

The Bush Tax Cuts Cost Two and a Half Times as Much as the House Democrats' Health Care Proposal

Detailed Figures in Appendix

Newly revised estimates from Citizens for Tax Justice show that the Bush tax cuts cost almost \$2.5 trillion over the decade after they were first enacted (2001-2010).¹ Preliminary estimates from the non-partisan Congressional Budget Office show that the House Democrats' health care reform legislation is projected to cost \$1 trillion over the decade after it would be enacted (2010-2019).²

Effects of the Bush tax cuts enacted through 2006 with AMT relief extended through 2010 (cal. yrs.)

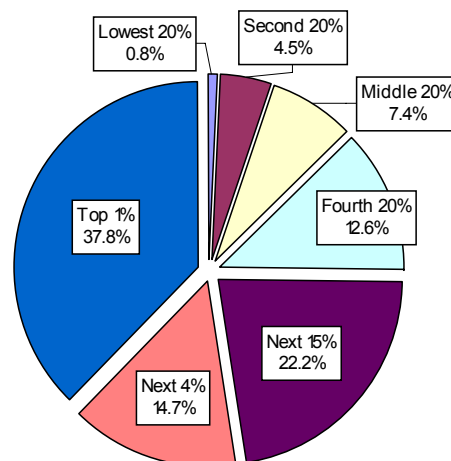
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	10 years
Tax cuts, \$-billions											
Lowest 20%	\$-1.3	\$-2.1	\$-2.3	\$-2.7	\$-1.9	\$-1.9	\$-2.1	\$-2.3	\$-2.3	\$-2.4	\$-21.2
Second 20%	-6.4	-8.4	-10.5	-12.1	-10.9	-10.9	-12.1	-12.5	-12.8	-12.8	-109.3
Middle 20%	-9.9	-12.9	-18.9	-20.5	-18.3	-18.3	-20.3	-21.0	-21.6	-21.3	-183.0
Fourth 20%	-14.4	-20.4	-33.4	-35.5	-30.6	-31.0	-34.7	-35.8	-36.1	-36.2	-308.1
Next 15%	-14.1	-25.0	-54.2	-58.7	-51.3	-53.3	-60.8	-62.4	-62.3	-63.5	-505.7
Next 4%	-5.2	-17.3	-33.7	-37.0	-27.3	-29.7	-37.1	-37.8	-37.8	-42.1	-305.0
Top 1%	-3.9	-38.9	-71.2	-87.3	-64.5	-70.9	-82.7	-72.2	-74.0	-108.3	-673.9
ALL	\$-55.2	\$-124.7	\$-223.8	\$-253.3	\$-205.0	\$-216.1	\$-249.9	\$-244.0	\$-247.0	\$-286.8	\$-2,105.7
ADDENDUM: Total cost including interest											
\$-billions	\$-56.3	\$-129.4	\$-235.7	\$-276.8	\$-242.6	\$-265.4	\$-312.5	\$-326.0	\$-296.2	\$-343.9	\$-2,484.9

Source: Institute on Taxation and Economic Policy Tax Model, August 2009

And yet, many of the lawmakers who argue that the health care reform legislation is "too costly" are the same lawmakers who supported the Bush tax cuts.³ Their own voting record demonstrates that health care reform is not a matter of costs, but a matter of priorities.

It's difficult to see how the Bush tax cuts could provide us with two and a half times the benefits of health care reform. In 2010, when all the Bush tax cuts are finally phased in, a staggering 52.5 percent of the benefits will go to the richest 5 percent of taxpayers. President Bush

Shares of the Bush Tax Cuts in 2010



¹The Bush tax cuts actually cost even more than two and a half times the cost of the health care plan if one accounts for inflation between the 2001-2010 period (when the Bush tax cuts are in effect) and the 2010-2019 period (the first decade in which the House Democrats' health care plan would be in effect).

²Congressional Budget Office, letter to Ways and Means Committee Chairman Charles Rangel, July 14, 2009. http://www.cbo.gov/ftpdocs/104xx/doc10430/House_Tri-Committee-Rangel.pdf

³To see how particular lawmakers voted on each of the major tax cuts enacted under President George W. Bush, see Citizens for Tax Justice, "A Congressional Report Card," October 6, 2006. <http://www.ctj.org/pdf/reportcard2006.pdf>

and his supporters argued that these high-income tax cuts would benefit everybody because they would unleash investment that would spark widespread economic prosperity. There seems to be no evidence of this, particularly given the collapse of the economy at the end of the Bush years.

Details on the Bush Tax Cuts

The tax legislation enacted under President George W. Bush from 2001 through 2006 will cost \$2.48 trillion over the 2001-2010 period. This includes the revenue loss of \$2.11 trillion that results directly from the Bush tax cuts as well as the \$379 billion in additional interest payments on the national debt that we must make since the tax cuts were deficit-financed.

This figure also includes the cost of adjusting the Alternative Minimum Tax (AMT) to prevent millions of additional taxpayers from being affected by it, as would otherwise have happened as a result of the Bush tax cuts.⁴

Reason for Revisions

The projected cost of the Bush tax cuts is slightly less than we projected previously.⁵ This is mainly because of the economic downturn, which has reduced incomes. The projected distribution of the tax cuts has also changed slightly. Also, we no longer project the effects of the Bush tax cuts without AMT adjustments, since it is clear that Congress will continue to adjust the AMT to limit the number of people it affects.

Stark Contrast Between Congress's Approach to Health Care Reform and Approach to Bush Tax Cuts

Over the upcoming decade (2010-2019), the costs of the health care proposals approved by three committees in the U.S. House of Representatives are projected to be around \$1 trillion. (One committee trimmed the costs of its health care bill below that amount, but an official estimate of the cost reductions was not available at the time of this writing.)

The chairmen of the three House committees have explicitly stated that their goal is a final bill that is deficit-neutral in the decade following enactment. It's unclear if they have accomplished this yet, since the Congressional Budget Office has not yet issued final cost estimates of the bills, and the legislation is likely to change before the full House votes on a final bill. But President Obama and Democratic leaders have also committed to ensuring that health care reform will not increase the budget deficit.

Under the House bills, roughly half of the costs would be offset with savings in our existing health care programs, while the other half would be offset with a surcharge on the incomes of wealthy taxpayers.⁶ A previous analysis by CTJ has shown that this surcharge is a reasonable approach to

⁴The AMT is a sort of back-stop tax that ensures relatively well-off people pay a minimum level of income taxes. A deep reduction in the regular income tax without corresponding reductions in the AMT will therefore push more taxpayers into the AMT, which will "take back" a portion of the cuts made in the regular income tax. The Bush administration knew this in 2001 but chose not to include the necessary AMT adjustment in its original tax cut plan because doing so would reveal the true, larger cost of the tax cuts. The AMT adjustments, which President Bush subsequently signed into law each year they were passed by Congress, were made necessary mostly by the Bush tax cuts and are therefore considered part of the Bush tax cuts. See Citizens for Tax Justice, "Taxpayers Likely to Pay the AMT in Tax Year 2007 Under Current Law, by State," April 9, 2007. <http://www.ctj.org/pdf/amt2007states.pdf>

⁵Citizens for Tax Justice, "The Bush Tax Cuts So Far and the President's Proposed New Tax Cuts: Testimony of Robert S. McIntyre," March 6, 2007. <http://www.ctj.org/pdf/housetestimony030507.pdf>

⁶"Health Care Reform at a Glance: Paying for Health Care Reform," prepared by House Committees on Ways and Means, Energy and Commerce, and Education and Labor, July 14, 2009. <http://edlabor.house.gov/documents/111/pdf/publications/AAHCA-PAYINGFORHEALTHCAREREFORM-071409.pdf>

financing health care reform and would only affect 1.3 percent of taxpayers.⁷ Another CTJ analysis concludes that the surcharge will likely have no significant impact on small businesses, despite some of the misinformation that has surrounded this topic.⁸

In contrast, President Bush and his allies in Congress never even attempted to replace the revenue lost as a result of their enormous tax cuts. The Bush tax cuts were deficit-financed, which increased the national debt and resulted in greater interest payments on that debt, as already explained.

Health Care Reform: A Matter of Priorities, Not Costs

These figures make clear that costs cannot be the real concern of lawmakers who oppose the House health care legislation and yet supported the Bush tax cuts. Their position seems to be that showering benefits on the wealthiest five percent of taxpayers and leaving the bill for future generations is preferable to making health care available for all at a much lower cost and paying that cost up front. That demonstrates a different set of priorities than most Americans have, but it doesn't demonstrate much concern about costs.

The following appendix includes detailed estimates of the Bush tax cuts.

⁷Citizens for Tax Justice, "Health Care Reform Financing Options: House Proposal to Apply a Graduated Surcharge to Incomes Over \$350,000," updated July 15, 2009. <http://www.ctj.org/payingforhealthcare/surchargeproposalwaysandmeans.pdf>

⁸Citizens for Tax Justice, "House Surcharge Proposal Unlikely to Have Noticeable Impact on Small Businesses," July 21, 2009. <http://www.ctj.org/pdf/smallbuzhealthsurcharge.pdf>

Effects of the Bush tax cuts enacted through 2006 with AMT relief extended through 2010 (cal. yrs.)

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	10 years
Tax cuts, \$-billions											
Lowest 20%	\$ -1.3	\$ -2.1	\$ -2.3	\$ -2.7	\$ -1.9	\$ -1.9	\$ -2.1	\$ -2.3	\$ -2.3	\$ -2.4	\$ -21.2
Second 20%	-6.4	-8.4	-10.5	-12.1	-10.9	-10.9	-12.1	-12.5	-12.8	-12.8	-109.3
Middle 20%	-9.9	-12.9	-18.9	-20.5	-18.3	-18.3	-20.3	-21.0	-21.6	-21.3	-183.0
Fourth 20%	-14.4	-20.4	-33.4	-35.5	-30.6	-31.0	-34.7	-35.8	-36.1	-36.2	-308.1
Next 15%	-14.1	-25.0	-54.2	-58.7	-51.3	-53.3	-60.8	-62.4	-62.3	-63.5	-505.7
Next 4%	-5.2	-17.3	-33.7	-37.0	-27.3	-29.7	-37.1	-37.8	-37.8	-42.1	-305.0
Top 1%	-3.9	-38.9	-71.2	-87.3	-64.5	-70.9	-82.7	-72.2	-74.0	-108.3	-673.9
ALL	\$ -55.2	\$ -124.7	\$ -223.8	\$ -253.3	\$ -205.0	\$ -216.1	\$ -249.9	\$ -244.0	\$ -247.0	\$ -286.8	\$ -2,105.7
Shares of the total tax cuts											
Lowest 20%	2.3%	1.7%	1.0%	1.1%	0.9%	0.9%	0.9%	0.9%	0.9%	0.8%	1.0%
Second 20%	11.6%	6.7%	4.7%	4.8%	5.3%	5.1%	4.8%	5.1%	5.2%	4.5%	5.2%
Middle 20%	17.9%	10.4%	8.4%	8.1%	8.9%	8.5%	8.1%	8.6%	8.8%	7.4%	8.7%
Fourth 20%	26.0%	16.4%	14.9%	14.0%	15.0%	14.3%	13.9%	14.7%	14.6%	12.6%	14.6%
Next 15%	25.6%	20.1%	24.2%	23.2%	25.0%	24.6%	24.3%	25.6%	25.2%	22.2%	24.0%
Next 4%	9.4%	13.9%	15.1%	14.6%	13.3%	13.7%	14.8%	15.5%	15.3%	14.7%	14.5%
Top 1%	7.1%	31.2%	31.8%	34.5%	31.5%	32.8%	33.1%	29.6%	30.0%	37.8%	32.0%
ALL	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Average tax cuts											
Lowest 20%	\$ -48	\$ -80	\$ -87	\$ -100	\$ -70	\$ -68	\$ -76	\$ -80	\$ -79	\$ -84	\$ -773
Second 20%	-244	-318	-399	-452	-401	-399	-429	-440	-450	-446	-3,978
Middle 20%	-376	-493	-719	-767	-675	-668	-722	-739	-758	-745	-6,662
Fourth 20%	-547	-778	-1,269	-1,331	-1,130	-1,130	-1,236	-1,260	-1,266	-1,264	-11,211
Next 15%	-716	-1,272	-2,749	-2,932	-2,524	-2,590	-2,885	-2,930	-2,911	-2,956	-24,466
Next 4%	-984	-3,304	-6,407	-6,937	-5,042	-5,413	-6,596	-6,649	-6,622	-7,353	-55,307
Top 1%	-2,992	-29,624	-54,084	-65,432	-47,591	-51,745	-58,910	-50,844	-51,909	-75,564	-488,695
ALL	\$ -414	\$ -936	\$ -1,677	\$ -1,871	\$ -1,491	\$ -1,554	\$ -1,755	\$ -1,695	\$ -1,707	\$ -1,973	\$ -15,073
Tax cuts as % of income											
Lowest 20%	-0.5%	-0.8%	-0.9%	-1.0%	-0.6%	-0.6%	-0.6%	-0.7%	-0.6%	-0.7%	-0.7%
Second 20%	-1.2%	-1.6%	-2.0%	-2.1%	-1.8%	-1.7%	-1.8%	-1.8%	-1.8%	-1.8%	-1.8%
Middle 20%	-1.2%	-1.5%	-2.2%	-2.2%	-1.9%	-1.8%	-1.8%	-1.8%	-1.9%	-1.8%	-1.8%
Fourth 20%	-1.0%	-1.5%	-2.3%	-2.3%	-1.9%	-1.8%	-1.9%	-1.9%	-1.9%	-1.9%	-1.8%
Next 15%	-0.8%	-1.4%	-2.9%	-3.0%	-2.4%	-2.4%	-2.5%	-2.5%	-2.6%	-2.6%	-2.3%
Next 4%	-0.5%	-1.7%	-3.3%	-3.2%	-2.2%	-2.2%	-2.5%	-2.6%	-2.7%	-3.0%	-2.4%
Top 1%	-0.3%	-3.1%	-5.3%	-5.4%	-3.5%	-3.5%	-3.4%	-3.4%	-3.9%	-5.4%	-3.7%
ALL	-0.8%	-1.8%	-3.1%	-3.2%	-2.4%	-2.3%	-2.4%	-2.4%	-2.5%	-2.9%	-2.4%
ADDENDUM: Total cost including interest											
\$-billions	\$ -56.3	\$ -129.4	\$ -235.7	\$ -276.8	\$ -242.6	\$ -265.4	\$ -312.5	\$ -326.0	\$ -296.2	\$ -343.9	\$ -2,484.9

Source: Institute on Taxation and Economic Policy Tax Model, August 2009

Background Information on Incomes and Income Ranges

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
# of returns 000										
Lowest 20%	26,287	26,179	26,310	26,673	27,115	27,411	28,088	28,388	28,516	28,656
Second 20%	26,286	26,296	26,308	26,679	27,114	27,404	28,085	28,392	28,514	28,652
Middle 20%	26,295	26,241	26,309	26,672	27,114	27,411	28,088	28,391	28,520	28,657
Fourth 20%	26,286	26,237	26,311	26,671	27,113	27,406	28,078	28,382	28,507	28,658
Next 15%	19,716	19,682	19,732	20,016	20,340	20,564	21,072	21,305	21,393	21,498
Next 4%	5,262	5,251	5,265	5,336	5,424	5,479	5,621	5,679	5,704	5,731
Top 1%	1,315	1,312	1,316	1,334	1,356	1,371	1,404	1,420	1,426	1,433
ALL	133,323	133,136	133,495	135,338	137,517	139,002	142,405	143,958	144,663	145,372
Income \$-bill										
Lowest 20%	\$ 252	\$ 255	\$ 262	\$ 277	\$ 293	\$ 311	\$ 334	\$ 344	\$ 349	\$ 356
Second 20%	517	522	534	564	598	635	684	700	705	715
Middle 20%	848	851	872	923	978	1,039	1,120	1,142	1,143	1,155
Fourth 20%	1,394	1,390	1,425	1,519	1,615	1,718	1,863	1,886	1,869	1,890
Next 15%	1,810	1,795	1,843	1,985	2,121	2,259	2,476	2,471	2,421	2,456
Next 4%	1,020	997	1,033	1,143	1,245	1,329	1,509	1,453	1,394	1,427
Top 1%	1,350	1,263	1,343	1,609	1,846	1,998	2,413	2,096	1,906	2,003
ALL	\$ 7,184	\$ 7,064	\$ 7,303	\$ 8,010	\$ 8,688	\$ 9,280	\$ 10,389	\$ 10,082	\$ 9,775	\$ 9,992
Average Incomes										
Lowest 20%	\$ 9,600	\$ 9,700	\$ 10,000	\$ 10,400	\$ 10,800	\$ 11,300	\$ 11,900	\$ 12,100	\$ 12,200	\$ 12,400
Second 20%	19,700	19,800	20,300	21,100	22,100	23,200	24,300	24,700	24,700	25,000
Middle 20%	32,200	32,400	33,100	34,600	36,100	37,900	39,900	40,200	40,100	40,300
Fourth 20%	53,000	53,000	54,200	56,900	59,600	62,700	66,400	66,400	65,500	65,900
Next 15%	91,800	91,200	93,400	99,200	104,300	109,900	117,500	116,000	113,200	114,200
Next 4%	194,000	190,000	196,000	214,000	229,000	242,000	269,000	256,000	244,000	249,000
Top 1%	1,027,000	963,000	1,021,000	1,207,000	1,361,000	1,458,000	1,718,000	1,476,000	1,337,000	1,398,000
ALL	\$ 53,900	\$ 53,100	\$ 54,700	\$ 59,200	\$ 63,200	\$ 66,800	\$ 73,000	\$ 70,000	\$ 67,600	\$ 68,700

Source: Institute on Taxation and Economic Policy Tax Model, August 2009