

Economic Effects of the 2017 Tax Act

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Major Provisions of the 2017 Tax Act (Tax Cuts and Jobs Act, TCJA)

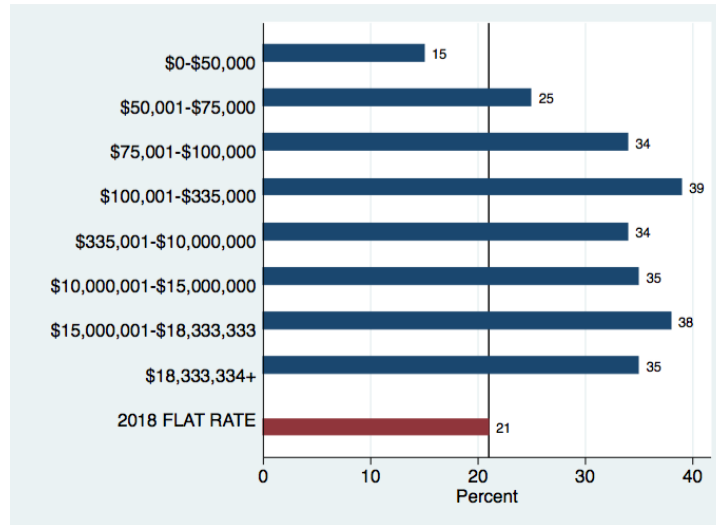
- **Corporate Income Tax**
 - Flattens corporate tax rate at 21%.
 - Changes taxation for foreign income of U.S. companies.
- **Individual Income Tax (temporary, 2018-2025)**
 - Lowers individual tax rates and broadens the amount subject to tax.
 - Changes exemptions to income taxation.
 - Increased exemptions on wealth transfers at death.
- **Other changes**
 - Eliminates Affordable Care Act health insurance mandate.
 - Changes inflation measure for changing tax brackets.



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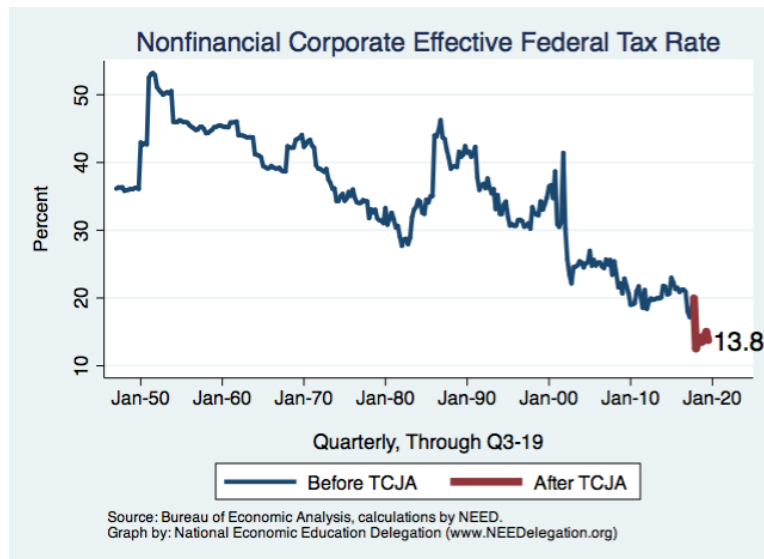
How Did Corporate Income Tax Rates Change?



Source:RMS Consulting, 2017 Federal Tax Rates

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What about Effective Tax Rates?



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Changes in Individual Tax Rates: Single Filers

Marginal tax rates (percent) – rate varies according to income amount

Old Income Levels (\$)	Old Tax Rate	New Income Levels (\$)	New Tax Rate
Up to 9,525	10	Up to 9,525	10
9,525 to 38,700	15	9,525 to 38,700	12 *
38,700 to 93,700	25	38,700 to 82,500 *	22 *
93,700 to 195,450	28	82,500 to 157,500 *	24 *
195,450 to 424,950	33	157,500 to 200,000 *	32 *
424,950 to 426,700	35	200,000 to 500,000 *	35
426,700 and over	39.6	500,000 and over *	37 *

* Indicates a change

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Other Changes

- Standard deduction is increased (\$12,000 single filers).
- Personal exemption of \$4,150 is eliminated.
- Reduces maximum mortgage interest deduction.
- State and local tax deductions are capped at \$10,000.
- Expands child tax credit.
- Doubles the estate tax exemption (\$11.2 m single, \$22.4 m joint filers).
- Special 20% deduction for pass-through entities.

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Effective Individual Tax Rates

Expanded Cash Income Level (thousands of 2018 dollars) ²	All Tax Units		Single Filers		Joint Filers	
	2017	2018	2017	2018	2017	2018
	Less than 10	-4.6	-4.8	-3.1	-3.2	-3.7
10-20	-5.4	-5.8	-1.9	-2.1	-5.0	-5.7
20-30	-4.9	-5.2	-0.1	-0.5	-6.3	-6.3
30-40	-1.7	-2.5	2.3	1.6	-4.7	-5.1
40-50	0.7	0.0	4.2	3.4	-2.6	-3.1
50-75	3.1	2.0	6.1	5.0	0.2	-0.6
75-100	5.3	4.3	8.6	7.6	3.2	2.2
100-200	7.6	6.4	10.8	9.9	6.6	5.4
200-500	12.3	10.7	14.9	14.2	11.9	10.1
500-1,000	19.5	17.3	21.0	21.1	19.3	16.8
More than 1,000	24.8	24.1	24.2	24.2	25.1	24.2
All	9.8	8.7	8.2	7.4	11.4	10.2

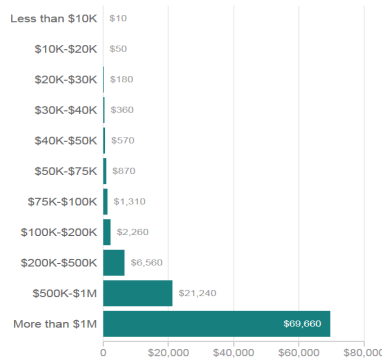
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Distribution of Benefits: 2018

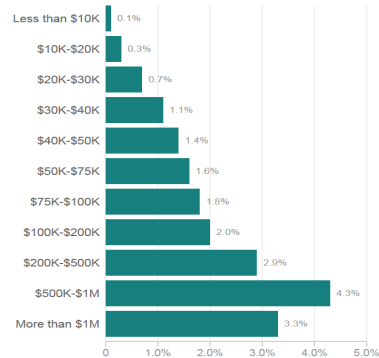
The GOP Tax Bill's Estimated Effects In 2018

In 2018, the Republican tax overhaul would give all of these income groups a tax cut, on average. But both by percentages and total dollars, the benefits would be far greater for higher-income households. Households making \$1 million or more per year would get an average tax cut of \$69,660, a 3.3 percent boost in after-tax income.

AVERAGE BENEFIT FROM TAX BILL



PERCENT CHANGE IN AFTER-TAX INCOME

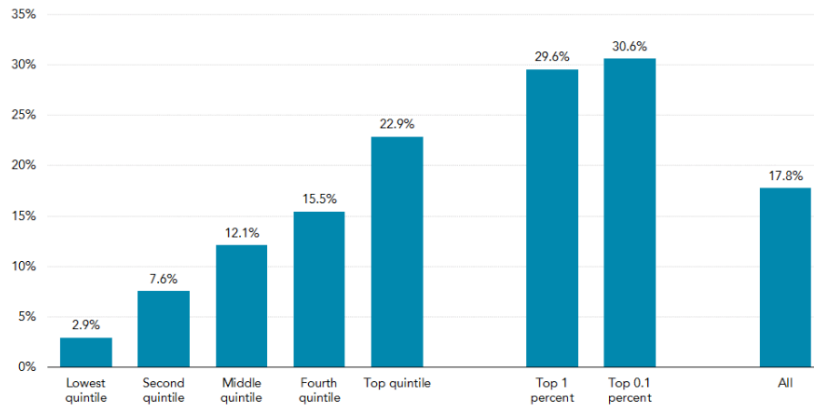


Source: Tax Policy Center
Credit: Danielle Kurtzleben & Katie Park/NPR

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Federal Income Tax is Still Progressive

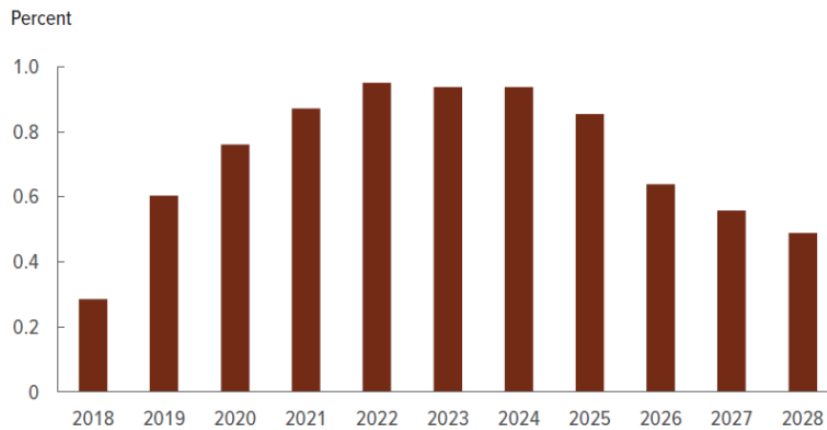
FIGURE 1
Average Effective Federal Tax Rates by Income Percentile
All federal taxes, 2018



Tax Policy Center: Are Federal Taxes Progressive?

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Effects on Gross Domestic Product (GDP)



Source: Congressional Budget Office.



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Comparison of Estimates of Effects on GDP

Percent

	First Five Years					Tenth Year	Average		
	2018	2019	2020	2021	2022	2027	2018–2022	2023–2027	2018–2027
	Moody's Analytics	0.4	0.6	0.2	0.1	0.0	0.4	0.3	0.3
Macroeconomic Advisers	0.1	0.3	0.5	0.6	0.6	0.2	0.4	0.5	0.5
Tax Policy Center ^a	0.8	0.7	0.5	0.5	0.5	*	0.6	0.3	0.5
International Monetary Fund	0.3	0.9	1.2	1.2	1.0	-0.1	0.9	0.3	0.6
Joint Committee on Taxation	–	–	–	–	–	0.1 to 0.2	0.9	0.6	0.7
Congressional Budget Office	0.3	0.6	0.8	0.9	1.0	0.6	0.7	0.8	0.7
Goldman Sachs	0.3	0.6	0.7	0.7	0.7	0.7	0.6	0.7	0.7
Tax Foundation	0.4	0.9	1.3	1.8	2.2	2.9	1.3	2.9	2.1
Penn Wharton Budget Model	–	–	–	–	–	0.6 to 1.1	–	–	–
Barclays	0.5	–	–	–	–	–	–	–	–

Source: Congressional Budget Office

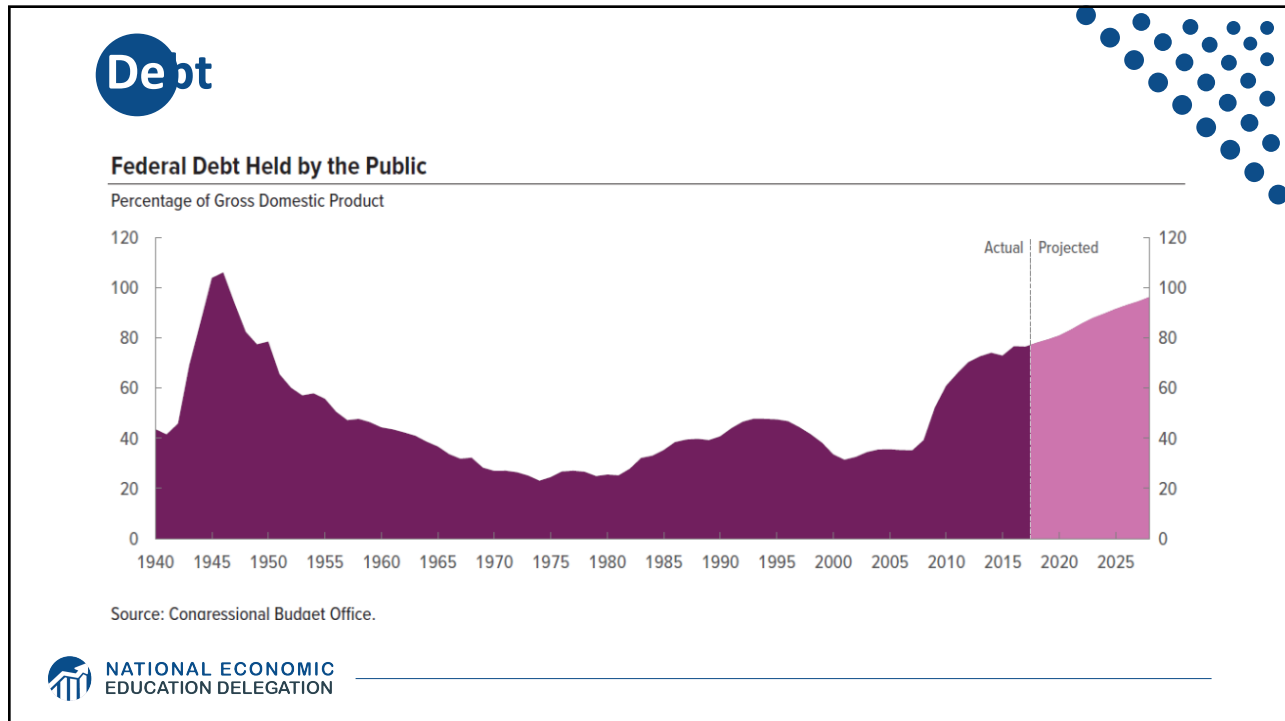
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Implications for the Federal Budget

- **Raises the primary deficits by a combined \$1.3 trillion through 2028**
- **Debt servicing increases by \$600 billion**
- **Total: \$1.9 trillion in additional debt**

Source: Congressional Budget Office

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GDP vs. GNP

CBO's estimates of average annual effects, 2018-2028:

- Real gross domestic product (GDP): 0.7 percent
- Real gross national product (GNP): 0.4 percent

- The Tax Act shrinks U.S. net international income
- The estimated effect on real GNP declines to 0.1 percent in 2028

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