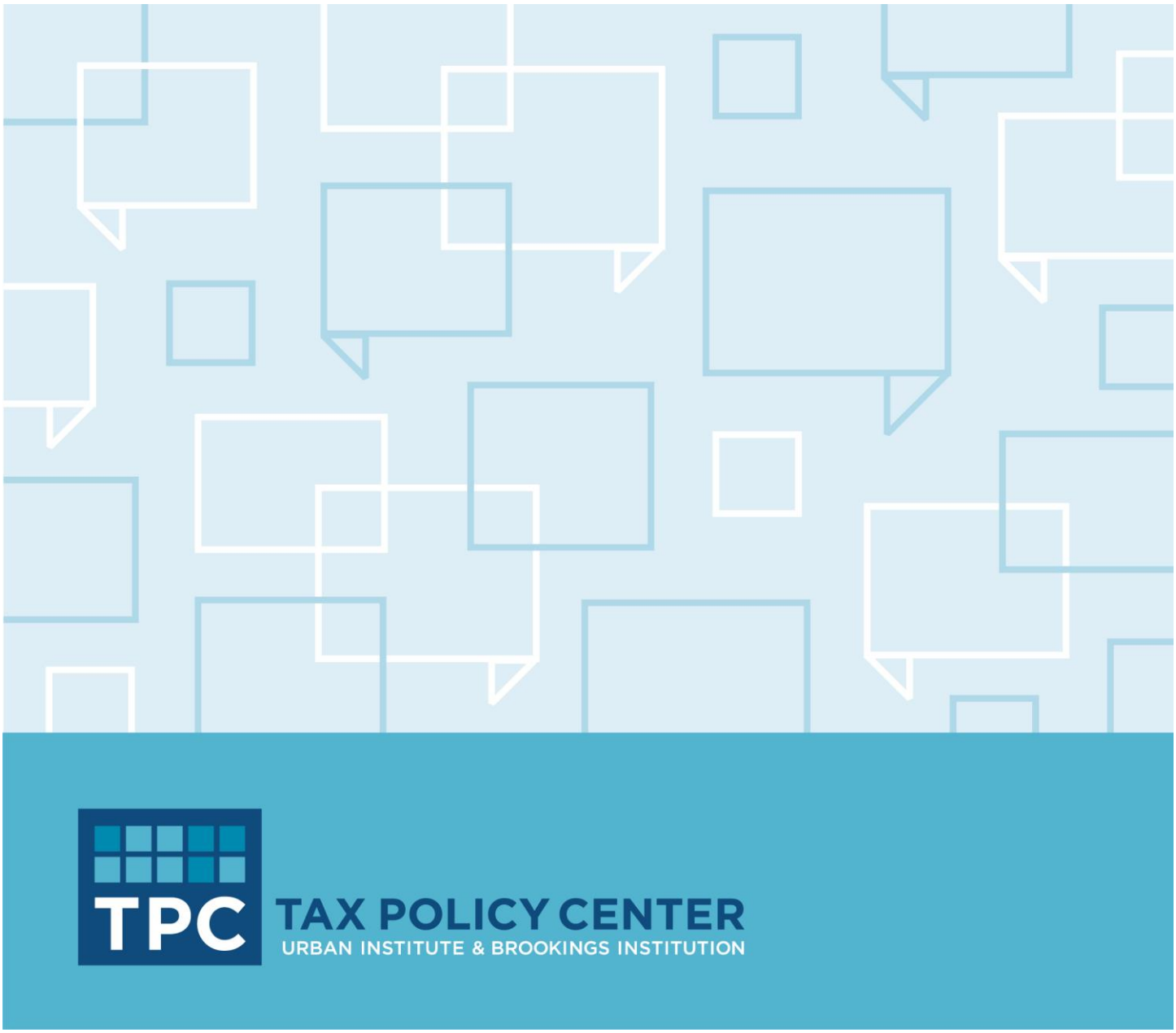


Cutting Taxes and Making Future Americans Pay for It: How Trump's Tax Cuts Could Hurt Many Households

William Gale, Surachai Khitatrakun, Aaron Krupkin

August 15, 2017

ACKNOWLEDGEMENTS

Gale is Miller Chair, Brookings Institution and Codirector, Urban-Brookings Tax Policy Center. Khitatrakun is Senior Research Methodologist, Urban Institute and Tax Policy Center. Krupkin is Senior Research Analyst, Brookings Institution and Tax Policy Center. The authors thank Henry Aaron, Len Burman, Ted Gayer, Hilary Gelfond, Chye-Ching Huang, Mark Mazur, Jim Nunns, Isaac Shapiro, Louise Sheiner, and Eric Toder for helpful comments.

The findings and conclusions contained within are those of the authors and do not necessarily reflect positions or policies of the Tax Policy Center or its funders.

ABSTRACT

Tax cuts often look like "free lunches" for taxpayers, but they eventually have to be paid for with other tax increases or spending cuts. We examine the distributional effects – with and without financing – of a tax plan consistent with the outline the Trump Administration produced in April. When ignoring financing, the plan would be regressive; most households would be better off, but the highest income households would get the largest percentage boosts in after-tax income. Including financing – based on either equal costs per household or an equal proportion of each household's income – would make the overall plan far more regressive and would leave the vast majority of households worse off than they would be if the tax cuts were not implemented in the first place. If financing were proportional to households' current income tax liability, the results would be more mixed, though top income households would still receive the largest cuts. These results show how important the method of financing is to understanding the ultimate distributional effects of tax proposals.

CONTENTS

I. INTRODUCTION

Politicians love to talk about tax cuts, in part because it seems that almost everyone is made better off. Standard presentations of distributional analyses of tax cuts also typically show that all or most people would be better off with a tax cut.

Such discussions and presentations are fundamentally misleading, however, because tax cuts must ultimately be financed. Over the long run, tax cuts must be offset by increases in other taxes, reduced spending, or both. This constraint is particularly important today, as government spending under current policy will significantly exceed government revenue even if taxes are maintained at current levels.[1] To be sure, well-crafted tax reform could cause behavioral changes – increased labor supply, more saving, and more productive investment – that raise economic growth and hence tax revenues. In addition, tax cuts may lower tax avoidance and evasion. However, even when well designed, these indirect revenue responses¬ offset only a portion of the direct costs of most tax cuts.[2]

Even if a tax cut is not directly linked to offsetting tax increases or spending cuts, some type of corrective future fiscal measure is inescapable. Thus, even if the stated features of a tax cut directly help all or most people, the implied offsetting future tax increases or future spending cuts will hurt at least some people. For example, previous work implied that the 2001 and 2003 tax cuts, taken in isolation, made most households better off. However, most households would be worse off, after taking into account the net effects of the tax cuts plus plausible financing options, even after allowing for some induced increases in labor supply and saving.[3]

In this paper, we examine the distributional effects of the tax proposals the Trump Administration produced in April.[4] We document the standard distributional effects – without the financing necessary to fully pay for the tax cuts – and then we show distributional effects that include alternative ways of financing the cuts. (We do not adjust for economic growth effects because the Tax Policy Center analysis suggests that such effects are small. The impact on growth is small and positive in the first few years and small and negative thereafter.[5])

Using Tax Policy Center estimates, we show that the aggregate proposals consistent with the Trump Administration outline would reduce taxes for most households, even when including all the limited "pay fors" (revenue raisers) mentioned by the Trump Administration or by the Trump

1 Auerbach and Gale (2017).
2 Gale and Samwick (2017).
3 Gale, Orszag, and Shapiro (2004); Elmendorf et al. (2008).
4 The White House (2017). These proposals are not very detailed – the Tax Policy Center explains how it interpreted the various provisions (TPC Staff 2017). Nevertheless, the proposals are consistent with, and more detailed than, the summary statement produced by the "Big Six" on tax reform on July 27 (Speaker Ryan Press Office 2017).
5 TPC Staff (2017, page 6).

campaign.[6] Most of the gains and the largest percentage increases in after-tax income would go to the households with the highest pre-tax incomes.

The "pay fors" offered by the Administration, however, do not come close to paying for the whole tax cut. Factoring in the need for financing can dramatically alter the distributional results.

There are an infinite number of ways to fully finance the proposed tax cut. In this paper, we estimate the effects of three specific options, described below.

- *Equal-per-household financing:* Under this scenario, each tax filing unit (which usually corresponds with "household"[7]) pays the same dollar amount in added burden. Something approximating this scenario would be the case if there were a combination of cuts in transfers (which would affect mainly low-income and to some extent middle-income households) coupled with an income tax increase (which would mainly affect high-income households and to some extent middle-income households). This is the least progressive of the three financing options that we formally analyze.
- *Proportional-to-income financing:* Under this scenario, each household pays the same percentage of its income to cover the added burdens created by the tax cut. We use expanded cash income (ECI) under current law as the income measure.[8] Tax units with zero or negative ECI would not face any direct financing costs. This would be more progressive than equal-per-household financing, but less progressive than the third option, proportional increases in income taxes.
- *Proportional-to-income-taxes financing:* In this scenario, each household pays the same percentage increase in its federal income taxes (calculated on a current law pre-credit basis) to cover the added burdens. This policy can be thought of as fairly close to what an across-the-board increase in income tax rates would generate. Only those with positive pre-credit income tax liabilities bear financing costs in this scenario. This would be the most progressive of the three formal options.

Note that these three options do not span – in progressivity terms – the range of possible financing options. An increase in taxes focused solely on high-income households would be more progressive than any of the options. In contrast, an across-the-board cut in income-tested government spending would be more regressive – and hurt low-income households more – than any of the three scenarios. A scenario more regressive than equal-per-household financing would most accurately characterize the

6 Some of the Trump campaign "pay fors" have not been reaffirmed by the Trump Administration, and thus might not be included in the ultimate proposal. Thus, the financing of the tax cuts could rely even more on spending reductions than shown here, suggesting that the degree to which low- and middle-income households could lose would be even greater than shown here.
7 See Tax Policy Center (2016).
8 Expanded cash income equals cash income plus tax-exempt employee and employer contributions to employer health insurance and other fringe benefits, employer contributions to tax-preferred retirement accounts, income earned within retirement accounts, and food stamps. Using ECI allows analyses to characterize differences in the economic status of taxpayers in an accurate manner. It is preferred versus adjusted gross income (AGI) because AGI is not comprehensive and its use may cause many households' economic situations to be mischaracterized. For more information on ECI, see Rosenberg (2013).

policy preferences embedded in recent proposals by the Trump Administration and Congressional Republicans – for example, the Trump Administration's budget, the recent budget proposal adopted by the House Budget Committee, and the House's passage of deep Medicaid cuts as part of efforts to bring about health care reform.[9]

We find that, under the first two financing scenarios, the vast majority of households, especially low- and middle-income households, would be worse off (i.e., would have lower after-tax income) under the proposals consistent with the Trump Administration's outline than under the status quo. For example, households in the bottom quintile would lose an average of $2,250 under equal-per-household financing and $320 under proportional-to-income financing. Households in the middle quintile would lose an average of $1,540 and $910, respectively, under the two financing options. Even households in the fourth quintile would lose out – seeing net losses of $690 and $1,270, respectively. The big winners would be households in the top 1 percent of the income distribution, especially those in the top 0.1 percent, who would gain more than $935,000 per household on average under equal-per-household financing and more than $674,000 per household under proportional-to-income financing. Overall, 84 percent of households would experience a net tax increase under equal-per-household financing, while 82 percent of households would experience a net tax increase under proportional-to-income financing. Both proportions are several times larger than the 19 percent of households who are found to lose under the tax proposal consistent with the Trump Administration outline in combination with the limited revenue offsets implied in the campaign proposals.

Results under the third scenario are a little more mixed. If financing is proportional to income taxes, about 36 percent of households would face net tax increases. After-tax income would drop for every income group except the bottom quintile and the top 5 percent. As before, the top 1 percent, especially the top 0.1 percent, would receive the largest increases in after-tax income. The stark differences (a) among the proposals with full financing, and (b) between the proposals with full financing and the proposal consistent with the Trump Administration outline (which is not fully financed) show how important the precise method of financing is to understanding the ultimate distributional effects of any tax proposal.

The rest of the paper is organized as follows. Section II describes the features of the Trump Administration's tax proposal outline. Section III discusses standard distributional effects without financing. Section IV discusses distributional analysis with financing included. Section V concludes.

9 The House GOP budget proposal would slash mandatory spending by more than $200 billion (House Budget Committee 2017). Over a decade, the House GOP budget proposal would cut programs aimed at low-income and moderate-income households by $2.9 trillion (Shapiro, Kogan, and Cho 2017a). Shapiro, Kogan, and Cho (2017b) find that three-fifths of the spending cuts in Trump's 2018 Budget Proposal (Office of Management and Budget 2017) would fall on low-income and middle-income households. The American Health Care Act, as passed by the House in May, would cut federal Medicaid spending by more than $800 billion over a decade and cut taxes for high-income households (Congressional Budget Office 2017).

II. THE PROPOSALS

President Trump's tax proposals, including possible revenue raisers, as of April 26, 2017, would:[10]

- Repeal the net investment income tax;
- Repeal the individual alternative minimum tax;
- Set individual income tax rates at 10, 25, and 35 percent;
- Double the standard deduction;
- Reduce the tax rate on pass-through income to 15 percent;
- Reduce the corporate tax rate to 15 percent;
- Repeal the corporate alternative minimum tax;
- Provide tax relief for taxpayers with child and dependent care expenses;
- Adopt a territorial system for multinational corporate income;
- Impose a one-time tax on foreign earnings held abroad;
- Repeal the estate tax;
- Repeal certain business tax expenditures;
- Repeal all itemized deductions except for the mortgage interest deduction and the deduction for charitable contributions; and
- Repeal "targeted tax breaks" for high-income individuals.

Other possible revenue raisers, not explicitly listed in the April outline, but included in the Tax Policy Center analysis, include:

- Repeal the head of household filing status;
- Repeal personal exemptions;
- Treat distributions from large pass-through businesses as qualified dividends; and
- Tax certain capital gains at death.

10 The White House (2017); TPC Staff (2017).

In total, these provisions would reduce revenues by almost $3.5 trillion over the first decade, according to static Tax Policy Center estimates.[11] Models that take into account the effect of macroeconomic feedback estimate revenue losses of $3.4 to $3.9 trillion over the first decade.[12] This does not include added interest costs.[13]

11 TPC Staff (2017, Table 2).
12 This produces a smaller revenue loss than Trump's tax proposal during the campaign, which was estimated to reduce revenues by about $6.0 trillion over a decade, even after accounting for macroeconomic feedback effects (Nunns et al. 2016).
13 In this paper, we focus on the distributional effects of the tax cuts coupled with the possible revenue raisers. Without the revenue raisers, the tax cuts would reduce revenues on a static basis by about $7.8 trillion over the first decade (TPC Staff 2017).

III. DISTRIBUTIONAL EFFECTS WITHOUT FINANCING

Table 1 shows the estimated distributional effects of the proposals consistent with the Trump Administration's outline for calendar year 2018 including the aforementioned revenue raisers, under usual assumptions – that is, ignoring any added interest payments on the debt, the effects of the proposal on growth, and the need for financing.[14] These estimates include "tax-form behaviors" such as taking the standard deduction instead of itemizing, but they do not include broader behavioral responses such as changes in capital gains realizations or tax avoidance behavior. Households are ranked by expanded cash income (which is defined in footnote 8).

Proposals consistent with the Trump Administration outline would cut tax burdens for more than 71 percent of households, while about 19 percent of households would experience an increase in their tax burden. On average, however, every quintile of the income distribution would experience an increase in after-tax income. In absolute terms, the average effects range from a tax cut of $40 for the lowest quintile to a tax cut of about $938,000 for the top 0.1 percent of households. After-tax income would rise by 0.3 percent in the bottom quintile and by 13.3 percent for the top 0.1 percent. It is clear that higher-income households would receive a much larger benefit as a share of their income relative to other households. Only about 0.5 percent of the tax cut would go to the bottom quintile. The bottom three-fifths of households would only receive about 9 percent of the overall tax cut. In contrast, about half of the benefits would go to the top 1 percent, with more than a quarter of the tax cut going to the top 0.1 percent of households.

Our estimates show average effects by income class. However, within each income class are groups with different sources of income and different demographics and other characteristics that may be affected differently by the tax proposals. As a result, some groups within an income class may experience a tax increase, some may experience a decrease, and some may be unaffected.

14 TPC Staff (2017, Table 4).

IV. FINANCING OPTIONS

FRAMEWORK

We do not know how the proposals, if enacted, would eventually be financed, just that the budget constraints facing the government would not disappear. When estimating the distributional effects of the tax proposals including financing, we analyze three scenarios:

- Equal-per-household financing: each tax filing unit pays the same dollar amount;
- Proportional-to-income financing: each tax filing unit pays the same proportion of their current income; and
- Proportional-to-income-taxes financing: each tax filing unit pays the same proportional increase in their pre-credit federal income taxes under current law.

In each scenario, the total amount of financing offsets the burden from the tax cuts in calendar year 2018.[15] We ignore the burden effects of subsequent interest costs stemming from the tax cuts. If we included those costs, households would be worse off, across-the-board, than shown below.

RESULTS: EFFECTS OF FINANCING

Tables 2 through 4 show the combined effect of the tax proposals and the financing cost for each financing scenario by income group.

Under equal-per-household financing, each household would have to pay $2,290 in 2018 to cover the costs of the tax cuts. (By construction, this is the average federal tax change per tax filing unit under the proposal shown in Table 1). The inclusion of financing dramatically changes the distributional results. Whereas households in all quintiles, on average, would receive benefits from the tax proposal alone, the combination of tax cuts plus equal-per-household financing raises net burdens on the bottom 90 percent of households on average. In total, only about 15 percent of households would receive a net tax cut, compared to more than 71 percent without financing (Tables 1 and 2). More than 84 percent of households would experience a net tax increase, compared to about 19 percent of households under the scenario without financing. Households in the bottom quintile would experience a $2,250 reduction in their after-tax income on average (after subtracting the $2,290 in financing from their $40 average tax cut), which produces a 16 percent reduction in after-tax income

15 In the TPC model, the change in tax burden can differ from the change in tax revenue because of intertemporal factors. For example, savers can reduce current-period tax liability by making tax-deductible contributions to traditional IRAs or 401(k)s. They will generally face higher tax liabilities in the future when the money is withdrawn and hence taxed. A reduction in the current-period tax rate, as under the proposal consistent with the Trump Administration's outline, will reduce the tax saving when 401(k) or IRA contributions are made, but also reduce future tax liabilities when the savings are withdrawn. This reduction in future tax liabilities represents a reduction in tax burdens, but not a reduction in current revenues. These differences are not large, however.

on average from the combination of the tax cut and the financing (Table 2). Middle-income households – those in the middle quintile – would face a 2.7 percent reduction in after-tax income from the combination of the tax cut and the financing. Even households in the fourth quintile would be worse off on average. Only households in the top 10 percent, on average, would be better off after the financing was included. Households in the top 1 percent would continue to have an average net gain exceeding $172,000, and almost 89 percent of them would receive a net tax cut. Those in the top 0.1 percent would still gain, on average, over $935,000 per household per year, and only 2.2 percent of these households would have a net tax increase.

Table 3 shows what would happen if the tax proposal was coupled with proportional-to-income financing.[16] Households would have to pay, on average, 2.5 percent of their income (ECI) under current law to cover the burden of the tax proposal. Under this scenario, only about 17 percent of households would experience a net tax cut, while about 82 percent of households would experience a net tax increase. All income groups in the bottom 95 percent, on average, would be worse off. The only group who would benefit on average would be the top 5 percent; households in the top 1 percent and the 95th-99th percentiles would receive a net increase in after-tax income of $118,680 and $5,090 per household, respectively. Average after-tax income would decrease by between 1.3 and 2.3 percent for households in the bottom 95 percent, on average, but it would increase by 7.8 percent for the top 1 percent.

Table 4 shows results under the proportional-to-income-tax financing scenario. Since federal income taxes are progressive, this financing scenario would place greater burdens on those with higher incomes. Hence, the overall distributional results are in stark opposition to those under the other financing options. Under this scenario, more than 53 percent of households would receive a net tax cut, while about 36 percent of households would experience a net tax increase. On average, the bottom quintile would receive a small tax cut of $20 and see their after-tax income rise by 0.1 percent because many low-income households pay no income tax. However, the second, third, and fourth quintiles, as well as the 80th-95th percentiles, on average, would experience a net tax increase. Most of the households in the second and third quintiles would in fact experience a net tax cut, but the tax increases that others in these income groups would experience would outweigh the magnitude of the tax cut. The top 5 percent would receive a net tax cut on average under this financing scenario, and hence receive more after-tax income, than under current law. The average annual net tax cut for households in the top 0.1 percent of the income distribution would be reduced to just under $310,000, compared to $935,000 under equal-per-household financing and $674,000 under proportional-to-income financing.

16 We obtain similar results using adjusted gross income as the income measure instead of ECI.

Figures 1 and 2 provide a summary of these findings by income group across the various scenarios.[17] Figure 1 shows that adding full financing would greatly increase the share of households with net tax increases in 2018. This is especially true under equal-per-household financing and proportional-to-income financing.

Figure 2 shows the percent change in after-tax income across income groups for each financing scenario. While the bottom quintile, on average, would experience an increase in after-tax income under the proposals when financing is ignored, after-tax income would fall for this group under the first two financing scenarios. Under all three financing scenarios, the middle three quintiles would experience a net decrease in after-tax income on average. The top quintile (particularly the top 5 percent) would receive an increase in average after-tax income under every scenario.

17 Figures 1 and 2 use data provided in Tables 1-4. They do not show results for the second or fourth quintiles. Generally, the results for the second quintile are between those for the bottom quintile and the middle quintile, and the results for the fourth quintile are between those for the middle quintile and the top quintile. Nevertheless, without full financing, a smaller share of the fourth quintile would experience a tax increase compared to the middle quintile and the top quintile (Table 1). Additionally, on average, the fourth quintile would experience a larger percent drop in after-tax income compared to the middle quintile under the third financing scenario (Table 4).

V. CONCLUSION

The direct effects of proposals consistent with the Trump Administration's outline would be regressive. They would benefit, on average, every income group in the economy, but they would provide much larger tax cuts – relative to current tax burdens, relative to income, and in dollar terms – to the highest income groups. When the notion that the tax cuts must be paid for is taken into account, the results become even more regressive under scenarios that appear to most closely resemble current Administration and Congressional budget proposals. Under equal-per-household financing or proportional-to-income financing, not only would the tax cuts continue to be regressive, but the vast majority of American households would actually be worse off, with the tax cuts plus the financing, than they would be if the tax cuts had not occurred. Under proportional-to-income-taxes financing, however, most households, including most of those towards the bottom of the income scale, would not experience a net loss in after-tax income.

While it would be nice if tax cuts could be designed to benefit everyone, accounting for the costs of financing inevitably produces winners and losers. Moreover, the choice of financing mechanism matters quite a bit. These results emphasize that there are no free lunches in tax reform.

TABLES AND FIGURES

TABLE 1

Proposals Related to the Trump Administration's 2017 Tax Plan, Tax Cut and Possible Revenue Raising Provisions

Distribution of Federal Tax Change by Expanded Cash Income Percentile, 2018 [1]

Expanded Cash Income Percentile [2,3]	Tax Units with Tax Increase or Cut [4]				Percent Change in After-Tax Income [5]	Share of Total Federal Tax Change	Average Federal Tax Change ($)	Average Federal Tax Rate [6]	
	With Tax Cut		With Tax Increase					Change (% Points)	Under the Proposal
	Pct of Tax Units	Avg Tax Cut	Pct of Tax Units	Avg Tax Increase					
Lowest Quintile	64.4	-100	6.8	380	0.3	0.5	-40	-0.3	3.8
Second Quintile	70.3	-520	23.9	640	0.6	2.0	-210	-0.6	8.1
Middle Quintile	75.1	-1,320	23.8	990	1.3	6.4	-760	-1.1	12.7
Fourth Quintile	77.8	-2,640	22.0	2,060	1.7	11.5	-1,600	-1.4	15.9
Top Quintile	73.0	-19,510	26.9	3,990	5.1	79.3	-13,160	-3.8	21.7
All	71.3	-3,650	19.1	1,630	3.1	100.0	-2,290	-2.5	17.3
Addendum									
80-90	70.9	-3,930	29.0	3,000	1.3	5.9	-1,910	-1.1	19.1
90-95	69.0	-7,130	30.9	3,930	1.8	5.5	-3,700	-1.4	20.5
95-99	79.6	-21,510	20.4	5,440	4.9	18.5	-16,010	-3.6	21.6
Top 1 Percent	90.1	-196,420	9.9	24,250	11.5	49.4	-174,540	-7.8	24.8
Top 0.1 Percent	97.9	-964,710	2.1	328,510	13.3	26.9	-937,700	-8.8	24.5

TABLE 2

Proposals Related to the Trump Administration's 2017 Tax Plan, Tax Cut and Possible Revenue Raising Provisions with Financing Cost Distributed Equally per Tax Unit

Distribution of Federal Tax Change by Expanded Cash Income Percentile, 2018 [1]

Expanded Cash Income Percentile [2,3]	Tax Units with Tax Increase or Cut [4]				Percent Change in After-Tax Income [5]	Average Federal Tax Change ($)	Average Federal Tax Rate [6]	
	With Tax Cut		With Tax Increase				Change (% Points)	Under the Proposal
	Pct of Tax Units	Avg Tax Cut	Pct of Tax Units	Avg Tax Increase				
Lowest Quintile	0.0	0	100.0	2,250	-16.1	2,250	15.4	19.5
Second Quintile	0.4	-510	99.6	2,090	-6.3	2,080	5.7	14.4
Middle Quintile	6.3	-1,000	93.5	1,710	-2.7	1,540	2.3	16.1
Fourth Quintile	40.1	-1,560	59.3	2,210	-0.7	690	0.6	17.9
Top Quintile	54.1	-23,580	45.7	4,150	4.2	-10,870	-3.1	22.3
All	15.4	-12,210	84.4	2,230	0.0	0	0.0	19.8
Addendum								
80-90	46.1	-3,100	53.7	3,360	-0.3	380	0.2	20.3
90-95	52.6	-6,670	47.2	4,450	0.7	-1,410	-0.5	21.4
95-99	69.3	-22,230	30.6	5,510	4.2	-13,720	-3.1	22.1
Top 1 Percent	88.6	-197,350	11.4	23,310	11.3	-172,250	-7.7	24.9
Top 0.1 Percent	97.8	-963,680	2.2	305,730	13.2	-935,410	-8.8	24.6

TABLE 3

Proposals Related to the Trump Administration's 2017 Tax Plan, Tax Cut and Possible Revenue Raising Provisions with Financing Cost Distributed Proportional to Positive Current-Law Expanded Cash Income

Distribution of Federal Tax Change by Expanded Cash Income Percentile, 2018 [1]

Expanded Cash Income Percentile [2,3]	Tax Units with Tax Increase or Cut [4]				Percent Change in After-Tax Income [5]	Average Federal Tax Change ($)	Average Federal Tax Rate [6]	
	With Tax Cut		With Tax Increase				Change (% Points)	Under the Proposal
	Pct of Tax Units	Avg Tax Cut	Pct of Tax Units	Avg Tax Increase				
Lowest Quintile	1.4	-280	95.1	350	-2.3	320	2.2	6.3
Second Quintile	9.1	-340	90.0	800	-2.1	690	1.9	10.6
Middle Quintile	27.8	-530	71.5	1,470	-1.6	910	1.4	15.2
Fourth Quintile	28.5	-1,370	71.2	2,340	-1.3	1,270	1.1	18.4
Top Quintile	29.8	-29,690	70.1	6,160	1.8	-4,530	-1.3	24.2
All	16.8	-7,880	81.7	1,620	0.0	0	0.0	19.8
Addendum								
80-90	22.5	-2,990	77.3	4,250	-1.8	2,610	1.4	21.6
90-95	25.8	-7,320	74.1	6,260	-1.4	2,750	1.1	23.0
95-99	44.7	-23,480	55.3	9,770	1.6	-5,090	-1.2	24.1
Top 1 Percent	69.3	-185,000	30.8	30,830	7.8	-118,680	-5.3	27.3
Top 0.1 Percent	86.4	-806,550	13.6	164,580	9.5	-674,380	-6.4	27.0

TABLE 4

Proposals Related to the Trump Administration's 2017 Tax Plan, Tax Cut and Possible Revenue Raising Provisions with Financing Cost Distributed Proportional to Tax before Credit under Current Law

Distribution of Federal Tax Change by Expanded Cash Income Percentile, 2018 [1]

Expanded Cash Income Percentile [2,3]	*Tax Units with Tax Increase or Cut [4]*				*Percent Change in After-Tax Income [5]*	*Average Federal Tax Change ($)*	*Average Federal Tax Rate [6]*	
	With Tax Cut		*With Tax Increase*				*Change (% Points)*	*Under the Proposal*
	Pct of Tax Units	*Avg Tax Cut*	*Pct of Tax Units*	*Avg Tax Increase*				
Lowest Quintile	57.7	-80	12.1	250	0.1	-20	-0.1	4.0
Second Quintile	61.2	-300	31.2	640	0.0	10	0.0	8.7
Middle Quintile	55.7	-720	42.7	1,090	-0.1	70	0.1	13.9
Fourth Quintile	49.6	-1,490	50.0	2,340	-0.5	430	0.4	17.7
Top Quintile	31.9	-20,010	68.0	8,590	0.2	-540	-0.2	25.3
All	53.3	-2,140	36.1	3,160	0.0	0	0.0	19.8
Addendum								
80-90	28.2	-3,050	71.7	4,070	-1.4	2,060	1.1	21.3
90-95	26.9	-6,850	73.1	6,610	-1.5	2,990	1.2	23.1
95-99	42.5	-20,980	57.5	13,730	0.3	-1,040	-0.2	25.0
Top 1 Percent	55.7	-144,380	44.3	78,660	3.0	-45,550	-2.0	30.5
Top 0.1 Percent	65.3	-669,220	34.7	366,470	4.4	-309,960	-2.9	30.5

TABLE SOURCE AND NOTES:

Source: Urban-Brookings Tax Policy Center Microsimulation Model (version 0217-1).
Number of AMT Taxpayers (millions). Baseline: 5.2 Proposal: 0
* Non-zero value rounded to zero; ** Insufficient data

1 Calendar year. Baseline is current law. Proposal would: repeal the net investment income tax (NIIT); the individual and corporate AMT; set individual tax rates of 10, 25, and 35 percent; double the standard deduction, provide tax relief for dependent care expenses; reduce the tax rate to 15 percent on pass-through income; repeal the estate and gift tax and tax capital gains at death with $5M/$10M exemption; reduce corporate tax rate to 15 percent; adopt a territorial tax system and impose a deemed repatriation tax; repeal special interest tax provisions for businesses and certain other provisions; repeal itemized deductions other than those for charitable contributions and mortgage interest; repeal head of household filing status; repeal personal exemptions for taxpayer and dependents; tax distributions from large pass-through entities as qualified dividends. In addition, the proposal would impose the cost of funding the aforementioned proposal equally per dollar of federal income tax before credit under the current law. For a description of the proposal without financing cost see TPC's "The Implications of What We Know and Don't Know About President Trump's Tax Plan."
http://www.taxpolicycenter.org/publications/implications-what-we-know-and-dont-know-about-president-trumps-tax-plan/full
http://www.taxpolicycenter.org/taxtopics/Baseline-Definitions.cfm

2 Includes both filing and non-filing units but excludes those that are dependents of other tax units. Tax units with negative adjusted gross income are excluded from their respective income class but are included in the totals. For a description of expanded cash income, see http://www.taxpolicycenter.org/TaxModel/income.cfm

3 The income percentile classes used in this table are based on the income distribution for the entire population and contain an equal number of people, not tax units. The breaks are (in 2017 dollars): 20% $25,000; 40% $48,600; 60% $86,100; 80% $149,400; 90% $216,800; 95% $307,900; 99% $732,800; 99.9% $3,439,900.

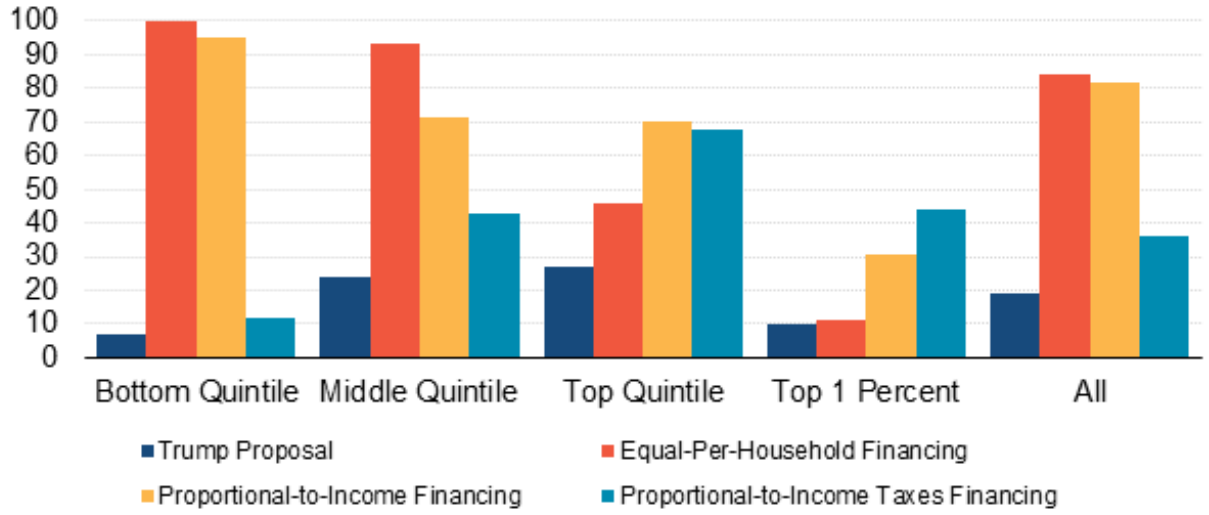
4 Includes tax units with a change in federal tax burden of $10 or more in absolute value.

5 After-tax income is expanded cash income less: individual income tax net of refundable credits; corporate income tax; payroll taxes (Social Security and Medicare); estate tax; and excise taxes.

6 Average federal tax (includes individual and corporate income tax, payroll taxes for Social Security and Medicare, the estate tax, and excise taxes) as a percentage of average expanded cash income.

FIGURE 1

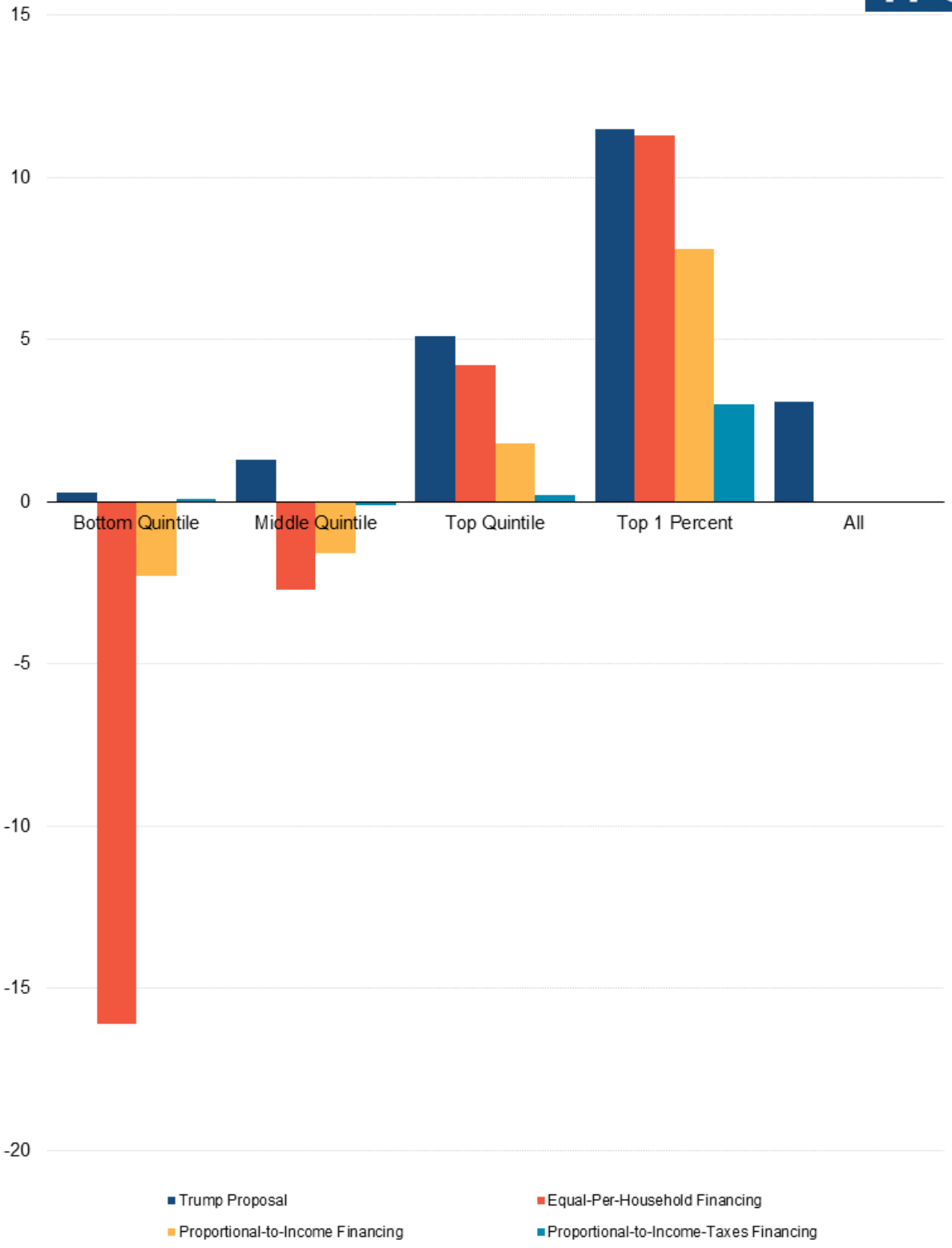
Percent of Households with Tax Increases



Source: Tables 1-4

FIGURE 2

Percent Change in After-Tax Income



Source: Tables 1-4

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