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EXTENDING THE BUSH TAX CUTS SIGNIFICANTLY FAVORS ILLINOIS' RICHEST ONE PERCENT OVER MIDDLE- AND LOW-INCOME TAXPAYERS

Comparison of Two Approaches to Extending Some or All of the Bush Tax Cuts Released Today

Chicago, IL — Both President Obama and the Republicans who control Congress want to extend the Bush tax cuts in ways that will advantage affluent taxpayers over everyone else. However, according to a new analysis from the Institute on Taxation and Economic Policy (ITEP) and Citizens for Tax Justice (CTJ), middle-income and low-income Illinois residents would pay more in taxes under the Republican approach to extending the Bush tax cuts than they would under President Obama's, while high-income Illinois residents would pay far less.

Under the President's approach, in 2013, the poorest 20 percent of Illinois residents would receive an average tax cut of \$240 while the richest one percent would get an average tax cut of \$24,410. Under the Republicans' approach, the poorest 20 percent of Illinois residents would receive an average tax cut of \$90 while the richest one percent would receive an average cut of \$96,140.

Commenting on the new analysis, Ralph Martire, Executive Director of the Center for Tax and Budget Accountability, a Chicago-based public policy think tank, said, "Broadly extending the Bush tax cuts at this juncture makes no sense from either an economic or fiscal standpoint. While providing tax relief to low- and middle-income families certainly makes sense, given they'll take that tax savings and spend it spurring economic activity and job creation both in Illinois and nationally, there is no similar benefit from providing tax breaks to the wealthy. Indeed, given how much income inequality has grown in the U.S. and Illinois over the last two decades, this is precisely the time taxes should be increased for high-income families."

The new study also finds that in 2013 of tax cuts that go to Illinois residents, under Obama's approach:

2.4 percent would go to the poorest 20 percent,
10.2 percent would go to the middle 20 percent, and
12.6 percent would go to the richest 1 percent;

Under the Republican plan:

1 percent would go to the poorest 20 percent,
7.2 percent would go to the middle 20 percent, and
36.8 would go to the richest one percent.

"Both President Obama and congressional Republicans have proposed to extend far too many of these unaffordable tax cuts," said Robert S. McIntyre, director of Citizens for Tax Justice. "But if we have to choose between the congressional Republicans' and President Obama's approach, however, the President's proposal is fairer and more responsible."

The President's approach would cost one trillion dollars less over 10 years than would making all the Bush tax cuts permanent.

The term "Bush tax cuts" refers to income tax cuts and estate tax cuts enacted in 2001 and 2003 and extended several times since then. In 2009, President Obama expanded some parts of these tax cuts that benefit low-income and working families. In December, 2010, the President and Congress agreed to extend all of these tax cuts through the end of 2012.

The Republicans in Congress have indicated that they would extend all of the tax cuts first enacted in 2001 and 2003, but not the 2009 expansions for lower-income families. President Obama wants to extend the 2001 and 2003 tax cuts only for the first \$250,000 a married couple makes annually, or the first \$200,000 a single person makes. Obama also wants to extend the 2009 expansions.

The national findings from CTJ and ITEP show that in 2013:

- Under the President's approach, the poorest 20 percent of Americans would receive an average tax cut of \$270, while the richest one percent would get an average tax cut of \$20,130. Under the congressional Republicans' approach, the poorest 20 percent of Americans would receive an average tax cut of \$120, while the richest one percent would receive an average cut of \$70,790.
- Of the tax cuts going to Americans under Obama's approach, three percent would go to the poorest 20 percent of Americans, 9.9 percent would go to the middle 20 percent and 11.4 percent would go to the richest 1 percent.
- Of the tax cuts going to Americans under the congressional Republicans' approach, one percent would go to the poorest 20 percent of Americans, 7.4 percent would go to the middle 20 percent of Americans and 31.8 percent would go to the richest one percent of Americans.

The report also addresses the economic effects of tax cuts versus direct government spending and cites Moody Analytics research concluding that government spending is more stimulative by a factor of five, or more, than tax cuts.

The full report is available at www.ctj.org/bushtaxcuts2012.php and shows the specific distribution of the benefits, and amounts of tax cuts, from the two different approaches in each of the 50 states and the District of Columbia, as well as nationally.

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Citizens for Tax Justice (CTJ), founded in 1979, is a 501 (c)(4) public interest research and advocacy organization focusing on federal, state and local tax policies and their impact upon our nation (www.ctj.org).

Founded in 1980, the Institute on Taxation and Economic Policy (ITEP) is a 501 (c)(3) non-profit, non-partisan research organization based in Washington, DC that focuses on federal and state tax policy. ITEP's mission is to inform policymakers and the public of the effects of current and proposed tax policies on tax fairness, government budgets, and sound economic policy (www.itepnet.org).

The Center for Tax and Budget Accountability (CTBA) is a bi-partisan 501(c)(3) research and advocacy think tank that promotes fair, efficient and progressive tax, spending and economic policies. (www.ctbaonline.org)