

Bush Fails to Get Deserved Credit for Tax Cut benefits

Despite reporting distortions, a congressional report shows the rich pay proportionately more in taxes while all income earners do better.

By Donald L. Luskin

A report from the nonpartisan Congressional Budget Office has Democratic presidential candidate John Kerry claiming it proves that “Over the last four years, the burden of taxes has shifted from the wealthy to the middle class.”

Those are politically motivated lies that distort the findings of the report. Here’s the truth.

The report proves that what President Bush said about his tax cuts is true: “Tax relief is for everyone who pays income taxes.”

Tax cut aftermath

The effective income tax rate each income group paid before and after Bush tax cuts:

Income group	2000 law	Bush tax cuts	Difference
Bottom 20%	-4.3%	-5.7%	-1.4%
Next 20%	1.9%	-0.1%	-2.0%
Middle 20%	5.2%	3.5%	-1.7%
Next 20%	8.5%	6.6%	-1.8%
Top 20%	17.1%	14.2%	-3.0%
Top 10%	19.4%	16.0%	-3.3%
Top 5%	21.4%	17.6%	-3.8%
Top 1%	24.5%	19.6%	-4.8%

Percent of income tax burden paid by income group

Income group	2000 law	Bush tax cuts	Difference
Bottom 20%	-1.6%	-2.7%	-1.1%
Next 20%	1.5%	-0.1%	-1.6%
Middle 20%	6.4%	5.4%	-1.0%
Next 20%	15.3%	15.2%	-0.1%
Top 20%	78.4%	82.1%	3.8%
Top 10%	63.5%	66.7%	3.2%
Top 5%	51.4%	53.7%	2.3%
Top 1%	31.6%	32.3%	0.6%

Source: Congressional Budget Office

The Detroit News

It’s true for the rich, and it’s true for the not-so-rich. Across 109.4 million tax-paying households — from the wealthiest 1 percent with incomes averaging over \$1 million to

the lowest-earning 20 percent of people with incomes averaging \$14,900 — the report shows that all income classes have seen their income tax rates lowered thanks to Bush's cuts in 2001, 2002 and 2003.

The CBO report shows how 2004 income tax rates have dropped for everyone compared with tax laws in force in 2000.

Another part of the CBO report shows how the income tax burden has shifted upward for the rich and downward for everyone else.

What a victory for compassionate conservatism. Everybody gets an income tax cut, and when it's all done the rich end up paying proportionately more.

The report also shows that Bush managed to craft a tax reduction package that even benefits the lowest-earning taxpayers who already pay what amount to negative income taxes. That's right, thanks to various refundable tax credits, before the Bush tax cuts the lowest-earning 20 percent of income earners not only paid no income taxes — on average they received money from the Internal Revenue Service. Now that's compassionate.

But will Kerry or the media give Bush one ounce of credit for any of that? No, the liberal establishment always has to find a way to demonize anything that comes from the policies of Bush.

Virtually parroting the first paragraph of a Democratic congressional press release, the Wall Street Journal story began: "President Bush's three tax-cut laws will reduce this year's income taxes for the richest 1 percent of taxpayers by an average of \$78,460, more than 70 times the average benefit for the middle 20 percent of taxpayers, congressional analysts found."

First, the Journal gives the false impression that the statistics cited in the first paragraph are from the CBO report. They are not. They appear nowhere in that report. Instead, they are from a separate analysis of the CBO report by the Democratic members of the Joint Economic Committee of Congress.

Second, the Journal's version of the Democrats' analysis inserts a critical — and erroneous — word that was deliberately not used by the Democrats. The Journal refers to income taxes — when the Democrats just refer to taxes.

It's an important distinction, because the 2002 tax cuts allowed for greater deductibility of capital expenses for corporations — a deliberate (and successful) attempt to stimulate corporate capital investment after the terrorist attacks of Sept. 11, 2001. The CBO attributes those corporate tax cuts to individuals, based on the extent to which individuals receive dividends and capital gains.

Naturally, the highest-income earning taxpayers will get the bulk of this — even though

all taxpayers enjoy the many benefits of a stronger economy as a result of greater capital investment by corporations.

If that corporate tax cut and the CBO's quirky methodology for attributing it to individuals is eliminated from the analysis, then the 70-1 advantage of the top 1 percent versus the middle 20 percent is almost cut in half. Yes, the Democrats surely used data selectively to make their claims as extreme as possible — that's their partisan job. But the supposedly objective Journal made the data seem even more extreme than the Democrats did.

Third, the Journal eliminated a critical word from the Democrats' press release — "2004." The corporate provisions of the 2002 tax cut expire after 2004, so the extreme numbers focused on by the Democrats settle down considerably in 2005 and thereafter.

Robert Williams, the economist who is the chief author of the Congressional Budget Office's report, told me he was disappointed with the way his work has been distorted.

You would think seasoned congressional staff members would know by now how Washington works in an election year. But apparently even they have never seen presidential candidates and the media as rabidly partisan as they are right now.

About the Author

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