

Taxation is arguably the single most important means we have to mitigate capitalism's tendency to concentrate wealth. But recent tax changes have seriously weakened this effect. Michelle Sheehan shows just how much money the rich got out of the 2001–2003 tax cuts, and lists the social needs that the lost tax revenue could have met.

Tax Breaks for the Rich

Or Public Programs for Everyone?

BY MICHELLE SHEEHAN

Who is benefiting from the massive 2001 and 2003 tax cuts? Not the working families President Bush talked about when he pushed the cuts, but the wealthy. The 2001 tax cut was the largest income tax rollback in two decades; it lowered tax rates on the top four income brackets and gave small advance refunds to those less well-off. The 2003 tax cut—the third largest in U.S. history—slashed dividend and capital gains taxes, and accelerated the 2001 rate cut for the top income brackets. Finally, the 2001 estate tax cut reduced the top tax rate each year, meaning that the top 2% of taxpayers will pay progressively fewer taxes on wealth that they leave to heirs.

The figures on the next page represent just a sliver of what the rich will get from the 2001–2003 cuts. The largest tax breaks, and those most geared toward the wealthy, were designed to kick in later. According to Citizens for Tax Justice, the cumulative costs of the 2001–2003 tax cuts will be \$824.1 billion in 2010. If the cuts are made permanent beyond 2010, as Bush's 2005 budget proposes, they will cost \$5.9 trillion over the next 75 years, and could force massive cuts to already strapped social welfare programs. The right-hand column of the table shows some of the things that the 2001–2003 tax cuts could have paid for in 2004.

