

A Better Alternative than Bush's Tax Plan: Could the differences be any clearer?

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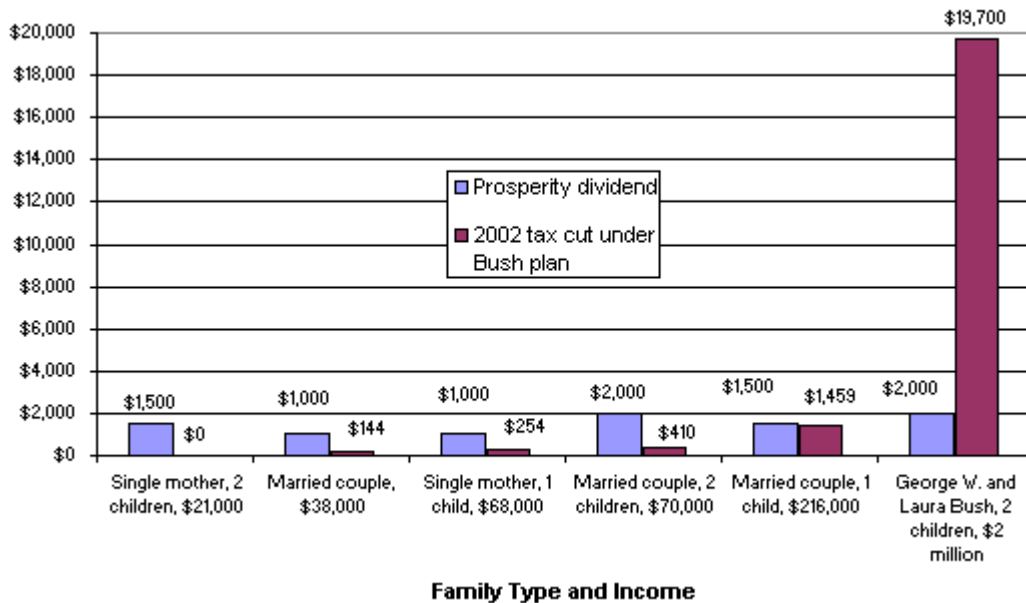
Sending a one-time \$500 prosperity dividend to every legal permanent resident of the United States would do far more than George W. Bush's tax plan to provide an immediate boost to the economy and promote our nation's long term economic health.

No one disagrees that the overwhelming beneficiaries of Bush's tax plan would be the wealthiest Americans. In fact, 45% of the benefit would go to the wealthiest 1%, and 72% would go to the wealthiest 20%.^[1]

A better alternative is the Economic Policy Institute's proposal to send a one-time \$500 dividend to all permanent US residents. Families earning less than about \$200,000 annually would realize far more with the prosperity dividend than under Bush's plan.

A single parent with two children earning \$21,000 would receive no benefit during the first year of Bush's plan, but a \$1,500 dividend. A married couple with two children earning \$70,000 would get a \$410 tax savings in the first year under Bush's plan, but a \$2,000 dividend. A couple with one child and an annual income of \$216,000 would receive about the same amount under the two plans.^[2] Only the very wealthiest Americans, like President Bush himself, would do better under his plan.^[3]

Amount to Typical Families Under Prosperity Dividend and in 2002 Under Bush Plan



The dividend approach would recognize that all of us have contributed to the prosperity of the past decade. It would put cash in the hands of working families and retirees who need it the most, and provide an immediate stimulus to the economy. A \$500 check to every man, woman, and child permanently residing in the United States would cost \$140 billion.^[4]

Around 27% of American tax payers would get no relief under Bush's plan. All workers and consumers pay payroll and sales taxes. Moderate and low income families pay significantly higher percentages of their income for these taxes, which Bush's proposal doesn't cut, than do the wealthy.^[5]

By keeping any tax cuts modest and targeted, we can preserve surpluses to invest in our nation's future productivity. Investing a significant portion of the surplus in the American people and our communities is the best way to ensure continued prosperity throughout the 21st century.

Endnotes

[1] Citizens for Tax Justice, "CTJ Analysis of Bush Plan Updated to 2001 Levels," February 27, 2001, www.ctj.org; Center on Budget and Policy Priorities, "The Latest IRS Data on After-Tax Income Trends," by Isaac Shapiro, February 26, 2001, www.cbpp.org; New York Times, "Doing the Math On Bush's Tax Cut," March 4, 2001.

[2] Ibid.

[3] Citizens for Tax Justice, "Bush Tax Cuts Would Save George and Laura Almost \$100,000 a Year," February 12, 2001, www.ctj.org/html/bushcut.htm.

[4] Eileen Appelbaum and Richard B. Freeman, "Declare A Prosperity Dividend,," February 9, 2001, EPI Issue Brief #150, www.epinet.org.

[5] According to the Congressional Budget Office, families earning between \$10,000 and \$20,000 annually pay 8% of their income in Social Security and Medicare taxes, while those with incomes over \$200,000 pay less than 4%. Low income families typically pay sales tax on about three fourths of their income, while middle-income families spend half their income on items subject to sales tax, and wealthy families only pay sales tax on one sixth of their income. Congressional Budget Office, "Estimates of Federal Tax Liabilities for Individuals and Families by Income Category and Family Type for 1995 and 1999," May 1998, www.cbo.gov; Citizens for Tax Justice, "CTJ's Guide to Fair State & Local Tax Policy," July 1993, p. 15.