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### **MIDDLE- AND LOWER-INCOME AMERICANS GET MOST FROM TAX CUT IN 2002, WHILE RICH STILL HAVE LARGE TAX BREAKS TO COME, NEW JEC DEMOCRATIC STAFF REPORT FINDS**

*Washington, D.C.* – This year, Americans are filing their first tax returns under the Economic Growth and Tax Relief Reconciliation Act of 2001 (EGTRRA), the legislation implementing President Bush's \$1.3 trillion tax cut. A new analysis by the **Democratic staff** of the **Joint Economic Committee** finds that the distributional effects of the income tax cuts in place in 2002 are very different from those of the additional tax cuts to come after 2002.

For most taxpayers, last summer's rebate is representative of the size of the tax cut they can expect over the life of the act. For the wealthiest Americans, however, the rebate was just a small down payment on the full tax cut promised by the act.

Using a microsimulation tax model similar to that used by the Congressional Joint Committee on Taxation, the Congressional Budget Office, and other tax analysts, the JEC Democratic Staff examines the distributional effects of EGTRRA in 2010 by separating the income tax cuts into two parts: the provisions that are currently in effect in 2002 and the remaining provisions, which will be phased in over the life of the act.

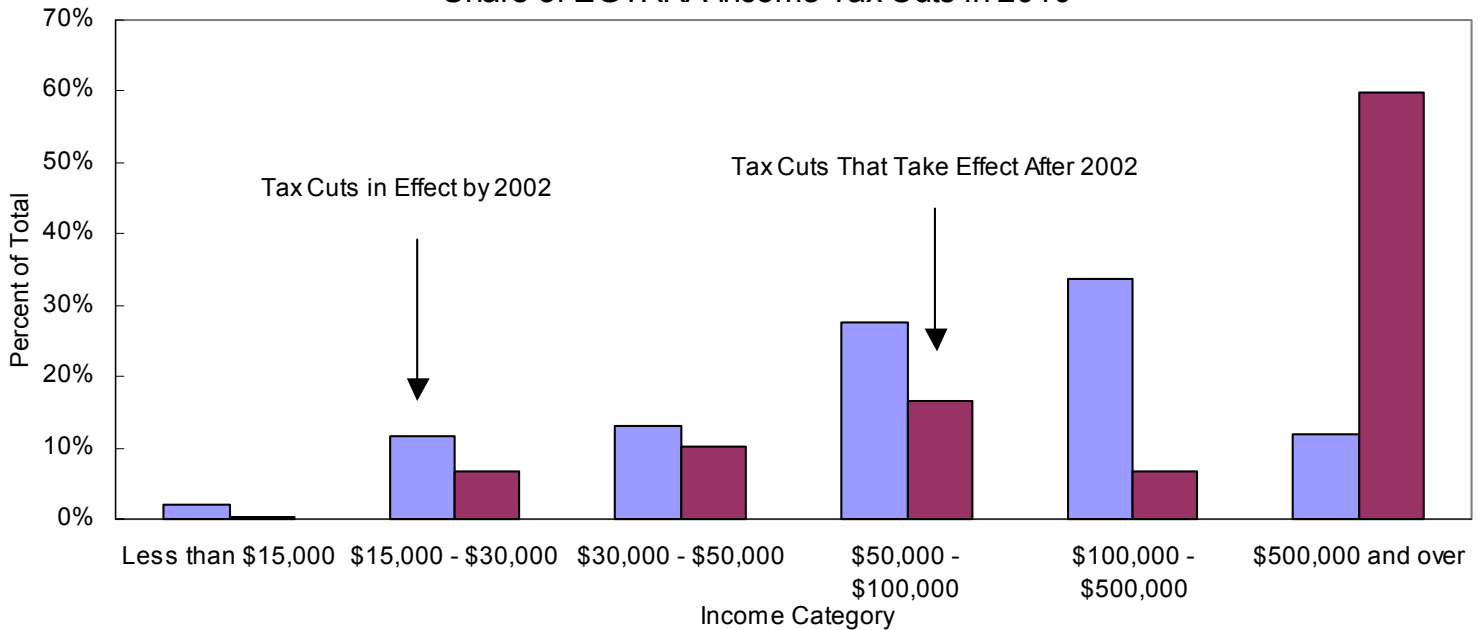
Key findings include the following:

- The income tax cuts that will be implemented after 2002 are heavily skewed toward high income taxpayers: two-thirds will go to those with incomes of \$100,000 or more; and almost 60 percent will go to those with incomes of \$500,000 or more – less than 1 percent of taxpayers.
- Looking only at the income tax cuts that are already in place, 46 percent go to taxpayers with income of \$100,000 or more and 12 percent go to those with incomes of \$500,000 or more.
- The tax bill currently provides only modest relief from the Alternative Minimum Tax (AMT), but that relief is repealed after 2004. More aggressive efforts to provide relief from the AMT are likely to come and are likely to worsen the distributional effects reported here.

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The JEC analysis looks only at the main income tax components. It does not include the effects of repealing the estate tax, which would produce even more dramatic differences in the distributional effects of the tax cuts already in place and those that are yet to come.

Share of EGTRRA Income Tax Cuts in 2010



Note: Chart includes the following EGTRRA provisions: 10-percent tax bracket, rate reductions in the four top income tax rates, repeal of the restrictions on itemized deductions and personal exemptions, increase and expanded refundability of the child tax credit, increase in the dependent care credit, tax reduction provisions for married filers, and the temporary increase in the alternative minimum tax exemption. The chart does not include education, pension, and estate and gift tax provisions.

Source: Joint Economic Committee, Democratic Staff.

“This analysis shows that middle- and lower-income Americans have already gotten most of what they can expect to get out of last year’s tax cut, while the best is yet to come for the wealthiest in this country,” said **Sen. Jack Reed, D-RI, Vice Chairman of the Joint Economic Committee**. “Congress should bear this in mind as we consider additional tax policy proposals this year. Future tax relief should be done in a fiscally responsible framework that protects the Social Security trust fund, as well as our future economic security and prosperity.”

*The Joint Economic Committee, established under the Employment Act of 1946, was created by Congress to review economic conditions and to analyze the effectiveness of economic policy.*

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