

# Committee on Ways and Means

## Bush Tax Cut Hits One Year Mark

### **Timeline for Economic Growth and Tax Relief Reconciliation Act of 2001 (H.R. 1836)**

- Bush announces his tax cut proposal on February 8, 2001
- House passed tax cut on March 8, 2001
- Senate passed tax cut on May 26, 2001
- Signed by President Bush on June 7, 2002

JCT 10-year score: \$1.35 trillion. This is a static estimate and does not assume increased economic activity. A dynamic score could reduce the 10-year cost by approximately \$400 billion.

### **Low and moderate-income families receive significant help from new tax relief.**

- Child tax credit will double from \$500 to \$1000. Currently it is up to \$600.
- Childcare expenses eligible for child and dependent care tax credit increases from \$2400 to \$3000 and the credit rate for low-income families increases.
- Earned income tax credit is simplified and increased for many married couples.
- The income point at which a married couple with children would first pay income tax will increase substantially (25%) because of the tax bill.
- The average income tax liability for a family at 300% of the poverty level will decrease from \$4076 in 2000 to \$2746 in 2010 (30% decline).
- For families at 200% of the poverty level, the income tax liability will drop 90% from \$1456 in 2000 to \$127 in 2010.
- According to a joint publication by the two major liberal think tanks Brookings Institution and Urban Institute, "EGTRRA will make a big difference for families at or near the poverty threshold."
- When fully phased in, the tax cut will eliminate income tax liability for 3.9 million taxpayers, 3 million of whom have children.

### **The tax cut helps reduce the federal tax burden which hit a record high level in 2000.**

- Federal taxes reached a post-WWII high of about 21 percent of GDP in 2000.
- The average tax burden during this period is just under 18 percent of GDP.
- The tax cut will lower the tax burden to about 19 percent of GDP.

### **The tax cut placed money in taxpayer's pockets at a crucial time when the country faced economic hardship.**

- The rebate check, lower marginal rates, educational incentives, child credits and other provisions lowered the tax liability by \$57 billion last year and about \$69 billion this year.

### **Lower marginal tax rates increase people's willingness to work and save. More labor and capital will increase GDP and raise the standard of living for Americans.**

- According to the Heritage Foundation, as a result of the Bush tax cut, the economy will be (adjusted for inflation) \$246 billion larger in 2010. Even more conservative estimates would suggest a growth effect of over \$100 billion by 2010.