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Women and Children Last: The Bush Tax Cut Plan

The President has proposed a tax cut plan that fails to offer any benefits to the lowest-income families, most of whom are headed by women and have been left out of the new economy's prosperity. At the same time, the proposed tax cuts unfairly skew their greatest benefits to the wealthiest Americans who have already profited the most from the economic gains of the past eight years. Moreover, the President's tax plan is so large and is premised upon such unreliable surplus projections that it threatens critical government programs upon which women disproportionately depend.

Not everyone benefits from the President's tax cut proposal – and those who do not benefit are the lowest-income Americans, the vast majority of whom are women and their children. The President has stated that his tax plan does not single out some Americans for relief while leaving others out.¹ In reality, 27% of taxpayers will not receive a tax cut under his plan.² Most of those who will be left out are women and their families.

- **Poor families with children will not benefit from the proposed changes to the tax code.** Families with children and an income below 125% of poverty (about \$22,500 for a family of four) will not receive a tax cut under the President's plan.³ This aspect of the proposal is particularly unfair to the 17 million women who represent 61% of the adults living in those families.⁴
- **Many single mothers and their children are left out of the President's tax plan.** The President has stated that the current tax code is "unfair for the single mom, who lives on the outskirts of poverty, who's working hard to provide for her family."⁵ Unfortunately, the tax changes the President has proposed will not benefit many of the single mothers who are struggling the most to make ends meet and whom he claims he wants to help.
 - Of the 5.1 million families with children who have an income below the federal poverty line, 61% are single-parent families headed by a woman. None of these families will benefit from the President's tax plan.⁶
 - At least 3.1 million women raising children as a single parent, or 36% of all single mothers, will receive no tax benefit from the Bush plan.⁷

- Even more dramatic is the proportion of women of color raising children as a single parent who are left out of the President's proposed tax benefits – at least 1.3 million black single mothers and 630,000 Hispanic single mothers, representing almost half of the black and Hispanic women raising children as a single parent, do not benefit from the President's plan.⁸
- A single mother with two children does not begin to benefit from the Bush tax plan until she is earning \$22,000. A single mother who has left welfare for work and has two children would have to hold two jobs and work a total of 64 hours every week of the year before she could even *begin* to receive a tax cut from the President's plan. This is based on a \$6.61 hourly wage which has been estimated to be the median hourly wage of mothers who have left welfare for work.⁹
- **Millions of single women without children also will not benefit from the President's tax proposal.** Most of the 2.8 million women living alone who have an income below the federal poverty line (\$8,590 in 2001) will not receive a tax cut under the President's plan. The few who will receive a benefit will get at most \$12 a month – not even enough to buy a full tank of gasoline.¹⁰
 - There are nearly 1.5 million elderly women living alone in poverty – which is four times the number of elderly men living alone in poverty. Those with incomes below \$7,450 (87% of the poverty line) will not receive any benefit from the President's plan.
 - Elderly women of color living alone are disproportionately excluded from the President's tax plan – the President's proposal will not help most of the 44% of elderly black women living alone in poverty and 58% of elderly Hispanic women living alone in poverty.
- **Many of the women who are excluded from the President's tax plan are taxpayers.** The President has said that only families who pay a federal income tax should benefit from his tax plan. This approach ignores that working families, especially those that are poor or near-poor, pay a substantial amount in payroll taxes, even if they pay little or nothing in federal income tax. In fact, nearly three-fourths of all families lose more income to the payroll tax than they do to the federal income tax.¹¹ Tax relief that offsets the payroll tax burden could be offered through the federal income tax code to preserve the revenue that the payroll tax provides for Social Security and Medicare.

- A single mother with one child and \$17,000 in income only owes \$183 in federal income taxes under the current tax code. However, she loses \$2,584 of her wages to the payroll tax. Although she will qualify for an earned income tax credit of \$1,803 that helps alleviate some of her payroll tax burden, she still loses \$800 to the payroll tax. In the end, her payroll tax burden is over four times what she owes in federal income tax.¹²

- Women pay a greater share of their income in payroll taxes than do men. The payroll tax is collected on only the first \$80,400 of an individual's earnings. Any income above this threshold is not subject to the payroll tax. Only 2% of women have incomes above this threshold, compared to 10% of men. While almost all women pay the payroll tax on all of their earnings, 10% of men have a portion of their earnings excluded from the tax.¹³

The President's tax cut proposal unfairly targets its benefits to the wealthiest Americans. When the President first introduced his tax cut plan, he stated that "it is time to reward the work of people trying to enter the middle class and put some more money in their pockets at a time when they need it."¹⁴ While his plan will help some families struggling to enter the middle class, the vast majority of the benefits will go to the wealthiest families who do not need tax relief to meet basic needs, or even to achieve a comfortable standard of living.

- **The wealthiest families will be rewarded the most by the President's tax cuts.** The tax cut proposed by the President will provide the wealthiest 20% of families with 71% of the benefits, leaving only 29% of the benefits for the bottom 80% of families.¹⁵ Incredibly, the richest 1% of Americans – those whose average income is \$1,117,000 annually – will receive between 36% and 45% of the benefits, even though they only pay 20% of all federal taxes.¹⁶ The richest 1% of Americans will receive more tax relief under the President's plan than *all* of the tax relief combined for the bottom 80% of families.¹⁷ By contrast, families in the bottom 20% – those whose income is less than \$15,000 a year and struggling the most to enter the middle class – do especially poorly under the President's plan, receiving less than 1% of the tax cut benefits.¹⁸
- **The average tax cut for the wealthiest families is almost 60 times as large as the average tax cut for families in the middle class.** The average tax cut for the top 1% of families under the President's plan is \$28,688, even without including the benefits of other parts of the President's proposal such as repealing the estate tax, which only the wealthiest of families pay, or permanently extending the research and experimentation tax credit (inclusive of these other changes, the top 1% families get an average tax cut of \$54,480). This is in stark contrast to the

\$500 average tax cut that families in the middle 20%, whose income is between \$27,000 and \$44,000 annually, will receive under the plan.¹⁹

- **The tax cuts that the wealthy will receive are a greater percentage of income than the tax cuts that the middle class will receive.** The President has asserted that his plan provides more benefits to the middle class than to the wealthiest because middle-income families will receive the largest percentage reductions in their taxes. While it is true that some families will receive large percentage reductions in their federal income taxes, often their savings are very small, especially compared to their overall income.

For example, the President's plan would eliminate 100% of the federal income tax liability of a married couple with one child and \$20,000 in income. But this family currently owes only \$55, so its savings is equivalent to less than 1% of its income. In contrast, a married couple with one child and \$500,000 in income would see their federal income tax liability reduced by only 14%, but they will save over \$20,000, which is 4% of their income. Overall, wealthier families will receive a greater percentage of the tax benefits and more money in tax cuts than will the middle- and lower-income families that benefit from the President's plan, and wealthier families will receive benefits that are equal to a greater percentage of their income than will middle- and lower-income families.

The President's tax cut threatens the critical programs and services that women and their families disproportionately depend on. Coupling the large size of the President's tax cut with the uncertainty of the federal budget surplus projections reveals that, over the next ten years, the federal budget may be unable to support the cost of maintaining critical programs such as Social Security and Medicare. Not only are current programs likely to suffer under the President's tax plan, but necessary new investments in areas such as education and child care may not be possible, and these areas may even face cuts. The failure to protect and improve programs such as these will hurt women and their families most since they disproportionately rely upon them.

- **The President's tax cut plan will cost far more than his projected \$1.6 trillion.** The President's own budget includes \$375 billion in additional interest on the national debt that will be incurred as a result of his tax cut plan.²⁰ Adding this interest cost to the \$1.6 trillion estimated for his tax plan brings the total cost to almost \$2 trillion. The President's \$1.6 trillion estimate also does not include the cost of cutting some tax rates retroactively, which he advocates doing and which Congress is widely expected to adopt. In addition, the President has proposed several additional tax cuts than are not included in his current proposal. Moreover, most budget observers agree that certain tax provisions that are set to expire soon will be renewed by Congress, and that the alternative minimum tax,

which increasingly burdens middle-income families, will be reformed. It has been estimated that it could cost \$800 billion to address these two features of the tax code.²¹ Finally, many additional, costly tax proposals that are favored by some influential lawmakers may be included in a tax package that is adopted by Congress, bringing the final cost of a tax bill far higher than the President's estimate.

- **The President's tax cuts are paid for by surpluses that may never materialize.** The projected 10-year surplus is \$5.6 trillion. The President and lawmakers agree that the surplus from the Social Security trust fund should not be used for tax cuts or spending, reducing the available surplus to \$3.1 trillion. While the President includes the surplus from the Medicare trust fund in his budget, many lawmakers believe it should be reserved for debt reduction. Without the Medicare trust fund surplus, the federal budget surplus is reduced to \$2.7 trillion.

Finally, the economic forecast that predicts the federal budget surplus is subject to great uncertainty. In particular, a few of the premises upon which the 10-year forecast is based are especially unlikely to occur – and as a result, it is highly doubtful that the surplus will be as large as is currently projected.

- The surplus projections assume that all non-entitlement spending will grow by no more than 3% over the next ten years.²² Consequently, any increase in discretionary spending that exceeds 3% for programs that the President prioritizes, such as the military, will require spending cuts to other programs in order for the projected average rate of growth in spending to be realized.
- Lawmakers in the recent past have increased total non-entitlement spending by far more than 3%. Many budget observers agree that the 3% estimated increase in spending is unrealistic – especially given growing demands for increased spending on critical services and programs. In fact, the President's own budget includes a 4% increase in spending for the coming fiscal year, and prominent Congressional leaders have already expressed concerns that the 4% rate of increase is insufficient to meet spending demands.²³
- The surplus projections assume that, over the next ten years, no natural disasters or other national emergencies will occur that require the federal government's help. While it is impossible to create a 10-year forecast for these kinds of events, it is equally unlikely that no such events will occur in this period of time.

- **The President’s tax cut plan is too large to ensure that programs that disproportionately benefit women will be preserved, much less improved, and will likely result in cuts in these programs.** The budget surplus should be committed to the protection and improvement of Social Security and Medicare, the creation of a meaningful prescription drug benefit, and additional needed investments in education, health, child care, and other national priorities that many Americans believe are more important than a large tax cut. Unfortunately, the President’s tax cut plan does not leave enough room in the federal budget over the next ten years to meet the nation’s obligations to Social Security and Medicare, much less improve these programs, or to make needed investments in other national priorities. In fact, if the surpluses do not materialize as projected, the President’s tax cut will only be paid for (without creating new deficits) by taking money from the Social Security or Medicare trust funds, or by making deep cuts in other spending. Either way, women stand to lose because they benefit the most from the programs that will not be improved and are likely to suffer cuts.

- Women disproportionately rely on programs that predominantly assist the poor, especially poor families with children, such as Food Stamps and Medicaid. More than half (55%) of Medicaid recipients are women, and almost three in five (58%) households receiving Food Stamps are single-parent families headed by a woman.²⁴

- Women disproportionately rely on programs that benefit the elderly. Women represent 59% of both Medicare and elderly Social Security recipients.²⁵ Nearly two out of three elderly women rely on Social Security for half of their income and without Social Security, 7 million elderly women, or more than half of elderly women, would be poor.²⁶ Even with Social Security, one out of five elderly women living alone is poor.²⁷ The proportion of elderly women of color living alone who are poor is even greater – 44% of black elderly women and 58% of Hispanic elderly women living alone are poor.²⁸ Finally, women represent 73% of the elderly beneficiaries of Supplemental Security Income, which provides benefits to needy elderly, blind and disabled individuals.²⁹

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