Bush wants to make tax cuts for the rich permanent

Joanne Laurier
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President George W. Bush's budget proposal calls for making permanent the 2001 and 2003 tax cuts scheduled to expire at the end of 2010. This would further widen the chasm between the wealthy elite and the rest of the population.

A study conducted by the Center on Budget and Policy Priorities (CBPP), a liberal think-tank, argues that the cost of financing the array of cuts implemented by the Bush administration and Congress since 2001—including cuts in personal income tax, the repeal of the estate tax and reductions in capital gains and dividend tax—would be about $3.5 trillion over the next decade, when the cost of additional interest on federal debt is included.

The tax cuts, a wholesale looting of the federal treasury to the advantage of the rich, have been promoted by the administration as an economic boon. The CBPP report debunks claims such as "they [the tax cuts] pay for themselves," or Bush's assertion in November that the cuts were responsible for economic growth.

The reality is that if the tax cuts were made permanent, the top one percent of US households would receive more than $1 trillion in tax benefits in the decade from 2008 through 2017—nearly one third of the tax cuts' total value. Households with annual incomes over $1 million, representing some 0.3 percent of the population, would receive tax cuts equaling $739 billion, or 22 percent of the total value of the tax cuts.

The bottom 60 percent of households would collect only 12 percent of the total value—less than half the amount that would go to the top one percent.

In current dollars, the magnitude of the tax cuts by 2012, with their impact fully felt, would be staggering. Cuts for those households making over $1 million would exceed what the federal government spends annually on K-12 education, as well as spending on medical care for veterans and medical research conducted by the National Institutes of Health.

The cost of cuts for the top one percent of households would exceed the *combined* 2006 budgets of the Department of Housing and Urban Development, Energy and the Environmental Protection Agency. This income group would receive tax relief that tops the entire 2006 budget for Department of Homeland Security and the budget of the Department of Veterans' Affairs.

The CBPP argues that the "2001 and 2003 'tax cuts' are best seen as net tax cuts for the top 20 percent of households, as a group, financed by net tax increases or benefit reductions for the remaining 80 percent of households, as a group."

Bush's budget proposes to make permanent the tax cuts, in addition to balancing the budget by 2012. The CBPP points out that this will require substantial cuts to domestic programs, amounting to almost $150 billion over the next five years "in an array of domestic non-entitlement programs, including education programs, veterans' programs, environmental programs, and others."

However, the projected cuts to domestic programs in each of the next five years would be less than the cost of tax handouts for households making over $1 million. For example, budget cuts for domestic programs in 2012 in Bush's budget would equal $41 billion, while tax benefits for those making over $1 million would be $73 billion.

Moreover, according to the CBPP, "Congressional Budget Office data show that the tax cuts have been the single largest contributor to the reemergence of substantial budget deficits in recent years. Legislation enacted since 2001 has added about $2.3 trillion to deficits between 2001 and 2006, with *half* of this deterioration in the budget due to the tax cuts (about a third due to increases in security spending, and about a sixth to increases in domestic spending)."

The CBPP writes that when the Treasury Department staff simulated the economic repercussions of extending the tax cuts, they found that if the cuts were not offset by spending reductions, then their extension would decrease long-term economic growth.

"Supporters of the tax cuts have sometimes sought to bolster their case by understating the tax cuts' costs, overstating their economic effects, or minimizing their regressivity," contends the report. It points out that the administration, when discussing tax revenue growth since the implementation of the cuts, typically refers to revenue growth since 2004. This is duplicitous, being that as a share of the economy, revenues in 2004 were at their lowest level since 1959, and therefore a certain recovery was inevitable.

Because the revenue growth over the current business cycle as a whole has been negative, after adjusting for inflation and population growth, "the current revenue 'surge' is *merely restoring revenues to where they were a half decade ago* . . . Revenues in 2006 are still more than $200 billion short of where they would have been had they grown at the rates typical in other recoveries," explains the study. While the administration credits the tax cuts with a drop in the projected fiscal year 2006 deficit to "only" $248 billion, the budget would be balanced without the cuts, since the total cost of tax cuts enacted since 2001 was $251 billion in 2006.

"This means that even with the spending for the wars in Iraq and Afghanistan and the response to Hurricane Katrina, the federal budget would essentially be in balance now if the tax cuts had not been enacted, or if their costs had been offset . . . 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 over the same period," states the CBPP.

It should be noted that in 2004 the top one percent of US households held a larger share of total pre-tax income than in any year since 1929, with the exception of 1999 and 2000, the height of the dot-com boom.