



# The Bush Tax Plan

## Another Bush Family Favor to the Wealthy Few

By Ryan Erickson and Brendan V. Duke

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On September 9, former Florida Gov. Jeb Bush (R) released a tax plan that he pledged would “unleash 4% growth.”<sup>1</sup> While Bush took pains to emphasize that his plan would benefit working families—much like many of his opponents for the 2016 Republican presidential nomination—the Bush tax plan is a huge giveaway to the country’s wealthiest at the expense of future generations. Additionally, the conservative economists who are lined up to validate the Bush tax plan claim that the plan will substantially boost economic growth—even though analysis of economic performance during former President George W. Bush’s term suggests that the plan’s growth claims are highly inflated.

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### Tax giveaways to the wealthiest

Bush’s tax plan would lower taxes for the wealthiest Americans in a number of ways. Most significantly, the Bush tax plan would:

- **Cut the top tax rates for the wealthy few:** Under the Bush plan, the top income tax rate would be capped at 28 percent, or nearly a one-third drop from the 39.6 percent top rate in the law now.<sup>2</sup> Cutting top tax rates would mean a huge tax windfall for the wealthiest taxpayers—which could exacerbate rising economic inequality while doing nothing to spur economic growth.<sup>3</sup> The analysis supporting Bush’s plan is presented in terms that obscure just how big a break his tax plan is to country’s wealthiest. The analysis only looks at the tax plan’s impact on people earning up to \$250,000 annually, but the plan hides the impact it would have on people with even higher incomes—who would stand to reap larger and larger tax cuts further up the income ladder.
- **Slash the corporate tax rate and other corporate taxes:** The Bush tax plan also proposes dropping the corporate tax rate to 20 percent from the current rate of 35 percent, along with allowing corporations to immediately expense their capital investments.<sup>4</sup> Based on analysis by the Congressional Budget Office, the top 20 percent of income earners effectively pay 78.6 percent of the country’s corporate taxes, while the bottom 80 percent of households pay the remaining 21.4 percent.<sup>5</sup> Nearly half of the

corporate tax burden—48.7 percent—falls on the top 1 percent of households alone.<sup>6</sup> Since owners of corporations pay most of the tax and since corporate ownership is concentrated among high-income households, cutting taxes on corporations would be a very large giveaway to the wealthy while doing very little for the middle class.

- **Lower tax rates on capital gains and dividends:** Bush has also pitched lowering the top tax rate on capital gains and dividends from 23.8 percent to 20 percent.<sup>7</sup> Income from capital gains and dividends goes overwhelmingly to the wealthy: The 400 richest taxpayers alone receive 12 percent of all capital gains income and 8 percent of all dividend income.<sup>8</sup> As shown in a recent Center for American Progress report, a lower tax rate on dividends and capital gains is one of the ways the U.S. tax code helps those who are wealthy enough to own capital accumulate even more wealth, further worsening income inequality.<sup>9</sup> Lowering the tax rate for capital gains and dividends even more would only increase tax benefits for the wealthy while doing virtually nothing to help lower- and middle-income families.

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## Bush's costly tax plan

Even from the perspective of four conservative economists who wrote a white paper defending the Bush plan—Hoover Institution economist John Cogan; Glenn Hubbard, a former advisor for Mitt Romney and George W. Bush; Ronald Reagan advisor Martin Feldstein; and George W. Bush advisor Kevin Warsh—the Bush tax plan is costly.<sup>10</sup> They say the plan would add \$1.2 trillion to the federal deficit over the next 10 years, using a vague model that presupposes significant economic growth resulting from the plan. When using a more traditional way of evaluating the plan, these same conservative economists say it would mean a revenue hit of \$3.4 trillion over 10 years. That's about \$45,946 apiece for the 82 million children under the age of 18 in the United States as of 2014.<sup>11</sup>

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## Inflated economic growth claims

The white paper's authors argue that under a “conservative growth assumption,” the tax changes and an as-of-yet unreleased regulatory reform plan would push annual real gross domestic product, or GDP, growth about 0.8 percentage points higher. One of the best real-life comparisons we have for the growth effects of the Bush plan are the tax policies enacted by another Bush: former President George W. Bush, under whom white paper authors Hubbard and Warsh served as economic advisors. Bush passed two substantial tax cuts and slashed regulations, just as his brother promises to do.<sup>12</sup>

Between 2001 and 2009, real GDP grew about 1.75 percent per year.<sup>13</sup> But most of that GDP growth reflected population growth, which was not affected by George W. Bush's tax cuts and deregulation. Any positive growth effects from his policies should

have increased real GDP per person, which only grew 0.69 percent per year.<sup>14</sup> Even if we assume that the entire increase in GDP per person reflected George W. Bush's tax and regulatory policies—leaving room for no other key drivers of economic growth, such as technology improvements—the previous Bush-Hubbard-Warsh agenda still could not produce 0.8 percentage points higher annual GDP growth.

Jeb Bush's tax plan may differ from his brother's tax cuts, but this tired rationale for selling tax cuts should not be used again after it has been consistently debunked.<sup>15</sup>

Although Bush and his super PAC have boasted the theme of a “right to rise” as a central campaign message, his tax plan proves that his policy priorities are squarely focused on improving the fortunes of the country's wealthiest—even though future generations will be left with the bill.

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## Endnotes

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- 3 Thomas L. Hungerford, “Taxes and the Economy: An Economic Analysis of the Top Tax Rates Since 1945” (Washington: Congressional Research Service, 2012), available at <http://graphics8.nytimes.com/news/business/0915taxesandeconomy.pdf>; Andrew Fieldhouse, “A review of the economic research on the effects of raising ordinary income tax rates” (Washington: Economic Policy Institute, 2013), available at <http://www.epi.org/publication/raising-income-taxes/>.
- 4 “Backgrounder: Jeb Bush's Tax Reform Plan.”
- 5 Congressional Budget Office, “The Distribution of Household Income and Federal Taxes, 2011” (2014), available at <https://www.cbo.gov/publication/49440>.
- 6 Ibid.
- 7 “Backgrounder: Jeb Bush's Tax Reform Plan.”
- 8 Internal Revenue Service, “The 400 Individual Income Tax Returns Reporting the Largest Adjusted Gross Incomes Each Year, 1992-2012,” IRS Statistics of Income Tables, available at <http://www.irs.gov/pub/irs-soi/12intop400.pdf>.
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- 13 U.S. Bureau of Economic Analysis, “Real Gross Domestic Product [GDPC1],” retrieved from Federal Reserve Bank of St. Louis, available at <https://research.stlouisfed.org/fred2/series/GDPC1/> (last accessed September 2015).
- 14 U.S. Bureau of Economic Analysis, “Real gross domestic product per capita [A939RX0Q048SBEA],” retrieved from Federal Reserve Bank of St. Louis, available at <https://research.stlouisfed.org/fred2/series/A939RX0Q048SBEA/> (last accessed September 2015).
- 15 Bruce Bartlett, “The Bush Tax-Cut Failure,” *The New York Times*, May 21, 2013, available at [http://economix.blogs.nytimes.com/2013/05/21/the-bush-tax-cut-failure/?\\_r=1](http://economix.blogs.nytimes.com/2013/05/21/the-bush-tax-cut-failure/?_r=1).