

# Bush tax cuts (2002) report

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## Bush tax cut (2002)

### **Introduction**

Fiscal policy is a macro economy tool that is used by the government or national administration to stabilize the economy of a country. Therefore, Fiscal Policy Actions are measures that the government employs in stabilizing the economy of a country, particularly through adjusting allocations and levels of government expenditures and taxes. There exist contractionary and expansionary Fiscal policies legislations and are applied depending on the state that an economy is in. There are various types of Fiscal policy actions and Bush tax cuts (2002) are one of them.

Tax cuts are actually a quick and easy way to stimulate a country's economy through putting extra money directly into the hands of the taxpayers.

President George W. Bush actually gave tax cuts to the families in the year 2001 and to the businesses in 2003. However, these tax cuts were supposed to come to an end in 2011 (Auerbach 18). Instead of them expiring in 2011, in 2010 they were essentially extended for 2 extra years. Therefore, this phrase is used to mean the changes to the tax code in United States that were originally passed during George. W. Bush presidency and prolonged during Barack Obama presidency through “ Economic Growth and Tax Relief Reconciliation Act” in 2001, “ Jobs and Growth Tax Relief Reconciliation Act” in 2003, “ Job creation and workers Assistance Act of 2002,” “ Tax Relief, Unemployment Insurance Reauthorization and Job Creation Act” in 2010, and “ American Taxpayer Relief Act” in 2012. (Auerbach 23)

The Bush Tax Cuts (2002) or basically “ Job creation and workers Assistance Act of 2002,” was also a Fiscal Policy Legislation. This economic stimulus bill

was in fact signed by the president on 9th March, 2002 into law. It was a Fiscal Policy legislation that the United States government meant to use in the provision for the bonus depreciation. This type of depreciation allows the US firms to claim the extra deductions for the depreciation of the physical capital investment in the long term in early years that reduces the reported corporate profits hence taxes owned in the current time (Auerbach 57). The provision allowed 30% initial year deduction of the qualified investments value that were actually made after 10th September, 2001, and before 11th September, 2004.

It is worth to note that this short period provision intention was essentially to boost the investment spending in economic weakness period. Additionally, under the initial year, 30 percent Bonus Depreciation Deduction, businesses were entitled to the normal initial year depreciation in MACRS. However, regular depreciation allowances and property depreciable basis were to be adjusted so that they could reflect the extra initial year depreciation deductions (Hungerford 39). The small business owners who operated in US who have either not adopted or partially adopted federal bonus depreciation that was either provided in Bush tax cut (2002) or Bush tax cut (2003) were advised by the tax professionals not to take bonus depreciation deductions. Furthermore, the Bush tax cut (2002) increased the carryback of the net operating losses to five years. This means that the net operating losses that were arising by the end of 2001 and 2002 could be carried back up to 5 years. Before this legislation, these types of losses could essentially be carried out back to only 2 years. This Fiscal Policy legislation was scheduled to come to an end in 2004. Nevertheless, it was extended in the year 2003.

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The Legislation also included a clause about the unemployment assistance. The Federal State Agreements generally stated that desires to enter into an agreement with the secretary of labor were supposed to provide a written notice in 30 days to the secretary. Therefore, under this clause the eligible displaced workers were provided for approximately 13 weeks of the temporary extended unemployment remunerations. The benefits would actually be available following the enactment in a given state that was entering into agreement with the labor secretary to provide those benefits (Hungerford 75). These benefits would actually be available to the workers who would have filled initial claim for the unemployment benefits after or on 15th March, 2001 and who were not in a position to get a job after exhausting their fixed employment benefits.

Thus, the above discussion reports about Bush tax cut (2002) and the various effects that this legislation had. The legislation can in fact be described as an expansionary fiscal policy because its aim was to boost the investment spending in economic weakness period. Therefore, this fiscal policy legislation purpose was to expand the economic activities in the United States. However, there are a number of critics argue that this legislation failed to bring growth. These critics have further argued that these legislations only increased the budget deficit, raised the income inequality levels further, and shifted tax burden from rich to working and middle classes (Hungerford 90). Some have even argued that these legislations are government reverse redistribution of wealth where taxation burden is essentially shifted away from the capital owning, upper income households to the middle and lower income earning classes.

## **Works cited**

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