

THE NATIONAL  
COUNCIL FOR  
RESEARCH  
ON WOMEN

# Why Taxes Are A Women's Issue

Based on Taxes Are a Women's Issue: Reframing the Debate  
by Mimi Abramovitz and Sandra Morgen with the National Council for  
Research on Women

Prepared by:  
Anna Wadia, Consultant  
National Council for Research on Women  
11 Hanover Square, 24<sup>th</sup> Floor  
New York, NY 10005  
November 14, 2006

To order a copy of Taxes Are a Women's Issue, please visit [www.ncrw.org](http://www.ncrw.org). For more information on NCRW's activities, please contact Tonni Brodber at [tbrodber@ncrw.org](mailto:tbrodber@ncrw.org).

# Tax Cuts Since 2001

- Reduced the tax rate on **income from wages**, in a way that skews the benefit to those with higher wages
- Reduced the tax rate on **income from wealth** – through dividends and capital gains tax cuts
- Reduced the tax rate on **income from very large inheritances** – by phasing out the estate tax

# Few Changes for Low- & Moderate Income Families

- A reduction to 10% in the rate for the lowest tax bracket
- An increase in the child tax credit up to \$1,000 per child, with some of these being refundable
- A slight increase in the phase-out range for the Earned Income Tax Credit for married couples
- Some changes to address the so-called marriage penalty

# Extending & Making Tax Cuts Permanent

- To hide true impact on budget, most tax cuts expire in 2010
- Current legislative battles are about extending them or making them permanent

# WAGE INCOME

- Lowered all rates – rather than just bottom rates – disproportionately benefiting the wealthiest taxpayers

| Income           | Tax Rate     | Tax              |
|------------------|--------------|------------------|
| \$350,000        | 38.6%        | \$16,579         |
| \$307,050        | 35%          | \$58,030         |
| \$141,250        | 30%          | \$22,065         |
| \$67,700         | 27%          | \$10,732         |
| \$27,950         | 15%          | \$3,292          |
| \$6,000          | 10%          | \$600            |
| <b>TOTAL TAX</b> | <b>31.8%</b> | <b>\$111,298</b> |

Table adapted from United for A Fair Economy

# IMPACT OF WAGE INCOME TAX CUTS

- Taxpayers with incomes **over \$10 million** saved an average of **\$500,000** in income tax in 2003 alone
- Those making **less than \$50,000** saved only **\$425** in 2003
- Ten-year cost of **\$1.3 trillion dollars**

# TAXES ON INVESTMENT INCOME

- Reduced the top individual income tax rate on dividends to 15%
- Reduced the top tax rate on capital gains to 15%
- Overwhelmingly favors wealthy:
  - Salaries are 80% of the income for most families, but less than half for the top 1%
  - The most wealthy derive more than half of their income from the sale of assets
  - Wealthiest 5% own 94% of bonds and 79% of value of stocks
  - Does not apply to retirement accounts

# IMPACT OF INVESTMENT TAX CUTS

- Taxpayers with incomes **over \$10 million** saved an average of **\$500,000** in income tax in 2003 alone
- Those making **less than \$50,000** saved only **\$10** in 2003
- More than **70% of tax savings** on investment income went to the **top 2% of taxpayers**
- Making investment tax cuts permanent would cost **\$197 billion** over 10 years

# ESTATE TAX FACTS

- Enacted in 1916
- No tax due on wealth given to spouse or charity
- No tax due on first \$2 million passed to heirs (will go up to \$3.5 million in 2009)
- 99 percent of estates pay no estate tax at all
- Effective tax rate averages 20%
- Vast majority of farms and family-owned businesses do not pay estate tax

# ESTATE TAX REPEAL

- 2001 tax bill gradual phases out estate tax through 2009
- Full repeal in 2010
- Reverts back to pre-2001 levels in 2011 if not made permanent
- Congress has been considering various “reform” options that cost almost as much as repeal

# IMPACT OF PERMANENT ESTATE TAX REPEAL

- \$1 *trillion* dollar cost to federal government over 10 years (2012 – 2021)
- States would lose \$9 billion *per year*
- Charitable giving would drop by \$13 to \$25 billion *per year*
- Estates of senior executives of six major oil companies would save \$211 million
- President, VP and cabinet would save \$344 million

Women & children are paying  
for these tax cuts . . .

and receiving almost nothing in  
return

# Women pay . . .

## When services are cut

- Enacted and proposed cuts focus on services of particular importance to women
  - Medicaid
  - Child support
  - Child care
  - Education & Training
  - Food Assistance
  - Microenterprise Development
  - Domestic Violence
  - Worker Safety
- Women pick up the slack for cuts in caregiving support

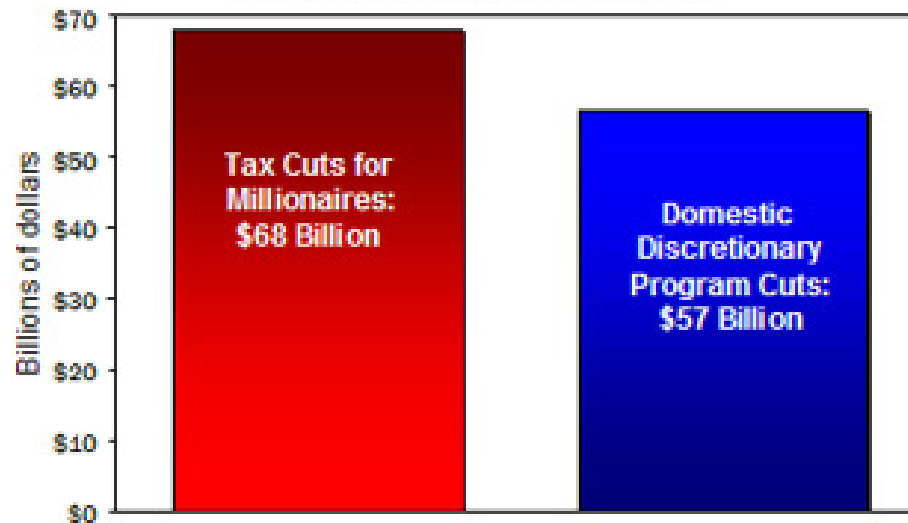
# Women pay . . .

## When services are cut

- Making the tax cuts permanent will ensure deeper and more devastating cuts – cuts that can be avoided
  - Extending tax cuts for millionaires for 5 years = cuts in Administration's budget in child care, K-12 education, community health services, services for the elderly, transportation, environmental protection, & veterans' medical care
  - Making tax cuts permanent for top one percent = 3 times the cost of closing long-term shortfall in Social Security over 75 years
  - If tax cuts are made permanent, *all* domestic discretionary programs would have to be cut in order to have a balanced budget

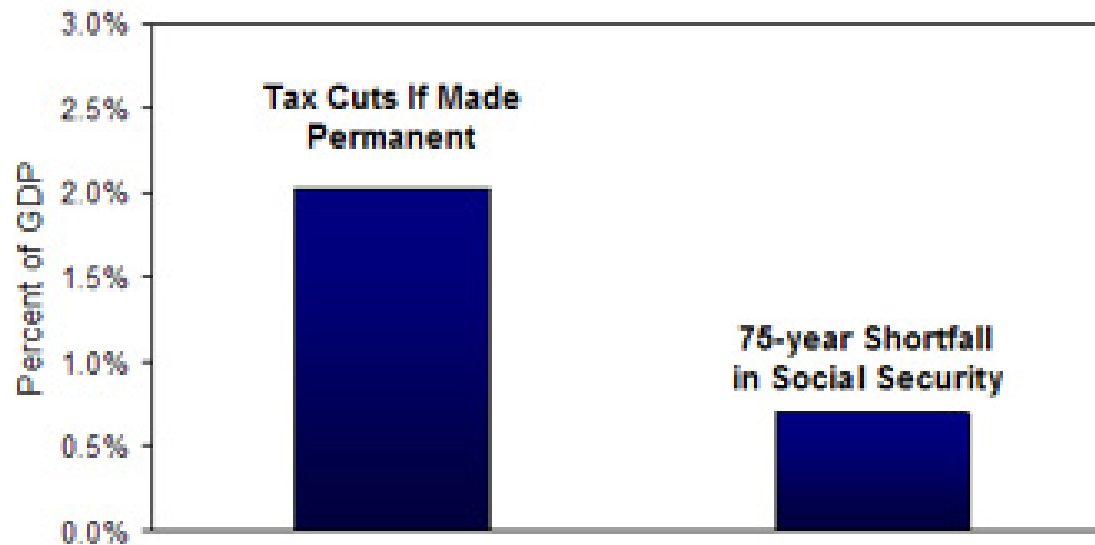
## Tax Cuts for People With Incomes Over \$1 Million Cost More Than All of the Cuts in Domestic Discretionary Programs Would Save

Tax Cuts and Spending Cuts, 2011

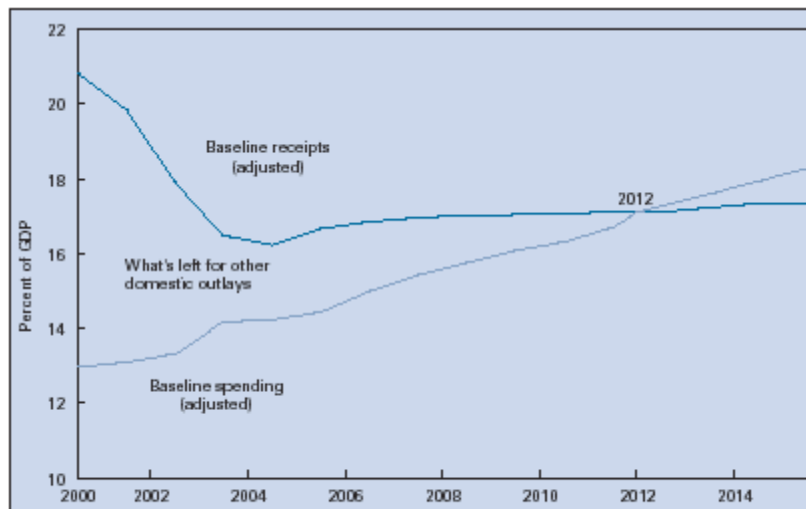


Source: CBPP calculations from Office of Management and Budget, Joint Committee on Taxation, and Urban-Brookings Tax Policy Center data.

## THE TAX CUTS AND SOCIAL SECURITY: Costs through the next 75 years



Source: Social Security Trustees Report estimate of Social Security shortfall, CBPP calculation of tax cut costs based on Joint Committee on Taxation estimates



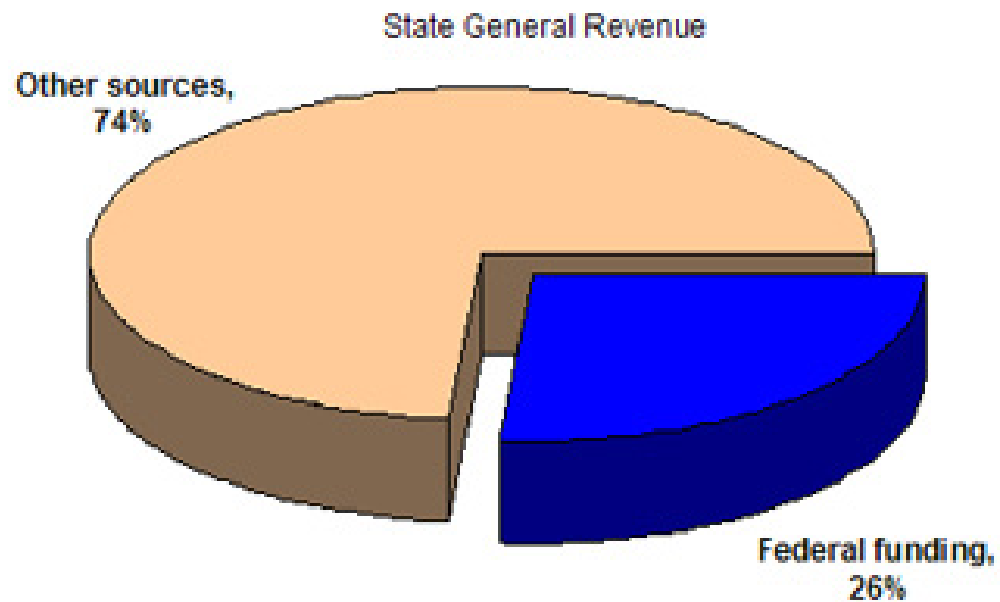
Source: Eugene Steuerle, Adam Carasso, and Meghan Bishop, The Urban Institute, 2003. Based on data from CBO and OMB budget documents.

# Women pay . . .

## When taxes become less progressive

- Women overall working full time earn 76 cents for each dollar of men's earning; African American women earn 63 cents and Latina women earns 53 cents.
- States depend on Federal funding – from Federal tax dollars – for 25% of their revenue
- States make up shortfall primarily through regressive sales taxes

## STATES DEPEND ON FEDERAL FUNDING



Source: CBPP calculations based on Census data

# Women pay . . .

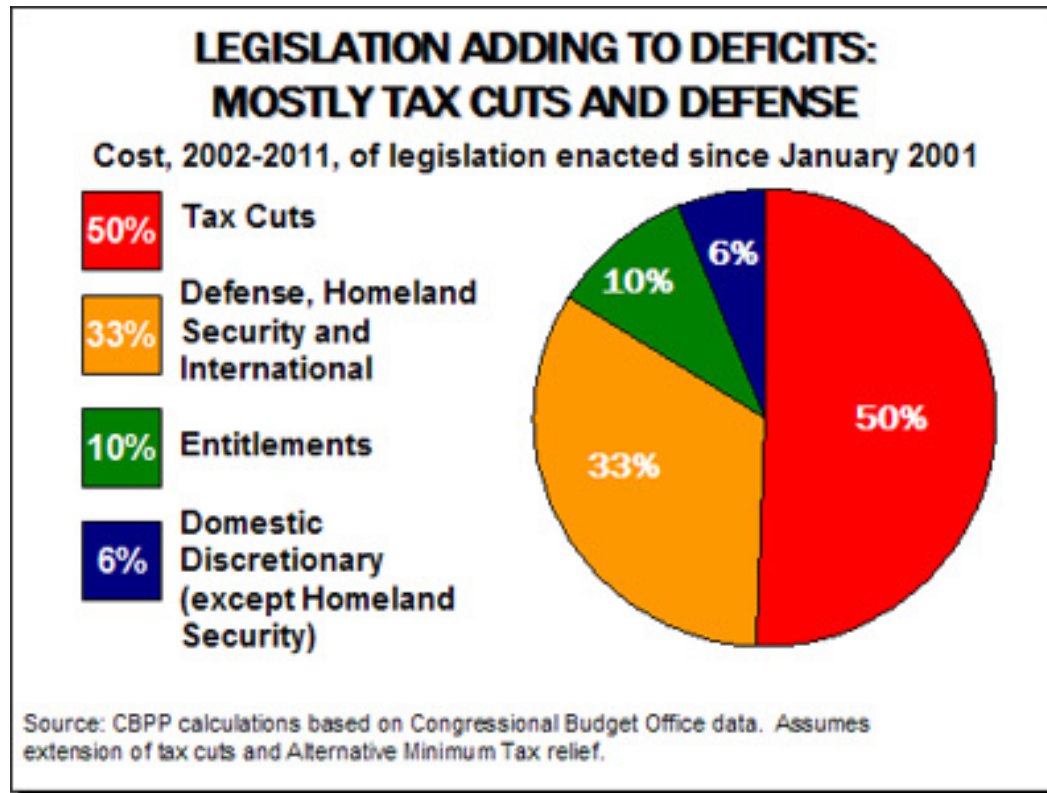
## When taxation shifts from wealth to wages

- Women depend on income from wages not wealth
- Stark gender and race wealth gap
  - Women-headed households have about one-third the wealth of other US households
  - For every dollar of wealth owned by the average white family, the average family of color has 18 cents
  - Most of this wealth is in retirement accounts or home equity and does not even benefit from investment tax cuts
- Regressive payroll taxes have increased as progressive income, investment and estate taxes have decreased

# Women loose out when . . . Tax benefits are not refundable

- Refundable tax credits – like EITC – give you money back if you owe no taxes
- Most families making less than \$25,000 per year owe no taxes, so only benefit if tax cuts are refundable
- Example: only 8% of EITC recipients benefit from federal child and dependent care tax credits because they are not refundable
- Women make up 90% of workers who average less than \$15,000 annually

# Our children pay . . . For ballooning deficits



# Society pays for . . .

## Growing income disparities

- Between 1979 and 2003, the average after-tax income of the top one percent of the population more than doubled, rising from \$305,800 to \$701,500, for a total increase of 129%
- Over that same period, the middle fifth of the nation saw their after-tax income rise by only 15%
- And among the poorest, income rose by a mere \$600 over the entire 24 year period. That accounts for an income gain of only 4%
- As a result, income is now more concentrated at the very top than at any time since the mid-1930s, with the exception of only one 5 year period

# Long-Term Pro-Active Agenda: 5 Principles

- Fairness
- Equity
- Adequacy
- Responsibility
- National Priorities