ANNUAL REPORT 2014

TAX POLICY CENTER

URBAN INSTITUTE & BROOKINGS INSTITUTION

TPC

TAX POLICY CENTER

URBAN INSTITUTE & BROOKINGS INSTITUTION

Annual Report 2014

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

The Brookings Institution, 1775 Massachusetts Ave., NW, Washington, DC 20036

Letter from the Directors

After the presidential election in 2012 and the fiscal cliff debates that extended into 2013, it would have been reasonable to expect 2014 to be a relatively quiet year for tax policy. But tax policy never sleeps. A surprise international bestseller by a French economist generated an intense debate over income inequality and the tax system's role in addressing it. The chairman of the House tax-writing committee released his long-awaited plan for broad-based tax reform. Corporate inversions became front-page news. And, with the recovery of the economy, state and local governments seem to be on somewhat divergent paths—with some ensuring they have funding to maintain services, including expanded health care, and others cutting taxes and chasing mythic growth while rejecting federal aid.

The Tax Policy Center addressed all of these issues, in addition to making major investments in our tax models, expanding our capacity to analyze business and environmental taxes, and developing new communication tools. This report details our activities in these and other areas in 2014. Here are some highlights:

January marked the 50th anniversary of President Johnson's declaration of a war on poverty. We hosted an event that highlighted the remarkable evolution of the tax system as an essential antipoverty tool and examined tax subsidies aimed at providing affordable housing and encouraging investment in distressed neighborhoods. The event featured the White House Council of Economic Advisers chair, Jason Furman, as its keynote speaker.

In February, former House Ways and Means Committee chair Dave Camp (R-MI) proposed a remarkably comprehensive tax reform plan. We examined key aspects of this reform in 15 blog posts and explored the economic and distributional effects in depth in a later study.

In April, TPC hosted Paris School of Economics professor Thomas Piketty who spoke about his bestseller, *Capital in the Twenty-First Century*, followed by a panel discussion on economic inequality and the tax system's role in addressing it.

In September, TPC hosted a keynote address by US secretary of treasury, Jacob J. Lew, on business tax reform and an event examining the controversial practice of corporate tax inversions—moving an American company's headquarters overseas to reduce its US tax bill.

Tax Policy Center staff also made significant contributions to the work of the DC Tax Revision Commission, which developed a tax reform plan that was widely lauded across the political spectrum.

Over the course of the year, we worked on a major overhaul of our state-of-the art microsimulation tax model—a time-consuming process that will be completed in 2015.

We developed innovative ways to communicate information effectively to both general and expert audiences. We expanded our reach on social media and gave our website a facelift in advance of a complete redesign, due to launch in 2015. In early 2014, we launched an email newsletter, the *Daily Deduction*, which summarizes tax and budget stories from around the web, highlights key events (such as the introduction of new legislative proposals), and offers engaging and accessible explanations of TPC estimates, analysis, and commentary. We updated our online tax calculators to reflect changes in the law as well as major reform options. And in the run-up to "tax day," we developed interactive tax forms that explained major tax provisions, how they came about, how they affect revenue and the distribution of tax burdens, and what reforms might improve them.

With the support of our generous funders, we have big plans for 2015 and beyond, including expanding our research and outreach activities on climate tax policy, international taxation, and tax compliance and administration. We are developing new educational tools to help citizens evaluate 2016 presidential candidates' tax plans. And we are developing additional resources so that when Congress and the president are ready to move forward on tax reform, the resources will be readily available to policymakers and the public.

As always, thank you for your interest and support.

Leonard Burman

Eric Toder

William Gale

About the Tax Policy Center

Since opening its doors in 2002 as a joint venture between the Urban Institute and the Brookings Institution, the Tax Policy Center has filled a critical need for effective, nonpartisan analysis of tax policy. Our objective, timely, and accessible information helps policymakers, journalists, academics, and taxpayers identify and evaluate current and emerging tax policy options. We believe that better information, rigorous analysis, and fresh ideas injected at key points in the policy debate can forestall bad policies and reinforce good ones. We focus our efforts on four overarching areas:

Fair, simple, and efficient taxation. Virtually everyone agrees that taxes should be fair, simple, and efficient. Disagreement arises over how to define these objectives and strike the right balance when they compete. TPC quantifies the trade-offs among policy proposals and develops ideas upon which would-be reformers can draw.

Social policy in the tax code. Taxes are a critical part of the social safety net. The earned income tax credit (EITC) is now the largest cash transfer program affecting working-age Americans. Scores of other tax credits, deductions, and exclusions aim to promote housing, health, education, childcare, and other social welfare policy objectives. The Tax Policy Center evaluates the design and effectiveness of tax safety net programs and other spending through the tax code and, where appropriate, suggests improvements.

Long-term implications of tax and budget choices. If current policies continue, the nation's long-run fiscal prospects are bleak, primarily because of spending pressures created by an aging population and rising health care costs. The Tax Policy Center examines the implications of current policies and alternative tax changes that could help close the budget gap.

State tax issues. Many Americans pay more state and local tax than federal income tax, and states, like the federal government, often use the tax system to encourage business development and help low-income families. As part of the Urban Institute's State and Local Finance Initiative (SLFI), TPC experts analyze the interactions among federal, state, and local tax policies and evaluate the fairness and efficiency of revenue systems at all levels of government. In addition, SLFI experts connect tax and spending issues that state and local governments face to better understand how they might be resolved.

"Unlike the other agencies I've discussed thus far, the TPC is a private organization affiliated with the Brookings Institution and the Urban Institute. Its output is similar to that of the [Joint Committee on Taxation] JTC and [the Office of Tax Analysis] OTA. The big difference is that it produces revenue estimates and distribution tables for a wide variety of proposals and not just those getting a push by the White House or the tax-writing committees."

Bruce Bartlett, "Where to Find Good Policy Analysis, Part 2," *The Fiscal Times,* March 20, 2014.

Secretary Jacob Lew, of the Treasury Department, addresses an overflow audience at a TPC event in September.

Productivity at a Glance, 2014

Research and Testimony	**62** discussion papers, research reports, policy briefs, articles, and commentaries **5** testimonies before Congress **329** *TaxVox* blog entries
Public Outreach	**12** public policy symposia **24,267** *TaxVox* RSS subscribers **4,972** subscribers to TPC's newsletter **13,530** Twitter followers **2,547** Facebook likes
Media	More than **1,870** citations in major media articles
Web Site	**1.5 million** unique page views **157,561** *TaxVox* page views

Most Viewed Publications

Taxes and Inequality by Leonard E. Burman

Corporate Inversions by Kimberly A. Clausing

The War on Poverty Moves to the Tax Code by Leonard E. Burman and Elaine Maag

Corporate Income Tax Reform: Dreaming On by Eric Toder

Description and Analysis of the Camp Tax Reform Plan by Jim Nunns, Amanda Eng, and Lydia Austin

Tax Policy and Inequality

The rise in income inequality and its economic and social implications greatly concerns many Americans. Through a series of reports and public events, TPC experts played a critical part in analyzing the issues encompassing income inequality, poverty, and the role subsidies and preferences in the tax code play in mitigating some of those issues.

Thomas Piketty gives a synopsis of his bestselling book, *Capital in the Twenty-First Century*, at a TPC event in April.

Highlights

Taxes and Inequality, a paper by TPC director Leonard E. Burman, provides a review of historical trends in economic inequality and tax policy's role in reducing it. He documents the various reasons why income inequality continues to rise, paying particular attention to the interplay between progressive federal taxes and regressive state and local taxes.

In "The War on Poverty Moves to the Tax Code," an article published by *Tax Analysts*, Leonard E. Burman and senior research associate Elaine Maag address tax credits and their influence on the US poverty level. In 1975, the federal income tax code joined the "War on Poverty" when Congress created the EITC. Today, tax credits form some of the largest and most effective antipoverty programs in the United States.

The Tax Policy Center hosted an event commemorating the 50th anniversary of President Johnson's declaration of a war on poverty. The widely attended event featured University of Wisconsin–Madison chancellor and former deputy secretary of commerce Rebecca Blank, who discussed the role of tax credits in reducing poverty, as well as experts on individual and business tax incentives targeted at low-income populations. Luncheon speaker Jason Furman, chair of the President's Council of Economic Advisers, pointed out that, based on the new supplemental poverty measure, which includes the direct effect of tax-credits, the tax system now significantly reduces poverty—a big change from the 1960s when taxes added to poor families' burdens.

The Tax Policy Center and the University of Southern California Gould School of Law cosponsored a conference on the intersection of income inequality and tax policy. Panels included leading experts from a range of disciplines, who discussed four topics: how to measure inequality, how the tax system creates inequality, tax policy versus fiscal policy, and the income tax as an antipoverty tool. Senate Finance Committee chairman Ron Wyden (D-OR) delivered the keynote address.

The Tax Policy Center also hosted a popular event featuring Paris School of Economics professor Thomas Piketty. Piketty summarized his *New York Times* bestselling book, *Capital in the Twenty-First Century*. TPC director Leonard E. Burman, Dean Baker of the Center for Economic and Policy Research, and Kevin Hassett of the American Enterprise Institute then discussed the role tax policy might play in mitigating income inequality.

Fiscal Outlook

The Tax Policy Center played a leading role in documenting and analyzing ways to address the fiscal challenges facing the United States. Our staff published reports discussing alternative ways to help reduce the debt over the long term without derailing the fragile economic recovery or placing undue burdens on vulnerable populations.

Highlights

In *Effect of Income Tax Changes on Economic Growth*, TPC codirector William G. Gale and Dartmouth professor of economics Andrew Samwick examine how changes to the individual income tax affect long-term economic growth. The findings suggest that not all tax changes will have the same impact on growth. Reforms that improve incentives, reduce existing subsidies, and avoid windfall gains and deficit financing will have more auspicious effects on the long-term size of the economy, but they may also exacerbate trade-offs between equity and efficiency.

Evaluating Broad-Based Approaches for Limiting Tax Expenditures provides an evaluation of six options to achieve across-the-board reductions to a group of major exclusions and deductions in the income tax. The TPC authors, Eric Toder, Joseph Rosenberg, and Amanda Eng, address issues of design, implementation, and administration, as well as the distributional and incentive effects of the various options.

William G. Gale and University of California, Berkeley professor of economics and law Alan Auerbach assert, in their article "Forgotten But Not Gone: The Long-Term Fiscal Imbalance," that, over the past few years, the long-term fiscal situation in the United States has somewhat improved and short-term deficits have fallen. Perhaps as a result, policymakers have largely turned their attention away from dealing with fiscal issues. They argue that though the fiscal problem may well be forgotten, it is not gone. Current debt/gross domestic product ratios are the highest in US history except for a few years surrounding World War II. The ratio is projected to rise more over the next decade, even if everything goes right from an economic and political viewpoint. Reasonable projections indicate continuing growth in the ratio will reach unsustainable levels over the long term. Even if boosting the economy is a short-run priority, policymakers should also be offering concrete plans for an eventual, substantial fiscal consolidation.

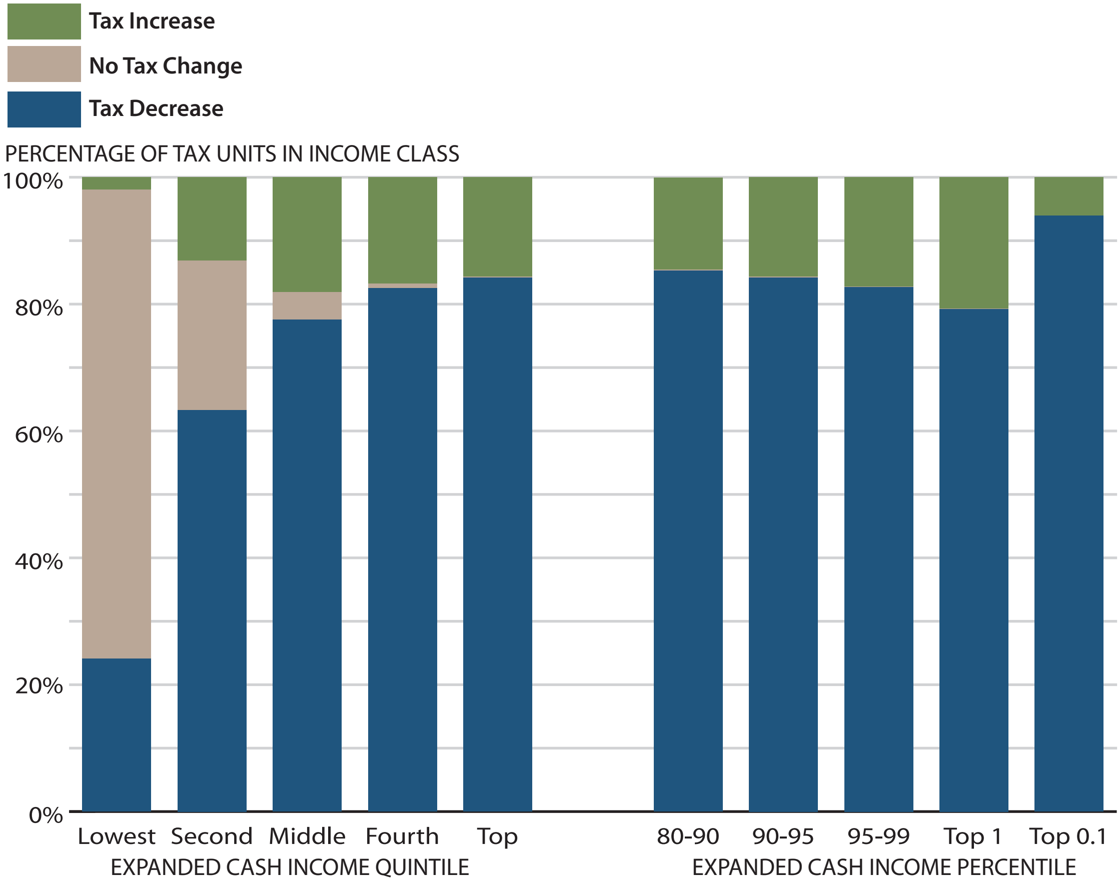
TPC experts analyzed key tax provisions in President Obama's 2015 budget. *Analysis of Specific Tax Provisions in President Obama's FY2015 Budget* focuses on the budget's effects on economic incentives, revenues, the distribution of tax burdens, and complexity.

This TPC chart reprinted in *Washington Post's Wonkblog* shows how many people at different levels of income would pay more, less, or the same amount in taxes.

FIGURE 1

Percentage of Tax Units with Tax Increase and Tax Decrease Under the Lee Proposal

by Expanded Cash Income Percentile, 2015



Tax Reform, Fairness, and Efficiency

Many experts acknowledge that the US tax system is complex, inefficient, and in urgent need of reform. Throughout 2014, TPC explained the issues, options, and trade-offs involved in major tax reform and hosted discussions about its implications for economic fairness.

Highlights

Former Ways and Means Committee chair Dave Camp (R-MI) produced the most comprehensive tax reform plan, the Tax Reform Act of 2014, to come out of Congress in a generation. Senior fellow Jim Nunns and research assistants Amanda Eng and Lydia Austin describe the major provisions of the act in *Description and Analysis of the Camp Tax Reform Plan*. Nunns, Eng, and Austin also estimate the plan's effects on revenue and the distribution of tax burdens, economic incentives, and compliance costs.

In her brief, "Corporate Inversions," Reed College professor Kimberly A. Clausing focuses on the recent spate of corporate inversions, in which US multinational corporations have combined with foreign companies and located their new corporate structures outside the United States in countries with low corporate taxes. Clausing explains what inversions are and how they work, how the US tax system encourages them, and their implications for the corporate tax base. Clausing also highlights the kinds of reforms that might stem the tide.

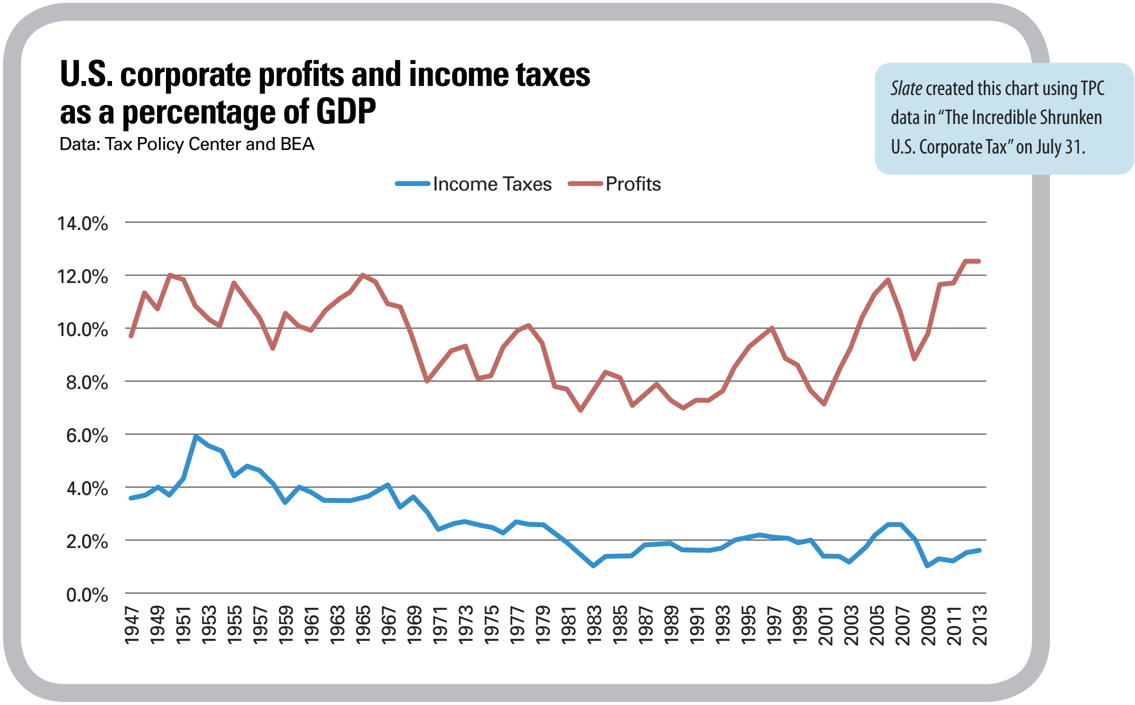
In "How to Stop Corporations from Fleeing US Tax Laws" in the *Wall Street Journal's MarketWatch*, TPC codirector Eric Toder explains why corporations expatriate from the United States. He concludes that provisions to stop the current wave of such moves will only provide temporary relief unless Congress addresses fundamental flaws in the way we tax corporate income; Toder also recommends two options for fundamental reform.

Again in the *Wall Street Journal's MarketWatch*, in "Corporate Tax Is Broken and Needs Major Surgery," Eric Toder and American Enterprise Institute economist Alan D. Viard argue that recent highly publicized tax avoidance transactions by US corporations reflect basic flaws in how we tax the income of multinational corporations and that proposed reforms that maintain current definitions of corporate residence and

A TPC panel discusses business tax reform in September.

source will not fix the underlying problems. The authors propose two fundamental structural reforms: seeking international agreement on rules for allocating the income of multinational corporations among countries, or scrapping the US corporate income tax entirely and replacing it with a system to tax currency changes in corporate stock value at ordinary income rates.

Toder and Viard continued their discussion of this issue at a TPC event cohosted by the American Enterprise Institute, where they presented a research paper, funded by the Peter G. Peterson Foundation. Toder and Viard discussed their two proposed two options for reforming the current corporate tax system. The first option calls for international cooperation on the allocation of multinational corporations' income across countries. The second option would eliminate the corporate tax altogether and replace it with a tax on dividends and accrued capital gains at the shareholder level. Panelist Martin A. Sullivan of Tax Analysts lauded their work, stating that it should be at the forefront of the tax reform debate. Sullivan, together with Pam Olson of PricewaterhouseCoopers, also discussed the challenges that would need to be addressed, including the difficulty of achieving international agreement under the first option and the political backlash that may ensue if the corporate tax were abolished under the second option. The panelists noted the potential economic benefits of the two options in reforming a deeply problematic corporate tax system.



Taxation and the Family

A cornerstone of TPC's work is its analysis of how taxation affects children, families, and vulnerable populations. The Tax Policy Center continued its work related to child tax benefits for families at all income levels.

Highlights

In "State Policy and EITC Expansion for Childless Workers," Elaine Maag and research assistant Brian Moore review President Obama's proposal to increase the federal EITC for workers without qualifying children. They find that the proposal would automatically raise state EITCs in the 23 states that set their state-level credits for childless workers equal to a percentage of the federal credit.

In a policy brief entitled "Child-Related Benefits in the Federal Income Tax," Elaine Maag examines the substantial child-related benefits in the federal income tax system, highlighting the beneficiaries of each major provision and how much benefit each received. Maag finds that, in 2013, five major child-related tax benefits—the EITC, the child tax credit, the child and dependent care credit, the dependent exemption, and the head of household filing status—reduced taxes and provided credits totaling roughly $3,400 per family with children. Nearly all families benefited, but low- and middle-income families benefited the most.

In his testimony before the Senate Finance Committee, Leonard E. Burman outlined some of the challenges facing the middle class in 2014. Burman also explored policy options that might help better equip policymakers to meet

The White House Council of Economic Advisers chair, Jason Furman, addresses a crowd at a TPC event in January.

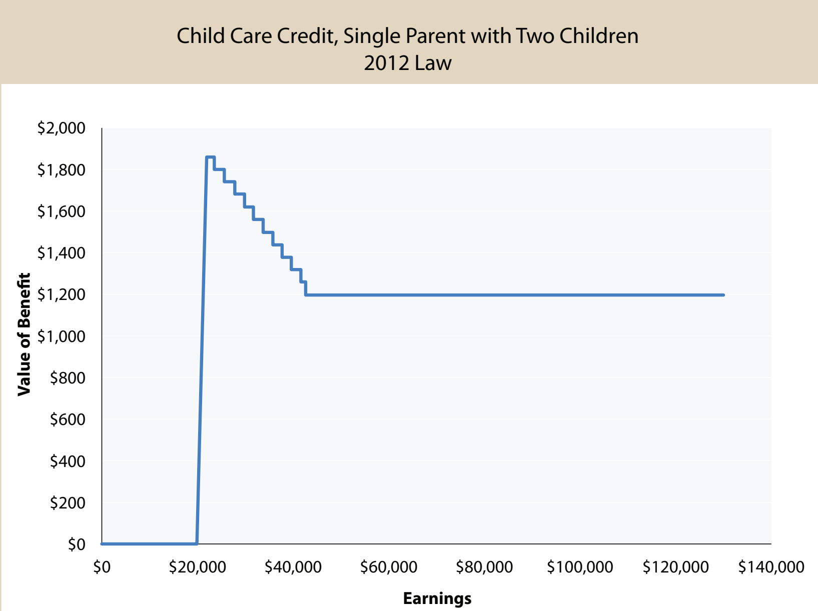
those challenges, including improving access to higher education and job training; consolidating and targeting education tax subsidies; slowing the growth of spending on health care; eliminating the carried interest loophole; encouraging saving by offering automatic contributions to 401(k)-like accounts for low- and moderate-income households; and replacing automatic price indexing with annual indexation adjustments designed to partially counterbalance changes in the distribution of income on a revenue-neutral basis.

In *New Perspectives on Homeownership Tax Incentives*, former TPC researcher Benjamin H. Harris, Institute fellow C. Eugene Steuerle, and Amanda Eng, analyze the economic effects of various reforms to the tax treatment of housing. They find that the reforms differ from both the current treatment of housing and most-proposed reforms (such as Bowles-Simpson); the reforms attempt to reward homeownership directly, not the buildup of additional debt.

TPC experts conducted an analysis of Senator Mike Lee's (R-UT) Family Fairness and Opportunity Tax Reform Act (S.1616). The analysis, *Preliminary Analysis of The Family Fairness and Opportunity Tax Reform Act*, estimated that the plan would reduce tax revenue by $2.4 trillion over the 2014–23 10-year budget period and remove roughly 12 million tax units from the federal income tax rolls in 2014.

Elaine Maag participated in a webinar sponsored by Tax Credits for Working Families on the president's proposed expansion to the EITC for workers without qualifying children.

The child care credit subsidizes child care for wealthy families, but it fails to provide any benefit to very low income families. This chart appeared in a *Vox* article on June 3.



Source: Author's Calculations. Assume all income is from earnings and both children qualify for all benefits. Maag, Rennane, Steuerle, 2011.

State and Local Finances

The State and Local Finance Initiative (SLFI), housed within the Tax Policy Center, is a clearinghouse for information on how state and local governments raise revenue and deliver public goods and services. It equips policymakers, citizens, researchers, and the media with the tools that they need to navigate competing policy options and understand difficult tradeoffs, whether in recession or recovery.

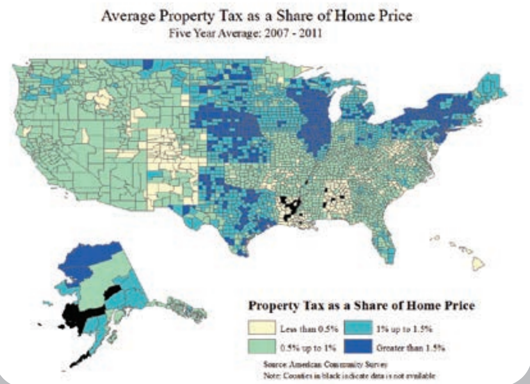
Highlights

The State and Local Finance Initiative (SLFI) updated and improved the State and Local Finance Data Query System (DQS). The system contains detailed revenue, expenditure, and debt variables for the United States, each of the 50 states, and the District of Columbia. SLFI updated the DQS to include data through 2012 from the Census of Governments on revenues and expenditures and made it possible for users to download large amounts of data. The DQS was an especially helpful resource for researchers when the federal government shut down and the Census of Governments was temporarily unavailable on the official website.

The initiative and TPC staff played an active role in and made significant contributions to the work of the DC Tax Revision Commission, which helped guide DC's recently enacted tax reform. Senior fellow and head of SLFI Kim S. Rueben, was a commissioner; senior research associate Norton Francis prepared a paper on business taxes in DC and testified before the commission; and research associate Richard Auxier and senior fellow Steven Rosenthal staffed the commission. The Tax Policy Center also hosted a conference about the commission report, headlined by former DC mayor and commission chair Anthony A. Williams. The commission's *Final Report* is being widely used as a resource by other local jurisdictions looking to reform their own tax codes.

SLFI informed and provided advice to state and local governments and practitioners, researchers, the media, policymakers, and the public on state and local finances. In addition to updating tax and revenue information, SLFI staff highlighted state antipoverty programs, public-sector retirement, and Medicaid expansion through their research products. They also updated the website to include state-specific economic summaries to complement the *State Economic Monitor*. The *Monitor* provides a quarterly summary of economic and finance information for all 50 states and the District of Columbia. The SLFI team's work in this area has increased their visibility, and, in particular, their work on the

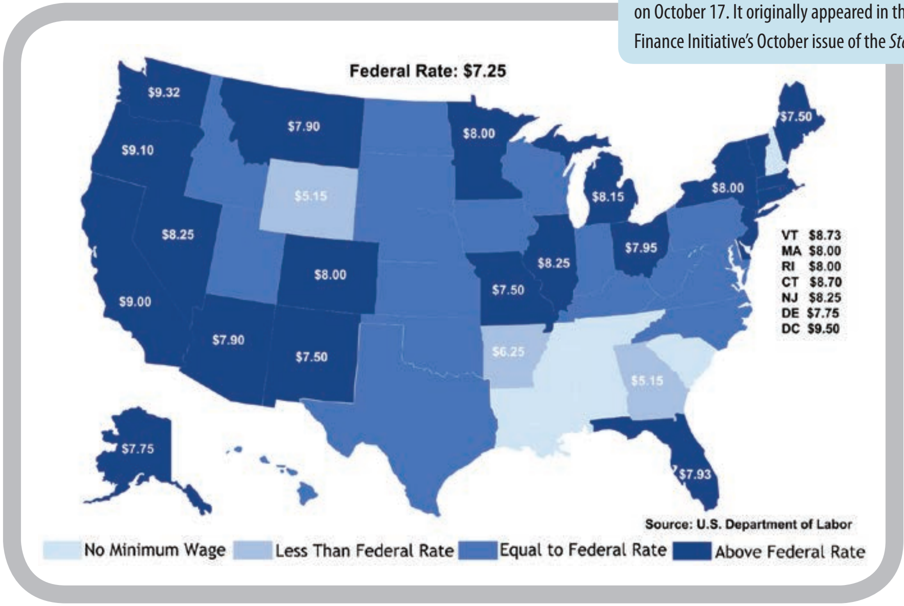
The *Washington Post* nominated this State and Local Finance Initiative map as one of its nine favorite tax maps in 2014.



interdependence of tax policy has been the subject of Senate Finance hearings and Congressional staff discussions around tax reform. Kim S. Rueben also testified before the California State Senate's Committee on Budget and Fiscal Review about the possible introduction of a budget reserve fund and other approaches to handling the state's tax volatility. The initiative's researchers also made numerous media appearances and spoke to the press about the fiscal health of state and local governments, the relationship between the levels of government, and specific states' tax and economic issues.

The SLFI team began expanding its state-level modeling capacity and developed a new state tax model to enable state-level distributional analysis. They have a complete set of state income tax calculators and have been testing these models with the TPC database.

The *Washington Post* reproduced this TPC map in *GovBeat* on October 17. It originally appeared in the State and Local Finance Initiative's October issue of the *State Economic Monitor*.



Communications and Outreach

While TPC has become a go-to source of tax information for the media, policymakers, and their staffs, we continue to redouble our efforts to communicate more effectively with our core audience and find new ways to reach the public.

> "The Tax Policy Center has posted a fascinating interactive tax form online…The result is a treasure trove of information."
>
> **Laura Saunders, *The Wall Street Journal***

Highlights

TPC built and improved its tax calculators—a major attraction to TPC's website. TPC launched a new Affordable Care Act Tax Penalty Calculator that allows users to estimate the potential penalty for individuals and married couples who do not have health insurance coverage required by the Affordable Care Act. It helped dispel the inaccurate suggestion in many online and print articles that the new penalty would be just $95 and prompted a number of news stories that helped correct the record—and was widely cited in the media. The Tax Policy Center updated its Net Income Change Calculator, a tool that allows the public to examine how changes in wages or hours worked would affect low-income families' net income (or the value of after-tax income plus federal benefits).

TPC launched its online newsletter, *Daily Deduction*, written by TPC consultant Renu Zaretsky and edited by resident fellow Howard Gleckman. The popular daily newsletter highlights TPC analysis, summarizes tax and budget stories from around the web, highlights key events (such as congressional consideration of legislation), and offers engaging and accessible explanations of TPC estimates, analysis, and commentary.

> "Cool tool: Tax Policy Center's interactive 1040 tax return shows how many people paid what on each line."
>
> **Jason Zweig, *The Wall Street Journal* via Twitter**

The Tax Policy Center hosted 14 public events, which attracted a great deal of attention in 2014. These events, featuring Treasury Secretary Jacob Lew and French economist Thomas Piketty, among others, drew more than 1,000 attendees. We began live tweeting events during the year, which increased our reach and allowed broader audience participation. For example, during our event with Treasury Secretary Jacob Lew, we had more than 280 social interactions with influential participants, including journalists, policymakers, and attendees. We webcasted all our events to give viewers outside of the DC area live access and the opportunity to ask questions via email. Our event video archives have attracted thousands of viewers.

TaxVox, the Tax Policy Center blog, expanded its reach. *TaxVox* provides timely and engaging commentary and analysis of tax and fiscal policy issues. Its readership

> "This Tax Policy Center interactive 1040 tax form is fantastic and a real public service."
>
> **Jake Grovum, *Stateline*, Pew Charitable Trusts via Twitter**

continues to grow as more policymakers, members of the press, analysts, and interested lay readers become aware of Howard Gleckman's (and other senior TPC experts) smart and accessible analysis. *TaxVox* had more than 24,000 direct subscribers and received more than 157,500 page views in 2014. *TaxVox* reached many additional readers through major news organizations, including *The Christian Science Monitor* (csmonitor.com) and *Forbes.com*, which reposts nearly all *TaxVox* articles.

TPC expanded its reach through social networking and grew its social media audience. Our Twitter and Facebook accounts have become go-to resources for tax news and analysis, and

Secretary Jacob Lew addresses a crowd at a TPC event in September.

help us promote our own materials. In 2014, we increased our Twitter followers by over 2,000 and began connecting to our audience through new social platforms like LinkedIn and Google Plus.

Microsimulation Model

The Tax Policy Center has built and employed a sophisticated microsimulation model of the tax system. The model allows TPC researchers to examine the distributional implications of the current tax system and to estimate the revenue, distributional, and incentive effects of tax policy proposals.

> "We all are the beneficiaries of the perspicacity of the authors and others over the years at the Tax Policy Center in developing their microsimulation individual tax model."
>
> **Edward Kleinbard, *Pathways to Fiscal Reform in the United States***

Highlights

We continued to analyze tax proposals and produced more than 100 revenue and distribution tables. These efforts included detailed analysis showing the revenue and distributional effects of the administration's fiscal year 2015 budget proposal and of tax plans put forward by House Ways and Means Committee chair Dave Camp (R-MI), Senator Mike Lee (R-UT), and Senator Jeanne Shaheen (D-NH).

In early 2014, TPC began updating and overshauling its microsimulation tax model of the federal tax system. We updated the model to reflect the most recent publicly available individual income tax return data and published tabulations. We statistically matched data from the March 2012 Current Population Survey produced by the Census Bureau. The statistical match adds richer demographic data and produces a sample of the "nonfiler" population—the households with income too low to require them to file an individual income tax return. As a result, the matched dataset is representative of the entire US population and it will serve as the primary building block of the new version of our tax model to be completed in early 2015.

The Tax Policy Center expanded the tax model's education module to incorporate the latest individual student information from the US Department of Education, including detailed demographic and financial characteristics of post-secondary students from the 2011–12 National Postsecondary Student Aid Study. Our experts used those data to impute student status, student characteristics such as year in school or enrollment intensity, and cost of attendance onto the tax model database. We calibrated the model so that simulations of number of recipients and average benefit size match actual Department of Education and Internal Revenue Service totals by income class for Pell Grants and education tax credits.

We also expanded our state-level modeling capacity, adding the capability to simulate federal income taxes by state, addressing an important need as there are few existing resources for tax policy analysis at the state level. TPC experts can now examine which states fare better than others under tax reform proposals, as well as examine distributional impacts of policy changes within each state. To do so, we developed an alternative set of weights that can be used to make our national tax model database representative of any state. We impute the state weights such that tabulations from our tax model database match published Internal Revenue Service tabulations of an extensive set of variables by income class including components of income, exemptions, and deductions. This capacity will be integrated to use our new and expanded sample information.

Support

Contributions to TPC help keep our mission intact and ensure excellence and innovation in our work. We are funded largely through grants and contributions and could not exist without your help. TPC recognizes with immense gratitude all those who supported us.

The Annie E. Casey Foundation
Bill & Melinda Gates Foundation
Bipartisan Policy Center
Center for Law and Social Policy
College Board
Committee for a Responsible Federal Budget
Charles Stewart Mott Foundation
Center for American Progress
DC Tax Revision Commission
Energy Foundation
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National Low Income Housing Coalition
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