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Comparing the Kennedy, Reagan and Bush Tax Cuts

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How big were the Bush tax cuts? According to the Treasury Department*, there have been 19 significant federal tax cuts since the end of World War II. Three of them have been passed under the Administration of George W. Bush—the Economic Growth and Tax Reform Reconciliation Act of 2001 (EGTRRA), the Job Creation and Workers Assistance Act of 2002 (JCWA), and The Jobs and Growth Tax Relief and Reconciliation Act of 2003 (JGTRRA).

Some taxpayers and policymakers have questioned the size of the Bush tax cut, considering the war costs and projected deficits. The table below compares the 2003 tax cut with Bush's 2001 and 2002 tax cuts, and with the two largest tax cuts in the post-WW II era—the Kennedy tax cut in 1964, and the Reagan tax cut in 1981:

Table 1. Kennedy, Reagan, and Bush Tax Cuts in Historical Perspective

Tax Legislation	Tax Cut in Billions of Current Dollars (a)	Tax Cut in Billions of Constant 2003 Dollars	Tax Cut as a Percent of National Income (b)	Surplus or Deficit (-) as a Percentage of National Income (b)
The Kennedy Tax Cut (Revenue Act of 1964)	(\$11.50)	(\$54.90)	-1.90%	-1.00%
The Reagan Tax Cut (Economic Recovery Tax Act of 1981)	(\$38.30)	(\$68.70)	-1.40%	-2.80%
Bush Tax Cuts:				
Economic Growth and Tax Reform Reconciliation Act of 2001	(\$73.80)	(\$75.80)	-0.80%	1.50%
Job Creation and Worker Assistance Act of 2002	(\$51.20)	(\$52.00)	-0.60%	-1.70%
Jobs and Growth Tax Relief and Reconciliation Act of 2003	(\$60.80)	(\$60.80)	-0.60%	-3.20%
2001, 2002 and 2003 Bush Tax Cuts if Combined in 2003	NA	(\$188.10)	-2.00%	-

* * Tempalski, Jerry, "Revenue Effects of Major Tax Bills," *Office of Tax Analysis Working Paper 81*, December 1998.

(a) First year estimate.
(b) National Income as measured by Net National Product.

Source: Joint Committee on Taxation; Tax Foundation

Table 2. Kennedy, Reagan, and Bush Tax Cuts Compared to Other Budget Items

Tax Legislation	As a Percent of Federal Budget (a)			
	Tax Relief	Social Security	Defense	All Other Domestic Spending
The Kennedy Tax Cut (Revenue Act of 1964)	8.80%	12.80%	42.10%	36.30%
The Reagan Tax Cut (Economic Recovery Tax Act of 1981)	5.30%	19.50%	22.00%	53.20%
Bush Tax Cuts:				
Economic Growth and Tax Reform Reconciliation Act of 2001	3.80%	22.30%	15.80%	58.10%
Job Creation and Worker Assistance Act of 2002	2.50%	22.10%	16.90%	58.50%
Jobs and Growth Tax Relief and Reconciliation Act of 2003 (Bush/Thomas Proposal as of May 5, 2003)	2.70%	21.70%	17.10%	58.40%
2001, 2002 and 2003 Bush Tax Cuts if Combined in 2003	8.10%	20.50%	16.20%	55.20%
(a) Percentages treat tax relief as if it were a budgetary item.				
(b) National Income as measured by Net National Product.				

Source: Joint Committee on Taxation; Tax Foundation

Table 3. Size of the Bush Tax Cuts by State, 2000-2004

State	2001 State Tax Liability	Percent of U.S. Total	Savings From Bush Tax Cuts (\$ Billions)	2004 Pop. (estimate, in thousands)	Per Capita Savings from Bush Cuts	Tax Filers (2003 est.) *	Savings Per Tax Filer
Alabama	\$9,412,417.00	1.00%	\$3.79	4,527	\$836.27	2,015,137	\$1,878.83
Alaska	2,136,784.00	0.20%	0.86	654	1,314.44	347,909	2,470.51
Arizona	13,609,239.00	1.50%	5.47	5,727	955.93	2,278,085	2,403.01
Arkansas	5,046,474.00	0.50%	2.03	2,751	737.94	1,183,660	1,714.95

California	125,777,308.00	13.60%	50.59	35,950	1,407.34	15,733,500	3,215.64
Colorado	16,826,868.00	1.80%	6.77	4,646	1,456.83	2,218,466	3,050.99
Connecticut	22,162,504.00	2.40%	8.91	3,502	2,545.35	1,769,126	5,039.07
Delaware	2,723,491.00	0.30%	1.1	829	1,322.23	400,211	2,737.33
Florida	54,187,833.00	5.90%	21.8	17,325	1,258.12	7,935,612	2,746.71
Georgia	23,817,405.00	2.60%	9.58	8,858	1,081.59	3,848,912	2,489.13
Hawaii	3,089,124.00	0.30%	1.24	1,264	983.12	605,529	2,052.07
Idaho	2,665,522.00	0.30%	1.07	1,390	771.11	591,917	1,811.39
Illinois	46,394,662.00	5.00%	18.66	12,736	1,465.27	6,124,277	3,047.22
Indiana	15,936,323.00	1.70%	6.41	6,240	1,027.30	3,002,832	2,134.75
Iowa	6,756,379.00	0.70%	2.72	2,954	919.89	1,429,879	1,900.66
Kansas	7,172,558.00	0.80%	2.89	2,740	1,053.06	1,293,839	2,229.89
Kentucky	8,666,347.00	0.90%	3.49	4,147	840.51	1,848,849	1,885.50
Louisiana	9,499,745.00	1.00%	3.82	4,512	846.97	1,983,686	1,926.33
Maine	3,099,563.00	0.30%	1.25	1,313	949.65	640,934	1,945.26
Maryland	20,635,795.00	2.20%	8.3	5,563	1,492.15	2,712,837	3,059.77
Mass.	31,731,518.00	3.40%	12.76	6,473	1,971.80	3,290,823	3,878.62
Michigan	29,473,770.00	3.20%	11.86	10,132	1,170.09	4,889,114	2,424.91
Minnesota	16,972,843.00	1.80%	6.83	5,111	1,335.78	2,525,155	2,703.69
Mississippi	4,784,752.00	0.50%	1.92	2,903	663.07	1,241,889	1,549.77
Missouri	14,857,762.00	1.60%	5.98	5,746	1,040.06	2,714,372	2,201.78
Montana	1,809,781.00	0.20%	0.73	923	788.7	448,966	1,621.45
Nebraska	4,354,554.00	0.50%	1.75	1,750	1,001.10	856,061	2,046.11
Nevada	7,422,619.00	0.80%	2.99	2,325	1,284.42	1,009,495	2,957.63
New Hampshire	5,118,685.00	0.60%	2.06	1,304	1,578.79	665,863	3,092.18
New Jersey	42,375,704.00	4.60%	17.05	8,708	1,957.36	4,304,520	3,959.89
New Mexico	4,580,918.00	0.50%	1.84	1,894	972.92	770,161	2,392.55
New York	84,835,378.00	9.20%	34.12	19,278	1,770.17	9,077,453	3,759.27
North Carolina	20,534,997.00	2.20%	8.26	8,544	966.76	3,848,408	2,146.37
North Dakota	1,391,591.00	0.20%	0.56	632	885.64	320,455	1,746.77
Ohio	30,596,084.00	3.30%	12.31	11,466	1,073.35	5,900,096	2,085.92
Oklahoma	7,400,592.00	0.80%	2.98	3,537	841.55	1,550,561	1,919.85
Oregon	8,895,806.00	1.00%	3.58	3,607	992	1,653,386	2,164.22
Pennsylvania	37,564,928.00	4.10%	15.11	12,385	1,220.01	6,144,559	2,459.14
Rhode Island	3,293,967.00	0.40%	1.32	1,083	1,223.10	523,296	2,531.99
South Carolina	8,669,661.00	0.90%	3.49	4,198	830.79	1,907,500	1,828.22
South Dakota	1,839,824.00	0.20%	0.74	768	963.86	375,870	1,968.93
Tennessee	14,603,813.00	1.60%	5.87	5,909	994.17	2,716,876	2,162.16
Texas	65,677,771.00	7.10%	26.42	22,515	1,173.36	9,579,599	2,757.79
Utah	4,697,606.00	0.50%	1.89	2,395	789.1	996,844	1,895.57
Vermont	1,691,182.00	0.20%	0.68	623	1,091.87	316,824	2,147.16
Virginia	25,568,904.00	2.80%	10.28	7,475	1,375.96	3,532,773	2,911.30
Washington	21,919,383.00	2.40%	8.82	6,215	1,418.63	2,934,159	3,004.94
West Virginia	3,269,958.00	0.40%	1.32	1,808	727.45	793,642	1,657.33
Wisconsin	15,447,757.00	1.70%	6.21	5,509	1,127.92	2,748,232	2,261.01
Wyoming	1,732,086.00	0.20%	0.7	503	1,384.52	248,872	2,799.52
D.C.	2,807,314.00	0.30%	1.13	562	2,010.74	295,522	3,821.13

U.S. Total	\$925,537,849.00	100.00%	\$372.29	293,909	\$1,266.70	136,146,541	\$2,734.50
* Estimates of individual tax filers from Intuit, Inc.							

Source: Tax Foundation Individual Tax Model

Table 4. Before and After the Bush Tax Cuts, by Income Group

Before Bush Tax Cuts		After Bush Tax Cuts		
	Share of Tax Liability	Tax Reduction for 2004	Share of Tax Liability	Share of Tax Cuts
Bottom 20%, \$0 to \$14,415	0.50%	\$1,976,256,511	0.30%	1.20%
Second 20%, \$14,415 to \$25,499	2.30%	\$7,177,358,834	1.90%	4.20%
Third 20%, \$25,500 to \$41,640	5.90%	\$15,905,120,495	5.20%	9.40%
Fourth 20%, \$41,641 to \$68,295	12.60%	\$29,559,373,144	11.60%	17.50%
Top 20%, \$68,296 and above	78.70%	\$114,633,332,724	81.00%	67.70%
Total Tax Liability for all taxpayers	100.00%	\$169,251,441,709	100.00%	100.00%
Top 20%		Top 20%		
First Half of top 10%, \$68,296 to \$97,685	11.90%	\$26,272,937,254	11.20%	15.50%
Second Half of Top 10%, \$97,685 to \$136,162	10.80%	\$18,560,111,502	10.80%	11.00%
Top 20-5%, \$68,296 to \$136,162	22.80%	\$44,833,048,756	22.00%	26.50%
Top 5-1%, \$136,163 to \$335,474	18.90%	\$25,482,868,099	19.70%	15.10%
Top 1%, \$335,475 and above	37.10%	\$44,317,415,869	39.30%	26.20%
Total Tax Liability for Top 20% of Taxpayers	78.70%	\$114,633,332,724	81.00%	67.70%

Source: Tax Foundation Individual Tax Model

Tax Cuts and National Income

Contrasting the size of the tax cuts with national income shows that the Kennedy tax cut, representing 1.9 percent of income, was the single largest first-year tax-cut of the post-WW II era. The Reagan tax cuts represented 1.4 percent of income while none of the Bush tax cut even breaks 1 percent of income. The Kennedy tax cuts would only have been surpassed in size by combining all three Bush tax cuts into a single package.

Tax Cuts and Budget Resources

Comparing the size of these tax cuts with the federal budget shows that the Kennedy's tax cuts represented 8.8 percent of the budget. In 1981, Reagan's tax cuts represented 5.3 percent of the budget. Each of Bush's tax cuts are smaller than Reagan's—EGTRRA (3.8 percent), JCWA (2.5 percent) and the 2003 Tax Cut (1.8 percent). When the Bush tax cuts are combined (8.1 percent), they would be larger than Reagan's tax cut, yet smaller than Kennedy's tax cut.

Tax Cuts and Defense Costs

When the Kennedy tax cuts were enacted, the conflict in Vietnam was escalating and defense spending constituted a whopping 42.1 percent of the federal budget. When President Reagan pushed through his tax cuts during the height of the Cold War the Pentagon consumed 22 percent of the budget. Today, defense spending consumes just 17.1 percent of the budget—25 percentage points below Kennedy's defense spending.

Tax Cuts and Deficits

President Kennedy passed his tax cuts as he ran a deficit equaling 1 percent of national income. In 1981, Reagan cut taxes while running a deficit of 2.8 percent of national income. In contrast, Bush passed the largest of his three tax cuts, EGTRAA, in 2001 with a budget surplus of 1.5 percent of income.

Caveats: Comparing Taxes Over Time

Comparing tax legislation over time is tricky. In the 1960s, Congress only calculated how much a tax proposal would save taxpayers in the next year. In the late 1970s, five-year estimates became the norm, and more recently ten-year estimates have been required.

Obviously, no one should compare the dollar amount of a ten-year estimate to a five-year or one-year estimate. Whenever you hear or read that the Bush tax cut in 2001 was "the biggest tax cut ever," that's the mistake—it's like saying an 8-oz. steak costs more now than a 16-oz. steak cost 20 years ago. With two precautions, however, tax legislation can be compared. The first step is to adjust for inflation, and the second is to compare the same number of years.

All tax estimates are published in "current dollars," without any adjustment for inflation. Since a dollar is worth a lot less now than it was 20 or 40 years ago, all dollar amounts from past estimates must be converted into "constant dollars," which adjusts for inflation. In the tables below, estimates from years past are converted into constant 2003 dollars. This answers the question: what would the tax cuts of yesteryear be worth today?

Another way to make estimates comparable over time is to measure them as a percentage of the U.S. economy, or as a percentage of the Federal Budget. Since these grow over time, we can get a sense of how big tax cuts of the past were. Keep in mind, though, that because the Kennedy tax cut was "scored" for one year only, we can only compare it to the first year of the other bills. The first year of some bills is unusually large; this is the case with the 2002 tax cut. Other tax bills have relatively small first-year effects.

And finally, one additional warning: these estimates are the predictions made before the tax cuts were passed. No one ever goes back to revise them if things turn out differently. For example, the 2001 Bush tax cut has so far turned out to be smaller than the estimates predicted because recessionary times prevented many people from taking advantage of lower rates. So while the comparison is interesting, and it gives a general idea of how large a tax cut past Presidents and Congresses were willing to consider, it is an exercise fraught with technical difficulties.

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