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The Effect on a Typical Family of Four of Accelerating Scheduled Tax Cuts and Making Temporary Tax Relief Permanent

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One of the major provisions of President George W. Bush's most recent tax relief proposal is acceleration of key tax cuts currently scheduled to become active over the next eight years.

The President has also asked that the 108th Congress make permanent all the provisions passed as part of the Economic Growth and Tax Reform Reconciliation Act of 2001 (EGTRRA).

Both measures would have a large impact on nearly every taxpayer in the nation but especially on families. In fact, a typical family of four would receive tax relief of $1,133, a tax cut of 22 percent, in 2003 if Congress and the President were to make the major provisions of the 2001 tax cut effective as of January 1, 2003. On the other hand, if lawmakers do not make the 2001 Act permanent, this same family will see their income tax bill increase by $2,222, or 42 percent, between 2010 and 2011.

Figure 1 shows the projected, annual tax liability of a typical family of four under current law and

Figure 1
Individual Income Taxes Due from a Typical Family of Four Earning the Median Income under Current Law and under President Bush's Acceleration Proposal, 2003 – 2011

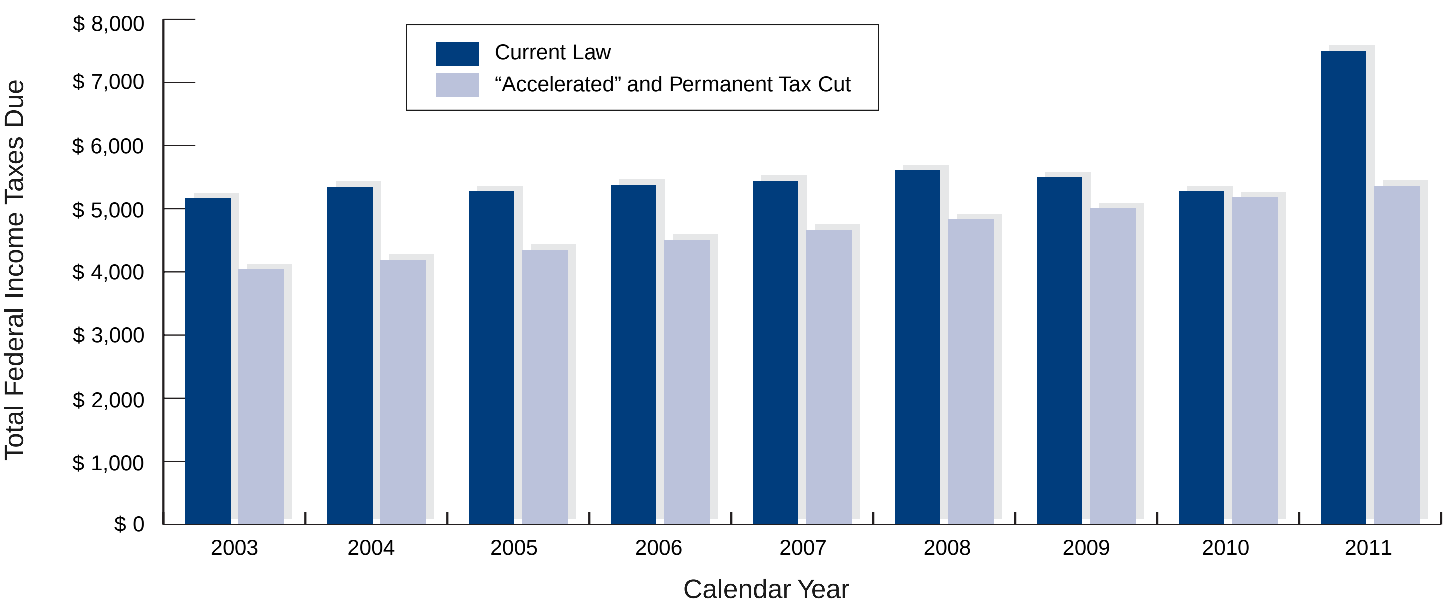

Table 1
Tax Relief Offered by President Bush's "Acceleration" Proposal for a Family of Four Earning the Median Income, by State

	Median AGI	2003 Tax under Current Law	2003 Tax under Proposal	Federal Income Tax Decrease in 2003	Percentage Tax Change	Total Tax Relief (2003–2010)	Percentage Tax Change
United States	$ 66,619	$ 5,170	$ 4,038	$ (1,133)	(21.9)%	$ (6,225)	(14.5)%
Alabama	$ 55,082	$ 3,440	$ 2,307	$ (1,133)	(32.9)%	$ (6,225)	(22.3)%
Alaska*	71,593	6,396	4,784	(1,612)	(25.2)	(7,162)	(14.2)
Arizona	59,591	4,116	2,984	(1,133)	(27.5)	(6,225)	(18.4)
Arkansas	47,680	2,329	1,197	(1,133)	(48.6)	(6,225)	(34.2)
California*	67,666	5,335	4,195	(1,140)	(21.4)	(6,243)	(14.1)
Colorado	$ 71,325	$ 6,323	$ 4,744	(1,580)	(25.0)%	$ (7,095)	(14.2)%
Connecticut	88,538	10,971	8,330	(2,641)	(24.1)	(10,723)	(12.6)
Delaware*	74,255	7,114	5,183	(1,931)	(27.1)	(8,111)	(14.8)
Florida	59,257	4,066	2,934	(1,133)	(27.9)	(6,225)	(18.7)
Georgia	63,687	4,731	3,598	(1,133)	(23.9)	(6,225)	(15.9)
Hawaii*	$ 70,520	$ 6,106	$ 4,623	$ (1,483)	(24.3)%	$ (6,907)	(14.2)%
Idaho	57,513	3,804	2,672	(1,133)	(29.8)	(6,225)	(20.0)
Illinois*	72,924	6,755	4,984	(1,771)	(26.2)	(7,626)	(14.5)
Indiana	66,460	5,146	4,014	(1,133)	(22.0)	(6,225)	(14.5)
Iowa	62,008	4,479	3,346	(1,133)	(25.3)	(6,225)	(16.8)
Kansas	$ 60,791	$ 4,296	$ 3,164	$ (1,133)	(26.4)%	$ (6,225)	(17.6)%
Kentucky	54,866	3,407	2,275	(1,133)	(33.2)	(6,225)	(22.6)
Louisiana	50,705	2,783	1,651	(1,133)	(40.7)	(6,225)	(28.1)
Maine	60,151	4,200	3,068	(1,133)	(27.0)	(6,225)	(18.0)
Maryland	83,035	9,485	6,954	(2,531)	(26.7)	(10,499)	(14.4)
Massachusetts	$ 83,531	$ 9,619	$ 7,078	$ (2,541)	(26.4)%	$ (10,519)	(14.2)%
Michigan*	73,591	6,935	5,084	(1,851)	(26.7)	(7,858)	(14.6)
Minnesota*	75,532	7,459	5,375	(2,084)	(27.9)	(8,694)	(15.2)
Mississippi	49,600	2,618	1,485	(1,133)	(43.3)	(6,225)	(30.1)
Missouri	65,490	5,001	3,868	(1,133)	(22.6)	(6,225)	(15.0)
Montana	$ 49,398	$ 2,587	$ 1,455	$ (1,133)	(43.8)%	$ (6,225)	(30.5)%
Nebraska	61,065	4,337	3,205	(1,133)	(26.1)	(6,225)	(17.4)
Nevada	63,821	4,751	3,618	(1,133)	(23.8)	(6,225)	(15.8)
New Hampshire*	76,718	7,779	5,553	(2,227)	(28.6)	(9,256)	(15.6)
New Jersey	84,104	9,774	7,221	(2,553)	(26.1)	(10,543)	(14.0)
New Mexico	$ 50,653	$ 2,775	$ 1,643	$ (1,133)	(40.8)%	$ (6,225)	(28.2)%
New York*	69,073	5,715	4,406	(1,309)	(22.9)	(6,570)	(14.1)
North Carolina	61,240	4,363	3,231	(1,133)	(26.0)	(6,225)	(17.3)
North Dakota	56,890	3,711	2,578	(1,133)	(30.5)	(6,225)	(20.6)
Ohio	66,644	5,174	4,042	(1,133)	(21.9)	(6,225)	(14.5)
Oklahoma	$ 51,879	$ 2,959	$ 1,827	$ (1,133)	(38.3)%	$ (6,225)	(26.3)%
Oregon	62,430	4,542	3,410	(1,133)	(24.9)	(6,225)	(16.6)
Pennsylvania*	70,027	5,973	4,549	(1,424)	(23.8)	(6,792)	(14.1)
Rhode Island*	73,246	6,842	5,032	(1,810)	(26.5)	(7,738)	(14.5)
South Carolina	60,267	4,217	3,085	(1,133)	(26.9)	(6,225)	(18.0)
South Dakota	$ 59,042	$ 4,034	$ 2,901	$ (1,133)	(28.1)%	$ (6,225)	(18.8)%
Tennessee	58,773	3,993	2,861	(1,133)	(28.4)	(6,225)	(19.0)
Texas	57,289	3,771	2,638	(1,133)	(30.0)	(6,225)	(20.2)
Utah	61,068	4,338	3,205	(1,133)	(26.1)	(6,225)	(17.4)
Vermont	63,297	4,672	3,540	(1,133)	(24.2)	(6,225)	(16.1)
Virginia*	$ 72,856	$ 6,737	$ 4,973	$ (1,763)	(26.2)%	$ (7,602)	(14.5)%
Washington*	68,054	5,440	4,253	(1,187)	(21.8)	(6,333)	(14.1)
West Virginia	49,535	2,608	1,475	(1,133)	(43.4)	(6,225)	(30.2)
Wisconsin*	71,434	6,353	4,760	(1,593)	(25.1)	(7,120)	(14.2)
Wyoming	59,801	4,148	3,015	(1,133)	(27.3)	(6,225)	(18.3)
District of Columbia*	$ 67,880	$ 5,393	$ 4,227	$ (1,166)	(21.6)%	$ (6,293)	(14.1)%

* Typical families of four in these 16 states will see their marginal tax rate drop from 27% to 15% under this proposal.

in the case that Congress and the President make key provisions of the 2001 cuts effective immediately and make all the cuts permanent. Such a move would benefit this family because it would reduce their total tax bill by $8,367, or 17 percent, over the period 2003 to 2011.

Background on EGTRRA

EGTRRA, a ten year, temporary tax cut was signed into law by President Bush on June 7, 2001. Major provisions of the bill, all set to expire after December 31, 2010, include:

- The creation of a new 10 percent individual income tax bracket, added to the existing bracket structure;
- phased-in reduction of the top four individual income tax rates;
- phased-in increase in the Child Tax Credit from its previous level of $500 per child to $1,000 per child in 2010;
- Marriage penalty relief phased in primarily between 2004 and 2010;
- Expansion of the Earned Income Credit to more married couples filing jointly.

The Joint Committee on Taxation (JCT) estimated in late May 2001 that the entire bill would result in total net tax relief of $1.35 billion over the period 2001 to 2011.The majority of this relief, $802 billion or 59 percent, is expected to be realized between 2006 and 2010, during which time all of the new rates will be in effect.

As signed by the President, EGTRRA contains 108 mid-course corrections including numerous phase-ins, phase-outs, changes in rates, scale-ups, scale-downs, phase-outs of existing phase-ins, accelerations of existing phase outs, and sunsets. All of these unnecessary complexities were incorporated for budget scoring reasons and to comply with arcane legislative rules, not because they are sound tax policy.

For example, the fact that the entire bill sunsets after December 31, 2010, is due to an arcane but politically important Senate rule. The so-called "Byrd Rule," named for Senator Robert C. Byrd (D-WV), who introduced the measure as part of the Consolidated Omnibus Budget Reconciliation Act of 1985, is meant to prevent "extraneous matter" from being introduced into reconciliation bills.

One of the six tests by which matters are judged extraneous is whether provisions of the bill would "increase net outlays or decrease revenue during a fiscal year after the years covered by the reconciliation bill unless the provision's title, as a whole, remains budget neutral." In other words, any tax-related provision in a reconciliation bill that permanently affects net federal receipts is subject to a point of order under the Byrd rule. Any senator can raise a point of order. If the point of order is not waived, then the provision in question is removed from the bill under consideration.

By standard Senate rules, sixty votes are required to waive a point of order. This means that if a senator raises a point of order under the Byrd rule, a sixty-vote majority is required to waive the point of order and retain the provision in question. Nearly every provision of EGTRRA, if permanent, would have been subject to a point of order under the Byrd rule. Senate Republicans did not think that they had the necessary 60 votes to waive these points of order. Therefore, they set every provision to expire after December 31, 2010, thus eliminating the applicability of the Byrd rule and the necessity of a 60 vote majority to bring the bill to a final vote.

This political hypothesis was tested in early 2002. The U.S. House of Representatives voted 229–198 on April 18, 2002, to make EGTRRA permanent. However, the measure was never brought up in the Senate. Senator Tom Daschle, Majority Leader at the time stated, "We will…never bring up the permanent tax cut the president has advocated. It is bad policy, it is wrong, and it compounds the budget disaster that our country currently faces."

Accelerating Major EGTRRA Provisions

President Bush, on January 7, 2003, announced a series of tax relief and tax reform proposals including accelerating key tax cuts currently scheduled to become active over the next eight years. Specifically,

1) Immediately drop each of the top four individual income tax rates to the level currently scheduled to be

Table 2

Tax Relief Offered under the Bush Proposal for Families of Four with Various Incomes, by State

	Family of 4 Earning 60% of Median AGI			Family of 4 Earning 75% of Median AGI			Family of 4 Earning 125% of Median AGI			Family of 4 Earning 200% of Median AGI		
	Taxes Due in 2003 under Current law	Taxes Due in 2003 under Proposal	Percentage Tax Change	Taxes Due in 2003 under Current law	Taxes Due in 2003 under Proposal	Percentage Tax Change	Taxes Due in 2003 under Current law	Taxes Due in 2003 under Proposal	Percentage Tax Change	Taxes Due in 2003 under Current law	Taxes Due in 2003 under Proposal	Percentage Tax Change
United States	$ 1,173	$ 41	(96.5)%	$ 2,672	$ 1,540	(42.4)%	$ 9,550	$ 7,014	(26.6)%	$ 24,240	$ 20,705	(14.6)%
Alabama	$ 0	$ 0	*	$ 1,374	$ 242	(82.4)%	$ 5,656	$ 4,373	(22.7)%	$ 16,860	$ 13,786	(18.2)%
Alaska	1,621	488	(69.9)%	3,232	2,099	(35.0)	11,228	8,568	(23.7)	27,177	23,897	(12.1)
Arizona	541	0	(100.0)	1,881	749	(60.2)	7,177	5,218	(27.3)	19,745	16,490	(16.5)
Arkansas	0	0	*	541	0	(100.0)	4,117	2,985	(27.5)	12,813	10,035	(21.7)
California	1,267	135	(89.4)	2,790	1,657	(40.6)	9,903	7,341	(25.9)	24,821	21,328	(14.1)
Colorado	$ 1,597	$ 464	(70.9)%	$ 3,202	$ 2,069	(35.4)%	$ 11,138	$ 8,484	(23.8)%	$ 27,017	$ 23,697	(12.3)%
Connecticut	3,146	2,013	(36.0)	5,138	4,006	(22.0)	16,947	13,913	(17.9)	37,344	33,686	(9.8)
Delaware	1,860	728	(60.9)	3,531	2,399	(32.1)	12,126	9,400	(22.5)	28,774	25,637	(10.9)
Florida	511	0	(100.0)	1,844	711	(61.4)	7,065	5,156	(27.0)	19,514	16,273	(16.6)
Georgia	909	0	(100.0)	2,342	1,210	(48.4)	8,560	6,097	(28.8)	22,356	18,938	(15.3)
Hawaii	$ 1,524	$ 392	(74.3)%	$ 3,111	$ 1,979	(36.4)%	$ 10,866	$ 8,233	(24.2)%	$ 26,534	$ 23,196	(12.6)%
Idaho	303	0	(100.0)	1,648	515	(68.7)	6,476	4,829	(25.4)	18,423	15,252	(17.2)
Illinois	1,741	608	(65.1)	3,381	2,249	(33.5)	11,677	8,984	(23.1)	27,976	24,742	(11.6)
Indiana	1,159	26	(97.7)	2,654	1,522	(42.7)	9,496	6,964	(26.7)	24,104	20,575	(14.6)
Iowa	758	0	(100.0)	2,153	1,021	(52.6)	7,993	5,672	(29.0)	21,300	17,949	(15.7)
Kansas	$ 649	$ 0	(100.0)%	$ 2,016	$ 884	(56.2)%	$ 7,582	$ 5,443	(28.2)%	$ 20,493	$ 17,191	(16.1)%
Kentucky	0	0	*	1,350	217	(83.9)	5,583	4,332	(22.4)	16,693	13,628	(18.4)
Louisiana	0	0	*	882	0	(100.0)	4,685	3,552	(24.2)	14,446	11,548	(20.1)
Maine	591	0	(100.0)	1,944	812	(58.2)	7,366	5,323	(27.7)	20,097	16,820	(16.3)
Maryland	2,651	1,518	(42.7)	4,519	3,386	(25.1)	15,090	12,144	(19.5)	34,043	30,604	(10.1)
Massachusetts	$ 2,695	$ 1,563	(42.0)%	$ 4,575	$ 3,442	(24.8)%	$ 15,257	$ 12,298	(19.4)%	$ 34,340	$ 30,882	(10.1)%
Michigan	1,801	668	(62.9)	3,456	2,324	(32.8)	11,902	9,192	(22.8)	28,376	25,215	(11.1)
Minnesota	1,975	843	(57.3)	3,675	2,542	(30.8)	12,557	9,799	(22.0)	29,541	26,402	(10.6)
Mississippi	0	0	*	758	0	(100.0)	4,478	3,345	(25.3)	13,850	10,995	(20.6)
Missouri	1,072	0	(100.0)	2,545	1,413	(44.5)	9,168	6,661	(27.4)	23,480	19,990	(14.9)
Montana	$ 0	$ 0	*	$ 735	$ 0	(100.0)%	$ 4,440	$ 3,307	(25.5)%	$ 13,740	$ 10,894	(20.7)%
Nebraska	673	0	(100.0)%	2,047	915	(55.3)	7,675	5,495	(28.4)	20,691	17,378	(16.0)
Nevada	921	0	(100.0)	2,357	1,225	(48.0)	8,605	6,139	(28.7)	22,429	19,005	(15.3)
New Hampshire	2,082	950	(54.4)	3,808	2,676	(29.7)	12,958	10,169	(21.5)	30,252	27,067	(10.5)
New Jersey	2,747	1,614	(41.2)	4,639	3,507	(24.4)	15,451	12,477	(19.2)	34,684	31,203	(10.0)
New Mexico	$ 0	$ 0	*	$ 876	$ 0	(100.0)%	$ 4,675	$ 3,542	(24.2)%	$ 14,418	$ 11,521	(20.1)%
New York	1,394	262	(81.2)%	2,948	1,816	(38.4)	10,378	7,780	(25.0)	25,665	22,235	(13.4)
North Carolina	689	0	(100.0)	2,067	934	(54.8)	7,734	5,527	(28.5)	20,785	17,465	(16.0)
North Dakota	168	0	(100.0)	1,578	445	(71.8)	6,266	4,712	(24.8)	17,986	14,840	(17.5)
Ohio	1,175	43	(96.3)	2,675	1,542	(42.3)	9,558	7,021	(26.5)	24,253	20,717	(14.6)
Oklahoma	$ 0	$ 0	*	$ 1,014	$ 0	(100.0)%	$ 4,905	$ 3,772	(23.1)%	$ 15,080	$ 12,134	(19.5)%
Oregon	796	0	(100.0)%	2,201	1,068	(51.5)	8,136	5,751	(29.3)	21,528	18,160	(15.6)
Pennsylvania	1,480	347	(76.5)	3,056	1,923	(37.1)	10,700	8,078	(24.5)	26,238	22,870	(12.8)
Rhode Island	1,770	637	(64.0)	3,418	2,285	(33.1)	11,786	9,084	(22.9)	28,169	24,972	(11.3)
South Carolina	601	0	(100.0)	1,957	825	(57.9)	7,405	5,345	(27.8)	20,159	16,878	(16.3)
South Dakota	$ 491	$ 0	(100.0)%	$ 1,820	$ 687	(62.2)%	$ 6,992	$ 5,115	(26.8)%	$ 19,398	$ 16,166	(16.7)%
Tennessee	467	0	(100.0)	1,789	657	(63.3)	6,901	5,065	(26.6)	19,203	15,982	(16.8)
Texas	254	0	(100.0)	1,623	490	(69.8)	6,401	4,787	(25.2)	18,252	15,090	(17.3)
Utah	674	0	(100.0)	2,048	915	(55.3)	7,676	5,495	(28.4)	20,692	17,379	(16.0)
Vermont	874	0	(100.0)	2,298	1,166	(49.3)	8,428	5,975	(29.1)	22,096	18,694	(15.4)
Virginia	$ 1,735	$ 602	(65.3)%	$ 3,374	$ 2,241	(33.6)%	$ 11,655	$ 8,963	(23.1)%	$ 27,935	$ 24,704	(11.6)%
Washington	1,302	170	(87.0)	2,834	1,701	(40.0)	10,034	7,462	(25.6)	25,054	21,572	(13.9)
West Virginia	0	0	*	750	0	(100.0)	4,465	3,333	(25.4)	13,814	10,963	(20.6)
Wisconsin	1,607	474	(70.5)	3,214	2,081	(35.2)	11,174	8,518	(23.8)	27,082	23,757	(12.3)
Wyoming	560	0	(100.0)	1,905	773	(59.4)	7,248	5,258	(27.5)	19,858	16,595	(16.4)
District of Columbia	$1,287	$154	(88.0)%	$ 2,814	$ 1,682	(40.2)%	$ 9,975	$ 7,408	(25.7)%	$ 24,950	$ 21,435	(914.1)%

* These taxpayers do not pay any personal income tax under current law

Figures account for changes made by EGTRRA to the Earned Income Credit in place between 2006 and 2010.

2) Immediately increase the child tax credit to $1,000 per child, the level scheduled to be in effect in 2010 under current law.

3) Immediately increase the width of the 15 percent tax bracket for married couples filing jointly to twice the size of the 15 percent bracket for single filers and immediately increase the size of the stadard deduction for married couples filing jointly to exactly double that available for single filers. These two provisions would eliminate the marriage penalty currently incurred by many couples.

4) Immediately increase the width of the 10 percent income tax bracket to $14,000 of income for married couples filing jointly and $7,000 for single taxpayers. Also, index the 10 percent tax bracket for inflation beginning immediately.

The total tax relief provided by accelerating these provisions would be roughly $329.3 billion over the period 2003 – 2010. Approximately 91 percent of all taxpayers with a positive tax liability, or 185.8 million people, would receive some tax relief. This estimate is derived from the Tax Foundation's Individual Income Tax Calculator and does not include additional tax relief that would be realized through economic growth due to the tax cut or the President's proposal to eliminate the double taxation of corporate earnings. Therefore, this can be considered a cautious estimate.

Families with children would benefit the most from accelerating these aspects of current law. For example, a typical family of four earning $66,619 in 2003, the median income for families of four in the United States according to the Bureau of the Census, would receive $1,133 in tax relief in 2003. (See Table 1.) This represents a reduction in taxes of 22 percent for this typical family. Over the next eight years, this family would receive a total of $6,225 in total tax relief, 14 percent of the total amount of taxes they would otherwise owe.

Table 1 contains the amount of tax relief available to typical families of four earning the median income by state. Because the median family income varies by state, the total tax relief provided by accelerating these aspects of EGTRRA also varies. For example, a typical family of four in Arkansas would have their taxes reduced by 48.6 percent in 2003 whereas a typical family of four in California would have their total individual income tax burden reduced by 21.4 percent in 2003.

Another major benefit of accelerating these provisions is that typical families in sixteen states would see their marginal tax rates drop from 27 percent to 15 percent in 2003. These states are marked in Table 1 with an asterisk (*). This is important economically because families facing a lower marginal tax rate are more likely to provide additional labor to the market, thus increasing overall economic growth.

Taxpayers in all income categories would benefit from accelerating these provisions. However, taxpayers, and particularly families, with relatively low incomes will benefit disproportionately. As previously noted, a typical family of four earning the median income would see its tax bill drop by 22 percent in 2003. However, a family of four earning only 75 percent of the median family income, or $49,964, would see its tax bill drop by 42.4 percent. A family of four earning 60 percent of the median family income would have 97 percent of individual income tax liability eliminated in 2003 by accelerating the scheduled provisions.

On the other end of the spectrum, a typical family of four earning 25 percent more than the median family income, or $83,274, would see its tax bill drop by only 26.6 percent by accelerating enactment of these provisions. A family of four earning $133,238, twice the median family of four income, would see its income tax liability drop by just 14.6 percent.

Table 2 highlights the impact of accelerating key EGTRRA provisions on typical families of four earning different incomes by state.

Making EGTRRA Permanent

Another major proposal sure to receive significant attention this year is one to make the provisions passed as part of EGTRRA permanent. Doing so would ensure that taxpayers continue to receive the tax relief already scheduled to be phased in over the next eight years and any additional tax relief enacted this year beyond 2010.

If Congress and the President do not act to make the major provisions of EGTRRA permanent, a typical family of four earning the median family income can expect its federal income tax bill to increase by $2,222 between 2010 and 2011, a 42 percent increase. To put these potential increases in context, the average family of four spends roughly $1,810 per year ($2,303 in 2011 dollars) on gas for their car according to the Bureau of Labor Statistics' Consumer Expenditure Survey.

Table 3 lists the impact of EGTRRA's expiration on a typical family of four in each state. Measured as a percentage increase in federal income taxes due, a typical family of four in Arkansas will be hit the hardest as its total federal income tax bill will increase by 113 percent between 2010 and 2011. Typical families of four in six additional states (Louisiana, Mississippi, Montana, New Mexico, Oklahoma, and West Virginia) will experience an increase in their federal income taxes of greater than 80 percent.

What the Typical Family of Four Looks Like

The analysis in this paper highlights the impact of various tax proposals on the typical family of four earning the median income. But what exactly does this mean and what does this family look like? Several government surveys can help answer this question and, in essence, put a face on this taxpaying family.

"Median" refers to the center or middle value of a distribution. Exactly half of a distribution's data points fall below the median and half fall above. For example, consider five taxpayers that have incomes of $20,000, $45,000, $62,000, $100,000 and $250,000 respectively. The median income of this group of taxpayers is $62,000. Exactly half of the taxpayers have incomes less than this ($20,000 and $45,000) and exactly half have incomes greater than this ($100,000 and $250,000). Therefore, a typical family of four earning the median income is right in the center of the population, with just as many families earning more as earn less.

The Bureau of Labor Statistics (BLS) keeps track of the median income for over 700 occupations

Table 3
How a Typical Family of Four's Taxes Will Change in Each State IF the 2001 Tax Cut is Allowed to Expire after 2010

	Taxes under Current Law, Before and After Expiration		Federal Income Tax Increase in 2011 under Current Tax Law	Percentage Tax Increase
	2010	2011		
United States	$ 5,278	$ 7,500	$ 2,222	42.1%
Alabama	$ 3,220	$ 5,391	$ 2,171	67.4%
Alaska	6,164	9,047	2,882	46.8
Arizona	4,024	6,215	2,191	54.4
Arkansas	1,901	4,038	2,138	112.5
California	5,464	7,707	2,243	41.0
Colorado	$ 6,117	$ 8,956	$ 2,839	46.4%
Connecticut	10,378	14,828	4,449	42.9
Delaware	6,639	9,955	3,316	49.9
Florida	3,965	6,154	2,189	55.2
Georgia	4,755	6,964	2,209	46.5
Hawaii	$ 5,973	$ 8,681	$ 2,708	45.3%
Idaho	3,654	5,835	2,181	59.7
Illinois	6,402	9,501	3,099	48.4
Indiana	5,249	7,470	2,221	42.3
Iowa	4,455	6,657	2,201	49.4
Kansas	$ 4,238	$ 6,434	$ 2,196	51.8%
Kentucky	3,182	5,351	2,170	68.2
Louisiana	2,440	4,591	2,151	88.2
Maine	4,124	6,317	2,193	53.2
Maryland	8,743	12,950	4,207	48.1
Massachusetts	$ 8,891	$ 13,120	$ 4,229	47.6%
Michigan	6,521	9,728	3,208	49.2
Minnesota	6,867	10,391	3,524	51.3
Mississippi	2,243	4,389	2,146	95.7
Missouri	5,076	7,293	2,217	43.7
Montana	$ 2,207	$ 4,352	$ 2,145	97.2%
Nebraska	4,287	6,484	2,197	51.2
Nevada	4,779	6,988	2,209	46.2
New Hampshire	7,078	10,795	3,717	52.5
New Jersey	9,061	13,315	4,254	47.0
New Mexico	$ 2,431	$ 4,581	$ 2,151	88.5%
New York	5,715	8,187	2,472	43.3
North Carolina	4,318	6,516	2,198	50.9
North Dakota	3,543	5,721	2,179	61.5
Ohio	5,282	7,504	2,222	42.1
Oklahoma	$ 2,649	$ 4,806	$ 2,156	81.4%
Oregon	4,531	6,734	2,203	48.6
Pennsylvania	5,885	8,513	2,627	44.6
Rhode Island	6,459	9,611	3,152	48.8
South Carolina	4,145	6,339	2,194	52.9
South Dakota	$ 3,926	$ 6,115	$ 2,188	55.7%
Tennessee	3,879	6,066	2,187	56.4
Texas	3,614	5,794	2,180	60.3
Utah	4,288	6,485	2,197	51.2
Vermont	4,685	6,892	2,207	47.1
Virginia	$ 6,390	$ 9,478	$ 3,088	48.3%
Washington	5,533	7,839	2,306	41.7
West Virginia	2,231	4,377	2,146	96.2
Wisconsin	6,136	8,993	2,857	46.6
Wyoming	4,062	6,253	2,192	54.0
District of Columbia	$ 5,502	$ 7,780	$ 2,278	41.4%

Source: Tax Foundation Calculations.

as part of its Occupational Employment and Wage Estimates. This data provides some valuable information about the type of families that may fall into our "typical family of four" category. For example, the median income for the following occupations falls within a $5,000 range of our median family income figure of $66,619:

- Human Resources Managers
- Construction Managers
- Computer Programmers
- Computer Systems Analysts
- Industrial Engineers
- Veterinarians
- First-Line Supervisors/ Managers of Police and Detectives
- Electrical Engineers
- Economists
- Physician Assistants

Therefore, single-earner families with the employed spouse in one of the above occupations would likely qualify as a typical family of four, like the one discussed in this paper.

Two-earner families, in which both spouses work at typical blue-collar or entry level jobs would also fall into the typical family of four category. For example, a couple with two children in which one spouse is an electrician (median income of $42,624) and the other spouse is a customer service representative (median income of $26,586) would qualify as a typical family of four earning the median income. If one spouse is a carpenter (median income of $34,992) and the other is an elementary school teacher (median income of $42,948), the couple would actually be above the median. A couple in which both spouses earn union wages in the manufacturing sector would be far above the median with a combined income of $82,440, according to the Bureau of Labor Statistics' June 2002 Employer Costs for Employee Compensation survey.

The Bureau of Labor Statistics also conducts the Consumer Expenditure Survey, which catalogues what various households purchase each year. Although the BLS does not publish annual consumption data specifically for a family of four, it does publish information on the spending habits of a four person household, a husband and wife with children, the oldest being younger than 6, and a husband and wife with the oldest child being between 6 and 17. Table 4, based on this information, contains information on the amount of money that the typical family of four will spend on major categories of goods and services during 2003.

Conclusion

This paper has summarized the impact that accelerating key components of current law would have on a typical family of four in each state. Generally, families making the median income can expect to see their 2003 tax bill reduced by $1,133 or 22 percent. Families in relatively poor states, such as Arkansas, Mississippi, and New Mexico, can expect

Table 4
Typical Allocation of Spending by a Family of Four Earning the Median Income of $66,619
Calendar Year 2003

	Spending in 2003	Percent of Income
Food at home	$ 4,199	6.3%
Housing	10,791	16.2
Utilities	3,397	5.1
Electricity	1,213	1.8
Clothing	2,556	3.8
Gas for Family car(s)	$ 1,739	2.6%
Vehicle expenses	3,262	4.9
Health Care	2,238	3.4
Entertainment	2,780	4.2
Federal Income taxes*	5,170	7.8

* Under Current Law
Source: Consumer Expenditure Survey; Tax Foundation.

to see an even larger drop in their total tax bill.

This paper has also discussed what would happen to a typical family's tax bill in 2011 if Congress and the President do not act to make the tax relief currently scheduled to expire in 2010 permanent. In short, the typical family of four would see a one year tax increase of $2,222, or 42 percent, if the scheduled tax relief is not extended. Families in many states would also see a significant jump in their marginal tax rate if nothing is done to extend existing law.

Methodology

The analysis in this paper is based on the federal income tax liability faced by a family of four that files as "married filing jointly," claims the standard deduction, and claims only the child tax credit and earned income credit if eligible. It is assumed that this family has no other deductions or credits.

The median family income used in this report is that reported by the Bureau of the Census at *http://www.census.gov/hhes/income/4person.html.* These data are used by the Department of Health and Human Services for determining eligibility in the Low Income Home Energy Assistance Program. The latest figure available is for the year 2000. The base, national figure, $62,228, and all the base levels for the states, were inflated by the Consumer Price Index (CPI-U) to reach median family income levels for the years 2001 through 2011. The actual CPI-U was used for 2001 and the Congressional Budget Office's (CBO) projections of CPI-U, as reported in August, 2002, were used for 2002 – 2011. CBO's CPI-U was used to inflate wages and income growth rather than the GDP deflator because growth in income typically exceeds the rate of inflation.

All tax rate brackets, personal exemptions, and the standard deduction were also inflated from their actual 2001 levels based on CBO's CPI-U projections.

The Tax Foundation's Individual Income Tax Calculator is based on the 1998 public use file provided by the IRS's Statistics of Income (SOI) division.

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