news from the **Fiscal Policy Institute**

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Bush tax plan would hit Empire State with powerful "double whammy." 2.5 Million New York taxpayers would be left out completely. Many other New Yorkers would receive smaller tax cuts than advertised. Overall, President's plan would increase state's "balance of payments" deficit with federal treasury.

"Whether you agree or disagree with the social and policy choices underlying President Bush's tax cut plan, it is clear, by the numbers, that New York does not do well," said Frank Mauro, Executive Director of the Fiscal Policy Institute. "New York would, in fact, be hit with a powerful 'double whammy.' On the one hand, cutting $1.6 trillion in federal revenues over the next ten years will greatly reduce the investments in education, health care, Social Security and other programs that are essential to the New York's economy and its quality of life. This would be bad enough but, under the President's plan, New Yorkers would be required to pay a substantially greater share of federal income taxes."

A new analysis of the state-by-state impact of the President's tax plan, released today by FPI, confirms that the benefits would go overwhelmingly to a relatively small number of the nation's wealthiest households. This study also found that the impact of the President's plan would vary tremendously from state to state, even for taxpayers in the same income ranges, with New York faring poorly compared to other states.

According to James Parrott, FPI's Deputy Director, "Even if the President's tax plan were affordable and prudent, which it is not, it would be clearly biased against New York taxpayers, and particularly against middle, moderate and low income New Yorkers. While the Bush plan is advertised as a simple across-the-board tax cut, it is anything but that. In reality, it represents a backdoor attempt to radically restructure the federal tax system, shifting a significant share of the federal tax burden toward states with progressive income tax systems, like New York, and away from states like Texas and Wyoming."

Parrott, who is also FPI's Chief Economist, pointed out that "The President's rationale for his massive tax cut has changed over time. During the campaign the tax cut plan was never advanced as a means of stimulating the economy. It's still the same plan but now its being rationalized as necessary to combat the slowing economy and head off a possible national economic recession. A one-year "prosperity dividend" of $420 or so per person would be a much better way to respond to the current situation."

In preparing its new report, ***A Preliminary Analysis of the Impact of President George W. Bush's Tax Cut Proposals on New York State***, the Fiscal Policy Institute relied primarily on distributional analyses of the Bush tax plan that were prepared by Citizens for Tax Justice using the Institute for Taxation and Economic Policy (ITEP) model. The major findings in the new FPI report include:

- The richest 1.1% of NY taxpayers would receive 61.3% of the total tax cut in NY, while 2.5 million New Yorkers would not receive a dollar of tax cuts.
- The difference between **the "average" tax cut** (the total tax cut divided by the total number of taxpayers) and **the tax cut going to the average taxpayer** (the tax cut going to the taxpayer in the exact middle of the income distribution or **the median tax cut**) is substantial nationally, and even greater in New York. In NY, the "average" income tax cut is $910, but the "median" income tax cut, or that going to the average taxpayer, would be only $487. The median is more representative of what an average taxpayer would receive.
- Contrary to the hopes of many state officials that New York would do well under the President's plan because of our state's concentration of high income taxpayers, this turns out not to be the case for a number of demographic and policy reasons. The bottom line is that while NYS residents have accounted for well over 8% of total federal income tax payments in recent years, they are projected to receive less than 6.9% of the cuts in this tax under President Bush's plan.

According to the new report, the main reason for New York's poor treatment under the Bush plan is its interaction with the Alternative Minimum Tax (AMT). The Bush plan would accelerate the growth over the coming decade in the number of middle, upper-middle and upper income taxpayers who are being affected by the AMT and this trend would be particularly pronounced for taxpayers in New York and other states with relatively high state and local tax deductions since the AMT does not currently allow these deductions. Other important factors driving New York's lower than proportionate share of the Bush tax cut are the large percentage of New York children who live in families that would not benefit at all or not be able to take full advantage of the increase in the per child credit, the state's lower than average number of children per return, and the fact that a substantially lower than average percentage of New York returns (particularly in the middle and upper-middle income ranges) come from joint filers - the category of taxpayers who receive the greatest breaks under the President's plan.

In all income categories, except the very highest, the average income tax cut for New Yorkers, under the President's plan would be well below the average for the rest of the country. These differences are particularly pronounced in the upper middle income ranges: 17.7% below the average for rest of the U.S. in the $44,000 to $72,000 income range ($781 vs. $919) and 52.8% lower in the $72,000 to $147,000 range ($1,010 vs. $1,543).

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The full report is available on the Fiscal Policy Institute's website at **www.fiscalpolicy.org**.

The Fiscal Policy Institute is a nonprofit, nonpartisan research and education organization that focuses on the broad range of tax, budget, economic and related public policy issues that affect the quality of life and economic well-being of New York State residents. FPI's work is intended to further the development and implementation of public policies that create a strong economy in which prosperity is broadly shared by all New Yorkers.