

How Bush's tax cut plan favors the rich

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It is necessary to review the facts and figures on the class inequality of the Bush tax cut plan, since the White House and the Republican congressional leadership have launched a campaign of lies and distortions, relying on the acquiescence of an uncritical and reactionary media.

The most basic distortion is that Bush will cut taxes “across the board.” The White House plan actually ignores those taxes that place the greatest burden on the working class, such as the payroll tax and excise taxes. Bush's plan targets those taxes, including the estate tax and the federal income tax, where the wealthy pay the largest share. This selectivity insures that the tax cut automatically favors the richest taxpayers.

Three quarters of all US households pay more in federal payroll taxes, which fund Social Security and Medicare, than they pay in federal income taxes. But there has been no proposal from Bush for any cut in this tax, which is by far the most regressive tax imposed by the federal government.

Unlike the income tax, which is graduated, the payroll tax is calculated as a flat percentage of income. Moreover, the payroll tax is levied only on the first \$70,000 or so in income. This ceiling means that for high income taxpayers, the payroll tax is a much lower proportion of their income than for middle and lower income families—barely 1 percent for a millionaire, compared to 15.3 percent for the average worker.

By maintaining unchanged the tax which weighs most heavily on working people and cutting those taxes which affect the rich, the Bush plan amounts to a redistribution of income from the bottom to the top. According to an analysis by the Center on Budget and Policy Priorities (CBPP), the top 1 percent of income earners would get a bigger tax cut than the bottom 80 percent of all taxpayers combined.

These upper income families currently pay 20 percent of all federal taxes, but they would get 36 percent of the

Bush tax cut. This is under conditions where the top 1 percent has seen their incomes grow by 40.4 percent over the past decade, compared to a 5.2 percent increase for the bottom 90 percent.

Bush is targeting his tax cut so that these wealthy families—with an average pretax income of over \$800,000 in 1998, and an average *after-tax* income of nearly \$600,000—would receive tax cuts of more than \$60,000 apiece. In effect, the federal government will send a check to every member of the top 1 percent which is larger than the annual pretax income of the average American family. Meanwhile, the average family will get a cut of about \$720. For the bottom 60 percent of taxpayers, the average reduction would be only \$256.

Many low-income working families will receive nothing. According to CBPP figures, over 12 million families with 24 million children, one of every three children in the US, will receive no tax cut at all, including more than half of black and Hispanic children.

George W. and Laura Bush will be more fortunate. Based on their income tax records released during the presidential campaign, the president and first lady stand to gain \$100,000 a year once the tax cut plan is fully phased in—a nice piece of change added to their family income of over \$3 million a year.

Bush claims that his plan would eliminate the income tax burden for millions of lower-income working class families. This is another piece of sophistry. As the CBPP explained: “a two-parent family of four with income of \$26,000 would indeed have its income taxes eliminated under the Bush plan, which is being portrayed as a 100 percent reduction in taxes. The family, however, owes only \$20 in income taxes under current law.”

The legislation adopted by the House of Representatives March 8 is an illustration of the class

logic of Bush's program. It compresses the current five-bracket rate structure into four and reduces the rates gradually over the next five years. When the full cut is phased in completely in 2006, the top income tax rate will fall from 39.6 percent to 33 percent. The lowest rate will fall from 15 percent to 10 percent.

Income taxes will decline by \$958 billion over the next 10 years, with nearly half this amount accruing to the wealthiest 1 percent of taxpayers. For working families, the bill will provide either no benefits at all, if they are among the millions of low-income families who pay no income tax, or a cut averaging a few hundred dollars for those of middle income.

The House voted down a Democratic counterproposal, which would have cost \$585 billion over 10 years. This alternative, while introduced as a political maneuver, nonetheless spotlights the narrow social interests behind the tax cut drive. House Democrats deliberately drew up a bill that provides the same or slightly larger tax cuts than the White House bill for every income group below the top 5 percent of all taxpayers.

Virtually the entire difference between the two bills lies in the treatment of the top 1 percent, who would receive \$10.6 billion in tax reduction, 2 percent of the total, under the Democratic bill, and \$424 billion in tax reduction, or 44.3 percent of the total, under the Republican bill. This brazen class legislation in favor of the top 1 percent—one million families with taxable incomes over \$1 million each—won unanimous Republican support.



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