

Tax Day: Average Americans Lose Out with Bush Tax Cuts

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Tax Day is upon us. And staring us in the face is a reckless fiscal policy that has been marked by three consecutive years of poorly timed, regressive and irresponsible tax cuts. The essence of these tax cuts is captured in a cartoon that has been making the rounds lately. It shows a janitor, hard at work, wearing a shirt that reads, "The President enacted a bunch of tax cuts and all I got was this lousy T-shirt." Regrettably, for janitors and all Americans, the numbers support that sentiment.

The average tax cuts Americans received in the past three years were more than offset by cost increases elsewhere, especially for such priorities as housing, medical care and higher education. Moreover, the vast majority of taxpayers received less than the average tax cut. And all of this happened at a time when millions of new jobs – the promised benefits of the tax cuts – have failed to materialize. By any measure, the short and long-term costs of the tax cuts outweigh any of its purported benefits.

To get a better idea of what the Bush tax cuts mean in real terms, taxpayers not only should look closely at their tax filings, but also at their overall expenditures. When they do, they will see that the Administration's three tax cuts came at the expense of funding many essential programs, for which the taxpayer is now footing the bill. These tax cuts came at a time when housing, education, and medical costs, among other items, rose sharply. In fact, the cost of these three items alone rose twice as much as the average taxpayer received in tax cuts. 8% of the tax cuts translated into increased spending in higher education, more than 80% for higher housing costs, and 130% for greater health care costs (figure 1).

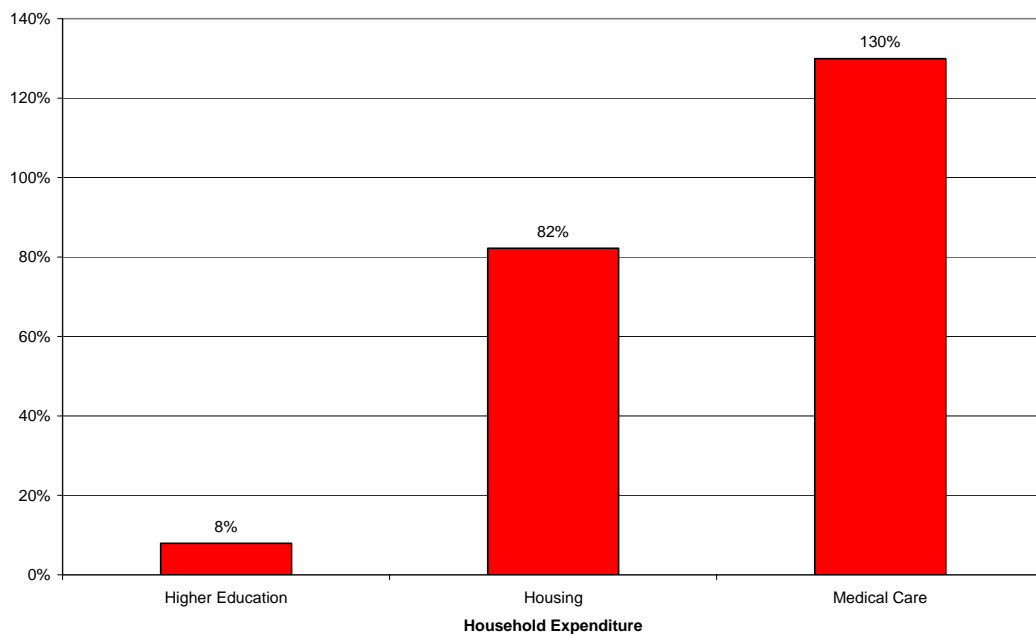
Moreover, while the Administration often argues that the average taxpayer benefits greatly from its tax policies, the data dispel that myth. The fact of the matter is that most taxpayers receive well below the "average" tax cut. For example, the average tax cut in 2003 was \$1,800, but the majority of taxpayers got less than \$850. And 80% of taxpayers received less than \$1,500 (figure 2). Why do these numbers seem so skewed? Simple: the top 1% of taxpayers did a whole lot better than the average taxpayer, receiving nearly \$52,000 in tax breaks in 2003 (the distribution of the tax cuts in the prior years was equally skewed).

To top it off, regardless of how the tax cuts are distributed, taxpayers and their children will have to pay the price of our rapidly rising national debt. That might be fine if working families could actually reap the promised benefits of the tax cuts. But the millions of new jobs that served as the rationale for the massive tax cuts have yet to materialize. In fact, while national debt was rising, employment was falling. Debt rose by 4% from 2000 to 2002, the equivalent of \$3,000 per taxpayer (figure 3). Simultaneously,

employment declined by close to 2%. These numbers illustrate the full extent of the Bush Administration's tax cut follies. The promised benefits did not materialize, while future generations were saddled with growing debt.

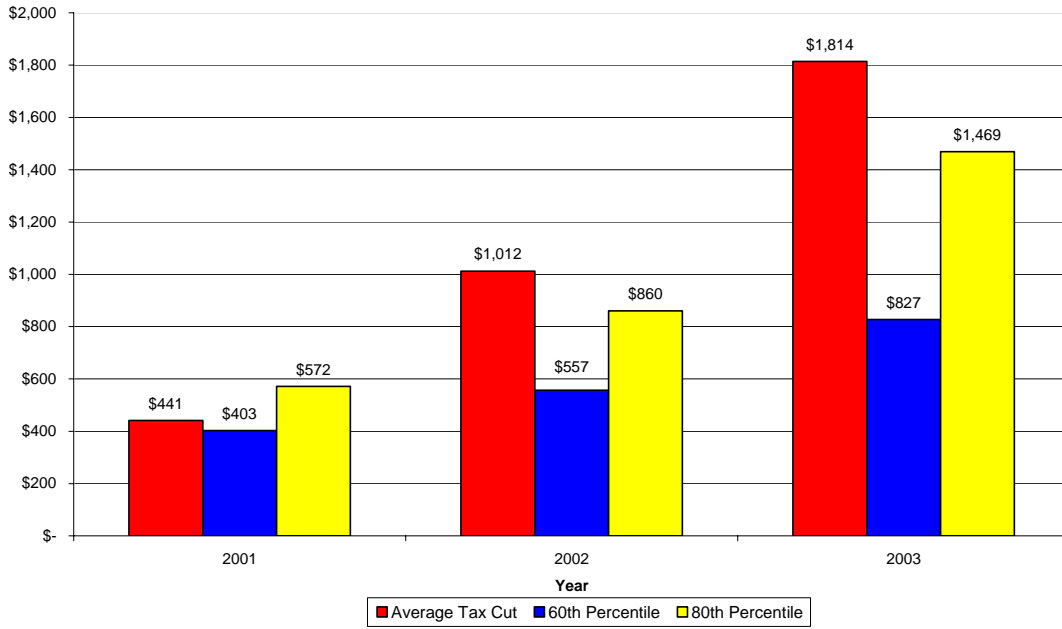
On Tax Day, most Americans will simply focus on filing on time or getting that needed extension. But on April 16th, after Americans dig themselves out from under the pile of receipts and 1099s, it will be time to refocus that attention on the nation's rapidly deteriorating fiscal policy—a scenario made far worse by the Bush tax cuts. The bill for these tax cuts has already come in the form of higher expenditures for vital services, and the bills will continue to pile high as we try to figure out how to repay our debt. Our fictional janitor better get use to that lousy t-shirt because he could be paying for it the rest of his life.

Figure 1: Federal Taxes Offset by Cost Increases Elsewhere, 2000 - 2002



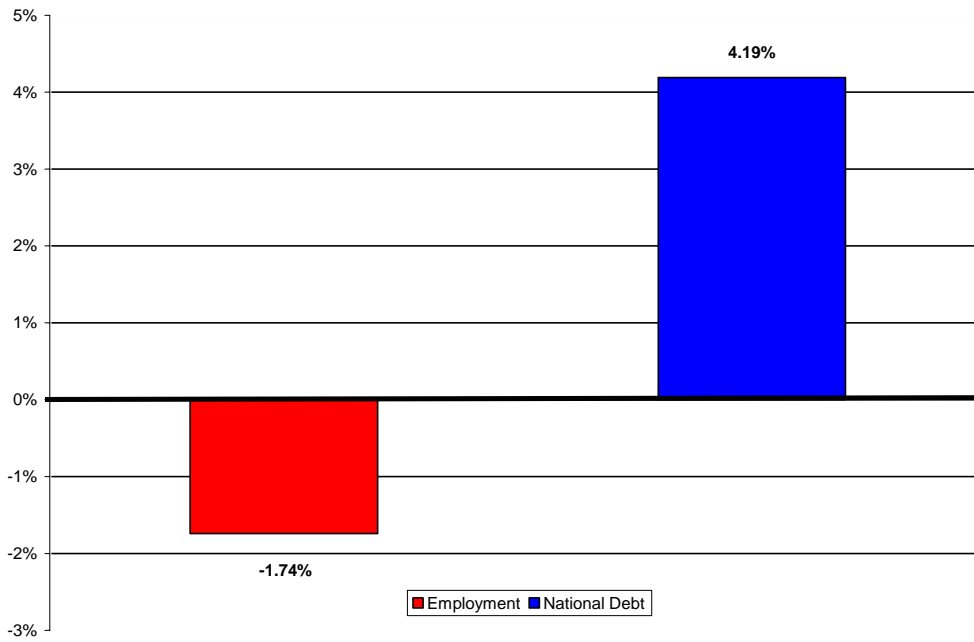
Note: Changes in total dollar amounts of household expenditures relative to changes in total dollar amounts of federal taxes.
Source: Bureau of Economic Analysis, National Income and Product Accounts

Figure 2: Bush Tax Cut Averages, 2001 - 2003



Note: In 2003 dollars.
Source: Citizens for Tax Justice (www.ctj.org/pdf/gwbdata.pdf)

Figure 3: Employment and National Debt, 2000 - 2002



Note: All figures are total percent changes.
Source: Bureau of Labor Statistics (www.bls.gov/oes/home.htm) and U.S. Treasury (www.publicdebt.treas.gov/opd/opdpdot.htm)