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# Tax Cuts: Are they all they're cut out to be?

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## Tax Cuts: Are they all they're cut out to be?

As we turn a new year, we face yet another tax season. This month's column looks at Bush's tax cuts with a glance to supply-side economics. Next month we'll look at websites that give us free, but helpful tax advice.

President Bush promised Americans tax cuts and warned that Democrats would increase taxes. To read about Bush's multi-stage tax agenda firsthand, point to the Whitehouse' official website:

<http://www.whitehouse.gov/news/reports/taxplan.html>

Where Bush's tax plan is clearly explained.

"These are the basic ideas that guide my tax policy: lower income taxes for all, with the greatest help for those most in need. Everyone who pays income taxes benefits — while the highest percentage tax cuts go to the lowest income Americans..."

A couple numeric grids explain what you would pay before and after the tax cuts based on your income bracket and your marital status. According to this site, taxes were reduced by eliminating the "death tax," reducing the marriage penalty, and increasing the deduction on each child. Therefore a family of four is predicted to save about \$1600 of their money each year and there is an explanation of what \$1600 could buy that family (just in case they don't already know.) I wondered how eliminating the death tax helped serve the poorest sector of our country. Apparently the poor worry about the taxes they pay on their large inheritances.

I was left confused, so I turned to Wikipedia's entry for "tax cuts" for background.

[http://en.wikipedia.org/wiki/Tax\\_cuts](http://en.wikipedia.org/wiki/Tax_cuts)

I learned that Bush's cuts are a component of supply-side economics, typical of Republican executive tax policy. I wanted to understand if Bush's tax cuts were helping the rich or the poor, and though Wikipedia did not answer this question, it did refer me to Hub Pages and a page entitled "How Tax Cuts Work."

[http://hubpages.com/hub/How\\_Tax\\_Cuts\\_Work](http://hubpages.com/hub/How_Tax_Cuts_Work)

Though this site looks favorably on Bush's cuts as a way to spread the wealth and jump-start the economy, Chuck (the creator of Chuck's page) has a broken link to his biography and did not respond to my request for his affiliation. Though he claims to be a part-time economics professor and administrator, whom he administrates and teaches is still a mystery. In short I cannot recommend his page and was disappointed that Wikipedia linked there in the first place. Further his economic theory was often contradictory.

I turned to the Urban-Brookings Tax Policy Center for help.

<http://www.taxpolicycenter.org/home/>

The Urban Institute is a nonpartisan economic and social policy research organization. The Brookings Institution is likewise an independent group aiming to “increase the public’s understanding of how the economy works.”

Their tax policy center is packed with thoroughly researched policy analysis. Countering Bush’s claim that tax cuts will benefit all Americans and stimulate the economy, the institution’s publication of June 2006 claims that the majority of Americans are more likely to lose money from the tax reconciliation bill, with the only winners being among the wealthiest percentile.

Click on “Browse Estimates” and then look at a section labeled “Recent Estimates.” The titles are unwieldy and long, but their publications are the best way to find out exactly which quartile of the population is receiving tax cuts based on the numbers.

Each chart can be viewed in html, printed in pdf, or exported into Excel.

Sure enough, when we examine the size of tax cut as a function of income,

<http://www.taxpolicycenter.org/TaxModel/tmdb/TMTemplate.cfm?Docid=1343&DocTypeID=1>

we see that the combined tax cuts since 2001-2006 really only become significant after the first half-million dollars of income.

<http://www.taxpolicycenter.org/publications/template.cfm?PubID=9784>

Indeed, the Citizens for Tax Justice’s Year by Year Analysis of the Bush Tax Cuts,

<http://www.ctj.org/html/gwb0602.htm>

shows that that 52% of the tax cuts will go to the richest 1% of the nation and that the U.S. government will lose \$477 billion in revenue over the decade from 2001-2010 if Bush’s plan continues to be put in place.

The CTJ is a non-profit public interest research and advocacy organization that investigates federal, state, and local tax policies and their impact on the nation. Their mission is to peel away the information provided by special interest groups and give a greater voice to the American people. Their publications have been commended by the New York Times, the Washington Post, and even the Wall Street Journal. This site has a plethora of publications. Best to start from their home page.

<http://www.ctj.org/>

The small pull-down window at the top of the page shows the broad variety of tax topics that they have researched, and Bush Tax Cuts is merely one topic. You can also research tax policy for your state by clicking on Publications and pulling down your state (left side of page). Every publication seems to have a table ranking the tax cuts and how they affect each income sector of the population. Their publications are well-researched and easy to access. I only wish they had graphed their tables since a picture is worth a thousand dollars in tax savings.

