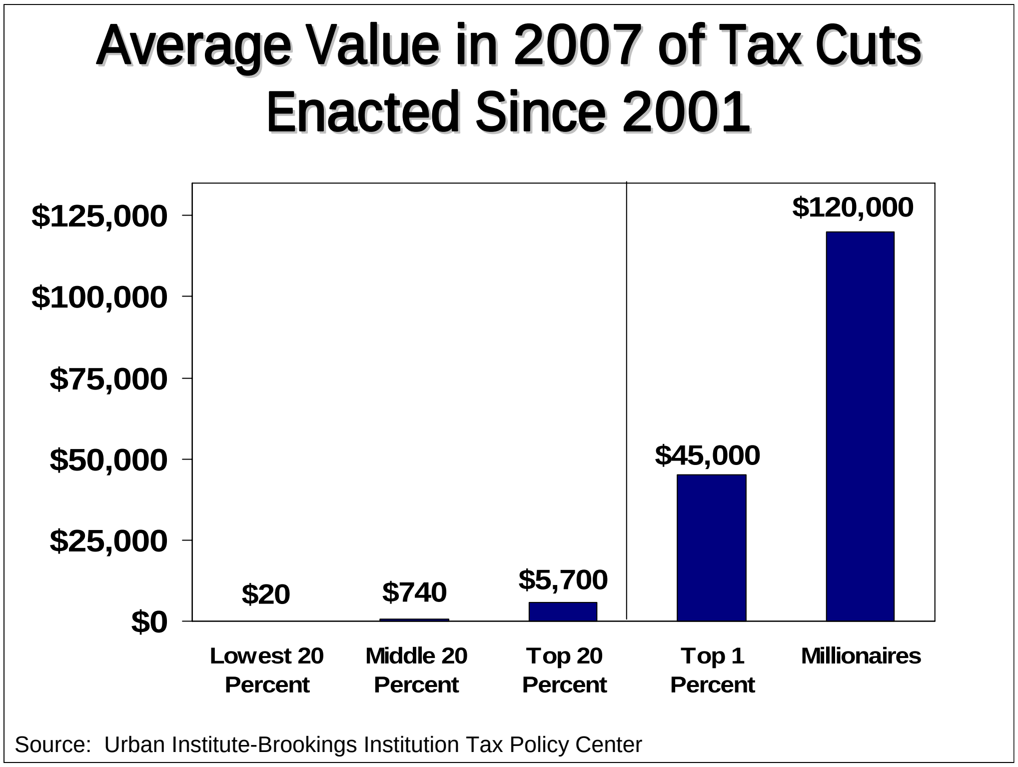
- Reduce tax rates for top four brackets
- Cut capital gains and dividend tax rates
- Phase out and then repeal the estate tax
- Greatly increase the cost of providing AMT relief
- "Middle-class" provisions:
  - 10% bracket
  - Increase in Child Tax Credit; expansion of refundable Child Tax Credit
  - Reduction in "marriage penalties"
- Nearly all provisions of these tax cuts expire at the end of 2010. Making them permanent would add more than $4 trillion to deficits over the next ten years.

2001 and 2003 Tax Provisions:
Share of Annual Cost When Fully in Effect

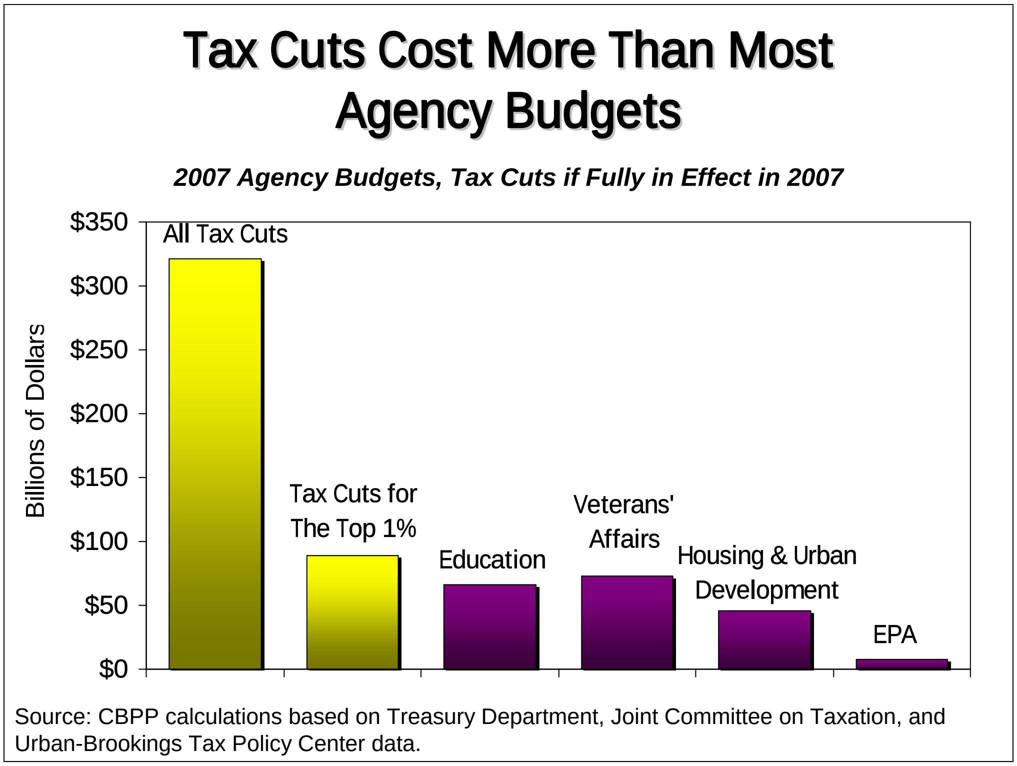


Source: Joint Committee on Taxation, CBPP. "Middle-class" provisions are the establishment of the 10 percent bracket, the expansion of the Child Tax Credit, and tax relief for married couples.

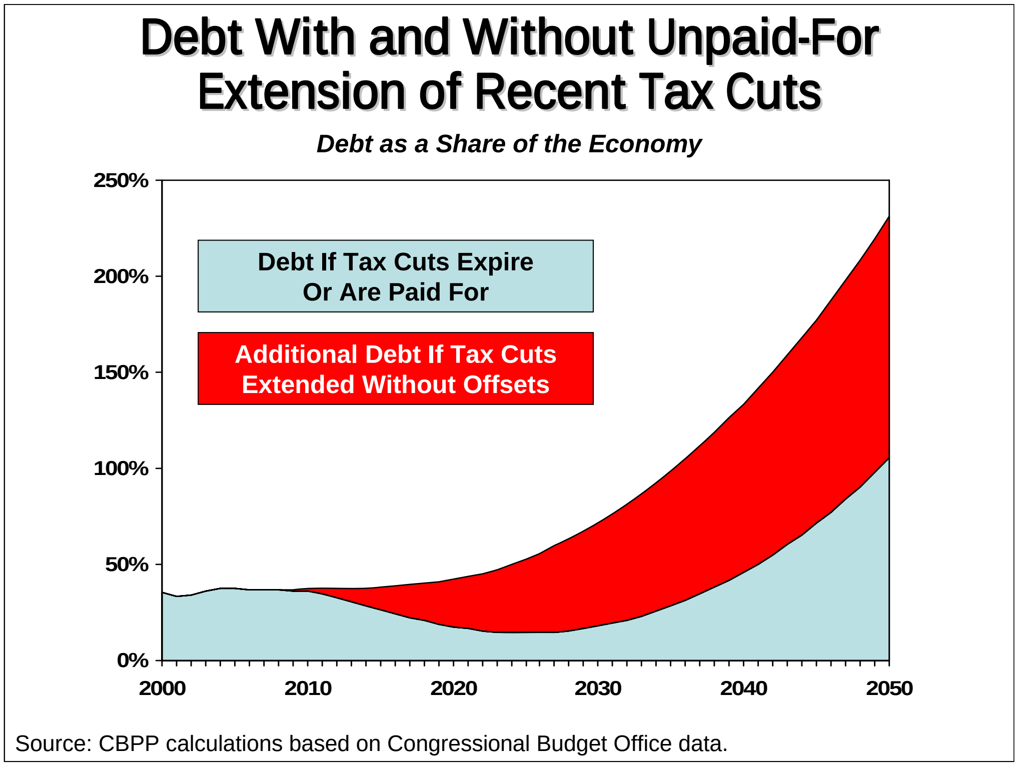
Most of the cost of the 2001 and 2003 tax-cut packages results from provisions — such as estate tax repeal, capital gains and dividends tax cuts, upper-bracket rate reductions, and AMT relief — that primarily benefit upper-income households. Thus it is not surprising that the overall distribution of the benefits of these tax packages favors those with high incomes. (http://www.cbpp.org/2-4-08tax.htm)



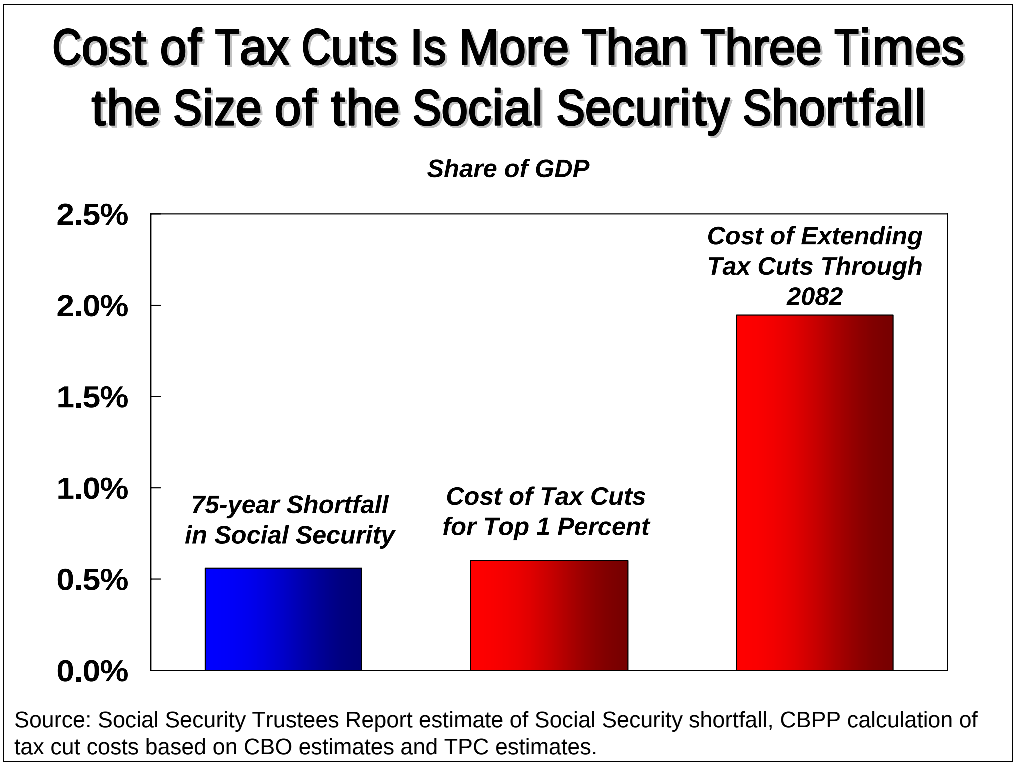
In 2007, households with annual income over $1 million received an average of $120,000 in tax reductions from tax cuts enacted since 2001, according to the Urban Institute-Brookings Institution Tax Policy Center. The average household in the middle of the income scale received a tax cut of $740, while the average household in the bottom fifth of the income spectrum received a tax cut of only $20.



Once the tax cuts are fully in effect, their annual cost (not including debt service) will be about $400 billion per year. In 2007 terms, that amount exceeds the combined 2007 budgets of the Departments of Education, Homeland Security, Housing and Urban Development, Veterans' Affairs, State, and Energy, and the Environmental Protection Agency. The cost of tax cuts for just the highest-income 1 percent of households (those with incomes above $450,000 per year) will be larger, in 2007 terms, than the entire budget of the Department of Education. (http://www.cbpp.org/1-31-07tax.htm)



Because of their high cost, making the tax cuts permanent without paying for them would dramatically worsen the nation's already-severe long-term fiscal problems. Even if the tax cuts expire or their costs are offset, the debt in 2050 would stand at 105 percent of the economy, an alarming figure. But extending the tax cuts without paying for them would essentially double the size of the debt in 2050; debt would then stand at more than 200 percent of the economy. (http://www.cbpp.org/1-29-07bud.htm)



To put the long-run cost of the tax cuts in perspective, the 75-year Social Security shortfall, about which the President and Congressional leaders have expressed grave concern, is about *one-third* the cost of the tax cuts, measured on a comparable basis. (http://www.cbpp.org/3-31-08socsec.htm)