END THE BUSH TAX CUTS FOR THE RICHEST 2 PERCENT

Tax cuts signed into law by President George W. Bush in 2001 and 2003, which disproportionately benefit the richest 2 percent, will expire at the end of 2012. Ending them for those with household income above $250,000 would save the nation about $1 trillion over 10 years and would be an important first step toward requiring the wealthy to pay their fair share of taxes.[1] That revenue also could be used to reduce the deficit and avoid the massive $1.2 trillion in across-the-board cuts to federal programs over 10 years beginning in January 2013, which will kill jobs and hurt our families.[2]

Below is a brief description of the expiring Bush tax cuts that primarily benefit wealthy Americans and the recommendations of Americans for Tax Fairness about what to do with them.

1. **End the income tax rate cuts for the richest 2 percent.** President Obama proposed and the Senate approved (S. 3412) allowing the top two marginal tax rates on income derived from wages, salaries, and business profits ("ordinary income") to return to 39.6 percent (from 35 percent) and 36 percent (from 33 percent). Given our country's pressing needs, we simply can't afford to continue to give people who make at least $1 million a year an average tax cut of $160,000.

2. **End the special low tax rates for the richest 2 percent on income earned from selling stocks and other assets and from stock dividends.** President Obama proposed and the Senate approved letting the tax rate on capital gains income return to 20 percent from the current 15 percent – for the richest 2 percent. The low 15 percent tax rate on dividend income also should end and return to each taxpayer's "ordinary" income tax rate. These special low tax rates promote inequality and divert resources to unproductive tax shelters.

3. **End the lower estate tax on multimillion dollar estates.** The estate tax is an important source of revenue and encourages billions in charitable donations each year. The temporary estate tax cut enacted in 2010, which expires at the end of 2012, lowered the estate tax rate to a maximum of 35 percent and applied it only to the value of estates exceeding $10 million per couple. As a first step, the estate tax should be returned to 2009 levels, which would allow couples to transfer $7 million tax free to estate beneficiaries and would tax assets above that amount at a maximum 45 percent rate. This would only subject 3 out of every 1,000 families to the estate tax and raise $280 billion over 10 years.[3]

4. **Preserve expanded tax credits for working families with children.** Also expiring at the end of 2012 are the 2009 expansions in the Earned Income Tax Credit (EITC) and Child Tax Credit (CTC), which encourage work and strengthen families, and the American Opportunity Tax Credit (AOTC), which reduces the costs of college tuition. If Congress allows these tax credits to expire, 25 million working families will face an average $1,000 tax increase next year.[4]

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[1] Center on Budget and Policy Priorities (CBPP), "Joint Tax Committee: Raising Threshold for Bush Tax Cuts from $250,000 to $1 Million Would Lose $366 Billion" (May 30, 2012) http://www.cbpp.org/cms/index.cfm?fa=view&id=3785; $1 trillion includes savings on interest payments.

[2] CBPP, "How the Across-the-Board Cuts in the Budget Control Act Will Work," April 27, 2012. http://www.cbpp.org/cms/index.cfm?fa=view&id=3635; $1.2 trillion in savings from the sequester includes savings on interest payments.

[3] OMB Watch, "Extending Current Estate Tax Rates Force Spending Cuts in Education and Health in 2013," Oct. 2, 2012. http://www.ombwatch.org/files/budget/estate-tax-analysis-oct12.pdf

[4] The National Economic Council, "The President's Proposal to Extend the Middle Class Tax Cuts," July 2012. http://www.whitehouse.gov/sites/default/files/uploads/middleclassreport_7_24_2012.pdf

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