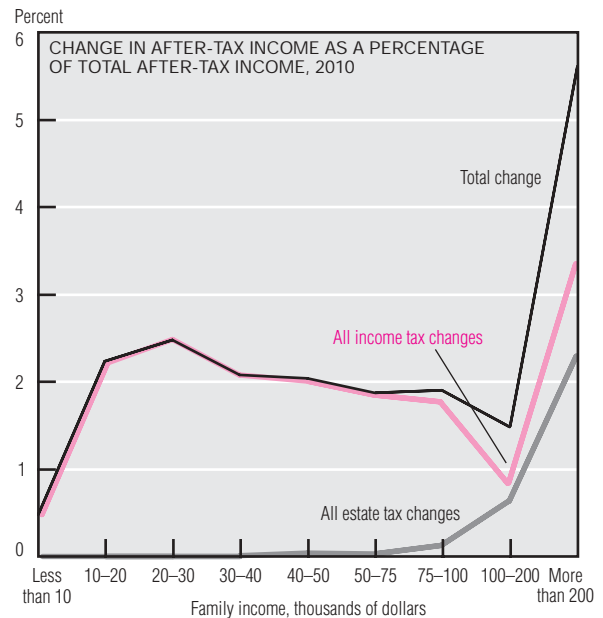
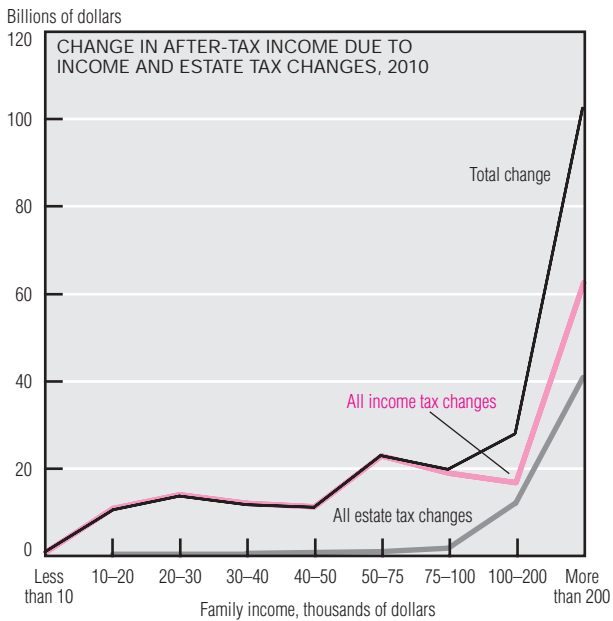
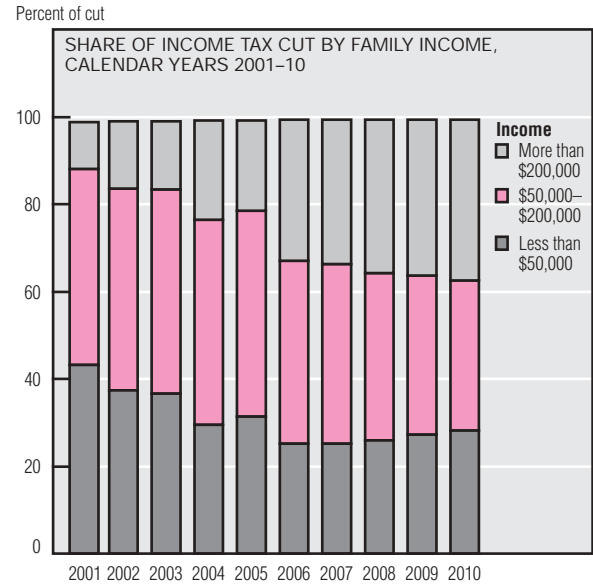
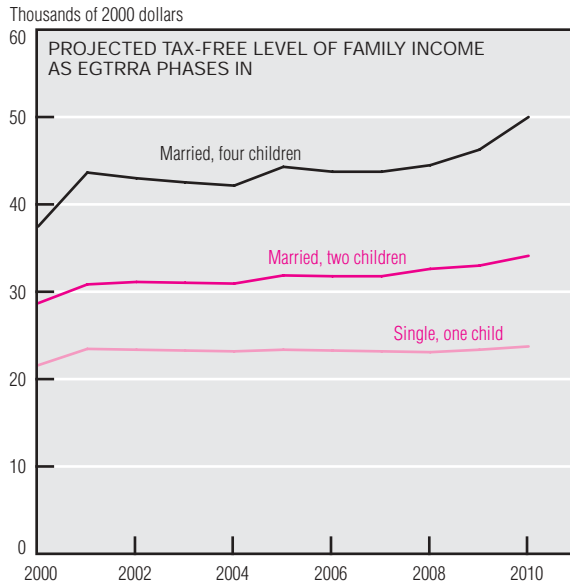


# The Impact of 2001 Tax Cut Legislation



NOTE: Data are from the Urban-Brookings Tax Policy Center's microsimulation model.

SOURCE: Len Burman, Elaine Maag, and Jeff Rohaly, "EGTRRA: Which Provisions Spell the Most Relief?" Urban-Brookings Tax Policy Center Report no. 3, June 2002.

The Economic Growth and Tax Relief Reconciliation Act (EGTRRA) of 2001 phases in tax cuts through 2010. Its provisions are "sunset" at the end of calendar year 2010, but few expect the cuts to be eliminated entirely. The version of the tax cut bill that Congress passed after strenuous debate contains benefits for households at all income levels.

Modifications to the child tax credit, the child and dependent care tax credit, and the earned income tax credit benefit low-income groups the

most. Overall, these changes will benefit households with children far more than households that have none. For example, tax-free income, one measure of the new provisions' benefit, will increase most for households with four or more children.

Reducing the marriage tax penalty will benefit both low- and middle-income groups, and the scheduled lowering of marginal income tax rates will benefit all income groups. However, the act's failure to simultaneously increase the alternative

minimum tax threshold means that benefits to middle-income households will shrink over time. Because elimination of the estate tax and most of the high-bracket marginal rate reductions will be phased in, the proportion of total benefits reaped by the highest-income taxpayers will gradually increase.

The recent reemergence of federal budget deficits and the scheduled sunset of EGTRRA after 2010, however, render these projections highly uncertain.