

Table T17-0214
Revenue Neutral Proposal to Lower Individual and Corporate Income Tax Rates and Repeal Tax Expenditures¹
Baseline: Current Law
Impact on Tax Revenue, 2018-37 by Fiscal Year

Provision	Fiscal Year										
	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2018-27
Individual Income and Payroll Taxes											
Repeal the individual AMT, NIIT, PEP, and "Pease"	-49.7	-69.3	-82.1	-89.7	-95.0	-100.3	-106.4	-113.2	-120.1	-127.0	-952.9
Reduce individual rates to 6.1, 11, and 28 percent ²	-494.1	-679.1	-706.8	-737.7	-770.1	-804.6	-840.8	-877.6	-914.9	-953.3	-7,779.1
Repeal individual tax expenditures	521.0	758.0	808.3	852.2	890.7	932.5	975.6	1,019.1	1,065.1	1,111.1	8,933.6
Total for individual income tax revenue	-22.9	9.6	19.4	24.7	25.6	27.6	28.4	28.3	30.1	30.8	201.7
Corporate Income Tax											
Repeal the corporate AMT	-6.4	-10.6	-9.9	-8.3	-7.8	-8.0	-8.1	-8.3	-8.7	-9.0	-85.2
Reduce corporate rate to flat 26.0 percent	-48.7	-97.4	-116.6	-116.7	-118.6	-120.7	-124.3	-128.3	-132.9	-138.3	-1,142.5
Territorial system plus minimum tax on foreign-source income earned after 12-31-17	2.1	4.0	4.3	4.1	3.9	3.7	3.4	3.1	2.8	2.5	34.0
Repeal corporate tax expenditures	52.7	108.7	126.5	136.2	139.9	143.8	157.5	173.3	188.6	203.6	1,430.8
Total for corporate income tax revenue	-0.4	4.7	4.3	15.3	17.5	18.8	28.6	39.8	49.8	58.8	237.1
Total revenue effect of plan	-23.3	14.3	23.7	40.0	43.1	46.4	57.0	68.1	79.9	89.6	438.8
Addendum 1: Change in federal debt service costs											
Change in deficit (before debt service costs)	23.3	-14.3	-23.7	-40.0	-43.1	-46.4	-57.0	-68.1	-79.9	-89.6	-438.8
Change in interest costs	0.2	0.3	-0.1	-1.0	-2.3	-3.8	-5.6	-7.8	-10.4	-13.5	-44.0
Change in deficit	23.5	-14.1	-23.8	-41.0	-45.4	-50.2	-62.6	-75.8	-90.3	-103.1	-482.8
Addendum 2: Change in federal debt relative to GDP											
Change in federal debt	23.5	9.4	-14.4	-55.4	-100.8	-150.9	-213.5	-289.4	-379.7	-482.8	-1,654.0
GDP ³	19,926	20,661	21,378	22,168	23,037	23,948	24,899	25,889	26,917	27,985	236,809
Increase in federal debt relative to GDP (percent)	0.1	0.0	-0.1	-0.2	-0.4	-0.6	-0.9	-1.1	-1.4	-1.7	-0.7

Provision	Fiscal Year										
	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2028-37
Individual Income and Payroll Taxes											
Repeal the individual AMT, NIIT, PEP, and "Pease"	-134.2	-142.9	-152.5	-160.6	-168.4	-176.5	-185.1	-194.0	-203.4	-213.2	-1,730.8
Reduce individual rates to 6.1, 11, and 28 percent ²	-992.8	-1,034.2	-1,077.4	-1,124.0	-1,173.0	-1,224.1	-1,277.5	-1,333.2	-1,391.4	-1,452.1	-12,079.7
Repeal individual tax expenditures	1,158.1	1,206.7	1,257.2	1,309.0	1,361.9	1,416.7	1,473.5	1,532.6	1,594.3	1,658.4	13,968.4
Total for individual income tax revenue	31.1	29.7	27.2	24.4	20.6	16.0	10.9	5.3	-0.5	-6.9	157.9
Corporate Income Tax											
Repeal the corporate AMT	-9.4	-9.7	-10.1	-10.5	-11.0	-11.4	-11.9	-12.3	-12.8	-13.3	-112.5
Reduce corporate rate to flat 26.0 percent	-143.8	-149.6	-155.6	-161.8	-168.3	-175.0	-182.0	-189.3	-196.8	-204.7	-1,726.9
Territorial system plus minimum tax on foreign-source income earned after 12-31-17	2.1	1.7	1.3	0.9	0.4	-0.1	-0.7	-1.2	-1.9	-2.5	0.0
Repeal corporate tax expenditures	213.5	216.9	216.4	214.5	212.2	210.1	209.3	210.7	214.5	219.8	2,138.1
Total for corporate income tax revenue	62.4	59.3	52.0	43.0	33.4	23.6	14.8	7.9	3.0	-0.8	298.7
Total revenue effect of plan	93.6	89.0	79.2	67.4	54.0	39.7	25.7	13.2	2.5	-7.6	456.7
Addendum 1: Change in federal debt service costs											
Change in deficit (before debt service costs)	-93.6	-89.0	-79.2	-67.4	-54.0	-39.7	-25.7	-13.2	-2.5	7.6	-456.7
Change in interest costs	-16.9	-20.4	-23.8	-26.9	-29.8	-32.3	-34.4	-36.1	-37.5	-38.7	-296.8
Change in deficit	-110.5	-109.4	-103.0	-94.4	-83.8	-72.0	-60.1	-49.3	-40.0	-31.0	-753.5
Addendum 2: Change in federal debt relative to GDP											
Change in federal debt	-593.2	-702.6	-805.6	-900.0	-983.8	-1,055.7	-1,115.8	-1,165.2	-1,205.2	-1,236.2	-9,763.4
GDP ³	29,104	30,268	31,478	32,737	34,046	35,407	36,823	38,295	39,826	41,419	349,401
Increase in federal debt relative to GDP (percent)	-2.0	-2.3	-2.6	-2.7	-2.9	-3.0	-3.0	-3.0	-3.0	-3.0	-2.8

Source: Urban-Brookings Tax Policy Center (TPC) Microsimulation Model (version 0217-1) and TPC off-model estimates.

Note: AMT = alternative minimum tax; NIIT = net investment income tax; PEP = personal exemption phaseout; "Pease" = limitation on itemized deductions.

¹ Proposal is designed to be revenue neutral in FY 2037. For more details, see <http://www.taxpolicycenter.org/publications/tax-reform-tradeoff-eliminating-tax-expenditures-reducing-rates>.

² The 6.1% rate applies to income in the current law 10% and 15% brackets, 11% rate applies to income in the current law 25% and 28% brackets, and the 28% rate applies to income above the current law 28% bracket.

³ The GDP forecast through 2027 is from CBO, The Budget and Economic Outlook: 2017 to 2027 (January 2017) and for 2028-2037 is from CBO, The 2017 Long-Term Budget Outlook (March 2017).