

March 6, 2001

## 203,000 Washington Families Would Not Benefit from President's Tax Plan

Analysis released today by the Center on Budget and Policy Priorities estimates that 203,000 low and moderate income families would not benefit from President Bush's proposed \$2.0 trillion tax cut.

### SOME FAMILIES DO NOT BENEFIT

These families – one-quarter of Washington families with children – would not benefit from the reductions because they do not have any income tax liability. This

includes 391,000 children – 28 percent of the state's children.

Although 69 percent of the excluded families include a wage earner, they will not benefit from the tax cut because their incomes are too low to incur any income tax liability. Many of these households have positive income tax liabilities because of the Earned Income Tax Credit. These families still pay taxes. According to the Congressional Budget Office, three-quarters of all

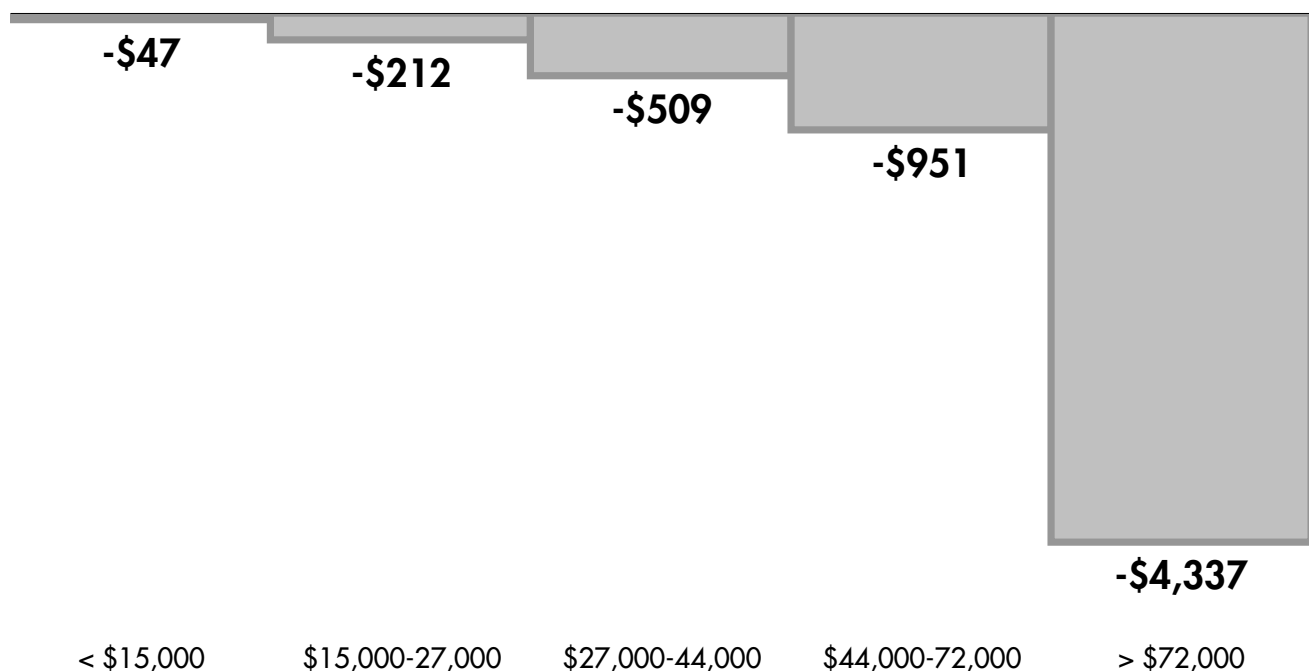
households paid more in payroll taxes in 1999 than income taxes.

### ACROSS-THE-BOARD REDUCTIONS

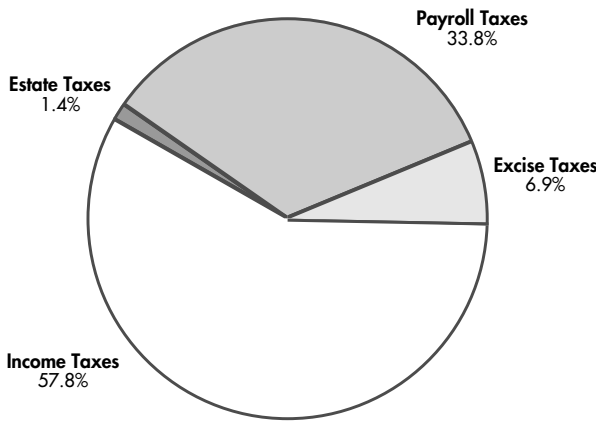
The President's proposal reduces all personal income tax rates while repealing the estate tax and raising the income threshold for an increased child tax credit.

Benefits accrue disproportionately to wealthier taxpayers, as data from the Institute for Taxation and Economic Policy illustrates.

## Tax Reductions under Bush Proposal Average Impact by Quintile, 2001 Income Levels

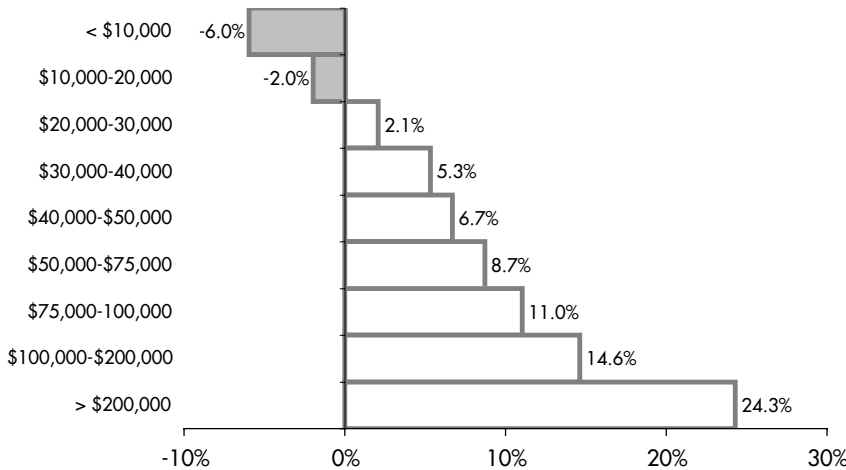


## Federal Revenues by Source, Fiscal Year 2000



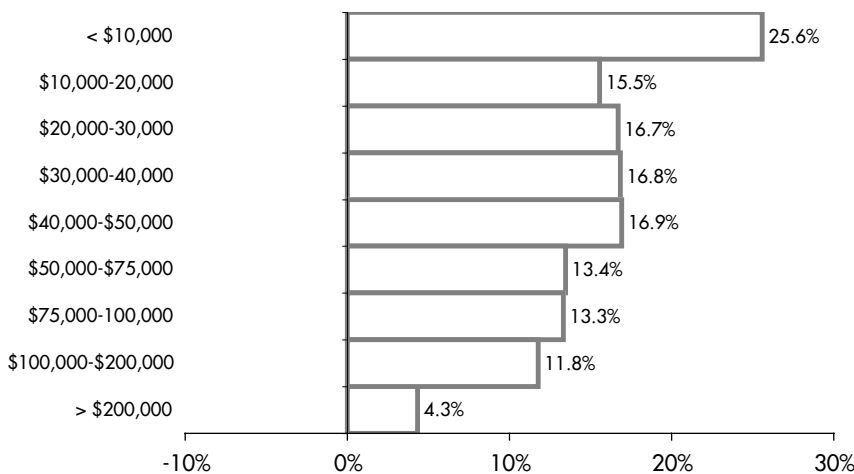
## Individual Income Taxes as a Proportion of Income

Liability by Income Group, Calendar Year 2000



## Payroll and Excise Taxes as a Proportion of Income

Liability by Income Group, Calendar Year 2000



Sources: US Department of the Treasury;  
US Congress, Joint Committee on Taxation.

The cuts are to be phased in over the next eight years. If the cuts were fully implemented this year, the bottom 60 percent of the income scale would receive 12.7 percent of the cuts, an average of \$256 annually. The wealthiest 10 percent would receive 60.3 percent of the reductions, approximately \$7,300 per year.

### PAYROLL AND EXCISE TAXES

FICA taxes are assessed at 15.3 percent of wages. Initial incidence is divided evenly between employer and employee, but ultimate incidence has been found to fall primarily on employees.

Wealthier taxpayers are favored since payroll taxes do not apply to investment income and by the Social Security tax threshold which exempts higher earnings from the tax. Slightly more than 80 percent of these revenues support Social Security – this portion of the tax applies to only the first \$80,400 of wage income. The remainder supports Medicare and applies to all wages.

Federal excise taxes on a variety of goods and services, ranging from gasoline to interstate telephone calls, also disproportionately tax lower income households. Payroll and Excise Taxes account for 40.7 percent of federal revenues. The President's proposal leaves these taxes unchanged.

The CBPP report can be viewed at:

<http://www.cbpp.org/3-6-01tax-pr.htm>



University of Washington  
Parrington Hall, Box 35360  
Seattle, Washington 98195-3060  
Telephone: (206) 543-0190