

Immediate Release

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Two Approaches to Extending Bush Tax Cuts Would Impact West Virginians Differently

Middle-income and low-income West Virginians would pay somewhat more in taxes under the House's approach to extending the Bush tax cuts than they would under President Obama's approach, while high-income West Virginians would pay far less under the House approach, according to a new analysis from the Institute on Taxation and Economic Policy (ITEP) and Citizens for Tax Justice (CTJ). National figures show the same pattern.

"If Congress decides to extend tax cuts then it needs to consider all tax payers, not just the wealthy. More West Virginians would benefit from the president's proposal than under the House's plan where the wealthy would continue to get more than their fair share of tax relief," stated Ted Boettner, Executive Director with the West Virginia Center on Budget and Policy.

Under President Obama's approach, in 2013, the poorest 20 percent of West Virginians would receive an average tax cut of \$170 while the richest one percent would get an average tax cut of \$15,270. Under the House plan, the poorest 20 percent of West Virginians would receive an average tax cut of \$40 while the richest one percent would receive an average cut of \$36,950.

The study also finds that in 2013: Of tax cuts that go to West Virginians under Obama's approach, 2.4 percent would go to the poorest 20 percent, 11.3 percent would go to the middle 20 percent and 10.9 percent would go to the richest 1 percent; under the House plan, less than one percent of the cuts would go to the poorest 20 percent of West Virginians, 18.2 percent would go to the middle 20 percent and 23.7 percent would go to the richest one percent.

The Bush tax cuts extension outlined by the President would cost one trillion dollars less over 10 years than would making all the Bush tax cuts permanent.

"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 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 of 2010, the President and Congress agreed to extend all of these tax cuts through the end of 2012.

House leadership has indicated that it 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 House's 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 House's 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 fifty 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 West Virginia Center on Budget and Policy (www.wvpolicy.org) is a public policy research organization that is nonpartisan, nonprofit, and statewide. The Center focuses on how policy decisions affect all West Virginians, especially low- and moderate-income families.