



HISTORY OF SELECTED BUSH TAX CUTS FAVORING THE WEALTHY

MAIN POLICIES

- Bush’s Economic Growth and Tax Relief Reconciliation Act of 2001 (EGTRRA)
- Bush’s Jobs and Growth Tax Relief Reconciliation Act of 2003 (JGTRRA)
- Tax Increase Prevention Reconciliation Act of 2005 (TIPRA)

BRIEF OVERVIEW

EGTRRA of 2001 and JGTRRA of 2003 ¹

(Excerpts from Center on Budget and Policy Priorities, “Policy Basics: The 2001 and 2003 Tax Cuts”)

“The 2001 and 2003 tax cuts reduced the top four marginal income tax rates (see table), as well as the tax rate on capital gains and dividends. They also phased out the estate tax, repealing it entirely in 2010.

In addition, the tax cuts included three components often referred to as “middle-class” tax cuts, though many higher-income families benefit from them as well. One provision created a new bottom income tax rate of 10 percent for some of the income previously taxed at a 15 percent rate. Another provision increased the Child Tax Credit from \$500 to \$1,000 per child and made many low-income working families eligible for the credit. The third provision was “marriage penalty relief” — a set of changes that reduced taxes for some married couples. Nearly all of the tax cuts are scheduled to expire at the end of 2010. “

Income Tax Rate Reductions Under the 2001 and 2003 Tax Cuts

Previous Rate	New Rate
39.6%	35%
36%	33%
31%	28%
28%	25%

TAX INCREASE PREVENTION RECONCILIATION ACT of 2005 (TIPRA)²

(Excerpt from Lieserson & Rohaly, “Distribution of the 2001-2006 Tax Cuts: Updated Projections, July 2008”)

“In May 2006, Congress passed the Tax Increase Prevention Reconciliation Act of 2005 (TIPRA), which extended through the end of 2010 the reduced rates on capital gains and dividends originally enacted by JGTRRA; increased the AMT exemption level but only for 2006; eliminated the income limitation on converting traditional IRAs to Roth IRAs beginning in 2010, effectively doing away with the income cap for Roth IRA contributions; and extended the increased expensing allowance for businesses.”

PROVISIONS OF 2001-2003 BUSH TAX CUTS ³

(Excerpts from Shapiro & Friedman, “Tax Returns: A Comprehensive Assessment of the Bush Administration Tax Cuts”)

EGTRRA Provisions

“The 2001 tax-cut package was the largest of the three, featuring cuts in income tax rates, reductions in taxes for married couples, and an expansion of the child tax credit, among other

¹ Center on Budget and Policy Priorities (CBPP), “Policy Basics: The 2001 and 2003 Tax Cuts,” Mar 5, 2009.

² Greg Lieserson & Jeffrey Rohaly, “Distribution of the 2001-2006 Tax Cuts: Updated Projections, July 2008,” Urban Institute-Brookings Institute Tax Policy Center, July 2008.

³ Isaac Shapiro & Joel Friedman, “Tax Returns: A Comprehensive Assessment of the Bush Administration Tax Cuts,” CBPP, April 2004.



provisions. The 2001 legislation also reduced the estate tax over several years, before eliminating it in 2010. The legislation was replete with phase-ins and other design gimmicks, and all of the tax cuts “sunset” (i.e., are scheduled to expire) at the end of 2010. Specifically, the package:

- Established a new 10 percent income tax bracket, which replaced the first part of the 15 percent bracket;
- Reduced the rates in the top four income tax brackets;
- Phased out (starting in 2007) existing limitations on itemized deductions, and limitations on the use of personal exemptions, for high-income taxpayers;
- Increased the child tax credit from \$500 to \$1,000 per child and created a new “refundable” component of the credit to make it available to families that earn more than \$10,000 (in 2001 dollars) but do not earn enough to owe income tax;
- Reduced taxes on married couples by making changes to the Earned Income Tax Credit for married filers, increasing the standard deduction for married filers, and expanding the amount of taxable income covered in the 15 percent bracket for married filers;
- Increased the exemption and reduced the rates for the estate tax through 2009 (when the exemption will equal \$3.5 million for an individual and \$7 million for a couple) and then repealed the tax entirely in 2010;
- Expanded tax breaks for retirement savings, by increasing contribution limits for Individual Retirement Accounts and 401(k)s, creating a new “savers credit” for moderate-income families, and making other changes;
- Provided relief from the Alternative Minimum Tax through 2004;
- Expanded tax breaks for education-related expenses; and
- Included a number of smaller provisions, such as those relating to child care and adoptions.”

JGTRRA Provisions

“The 2003 tax cut accelerated most of the income tax cuts that the 2001 bill had phased in over time by making them fully effective immediately. It also provided further relief to business. Last, it added a new tax-cut provision that dramatically reduced the taxation of income from dividends and substantially reduced the taxation of income from capital gains.⁸ This package:

- Accelerated the expansion of the 10 percent bracket and the child tax credit, as



well as relief for married couples (except for those provisions targeted on low- and moderate-income families). These accelerations are slated to expire at the end of 2004, after which these tax cuts revert back to the phase-in path set forth under the 2001 tax-cut legislation;

- Accelerated the reductions in the four upper-bracket rates;
- Reduced through 2008 the tax rate on dividends and capital gains. The top tax rate was lowered to 15 percent for both dividend and long-term capital gains income; previously, dividends were taxed at regular income tax rates and the top long-term capital gains rate was 20 percent;
- Expanded from \$25,000 to \$100,000 the amount of investments that small businesses can immediately write off (or “expense”);
- Increased from 30 percent to 50 percent the share of the cost of new investments that businesses can write off immediately and extended this “bonus depreciation” provision from its scheduled expiration in September 2004 to the end of 2004; and
- Increased AMT relief and extended it through 2005.”