TPC TAX POLICY CENTER
URBAN INSTITUTE & BROOKINGS INSTITUTION

2017 ANNUAL REPORT

TAX POLICY CENTER

URBAN INSTITUTE & BROOKINGS INSTITUTION

Annual Report 2017

The Urban Institute | 2100 M Street NW, Washington, DC 20037

The Brookings Institution | 1775 Massachusetts Avenue NW, Washington, DC 20036

taxpolicycenter.org

LETTER FROM THE DIRECTORS

During 2017, Congress considered and enacted the most far-reaching federal tax overhaul in three decades. The Tax Policy Center (TPC) played a central role in tax policy discussions in 2017. As in prior years, TPC's nonpartisan and timely analysis of proposals helped policymakers, media outlets, and interested citizens understand the implications of tax policy choices.

The new administration and congressional leadership made tax legislation a key priority. TPC analyzed early iterations of tax reform, starting with the president's April outline. In September, when the administration and congressional leadership released the *Unified Framework for Fixing Our Broken Tax Code*, we released a much-discussed analysis of the proposals. And our activities reached a frenetic pace late in the year as the House and Senate considered versions of the Tax Cuts and Jobs Act (TCJA) and as it was passed into law in late December.

TPC's nonpartisan analyses were also crucial discussion drivers in the health care reform debate that took place earlier in 2017. In the spring, the House considered the American Health Care Act and the Senate considered the Better Care Reconciliation Act. TPC, working closely with colleagues in the Urban Institute's Health Policy Center, found that both proposals would be regressive, pairing health coverage reductions for low- and middle-income households with tax cuts for higher-income households. Ultimately, neither bill was enacted. Our work in this area illustrated why analyzing tax-and-transfer programs in tandem is important and revealing.

We continued to improve our models. We built the first stage of a business tax model, which produced estimates of the effects of tax proposals on federal revenue, incentives to invest, choices related to the source of financing and the form of business organization, and tax burdens across firms and industries. TPC also made significant progress modeling the macroeconomic effects of tax policy. This expanded capability illustrated the potential effects of the TCJA on economic output in the short and long run.

We hosted 12 public events on a range of issues. We launched a distinguished speaker series featuring prominent figures, including Council of Economic Advisers Chair Kevin Hassett, Senate Finance Committee Ranking Member Ron Wyden (D-OR), and former IRS Commissioner John Koskinen. Giving elected and appointed officials of both major political parties the opportunity to discuss important issues in a nonpartisan environment is a hallmark of TPC's approach to public education. And TPC's expertise was called upon by members of government: Robert C. Pozen Director Mark Mazur and former TPC director and Institute fellow Donald Marron testified before the Senate Finance Committee on tax reform, and TPC experts contributed policy briefs, op-eds, and blog posts.

We communicated the TPC work on our website, the *TaxVox* blog, and various social media outlets as we continued to grow our presence on all these communication outlets. We also debuted a new feature section on the website that communicates our analyses in a visually dynamic and interactive way and can display an array of products, such as videos, podcasts, animated graphs, and traditional research papers, all on one page. TPC also created a trial podcast series in 2017. The series consisted of three episodes that each takes an investigative look at complex tax issues that were part of the 2017 tax reform debate.

In these ways and more, TPC informed the public, media, and policymakers and laid the groundwork for a robust debate on tax policy issues. We are grateful to our many generous funders for making this work possible.

As we begin a new era in tax policy in the wake of the 2017 legislation, TPC is preparing to lead the discussion of future directions for tax policy. As always, we appreciate your continuing interest in our work and welcome your feedback and suggestions.

Thank you for your support.

MARK J. MAZUR

ERIC TODER

WILLIAM G. GALE

ABOUT THE TAX POLICY CENTER

The Tax Policy Center, a joint venture of the Urban Institute and the Brookings Institution, has been educating the public and policymakers about tax and budget policy for more than 15 years. TPC combines high-quality, timely, and nonpartisan research with an unflagging commitment to translating complex analysis into accessible and engaging language. Simply put, we believe that better information, rigorous analysis, fresh ideas, and clear communication can shape decisions and improve policy.

We focus on five overarching areas:

Fair, simple, and efficient taxation. Taxes should be simple, fair, and efficient. We recognize and quantify trade-offs among these goals and identify promising reform.

Business taxation. The taxation of business entities—from single-owner firms to large multinational enterprises—raises complex issues. We analyze the economic effects of proposed business tax reforms and examine alternative approaches.

Social policy in the tax code. Many programs to aid low-income families and promote other social goals are designed as tax subsidies instead of direct expenditures. We evaluate the effectiveness of these policies in achieving their goals as well as their effects on the distribution of tax burdens among households.

Long-term implications of tax and budget choices. The United States faces a dismal fiscal future in part because projected revenues fall far short of anticipated spending needs, especially for health care and retirement benefits. We examine the implications of current policies and proposed tax changes on the well-being of future generations.

State and local fiscal issues. Many Americans pay more in state and local taxes than in federal income taxes, and states promote their own social and economic policy goals through tax policy. TPC experts analyze the interaction of federal, state, and local tax and budget policies and cross-state variation in taxes and evaluate their fairness and efficiency.

PRODUCTIVITY AT A GLANCE

RESEARCH & TESTIMONY

107
Discussion papers, research reports, policy briefs, articles, and commentaries

3
Testimonies before Congress

338
Model estimates

PUBLIC OUTREACH

12
Public policy symposia

5K+
TPC newsletter subscribers

441
TaxVox and *Daily Deduction* posts

28K
Twitter followers

1,539
Facebook likes

MEDIA

57K+
Media mentions

WEBSITE

4.3M+
Page views

580K+
TaxVox page views

MOST-VIEWED PUBLICATIONS

34,559 VIEWS

Preliminary Analysis of the Unified Framework

AUTHORS: TPC STAFF

25,004 VIEWS

Distributional Analysis of the Conference Agreement for the Tax Cuts and Jobs Act

AUTHORS: TPC STAFF

15,012 VIEWS

Preliminary Distributional Analysis of the Tax Cuts and Jobs Act

AUTHORS: TPC STAFF

14,564 VIEWS

An Analysis of the House GOP Tax Plan

AUTHORS: LEONARD E. BURMAN, JAMES R. NUNNS, BENJAMIN R. PAGE, JEFFREY ROHALY, JOSEPH ROSENBERG

9,097 VIEWS

Distributional Analysis of the Tax Cuts and Jobs Act as Passed by the Senate Finance Committee

AUTHORS: TPC STAFF

TAX CUTS & JOBS ACT

At the end of 2017, policymakers enacted the largest tax change in decades: the Tax Cuts and Jobs Act. In the run-up to and throughout the tax reform discussion, TPC played a central role in providing useful analyses that highlighted the implications of potential tax changes. As congressional and administration leadership released talking points, outlines, frameworks, and proposals, TPC produced numerous revenue, distributional, and macroeconomic analyses. This work was crucial in helping the media; federal, state, and local policymakers; and the interested public understand the size and scope of proposed changes.

HIGHLIGHTS

In April, the White House released its first outline for tax reform. TPC produced two related analyses: "What Is Known about Donald Trump's Tax Plan?" and "The Implications of What We Know and Don't Know about President Trump's Tax Plan," which included preliminary revenue and distributional estimates. Because the outline was not a fully detailed proposal, TPC modeled a tax system consistent with the released information and prior Republican and presidential campaign proposals. TPC made explicit the assumptions needed to model the plan and emphasized that its analysis would be updated to conform with any new details.

In September, TPC released an analysis of the *Unified Framework for Fixing Our Broken Tax Code*, a set of principles agreed upon by the administration and congressional leaders in both the House and Senate. TPC's analysis of the Unified Framework filled in some details that were missing from the document by using prior congressional proposals and President

Trump's campaign documents. TPC found that, contrary to assertions by administration and congressional leaders, the Unified Framework would increase the deficit and make the tax system less progressive. Although the administration and some congressional GOP leaders objected to our analysis, later versions of the tax bill were less costly and regressive than the Unified Framework, possibly in response to concerns we highlighted. The work TPC performed in early and mid-2017 laid the groundwork for the quick, important, and impactful analysis surrounding the TCJA later in the year.

The TCJA was introduced into the House of Representatives as H.R. 1 in November. It was taken up by the Senate shortly thereafter and was passed by both chambers in late November. A conference committee produced one bill to substantially overhaul the federal tax system, which was passed by both Houses of Congress in December and signed into law by President Trump on December 21.

TPC extensively modeled and discussed the TCJA over the two-month period it was under consideration in Congress, publishing five distributional analyses, four macroeconomic analyses, one report discussing financing options for the TCJA, and two briefs describing the effects of the law on sample families. Much of our analysis was summarized in easily-understood *TaxVox* blog posts and distributed to the press through regular briefings and interviews.

TPC's work on the TCJA clarified the effects of the bill during a quick legislative process when the public, press, and lawmakers and their staffs were clamoring for information. These analyses were relied upon heavily as Americans tried to understand the size and scope of potential tax changes. Reporters frequently consulted TPC scholars and staff to explain the provisions and implications of items in the TCJA, to compare the House and Senate bills, and to detail TPC analyses of the proposed legislation. TPC experts regularly briefed legislative staff on the design and implications of the

TCJA's provisions, and TPC's analyses were frequently cited in public discussions about the proposed changes. Staff from TPC's State and Local Finance Initiative also briefed and educated state officials on the bill, explaining how it would likely affect state governments.

After the TCJA was enacted, TPC released case studies showing how the law will affect different households, comparing single people versus married couples; people with wage income with those who own their own businesses; and those who live in high-, low-, and moderate-tax states. These examples helped answer questions from the media, policymakers, and interested public on how the new law will affect taxpayers in different situations.

TPC produced an online tax calculator that allows users to see how the TCJA will affect them. Taxpayers can choose from preselected scenarios or enter their own information about dependents, income sources, and deductions and expenses. Users can then see how the TCJA will affect their taxes in 2018.

TPC codirector William Gale, senior research associate Surachai Khitatrakun, and senior research analyst Aaron Krupkin examined the distributional effects of the House and Senate tax bills, incorporating alternative ways of paying for the costs of tax cuts. They found that if the tax cuts were eventually financed with payments that are equal across households in dollars or equal as a share of income, the vast majority of households would be worse off after the tax cuts were paid for than they would have been if the tax cuts had not occurred.

Providing accurate, quick analysis of timely and broad reforms is among TPC's most important work, and its impact has been tremendous. As Congress contemplated the most sweeping tax bill in decades, TPC has been able to interject facts and evidence into the public discourse, helping shape the discussions about the effects of the TCJA occurring in the Capitol and across the country.

Photo: Kevin Hassett speaks at TPC's Distinguished Speaker Series event on October 5, 2017. (Photo by Alswang Photography)


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TAX FAIRNESS, EFFICIENCY, & SIMPLICITY

The US tax system has been criticized for being complex and inefficient, leading policymakers to call for a tax code overhaul in 2017. TPC staff advised policymakers throughout the year to identify fairer policies for all taxpayers.

HIGHLIGHTS

Throughout 2017, TPC staff worked with congressional members and staff to develop proposals to reform the tax system. For example, senior research associate Elaine Maag met with policymakers on several occasions to share analysis of proposals that would address the financial challenges faced by low- and moderate-income families with children. Proposals aimed at these concerns included one from Senator Marco Rubio (R-FL) to significantly expand the child tax credit. In a different approach, Congressman Ro Khanna (D-PA) and Senator Michael Bennet (D-CO) developed a proposal to significantly expand the earned income tax credit that would offset the relatively slow growth of wages for low- and middle-income workers over the past generation. Both proposals received attention from policymakers seeking to address concerns about stagnating incomes for the bottom half of the income distribution.

In May, Elaine Maag spoke to the Democratic Women's Working Group on who benefits from the tax system's subsidies for child care and how the tax system could be altered to provide more assistance for child care to low- and moderate-income families. Her analysis of President Trump's campaign proposal to subsidize child care received significant attention—it found that 70 percent of benefits would have gone to families with at least $100,000 of income and 25 percent of benefits would go to families making at least $200,000. Many very low–income families would have received no benefit from the proposal. As a result of that analysis and others, Congress shifted focus away from a child care credit;

instead the TCJA expanded the child tax credit and increased its refundable component so it could assist many more low-income families.

In July, TPC's Robert C. Pozen Director, Mark Mazur, testified before the US Senate Committee on Finance as a part of the hearing "Comprehensive Tax Reform: Prospects and Challenges." Mazur presented the principles of tax policy, reviewed lessons from previous reform efforts, and identified several areas of the tax code where reform appears feasible and beneficial. He pointed out that an ideal tax system would advance the three principles of efficiency, equity, and simplicity while recognizing that sometimes those aims conflict. Mazur observed that real tax reform is technically and politically difficult and thus requires a bipartisan effort. Mazur also identified possible areas of reform: the tax treatment of businesses, rationalizing tax incentives, and determining income and expenses in the gig economy.

In October, senior fellow Tracy Gordon spoke to the New Democrat Coalition's 21st Century Infrastructure Task Force. Gordon described how people across party lines in government, business, academia, and the advocacy community broadly agree that our nation's infrastructure is not keeping pace with the demands of a 21st century economy or a changing society. Gordon gave policymakers four points to consider when crafting sustainable infrastructure policy: using realistic spending benchmarks, considering the role state and local governments play in building infrastructure, recalling that the federal government has many tools to encourage infrastructure spending, and remembering that funding is not financing.

In November, senior fellow Kim Rueben participated in a Democratic Staff House Education and Workforce Briefing on the State and Local Tax (SALT) deduction and the implication of what the tax bills under consideration would mean for education funding. She discussed the various provisions under consideration, such as eliminating or limiting the SALT deduction, changes in the tax treatment of tuition, and other proposals concerning higher education.

BUSINESS TAX REFORM

Reforming the business provisions of the federal tax code was one of President Trump's top policy objectives in 2017. Administration and congressional Republican leaders focused on lowering the corporate tax rate, aiming to bring more tax dollars back to the US and making US-based firms more competitive with foreign businesses.

TPC played a core role in educating the public on the state of the US business tax system and the implications of proposed tax changes.

HIGHLIGHTS

Business tax reform was one of the highest priorities laid out by the new administration and was at the center of tax policy discussions throughout the year. TPC educated the public and policymakers on the topic through public symposia, blog posts and analyses, and testimony before Congress.

TPC hosted several events on business tax reform in 2017. One of our most notable convenings was a half-day event in March, "The Prospect for Corporate Tax Reform." The event featured experts and policymakers, including University of California professor Alan Auerbach, Senator Ron Wyden (D-OR), and Douglas Holtz-Eakin, president of the American Action Forum. Senator Wyden delivered a keynote address predicting how the tax debate would play out over the coming year. Professor Auerbach discussed the implications of changing the US's territorial taxation system to a destination-based cash-flow tax, a proposal he helped develop. And panelists discussed the costs and benefits of different options to reform the taxation of multinational firms.

In June, Robert C. Pozen Director Mark Mazur testified before the US Senate Committee on Small Business and Entrepreneurship during a hearing titled "Tax Reform: Removing the Barriers to Small Business Growth." In his testimony, Mazur presented a review of the principles of desirable tax policy, basic findings about businesses in the United States, how the tax system affects smaller businesses, and possible reform options to aid smaller businesses. He outlined several provisions that might be included in a tax reform package, such as increasing limits for start-up and organizational expenses, allowing a simpler method of cash accounting for smaller businesses, and establishing basic income reporting rules for payments between businesses.

Former TPC director and Institute fellow Donald Marron testified before the US Senate Committee on Finance at a hearing titled "Business Tax Reform." Marron explained how corporate tax cuts could benefit workers, raised concerns about proposals to tax pass-through income at

preferential rates, and stressed that policymakers should be realistic about the short-term growth benefits of business tax reform. Marron later reflected on his testimony in a *TaxVox* post, “Eight Thoughts on Business Tax Reform.”

In October, TPC hosted Kevin Hassett, Chair of the Council of Economic Advisers, as the inaugural guest of TPC’s Distinguished Speaker Series. During his speech, Hassett said that the Unified Framework published by congressional leadership and the administration would significantly increase business investment, increase domestic employment, and raise worker wages by an average of $4,000. He argued that by making statutory US corporate tax rates competitive with the rest of the developed world, firms would be encouraged to stop inappropriate transfer pricing, corporate inversions, and other income-shifting practices.

TPC codirector Eric Toder discussed the effects of the corporate tax changes in the TCJA in a December article published in the Harvard Business Review. Toder discussed the rationale for the corporate and international tax reforms, but he also noted that the legislation would increase the federal deficit and disproportionately benefit high-income taxpayers. He further argued that many provisions were poorly understood and would likely have unintended consequences.

In December, Toder authored a paper explaining the choice between territorial and worldwide taxation. The TCJA moved the US toward a territorial system for taxing US multinational corporations by eliminating taxation of repatriated dividends, but the law also introduced a new minimum tax on foreign-source intangible profits of US multinational companies and included measures to curb income stripping by foreign-based multinationals from their US subsidiaries. By shifting toward a territorial system, the TCJA removes a tax distortion that has led US companies to accumulate more than $2.6 trillion of past profits in their foreign affiliates. However, the law still retains incentives for US companies to shift investment and reported profits overseas and continues to place some US companies at a competitive disadvantage compared with foreign-based firms that pay no home-country tax on their foreign-source income. The lower corporate rate in the US, however, reduces these distortions.

Photo: Alan Auerbach participates in a moderated discussion with TPC codirector Bill Gale at TPC’s Annual Conference on March 3, 2017, “The Prospects for Corporate Tax Reform.” (Photo by Alswang Photography)


TPC
Prospects for
rate Tax Reform

SOCIAL POLICY IN THE TAX CODE

The role of social policy in the tax code—and its resultant impact on families, children, and vulnerable populations—remains a principal theme of TPC's work. TPC staff worked with policymakers to ensure that social policy was considered when Republican leadership were crafting their tax plans.

HIGHLIGHTS

During the spring of 2017, Congress considered several proposals to reform the Affordable Care Act. TPC researchers partnered with our colleagues in the Urban Institute's Health Policy Center to publish rapid-response analyses of these reform proposals and presented combined effects of both tax-and-transfer programs. Our analysis of the American Health Care Act garnered over 11,000 page views, and the results were shared many times over through social and print media. A TPC tweet including a visualization of the analysis's findings that the proposal would be very regressive reached over 25,000 people on social media.

TPC and the Health Policy Center also worked to analyze the tax-and-transfer effects of the Better Care Reconciliation Act. Soon after our initial analysis showing a regressive policy shift was released, the Senate modified certain provisions of the Better Care Reconciliation Act that would affect the distributional results. Within two days, we updated our analysis to include changes made to the bill indicating the outcomes were less regressive than in the previous version. Dissemination of these analyses was equally far-reaching: senior fellow Howard Gleckman authored two blog posts on TPC's analysis of the Affordable Care Act repeal efforts, and each received over 12,000 views. Through these efforts, TPC showcased its ability to produce quick, relevant analysis on issues related (but not confined) to tax policy. The press and policymakers especially valued our analysis as official distributional analyses were not available while the bills were being considered.

In December, senior research associate Elaine Maag released a research report on the TCJA's impact on families with young children. The new law increased the child tax credit but did not specifically target benefits to families with very young children. In the years following the passage of the TCJA, on average, low-income families with children will receive only modest tax benefits. Unlike most of the TCJA's corporate provisions, almost all the provisions affecting families expire by 2026.

"The Urban-Brookings Tax Policy Center and the Joint Committee on Taxation, both respected, both nonideological, say the bill would primarily benefit the wealthy and would leave most poor and middle-class Americans worse off over the long run."

—the *New York Times* Editorial Board on the Tax Cuts and Jobs Act, featured in the article, "The Tax Bill That Inequality Created," December 16, 2017

LONG-TERM IMPLICATIONS OF TAX & BUDGET CHOICES

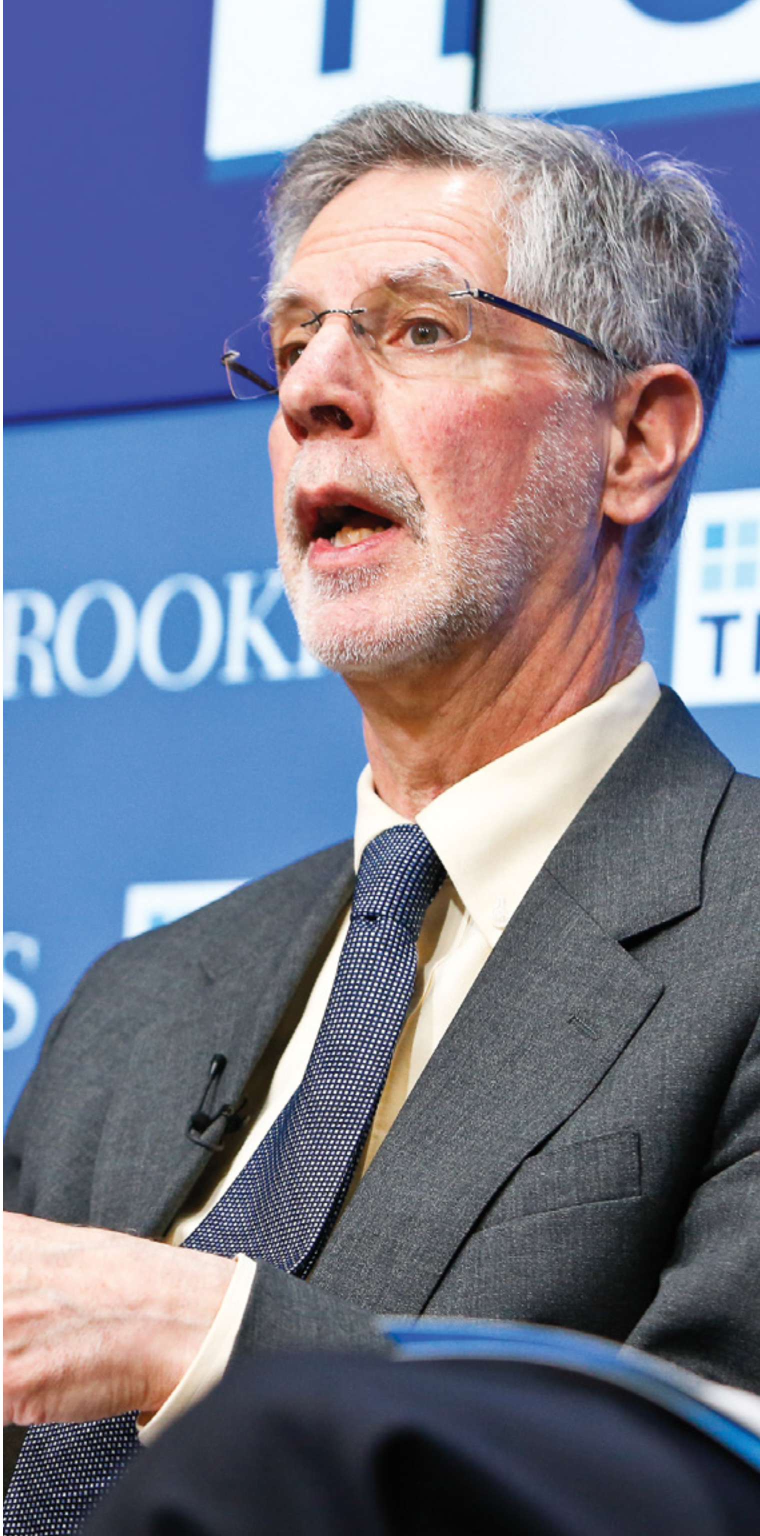
TPC continues to play a leading role in highlighting the medium- and long-term fiscal challenges facing the United States. Much of the analysis surrounding the Tax Cuts and Jobs Act focused on the immediate effects after enactment. Using longer-term analytical capabilities, TPC continues to illustrate the long-term structural changes that the TCJA and other tax policies will bring about.

HIGHLIGHTS

In anticipation of the 2017 tax debate, TPC staff authored a series of briefs explaining the key issues that policymakers could address. One such brief, “The Macroeconomic Effects of Taxes,” examines the effects of tax policy on the broader economy. Senior fellow Benjamin Page explained that tax policy can affect macroeconomic variables such as overall output, investment, real wages, and interest rates in three main ways: by altering demand for goods and services; by changing incentives to work, save, and invest; and by raising or lowering budget deficits. The macroeconomic effects of taxes are important because they can affect people’s well-being, although those effects do not always directly correspond to the effects on measured economic output. Macroeconomic changes also influence the amount of revenue a tax system raises through so-called dynamic effects. However, evidence suggests that the effects on revenue from changes in output caused by tax cuts are generally modest.

In December, Benjamin Page, Joseph Rosenberg, James R. Nunns, Jeffrey Rohaly, and Daniel Berger published “Macroeconomic Analysis of the Tax Cuts and Jobs Act.” That analysis used TPC’s macroeconomic models to estimate the effects of the TCJA on gross domestic product (GDP) and taxable incomes as well as the resulting dynamic effect on revenues. The analysis estimated that the TCJA will raise GDP modestly in the short run, largely by increasing after-tax income and therefore the demand for goods and services. In the medium run, GDP will also be higher because lower marginal tax rates will increase the incentive to work and save. Following the expiration of most individual provisions after 2025, however, the law has little effect on output. The temporary boost to GDP and taxable incomes is estimated to offset only a small part of the revenue losses from the TCJA, and debt is projected to be higher as a share of GDP over the next two decades as a result of the TCJA.

TPC staff also worked to update prior work. In June, senior fellow Benjamin Page released a brief, "Dynamic Analysis of the House GOP Tax Plan: An Update." This brief presented updated estimates of the macroeconomic effects and the resulting dynamic impact on revenues of the House GOP tax plan announced in June 2016. The estimates were produced in two ways: one set of estimates used a combination of TPC's Keynesian and neoclassical models, and a second set of estimates was based on the Penn-Wharton Budget Model. Both methods found positive dynamic effects on output and revenues over the first few years after assumed enactment and found negative effects in later years. When this analysis was released, congressional leadership had yet to present their



outline for tax reform, and members of the press and the public were looking to the House GOP plan from 2016 to understand the implications of potential tax reform.

In November, TPC launched a digital feature titled “Building State Budgets: Effective Process and Practice.” The feature displays findings from a research report and eight briefs by senior fellow Kim Rueben and research associate Megan Randall on state fiscal institutions. In the report, Randall and Rueben reviewed an extensive body of literature and offered evidence-based recommendations for how states can improve budgeting practices to ensure long-term fiscal health. The report covered 11 fiscal institutions ranging from balanced-budget requirements to budget stabilization funds. Pairing strict balanced-budget requirements with contributions to a budget stabilization fund, reforming tax and expenditure limits that prevent states from saving during good times or raising revenues during downturns, and reforming practices that obscure long-term budget costs can all help improve states’ long-term fiscal outlook.

Photo: Robert Tobias, Karlyn Bowman, and Howard Gleckman engage in a panel discussion at the second annual Lubick Symposium on April 7, 2018. (Photo by Paul Morigi)


INSTITUTE & BROOKINGS INSTITUTION
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TPC

STATE & LOCAL FINANCES

The State and Local Finance Initiative (SLFI) is part of TPC but also collaborates with many Urban Institute colleagues on a wide range of topics. SLFI produces current, reliable, and unbiased research on state and local fiscal issues and acts as a clearinghouse for data and analysis on state and local governments. In addition to their own research, SLFI members also often apply their expertise and collaborate with TPC and Urban Institute colleagues on projects ranging from federal tax policy to education spending to immigration. SLFI aims to help citizens, policymakers, researchers, and journalists understand the fiscal policy trade-offs facing all governments and contributes to an informed debate in these policy areas.

HIGHLIGHTS

In January, SLFI hosted its annual event on fiscal trends in state government. "State of the States: Budgeting in the Trump Era" was held only a few days after President Trump took office; the event examined how the new administration might affect federal-state relationships and states' fiscal health. An accompanying brief by senior fellow Kim Rueben and research associate Richard Auxier, "State Budgets in the Trump Era," examined the major federal reforms that President Trump and House Republicans proposed during the 2016 campaign on taxes, health care, infrastructure, and more. The brief also showed how, if enacted, these policies could affect state budgets. SLFI returned to this topic throughout the year, publishing several blog posts and talking with journalists about what federal legislation meant for states. SLFI staff members met and spoke with state and local officials about federal tax reform throughout the year, presenting at National Conference of State Legislatures and regional and national Council of State Governments meetings and briefing member organizations throughout the year.

In March, SLFI staff members began researching the programs, policies, and processes that influence state budgeting decisions. In a series of conversations with state practitioners, they identified key budget restrictions and other institutions that shape state taxes and spending each year. As part of this project, SLFI published a major report, *Sustainable Budgeting in the States: Evidence on State Budget Institutions and Practices*, and later launched a resource page, “Building State Budgets: Effective Process and Practice,” that provides research, data, and fact sheets for both budget professionals and novices.

Similarly, SLFI’s economic development toolkit was designed to help state policymakers and practitioners transform the way they think about, design, and implement economic development programs. A collection of major research reports, fact sheets, and blog posts presents a framework for states to coordinate economic development strategies across agencies, align funding priorities, and evaluate the efficacy and cost-benefit implications of their interventions. The spring release of the toolkit,

particularly a blog post on the relocation incentive package Boston provided to General Electric, was unexpectedly timely as General Electric broke ground on its new Boston headquarters the same day the toolkit went live. And economic development stayed in the news throughout 2017 as Foxconn agreed to a "mega-deal" with Wisconsin and Amazon received bids from cities across the nation for the site of its second headquarters. SLFI was an often-cited resource in coverage of these developments.

Research associate Megan Randall and senior fellow Rob McClelland presented the state economic development work at the Association of University Business and Economic Researchers 2017 annual conference. Randall presented SLFI's economic development toolkit while McClelland presented on the use of the synthetic control method to evaluate state tax policy. At the conference, SLFI staff reached a multistate audience and made connections with researchers from Arizona, Hawaii, Indiana, New Mexico, and Oregon who expressed interest in sharing their states' economic development toolkits.

In June, senior fellow Kim Rueben and research assistant Sarah Gault published "State and Local Fiscal Effects of Immigration." The brief provided information on the contributions and costs of immigrants to economic growth and the fiscal health of communities. The authors found that differences in taxes paid and government benefits received for immigrants and native-born Americans are largely driven by differences in demographic characteristics. The report also presented the budget effects of immigration for all 50 states (an important addition given variations across the country). The report findings and lead researcher Kim Rueben were featured on two episodes of the popular radio show and podcast *This American Life* in December. Rueben and a panel of experts also explained the report findings and debunked some myths about immigration's effect on the economy and budgets at a September TPC event, "Tax Policy and the Immigrant Experience."

In addition to its published research reports, SLFI maintains several online resources that help everyone from academic researchers to citizens interested in government better understand local finance. These resources include 19 "backgrounders" that provide brief explanations of important fiscal issues and two interactive tools that make economic data (e.g., employment, earnings, and housing) and revenue and expenditure data (from the Census of Governments) accessible to the public. These resources are also a huge asset for SLFI researchers as they help journalists understand complex finance issues.

Photo: Senior fellow Kim Rueben is pictured at a TPC event commenting on the fiscal health of states. (Photo by Lydia Thompson)


the States: How will today's tax
choices affect states' futures?
#LiveAt

TAX ADMINISTRATION

Administration and compliance are crucial but understudied aspects of the tax system. Recent years, however, have seen budget cuts for the Internal Revenue Service (IRS), even as tax laws have changed dramatically and IRS responsibilities have grown. Such changes have left the IRS struggling to provide basic taxpayer services and to vigorously enforce tax law.

HIGHLIGHTS

TPC seeks to help tax administrators balance the needs for taxpayer service and tax law enforcement by providing timely analysis and regularly convening tax administrators to discuss promising strategies. In January, TPC codirector Eric Toder published a brief, "IRS - What It Does and How to Reform It." The brief explains the structure of the IRS and comments on the reduction in IRS resources in recent years, which have been a period of increasing demands on the IRS. Toder also points out issues the IRS faced in 2017, such as political attacks, the growing role of the private sector infrastructure that helps administer the tax system, and emerging technologies that the agency needs to keep up with. Toder concludes that improved government-wide rules allowing more flexibility in personnel management could help restore a workforce that has eroded in recent years as baby boomers have retired and rigid personnel rules have hampered the government's ability to hire, promote, and retain ambitious, talented people and remove nonperformers.

For the seventh straight year, TPC and the IRS hosted their annual tax administration research conference. This year's conference featured research from TPC scholars and IRS and academic researchers as well as a keynote address from IRS Commissioner John

Koskinen. Research analyst Daniel Berger presented a working paper, "Estimating the Effects of Tax Reform on Compliance Burdens," which he coauthored with Eric Toder and several analysts from the IRS. This paper presented estimates of the compliance costs of filing individual taxes and of the effects of some reform options that could lower compliance costs. The paper will be published by the IRS in 2018.

In late October, TPC welcomed back IRS Commissioner John Koskinen as a part of its Distinguished Speaker Series. TPC hosted Koskinen just a week and a half before his term ended as IRS Commissioner, and he highlighted lessons he learned during his tenure in a discussion with TPC's Robert C. Pozen Director Mark Mazur.

Photo: Former IRS Commissioner John Koskinen delivers a keynote address on October 31, 2017, as a part of TPC's Distinguished Speakers Series. (Photo by Lydia Thompson)

MODELING

Through our suite of models, TPC can produce revenue, macroeconomic, distributional (by income, family type, and state), and other estimates of tax changes. The public, media, advocates, and policymakers value this information for its transparency and credibility. Our estimates play an important role in policy discussions and are frequently cited by analysts and organizations across the political spectrum.

HIGHLIGHTS

By continuing to invest in its modeling capacity, TPC is strengthening its leading role in educating the public about tax and budget policy.

TPC's state-of-the-art microsimulation tax model is our flagship tool for analyzing the distributional burdens of the federal tax system. In 2017, TPC extensively modeled the effects of the Tax Cuts and Jobs Act (and its precursors), primarily focusing on the distributional implications of the legislation. Previous investments in this model made it possible for TPC to produce timely estimates, often within a week of a tax proposal's release. In 2018, we will update and improve our microsimulation model, in part by integrating the post-TCJA tax and economic baseline.

In 2017, TPC completed initial development of a business tax model for estimating the effects of tax proposals on federal revenue, incentives to invest, choices related to the source of financing (i.e., debt versus equity) and form of business organization (e.g., corporate versus pass-through entity), and tax burdens across firms and industries. In 2018, we plan to expand that model to better represent firms of different sizes, achieve better integration with TPC's individual tax model, and update underlying data and tax rules to reflect the TCJA.

TPC has also expanded its ability to model the macroeconomic effects of tax policy. In 2017, TPC completed construction of its neoclassical growth model, which estimates the effects of policy on long-term potential output. In combination with the earlier-completed Keynesian model, which estimates the short-term effects of policy through its impact on aggregate demand, this new model enabled unified macroeconomic analysis and dynamic revenue estimates for several tax bills, including the TCJA. In 2018, we plan to expand the neoclassical model to include the option of an “open economy” assumption, under which the after-tax rate of return is held fixed at levels consistent with the rest of the world. We also plan to enhance the models to provide unified estimates of the effects on full-time equivalent employment (in addition to the previously estimated effects on GDP, gross national product, unemployment, and interest rates).

TPC has also developed the capability to simulate federal taxes by state. This addresses an important need because few resources exist for comprehensive tax policy analysis at the state level. We can now examine how states fare under federal tax changes and analyze the distributional impacts of policy changes within each state. This work will be even more important in 2018 as states try to understand what the TCJA means for them.

In 2017, we completed an initial version of our tax-and-transfer model. This model ties together the results from TPC’s individual tax microsimulation model with new modules that simulate federal spending on certain transfer programs, such as SNAP (formerly known as Food Stamps), as well as results from other Urban Institute models. This enables us to produce high-quality estimates of the combined effects of proposals that affect federal taxes as well as the health, retirement, and income-support systems. In 2017, we used this model to analyze the distributional effects of congressional proposals to restructure the Affordable Care Act.

COMMUNICATIONS & OUTREACH

TPC continues to be the go-to source for major media coverage of tax policy. As the Tax Cuts and Jobs Act was developed, debated, and enacted, TPC produced rapid analysis and communicated those findings to a broad audience. Our experts and findings were cited by media outlets more than 57,000 times in 2017, and we continue to strive to reach larger shares and more diverse groups of Americans. To that end, TPC continues to develop new and creative ways to educate the public about tax policy and the implications of different policy choices.

HIGHLIGHTS

TPC has undertaken a variety of efforts to expand our audience and increase our reach. In May 2017, TPC hired a communications manager, who develops outreach strategies for TPC releases, coordinates communications-related special projects, and identifies opportunities for TPC to interact with new audiences. As of December 2017, TPC had over 28,000 Twitter followers, almost 6,000 newsletter subscribers, and over 6,000 Facebook followers. During 2017, TPC garnered over 4.3 million unique page views from over 2.7 million users, an increase of about 47 percent from the previous year. Users are spending more time on our website learning about tax policy through our Briefing Book, interacting with our calculators, and learning about proposed legislation through our analyses. TPC is able to reach and retain the interest of a young demographic: nearly one-third of TPC's online audience is ages 25 to 34.

The public, press, policymakers, and their teams rely on TPC's analysis to inform their work and thinking about tax issues. Whenever a tax issue is in the news, TPC experts are routinely quoted with their analysis and insights. TPC's analyses are widely reported by traditional and online media. For example, TPC released its analysis of the Unified Framework two days after the document was released by the Trump administration and congressional leaders. Media coverage was immediate. The phrase "Tax Policy Center" started trending on Twitter shortly after the analysis was released, and news outlets mentioned TPC's findings over 600 times that day. Further, many legislators cited our findings on social media to their constituents and followers.

This pace of impact continued throughout the fall as TPC released new analyses on the tax reform proposals from Congress that ultimately became the Tax Cuts and Jobs Act. In October, November, and December alone, our research was cited more than 12,000 times in such media outlets as the *New York Times*, *Washington Post*, *Wall Street Journa*l, and National Public Radio. We also collaborated with some of these outlets to communicate our information in more visual and accessible ways, such as in the New York Times' interactive, "Among the Tax Bill's Biggest Losers: High-Income, Blue State Taxpayers," which

walked users through the impact of the changes to the state and local tax deductions using a series of interactive graphics.

TPC developed its own communications tools in the past year. TPC added new capabilities to its website, allowing material on complicated topics to be aggregated into accessible feature pages that incorporate text, video, and data visualization components to explain important tax policy issues to the interested public. Our effort to make our analyses easily accessible paid off: to date, the feature "Analysis of the Tax Cuts and Jobs Act" has received almost 130,000 pageviews with an average time on page of nearly 3 minutes. We were able to use this feature to quickly answer basic questions from the media and policymakers.

During 2017, the TPC blog, *TaxVox*, continued to publish accessible material on important tax policy matters. Because of the rapid legislative pace, analyses that previously may have been published as briefs or reports were instead published as blog posts. *TaxVox* posted 230 pieces during 2017, and these were viewed more than 500,000 times collectively. The reach of *TaxVox* pieces was extended through an arrangement with Forbes.com, where many blog entries were reposted.

In 2017, TPC finalized an extensive update and overhaul of our Briefing Book. The Briefing Book serves as a reference for policy staff in Congress, students at educational institutions across the US, and the interested public. Millions of users have viewed the Briefing Book's succinct overviews of key tax policy issues and, more importantly, the response from the policymaking audience has been very positive. Staff from several congressional offices have commended us on making this material available. Feedback has included sincere appreciation for providing accessible material on a wide variety of issues that help staff and members of Congress prepare for meetings with constituents and lobbyists as well as for hearings.

Photo: Senator Ron Wyden (D-OR) gives a keynote address on November 7, 2017, as a part of TPC's Distinguished Speaker Series. (Photo by Lydia Thompson)


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LUBICK SYMPOSIUM

TPC hosted its second Lubick Symposium in 2017, honoring long-time tax lawyer and former top Treasury tax official Donald Lubick. The symposium is a tribute to Don's longtime service in the tax policy field and is an opportunity to educate the public on tax policy issues each year around Tax Day.

HIGHLIGHTS

The 2017 symposium, "Tax Day Headaches: Public Understanding of the Tax Code and Perceptions of 'Fairness,'" focused on a study undertaken by Brookings Institution senior fellow Vanessa Williamson. TPC partnered with the website *Vox* to field a survey asking about people's perceptions of fairness in the US tax system.

Williamson presented her findings regarding taxpayers and their perceptions of fairness at the symposium. What she learned is that tax facts matter. Drawing people's attention to particular information about the tax system significantly shifted their attitudes about who should pay how much in tax and whether their own taxes are fair.

A panel discussion followed Williamson's presentation. The panelists focused on how much taxpayers really know about the tax system and speculated on how informed the public would be about the tax reform discussion coming later in the year.

Photo: Vanessa Williamson participates in a moderated Q and A at the second annual Lubick Symposium on April 7, 2017. (Photo by Paul Morigi)


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PERSONAL CONTRIBUTORS

Deborah Hill Bornheimer

Betty and Alex Boyle

James Klumpner

Mary Miller

Michael Mundaca

Robert C. Pozen

Charles Rossotti

Leslie Samuels & Augusta Gross

Michael Schler

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and many others

ROBERT C. POZEN ENDOWMENT CONTRIBUTION AND ESTABLISHMENT OF TPC'S LEADERSHIP COUNCIL

In 2015, Robert C. Pozen endowed the Pozen Director's chair at TPC in perpetuity. As of February 1, 2017, Mark Mazur is the holder of the chair.

With Bob's guidance, TPC established its first Leadership Council to engage those on the front lines of the economy with its research and related activities. The council is composed of a select group of individuals and business leaders who represent diverse facets of the economy and whose private-sector experience helps to inform our work. Members provide invaluable advice and offer diverse perspectives as they participate in substantive discussions with leading policymakers, business professionals, and academics. Meeting twice a year, the Leadership Council members provide an annual unrestricted contribution to the Tax Policy Center.

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