



The Bush Tax Cuts: Are Californians Better Off?

Over the past six years, President George W. Bush and his allies in Congress have enacted multiple rounds of major tax cuts, including special tax breaks for capital gains and dividends, reductions in personal income tax rates, estate tax cuts and an array of corporate tax loopholes. This issue brief summarizes the effects of the Bush tax cuts on Californians at different income levels.

There are two key findings: First of all, the tax breaks enacted since 2001 are heavily skewed towards the very wealthiest few. Second, because the tax cuts are being paid for with borrowed money, the cost of paying the added national debt more than wipes out any benefits from the tax cuts for 99 percent of Californians. Only the best-off one percent of Californians are net winners.

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- Over the 2001-2010 period, the wealthiest one percent of Californians, who have an average income of \$1,721,600 in 2006, will receive 41.2 percent of the tax cuts.
- The total 10-year average tax cut for this wealthiest group is \$614,386, an average of \$61,439 per year.
- In contrast, the poorest 60 percent will get only 17.0 percent of the tax cuts, with an average annual tax cut over the 10 years of only \$435.

Effects of Tax Cuts on California Families & Individuals in 2001-2010:

Average Tax Cuts By Income Group

Income group	Ave. 2006 Income	Average Bush Tax Cuts									
		2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
California											
Lowest 20%	\$ 12,200	\$ -87	\$ -100	\$ -110	\$ -132	\$ -123	\$ -124	\$ -132	\$ -142	\$ -154	\$ -164
Second 20%	26,200	-308	-373	-466	-541	-523	-525	-541	-577	-597	-617
Middle 20%	42,600	-382	-498	-738	-785	-689	-677	-694	-728	-754	-782
Fourth 20%	68,500	-540	-808	-1,349	-1,411	-1,200	-1,187	-1,086	-1,119	-1,136	-1,140
Next 15%	122,300	-737	-1,355	-2,932	-3,124	-2,684	-2,740	-1,477	-1,379	-1,324	-1,274
Next 4%	267,400	-1,001	-3,378	-6,249	-6,769	-4,691	-5,168	-1,718	-1,730	-2,195	-3,360
Top 1%	1,721,600	-3,270	-42,050	-70,725	-85,049	-52,614	-53,614	-57,055	-63,711	-76,620	-109,678
ALL	\$ 76,000	\$ -444	\$ -1,118	\$ -1,933	\$ -2,167	\$ -1,624	\$ -1,658	\$ -1,358	\$ -1,434	\$ -1,592	\$ -1,979
ADDENDUM:											
Poorest 60%	\$ 27,000	\$ -259	\$ -324	\$ -438	\$ -486	\$ -445	\$ -442	\$ -456	\$ -483	\$ -502	\$ -521
Top 20%	\$ 233,200	\$ -919	\$ -3,865	\$ -7,082	\$ -8,056	\$ -5,645	\$ -5,834	\$ -4,377	\$ -4,647	\$ -5,371	\$ -7,258

**Effects of Tax Cuts on California Families and Individuals in 2001-2010:
Share of Tax Cuts by Income Group**

Income group	Ave. 2006 Income	% of Total Bush Tax Cuts in California										
		2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	10 yrs
Lowest 20%	\$ 12,200	3.9%	1.8%	1.1%	1.2%	1.5%	1.5%	1.9%	2.0%	1.9%	1.6%	1.6%
Second 20%	26,200	13.8%	6.6%	4.8%	5.0%	6.4%	6.3%	7.9%	8.0%	7.4%	6.2%	6.6%
Middle 20%	42,600	17.1%	8.8%	7.6%	7.2%	8.4%	8.1%	10.2%	10.1%	9.4%	7.8%	8.7%
Fourth 20%	68,500	24.1%	14.3%	13.9%	12.9%	14.7%	14.2%	15.9%	15.5%	14.2%	11.4%	14.2%
Next 15%	122,300	24.7%	18.0%	22.6%	21.5%	24.6%	24.6%	16.2%	14.3%	12.4%	9.6%	18.4%
Next 4%	267,400	8.9%	11.9%	12.7%	12.3%	11.4%	12.3%	5.0%	4.8%	5.5%	6.7%	9.3%
Top 1%	1,721,600	7.5%	38.7%	37.4%	40.0%	33.0%	33.0%	42.8%	45.3%	49.2%	56.6%	41.2%
ALL	\$ 76,000	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
ADDENDUM:												
Poorest 60%	\$ 27,000	34.8%	17.2%	13.5%	13.4%	16.3%	15.9%	20.0%	20.1%	18.8%	15.7%	17.0%
Top 20%	\$ 233,200	41.1%	68.6%	72.7%	73.8%	69.0%	69.9%	64.0%	64.4%	67.0%	72.8%	68.8%

For 99 percent of Californians, the Bush tax cuts are much smaller than the share of the increased national debt they'll have to pay off. Only the wealthiest one percent are net winners.

The tax cuts enacted by President Bush and his allies in Congress have been “paid for” entirely with borrowed money. This means that every dollar of tax cuts received results in a dollar of debt that must be paid back in the future — with interest. We analyzed the effects of this added debt on a per-person basis, rather than by family units. That’s because everyone — adults as well as their children — will eventually have to pay off the added debt and interest. We also looked only at the tax cuts and added debt that have been actually taken place so far (i.e., though 2006).

For the wealthiest one percent of California residents, the tax cuts they’ve received from 2001 through 2006 outweigh their share of the added debt accumulated over the past six years by an average of \$36,442 per family member. They have received an average tax cut of \$107,066 per family member, which exceeds their added debt burden of \$70,624 per person by \$36,442.

Net Burden of Bush Fiscal Policies on the Middle 20% of Californians 2001-06

Average Tax Cut per Person	\$ -1,819
Average Added Debt per Person	+9,522
Per Person Net Loss	\$7,703
Net Loss for Family of Four	\$30,812

But for the other 99 percent of California residents, their share of the added debt accumulated from 2001 through 2006 outweighs their tax cuts by an average of \$7,758 per person. They have received an average tax break of \$2,635 per person over the six-year period, but their added debt burden averages \$10,393 per person.

**Effects of the Bush Tax Cuts and Debt Build-Up on Californians in 2001-06:
Average Per Person Added Debt, Tax Cuts and Net Added Burden by Income Group**

Income Group	Lowest 20%	Second 20%	Middle 20%	Fourth 20%	Next 15%	Next 4%	Top 1%
Average per-person added debt so far	\$+7,903	\$+8,635	\$+9,522	\$+10,754	\$+12,589	\$+17,877	\$+70,624
Average per-person 6-year tax cut (total)	-396	-1,333	-1,819	-2,768	-4,869	-9,587	-107,066
Net added per-person burden (+) or benefit (-)	\$+7,506	\$+7,301	\$+7,703	\$+7,986	\$+7,720	\$+8,289	\$-36,442

No Free Lunch In California

President Bush has borrowed all the money to finance his tax reductions, and the interest on that enormous borrowing is building up rapidly. What makes this borrowing more alarming is that the benefits are skewed so heavily towards the wealthiest taxpayers. As the above data show, in California, 99 percent of taxpayers will get a debt bill that far exceeds any small benefits from these policies.

Technical notes:

Tax cuts by state and income group were calculated by the Institute on Taxation and Economic Policy. For more details, see: "The Bush Tax Cuts Enacted Through 2006, The Latest CTJ Data (June 2006), <http://www.ctj.org/pdf/gwbdata.pdf>. Additions to the national debt (including amounts borrowed from the Social Security Trust Fund) are based on actual figures for fiscal 2002 through 2005 and Congressional Budget Office estimates for fiscal 2006 and 2007. The added debt was allocated among states and income groups based on shares of adjusted gross income and population (double-weighted). Of course, no one can say for sure how the debt will be paid for in the future, whether through huge program cuts or very large, potentially regressive tax increases. The approach here, which allocates the debt payments two-thirds to spending cuts (per capita) and one-third to proportional tax increases (by AGI), seems to be a middle ground of the possible outcomes.

