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Center for Economic Development & Business Research  
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## TREASURY INCOME TAX COLLECTIONS AND TAX BURDEN, JFK THROUGH GEORGE W. BUSH

By Dr. William T. Fielding

The historical record shows that reducing federal marginal income tax rates has been associated with rapid increases in GDP resulting in rapid growth in tax revenues. Five U.S. Presidents, three Democrat and two Republican, have slashed marginal tax rates, stimulating economic activity and consequently record levels of income-tax revenue were collected by the Treasury. At the same time the tax burden has been shifted increasingly to the wealthy. By 2007 IRS data show that the tax burden of the top 1% (40.41%) exceeded that of the bottom 95% (39.39%). Research shows that the U.S. is more dependent on high income people to pay taxes than the socialized economies of Europe. The U.S. gets 45% of its income and social security tax revenue from the top 10% of tax filers; the average for Organisation for Economic Co-operation and Development (OECD) nations is 32%. IRS data shows that reductions in the capital gains tax rates in 1978, 1997 & 2003 all produced increased revenues. It is apparent that low marginal tax rates increase GDP and tax revenues. Also, they have shifted the tax burden to higher income tax payers. See Table 1.

### **Kennedy/Johnson Tax Cut**

Presidents Kennedy/Johnson reduced top marginal income tax rates from 91% to 70%. Personal income tax receipts increased 93.3% by 1970, GDP increased by 56%. See Table 1.

### **Reagan Tax Cuts**

President Reagan reduced top marginal income tax rates in 1982 and in 1988, from 70% to 50% in 1982, and

from 50% to 28% in 1988. By 1990, President Reagan's tax cuts resulted in personal income tax receipts increasing by 62% and GDP increasing by 86%. See Table 1.

### **Bush Tax Cuts**

President Bush reduced top marginal tax rates from 38.6% to 35% in 2003. By 2007, President Bush's tax cuts resulted in personal income tax receipts increasing by 47% and GDP increasing by 32%. See Table 1.

### **Capital Gains Tax Rate Reductions, Deregulation and Burden of Government**

President Carter reduced the capital gains tax rate from 39.8% to 28% in 1977. Capital gains tax revenue increased by 43% from 1977 to 1979. Carter deregulation reduced the burden of government and spurred innovation in banking, transportation and communication.

President Clinton reduced the capital gains tax rate from 28% to 20% in 1997. Bush reduced rates again in 2003. Capital gains tax receipts doubled from 1997 to 2007. Under President Clinton, federal spending declined from 22% of the GDP in 1993 to 18% in 2000. Thus, the real burden of government declined dramatically. When President Clinton increased taxes in 1993 the GDP was growing at approximately 3.0%. This growth rate continued until 1997 when he reduced a range of taxes. With the reduction of capital gains and other taxes, growth of GDP accelerated to more than 4%. This resulted in a 50% growth in personal income tax receipts by 2000.

### **REFERENCES:**

1. "Growing Unequal? Income Distribution and Poverty in OECD Countries," OECD, 2008. P. 107.

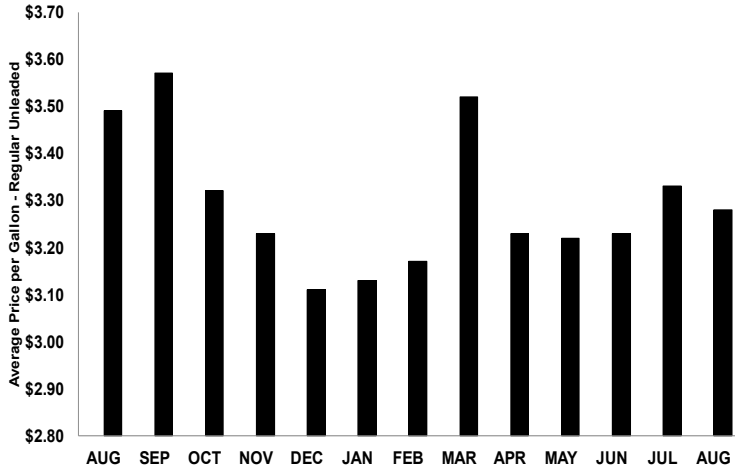
Cont. on p. 2

**Table 1**  
**History of Tax Rate Cuts,**  
**Revenue and GDP Increases and Tax Burden**  
**From the Kennedy, Carter, Reagan, Clinton, and George W. Bush Tax Cuts**

YR	GDP (\$Billions)	Personal Taxes (\$Billions)	Individual Tax Rate Highest Percent	Revenue Increases	Tax Burden
1960	526.4	41.80	91.0		
1961	544.8	42.70	91.0		
1962	585.7	46.50	91.0		Since the enactment of the Kennedy, Reagan, & Bush Tax Cuts; 2007 IRS data show that the tax burden of the top 1% now exceeds that of the bottom 95%.
1963	617.8	49.10	91.0		
1964	663.6	46.00	77.0		
1965	719.1	51.10	70.0	Kennedy/Johnson Tax Cut: Personal income tax receipts increased 93.3% by 1970. GDP increased 56% by 1970.	
1966	787.7	58.60	70.0		
1967	832.4	64.40	70.0		
1968	909.8	76.40	70.0		
1969	984.4	91.70	70.0		
1970	1,038.3	88.90	70.0		
1976	1,824.6	141.20	70.0		
1977	2,030.1	162.20	70.0	Carter deregulation Capital gains tax rate reduction, 39.8% to 28%. Capital gains revenue increased by 43% from 1977 to 1979.	
1978	2,293.8	188.90	70.0		
1979	2,562.2	224.60	70.0		
1980	2,788.1	250.00	70.0		
1981	3,126.8	290.60	70.0		
1982	3,253.2	295.00	50.0	Reagan Tax Cut: Personal income tax receipts increased 62% by 1990. GDP increased 86% by 1990.	
1983	3,534.6	286.20	50.0		
1984	3,930.9	301.40	50.0		
1985	4,217.5	336.00	50.0		
1986	4,460.1	350.00	50.0		
1987	4,736.4	392.50	38.5		
1988	5,100.4	402.80	28.0	Reagan Tax Cut	
1989	5,482.1	451.50	28.0		
1990	5,800.5	470.10	28.0		
1996	7,838.5	663.30	39.6	Clinton Tax Cuts: Capital gains 28% to 20% death tax, tariff reductions (capital gains tax revenue more than doubled by 2007) Ref. Tax Foundation Treasury Dept.	Welfare reform reduced effective tax rates on poor. Reduction in tariff & non-tariff barriers. Increased inheritance tax exemption to \$1 million.
1997	8,332.4	744.20	39.6		
1998	8,793.5	825.20	39.6		
1999	9,353.5	893.00	39.6		
2000	9,951.5	995.60	39.6		
2001	10,286.2	991.80	39.1		
2002	10,642.3	828.60	38.6		
2003	11,142.1	774.20	35.0	Bush Tax Cut: Personal income tax receipts increased 47% by 2007. (2012 Economic Report of the President). GDP increased 32% by 2007.	
2004	11,867.8	799.20	35.0		
2005	12,638.4	931.90	35.0		
2006	13,398.9	1,049.90	35.0		
2007	14,061.8	1,165.60	35.0		
2008	14,369.1	1,102.80	35.0		
2009	14,119.0	852.70	35.0		

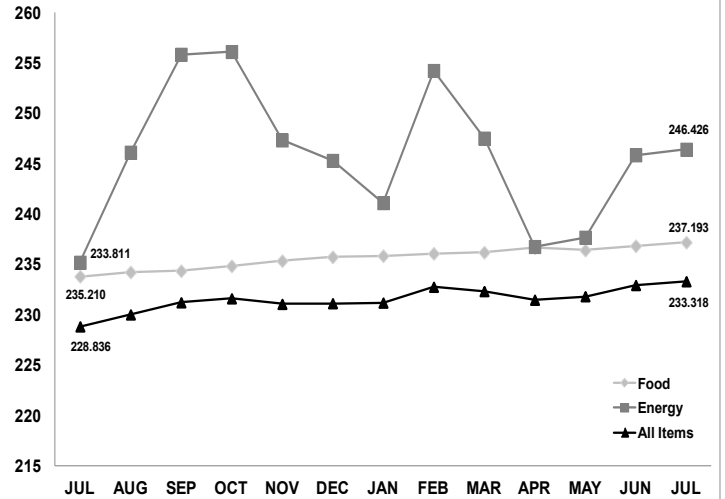
Source: Bureau of Economic Analysis

### Gasoline Prices August 2012 - August 2013 (3 County Average - Calhoun, Etowah, Talladega)



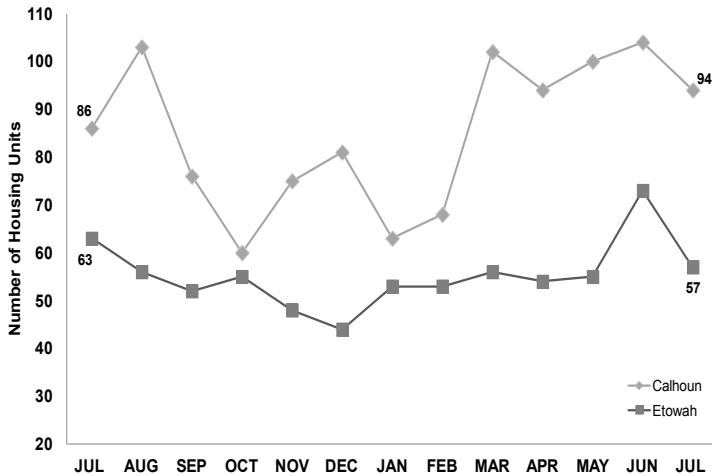
Source: AAA Alabama

### Consumer Price Index - U.S. Average July 2012 - July 2013



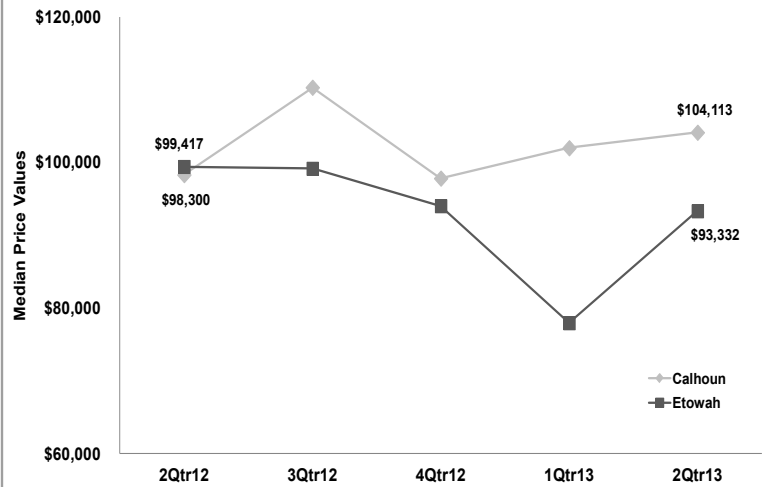
Source: Consumer Price Index

### Housing Units Sold July 2012 - July 2013



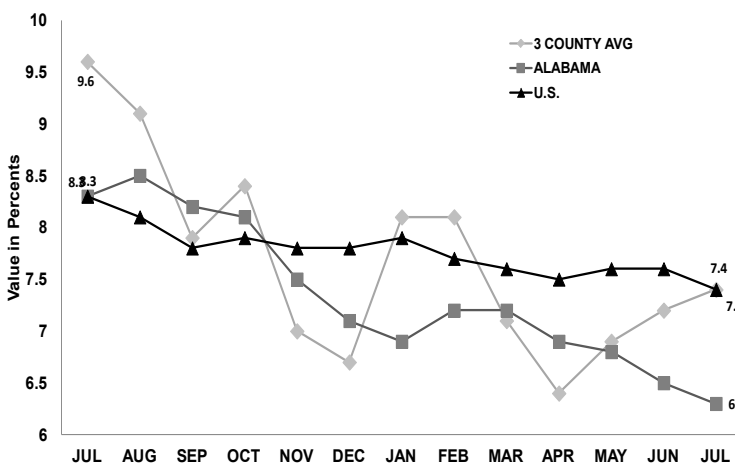
Source: Alabama Center for Real Estate, University of Alabama

### Median Home Prices 2012 - 2013



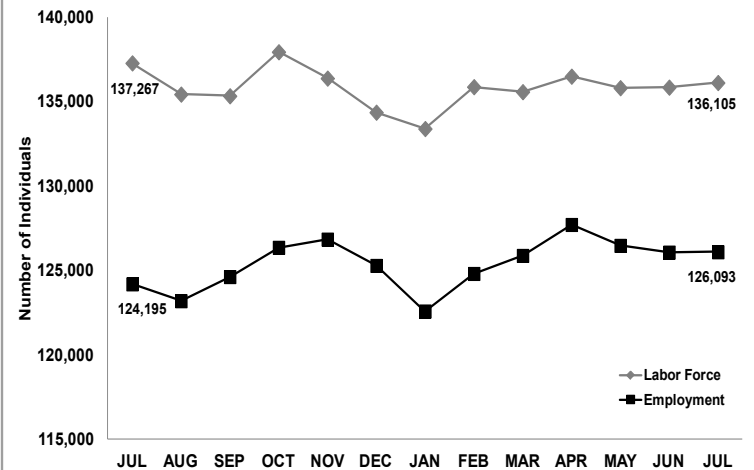
Source: Alabama Center for Real Estate, University of Alabama

### Unemployment Rate July 2012 - July 2013 (3 County Average - Calhoun, Etowah, Talladega)



Source: Bureau of Labor Statistics

### Civilian Labor Force & Employment July 2012 - July 2013 (3 County Average - Calhoun, Etowah, Talladega)



Source: Alabama Department of Labor



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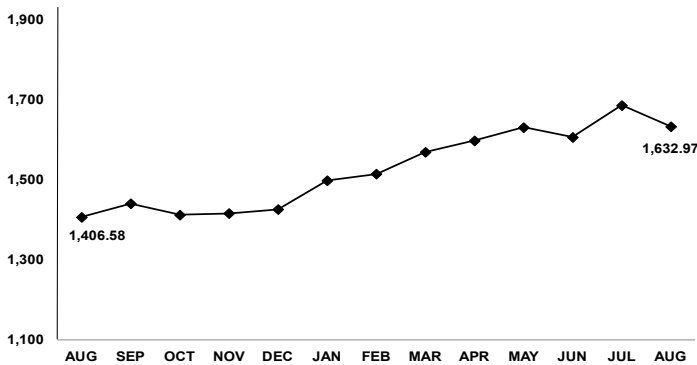
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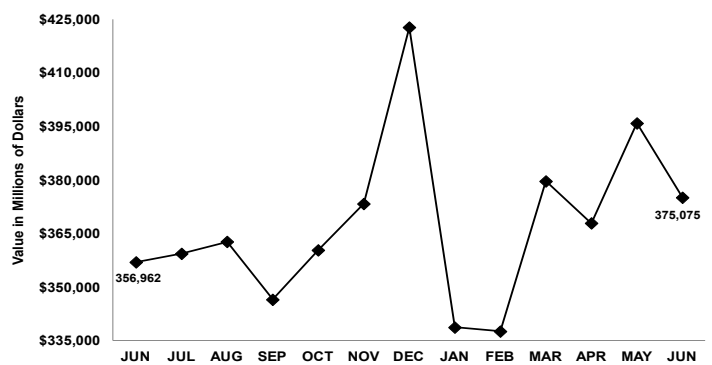
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**Standard & Poor's Index  
August 2012- August 2013**



Source: Standard & Poor's Index

**U.S. Retail Sales  
June 2012 - June 2013**



Source: Monthly Retail Trade Report, U.S. Census Bureau

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