

# Fiscal Research Program

## THE BUSH ECONOMIC STIMULUS PLAN : WHAT DOES IT MEAN FOR GEORGIA

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# POLICY *brief*

## THE BUSH ECONOMIC STIMULUS PLAN: WHAT DOES IT MEAN FOR GEORGIA?

### What is the Bush Administration's Plan?

The following table provides a summary of the President's economic stimulus proposal.

Provision	Explanation
Dividend relief	Exclusion of dividends from individual income taxation, will reduce some of the bias in taxation of equity versus debt, will not apply to dividends paid to non-profits such as certain retirement accounts and foundations.
Accelerate income tax rate cuts	Reduce the top four tax rates from 27, 30, 35, and 38.6 to 25, 28, 33 and 35, retroactive to January 1, 2003
Accelerate reduction in "marriage penalty"	Increase the beginning of the 15 percent bracket (extending the 10 percent bracket) beginning in 2003, then indexing beginning in 2004 Set standard deduction for couples and the beginning tax bracket for the 25 percent bracket for couples equal to twice that of singles
Accelerate the child tax credit	Increases the tax credit from \$600 to \$1,000 per child
Alternative minimum tax relief	Increases the threshold for the federal AMT
Increased expensing for small business	Increases the amount of investment that can be expensed versus amortized, typically increasing the value of investment deductions

### Impact on Georgians and on Georgia's State Tax Revenue:

Georgia's residents will see a reduction in federal income tax liability associated with the individual income tax provisions of the tax cut. Wealthier Georgians will see the largest cuts due to the concentration of dividend income in higher income groups and the impacts of the tax rate cuts for higher income individuals.

Georgia's income tax system is coupled to the federal income tax in that Georgia uses federal Adjusted Gross Income as the

starting point in Georgia's income tax computation. The components of the Bush Administration's tax relief package that directly affect Georgia's state tax revenue are those that reduce the tax base, namely the dividend relief component of the proposal. The increased expensing for small business would also have a limited revenue impact on Georgia's tax revenue.

The dividend relief component of the plan could reduce Georgia state income tax revenues by approximately 2-3 percent of individual income tax revenues in 2003



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## ABOUT THE AUTHOR

Sally Wallace is Associate Professor of Economics and Associate Director of the Fiscal Research Program of the Andrew Young School of Policy Studies at Georgia State University. Dr. Wallace's main interests are domestic and international taxation and intergovernmental fiscal relations. From 1997 to 1999 she served as the Chief of Party of the Andrew Young Research School of Policy Studies Russia Fiscal Reform Project in the Russian Federation.

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