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Proposal to Make Bush Tax Cuts Permanent Would Result in \$35,722 Break for Richest 1% in Ohio, Higher Taxes for Ohio's Middle Class

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See national report here: <http://www.ctj.org/bushtaxcuts2010.php>

See Ohio report here: <http://www.ctj.org/bushtaxcuts2010/oh.pdf>

With both the Bush tax cuts and President Obama's expansions of certain parts of those cuts set to expire at the end of 2010, the decisions Congress makes in the coming months will have very different effects on Ohioans at different income levels, according to a new report from Citizens for Tax Justice, released in Ohio by Policy Matters Ohio. The report shows that low- and middle-income Ohioans will pay *higher* taxes under the Republican approach than under President Obama's proposal. It also shows that the richest Ohioans will pay far *less* under the Republican approach than under President Obama's proposal.

"Between 1993 and 2007, wealth increased robustly for the top one percent of Americans, accounting for half of all income growth," said Wendy Patton, Senior Associate for Policy Matters Ohio. "The tax proposals of the President protect revenues for public services and reduce taxes for earners in the middle and lower end of the income scale, where wealth has declined."

The Bush Tax Cuts, and Obama's Modifications of Them, Will Expire at the End of 2010. President Obama and Congressional Republicans agree that the tax cuts enacted under President Bush should be made permanent for 98 percent of taxpayers. But beyond this, they have mapped out dramatically different approaches:

1. Extending the Bush tax cuts for the richest two percent of taxpayers. President Obama would mostly allow the Bush income tax cuts to expire as scheduled at the end of 2010 for the richest two percent, whereas Republicans have made clear that they want to make them all permanent.

President Obama would only partially make permanent the Bush cut in the estate tax (meaning he would cut the estate tax in half rather than repeal it altogether as Bush did) whereas Republicans would make the estate tax repeal permanent.

As a result, the richest Ohioans would pay *less* under the Republican approach because they would continue to benefit from the Bush income tax cuts and estate tax repeal. For example, the top one percent would pay \$35,722 less in federal income tax under the Republican approach than the Obama proposal (See table below).

2. Extending Obama’s modifications of the Bush tax cuts. At the insistence of some Democrats in Congress, the 2001 Bush tax cuts included some provisions that help low- and middle-income families. These relate to the Child Tax Credit (CTC) and the Earned Income Tax Credit (EITC). President Obama expanded these provisions in the recovery act signed into law this year. President Obama now proposes to make permanent these expansions of the CTC and EITC. Congressional Republicans have made clear that they would allow them to expire as scheduled at the end of 2010 (even though they would make permanent all the tax cuts enacted during Bush’s presidency).

As a result, many working class families in Ohio would pay *more* in 2011 under the Republican approach because they would lose these improvements in the Child Tax Credit and EITC. For example, the bottom eighty percent of all Ohio earners would pay more income taxes; the lowest quintile would pay \$137 per year more under the Republican approach than the Obama proposal (See table).

“The Republican approach would allow the tax cuts for working families that are part of the recovery act to expire, while extending tax cuts for the richest two percent that would cost ten times as much,” said Steve Wamhoff, legislative director for Citizens for Tax Justice. “President Obama would do the opposite. The difference between these two mindsets is clearly on display for all Americans to see.”

Proposals on the Bush Tax Cuts, Impact in 2011 in Ohio						
State Taxpayers		Obama Tax Proposal <small>(Permanent Bush income tax cuts for those below \$200k/250k, estate tax cut, permanent EITC and child credit expansion)</small>		Republican Tax Proposal <small>(Permanent Bush income tax cuts for everyone, estate tax repealed, no EITC and child credit expansion)</small>		Republican Proposal vs. Obama Proposal
Income Group	Average Income	Average Tax Cut	Share of Tax Cut	Average Tax Cut	Share of Tax Cut	Average Difference
Lowest 20%	\$ 10,883	\$ -214	2.8%	\$ -76	0.8%	\$ +137
Second 20%	25,099	-642	8.4%	-501	5.5%	+141
Middle 20%	41,740	-885	11.7%	-829	9.1%	+56
Fourth 20%	63,192	-1,333	17.5%	-1,310	14.4%	+22
Next 15%	100,334	-2,892	28.5%	-2,905	23.9%	-13
Next 4%	203,142	-6,278	16.5%	-6,605	14.5%	-326
Top 1%	902,336	-22,264	14.6%	-57,986	31.8%	-35,722
ALL	\$ 59,622	\$ -1,503	100.0%	\$ -1,801	100.0%	\$ -298
Bottom 60%	\$ 25,926	\$ -581	22.9%	\$ -469	15.4%	+111

Note: Table does not include the Making Work Pay Credit, which President Obama proposes to extend for one year, through 2011.

END