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WINNERS AND LOSERS AFTER PAYING FOR THE TAX CUTS AND JOBS ACT

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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 both the House and Senate versions of the Tax Cuts and Jobs Act. When ignoring financing, the bills would be regressive; most households would be better off, but the highest income households would generally receive 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. These results show how important the method of financing is to understanding the ultimate distributional effects of tax proposals.

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I. INTRODUCTION

The House and Senate have passed different versions of the Tax Cuts and Jobs Act (TCJA), which would reduce federal revenues by more than $1.4 trillion over a decade.[1] While the two versions contain key differences, the overall themes are similar. A key question is how the plans affect the distribution of the tax burden. Conventional analysis of the distributional effects focuses only on the tax cuts and ignores the fact that tax cuts are not free; they will have to be paid for with higher taxes or lower spending in the future.

This paper addresses the distributional effects of these plans*, including alternative ways of paying for the costs of tax cuts.*[2] Our central finding is that if either bill as written were to become law and plausible ways of financing the bill were taken into account, a significant majority of low-and middle-income households will eventually end up *worse off* than if the bill did not become law.[3] In other words, they will lose more from the financing mechanisms than they will gain from the tax cuts themselves. Our estimates do not account for potential economic growth effects because several recent studies suggest that such effects would be relatively small. Incorporating such effects, however, are unlikely to change the basic conclusions by much.[4]

We analyze three financing mechanisms – payments that are equal across households in dollars, in share of income, and in share of income taxes paid. The first would be the most regressive of the three options, but it is possible to have even more regressive financing take place. Republican leaders have recently claimed that, now that tax cuts have been enacted in each Chamber, the party will turn to cutting welfare and entitlements.[5] If that were to pan out, the tax cuts plus their financing could be even more regressive than the results below that allocate financing by equal payments per household.

The main results are presented in a series of Figures in the Introduction and a longer series of Tables at the end of the paper. Under the version of the TCJA as passed by the House Ways and Means Committee on November 9, 2017 (and subsequently passed with minor amendments by the full chamber on November 16, 2017), we find that:[6]

- The direct provisions of the tax cut would reduce taxes in 2018 for 76 percent of households (by an average of $1,890) and raise taxes for 7 percent of households (by an average of $2,100), including 10 percent in the middle quintile of the income distribution ($1,100 on average).[7] Average after-tax income would rise by 0.4 percent ($60) in the bottom quintile, 1.4 percent in the middle quintile ($830), 1.9 percent in the top quintile ($4,860), and 2.4 percent ($37,100) in the top 1 percent (Tables A1 and 1).
- If the House bill were financed by fees that were equal in dollar amounts per tax unit (or spending cuts with similar effect), the combined effect of financing and the direct provisions of the tax cut would cut taxes in 2018 for 27 percent of households ($3,230 on average) and raise taxes (formally, would reduce income net of taxes and benefits) for 73 percent of households ($1,190 on average),

including 100 percent of households in the bottom quintile, who would face an average increase of $1,220, and 71 percent of households in the middle quintile. Average after-tax income in 2018 would drop by 8.1 percent ($1,130) in the bottom quintile and 0.6 percent ($360) in the middle quintile, but rise by 1.4 percent in the top quintile ($3,680) and 2.4 percent ($35,910) in the top 1 percent (Tables A3 and 3).

- If the House bill were financed by fees or spending cuts that are proportional to income, the combined effect of financing and the direct provisions of the tax cut would cut taxes in 2018 for 39 percent of households ($1,460 on average), and raise taxes for 59 percent of households ($950 on average), including 84 percent of households in the bottom quintile, who would face an average increase of $190. Average after-tax income in 2018 would be reduced by 0.9 percent ($130) in the bottom quintile and 0.1 percent ($30) in the middle quintile. It would increase by 0.2 percent in the top quintile ($400) and 0.5 percent ($8,250) in the top 1 percent (Tables A5 and 5).
- If the House bill were financed by fees that are proportional to current income tax liability, the combined effect of financing and the direct provisions of the tax cut would cut taxes in 2018 for 65 percent of households ($950 on average), and raise taxes for 18 percent of households ($3,490 on average), including 53 percent of households in the top quintile, who would face an average increase of $6,960. Average after-tax income would increase in 2018 by 0.3 percent ($50) in the bottom quintile and 0.7 percent in the middle quintile ($400). It would drop by 0.6 percent in the top quintile ($1,660) and 1.9 percent ($29,520) in the top 1 percent (Tables A7 and 7).

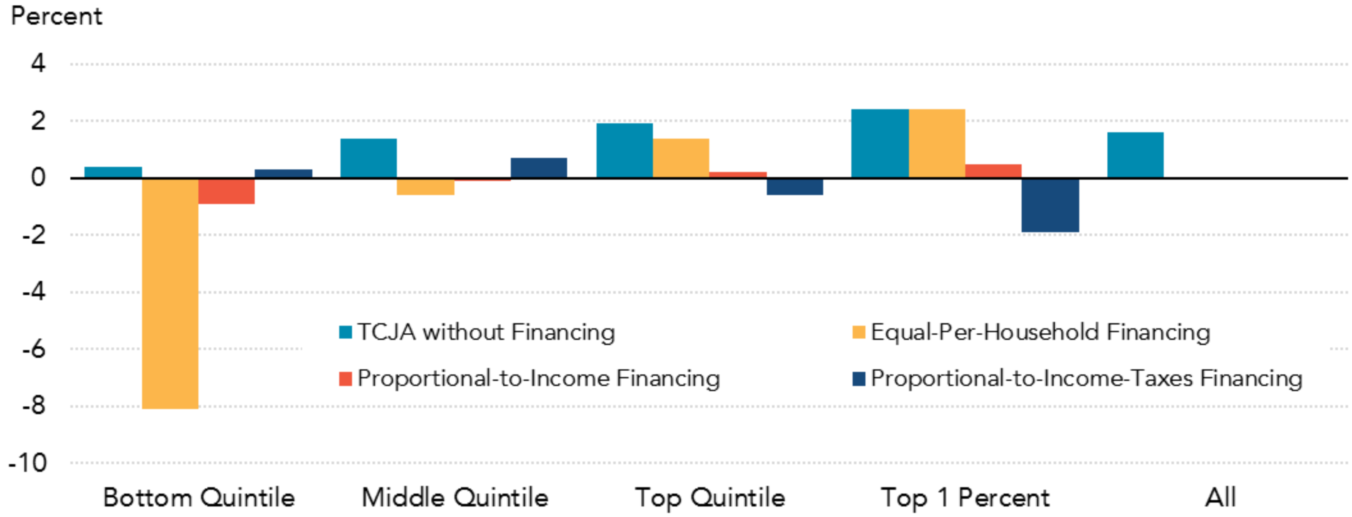
Figures 1 and 2 provide a summary and show the percent change in after-tax income across income groups for each financing scenario of the House bill in 2018 and 2027, respectively.[8] While the bottom and middle quintiles, on average, would experience an increase in after-tax income in both years when financing is ignored, after-tax income would fall for these groups under the first two financing scenarios. The top 1 percent of households would receive an increase in average after-tax income under every scenario we model except for proportional-to-income-taxes financing in 2018.

We calculate similar results for the TCJA as passed by the Senate on December 2, 2017, though we analyze 2019 data instead of 2018 since the Senate legislation would delay the corporate income tax cut by one year.[9] It is important to note that we do not estimate the distributional impact of the Senate's proposed repeal of the ACA individual mandate. Including that provision would produce results that are substantially more regressive than below.[10] It would also make the bill budget positive in calendar year 2027. As a result, we only include calendar year 2019 in our analysis of the Senate bill.[11]

FIGURE 1

Percent change in after-tax income

House TCJA, 2018

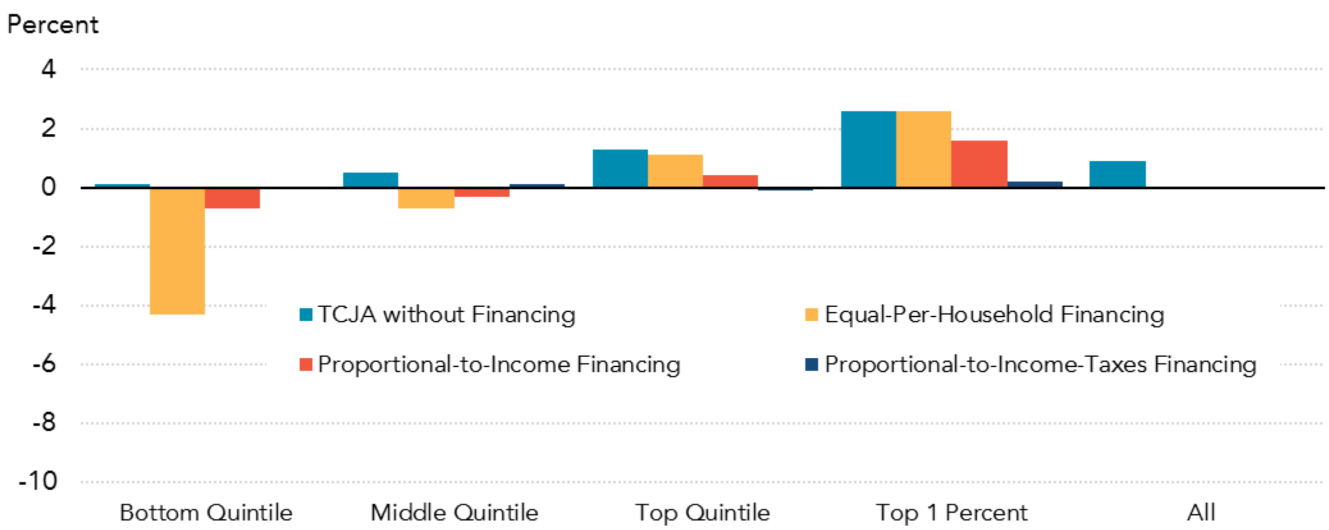


Source: Urban-Brookings Tax Policy Center.
Note: By design, the average percent change in after-tax income for the "All" category is 0 under each financing scenario.

FIGURE 2

Percent change in after-tax income

House TCJA, 2027



Source: Urban-Brookings Tax Policy Center.
Note: By design, the average percent change in after-tax income for the "All" category is 0 under each financing scenario. The bottom quintile would receive a non-zero change in after tax income under proportional-to-income-taxes financing that rounds to 0 percent.

- The direct provisions of the tax cut would reduce taxes in 2019 for 75 percent of households ($1,990 on average) and raise taxes for 7 percent of households ($3,070 on average), including 10 percent in the middle quintile of the income distribution ($840 on average). Average after-tax income would increase by 0.3 percent ($40) in the bottom quintile, 1.4 percent ($840) in the middle quintile, 2.0 percent in the top quintile ($5,420), and 1.8 percent ($28,430) in the top 1 percent (Tables A9 and 9).

- If the Senate bill were financed by fees that were equal in dollar amounts per tax unit (or spending cuts with similar effect), the combined effect of financing and the direct provisions of the tax cut would cut taxes in 2019 for 28 percent of households ($3,350 on average) and raise taxes for 72 percent of households ($1,310 on average), including almost 100 percent of households in the bottom quintile, who would face an average increase of $1,240, and 66 percent of households in the middle quintile. Average after-tax income in 2019 would drop by 8.1 percent ($1,170) in the bottom quintile and 0.6 percent ($370) in the middle quintile. It would increase by 1.6 percent in the top quintile ($4,210) and 1.7 percent ($27,220) in the top 1 percent (Tables A10 and 10).

- If the Senate bill were financed by fees or spending cuts that are proportional to income, the combined effect of financing and the direct provisions of the tax cut would cut taxes in 2019 for 34 percent of households ($1,820 on average), and raise taxes for 64 percent of households ($970 on average), including 93 percent of households in the bottom quintile, who would face an average increase of $180. Average after-tax income in 2019 would drop by 1.1 percent ($160) in the bottom quintile and 0.1 percent ($40) in the middle quintile. It would increase by 0.3 percent in the top quintile on average ($880), but drop by 0.1 percent ($1,510) in the top 1 percent (Tables A11 and 11).

- If the Senate bill were financed by fees that are proportional to current income tax liability, the combined effect of financing and the direct provisions of the tax cut would cut taxes in 2019 for 65 percent of households ($990 on average), and raise taxes for 17 percent of households ($3,840 on average), including 44 percent of households in the top quintile, who would face an average increase of $8,160. Average after-tax income in 2019 would increase by 0.2 percent ($20) in the bottom quintile and 0.7 percent ($410) in the middle quintile. It would drop by 0.5 percent in the top quintile ($1,230) and by 2.6 percent ($40,950) in the top 1 percent (Tables A12 and 12).

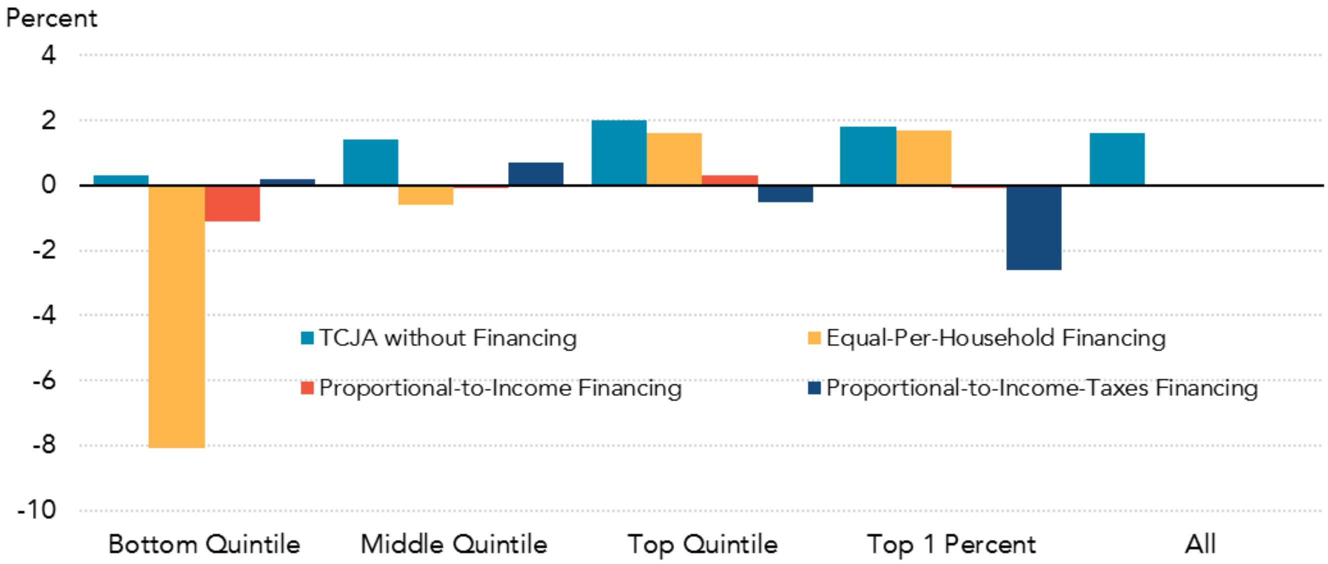
Figure 3 provides a summary and shows the percent change in after-tax income in 2019 across income groups for each financing scenario of the Senate bill.[12] The bottom and middle quintiles would lose out under the first two financing scenarios. However, the top quintile on average would receive an increase in average after-tax income under every scenario we model except for proportional-to-income-taxes financing in 2019.

After-tax income would drop for the top 1 percent under propotional-to-income financing and proportional-to-income-taxes financing.

FIGURE 3

Percent change in after-tax income

Senate TCJA, 2019



Source: Tables 9-12
Note: By design, the average percent change in after-tax income for the "All" category is 0 under each financing scenario

The rest of the paper is organized as follows. Section II describes the features of the TCJA as passed by the House Committee on Ways and Means. Section III discusses standard distributional effects of the House bill without financing. Section IV discusses distributional analysis of the House bill with financing included. Sections V-VII repeat the analysis for the TCJA as passed by the Senate. Section VIII concludes.

II. THE HOUSE PROPOSALS

The Tax Cuts and Jobs Act, as passed by the House Committee on Ways and Means on November 9, 2017 (and subsequently passed with minor amendments by the full chamber on November 16, 2017), would:[13]

Individual Income Tax:

- Set individual income tax rates at 12, 25, 35, and 39.6 percent and create an additional "bubble" tax of 6 percent for certain high-income households;[14]
- Repeal the alternative minimum tax;
- Increase the standard deduction to $12,200 for single filers and $24,400 for joint filers;
- Repeal personal and dependent exemptions;
- Increase the child credit to $1,600 and raise the income level at which the credit phases out;
- Create a temporary additional $300 credit for the taxpayer, spouse, and other dependents;
- Repeal most itemized deductions other than those for mortgage interest and charitable contributions;
- Lower the limit of deductible mortgage principle to $500,000 on a primary residence;
- Eliminate the deduction for state and local income and sales taxes and cap the deduction of state and local property taxes at $10,000;
- Repeal several other exemptions, deductions, and credits;
- Use an alternative measure of inflation to index tax brackets and other tax parameters;
- Reduce the maximum tax rate on certain income from pass-through businesses to 25 percent;[15]

Corporate Tax:

- Reduce the corporate income tax rate to 20 percent;
- Repeal the corporate alternative minimum tax;
- Allow full expensing for new investments in depreciable property other than structures until 2023;
- Partially limit the ability of corporations to deduct net interest;
- Repeal other business-related special exclusions and deductions;

- Adopt a modified territorial system of taxing foreign-source income with provisions to limit avoidance;
- Impose a one-time tax on un-repatriated foreign earnings; and

Estate Tax:

- Double the exemption threshold for the estate tax, and repeal the tax after 2024.

III. DISTRIBUTIONAL EFFECTS OF THE HOUSE BILL WITHOUT FINANCING

Table 1 shows the estimated distributional effects of the TCJA as passed by the House Committee on Ways and Means for calendar year 2018 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.[16] 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 endnote 20).

The provisions in the House version of the TCJA would cut tax burdens for 76 percent of households in 2018, while about 7 percent of households would experience an increase in their tax burden (Table A1).[17] On average, however, every quintile of the income distribution would experience an increase in after-tax income compared to current law. In absolute terms, the average effects range from a tax cut of $60 for the lowest quintile to a tax cut of about $175,000 for the top 0.1 percent of households. After-tax income would rise by 0.4 percent in the bottom quintile and by 2.5 percent for the top 0.1 percent (Table 1). 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 1 percent of the tax cut would go to the bottom quintile. The bottom three-fifths of households would receive about one-fifth of the overall tax cut. In contrast, more than half of the benefits would go to the top quintile, with more than a fifth of the tax cut going to the top 1 percent of households.

By 2027, only 61 percent of households would experience a net tax cut from the major provisions in the bill, while 24 percent of households would experience tax increases (Table A2).[18] This is largely due to the temporary nature of several family-related tax credits and the slower inflation indexing of individual income tax parameters. Table 2 shows the changes in after-tax income in 2027 by income group. By 2027, even a greater share of the benefits would be afforded to those at the top of the income scale. Only 0.4 percent of the tax cut in 2027 would go to the bottom quintile, while almost three-quarters would be allocated to the top quintile. The top 0.1 percent would receive almost a quarter of the entire benefit. After tax-incomes would rise by less for those at the bottom of the income scale compared to 2018, but by more for those at the very top.

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.

IV. HOUSE BILL 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. There is an infinite number of ways to fully finance the proposed tax cut. In this paper, we focus on three specific options.

- Equal-per-household financing: Under this scenario, each tax filing unit (which usually corresponds with "household"[19]) 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.[20] 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 policy preferences embedded in recent proposals by the Trump Administration and Congressional Republicans – for example, the Trump Administration's budget, the budget resolutions passed by the House and Senate, and the House's passage of deep Medicaid cuts as part of efforts to bring about health care reform.[21] Additionally, several Republicans have indicated that the next step after tax reform is to cut spending in programs such as Medicare and Social Security.[22]

In each scenario, the total amount of financing offsets the burden from the tax cuts in either calendar year 2018 or calendar year 2027.[23] 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 3 through 8 show the combined effect of the House tax proposals and the financing cost for each financing scenario by income group.[24]

Under equal-per-household financing, each household would have to pay $1,180 in 2018 and $860 in 2027 to cover the costs of the tax cuts in those years. (By construction, this is the average federal tax change per tax filing unit under the House legislation as shown in Tables 1 and 2). The inclusion of financing dramatically changes the distributional results.

Whereas households in all quintiles, on average, would receive benefits in 2018 from the tax proposal alone, the combination of tax cuts plus equal-per-household financing raises net burdens on households in the bottom three quintiles on average (Table 3). Households in the bottom quintile would experience a $1,130 reduction in their after-tax income in 2018 on average (after subtracting the $1,180 in financing from their $60 average tax cut),[25] which produces an 8.1 percent reduction in after-tax income on average from the combination of the tax cut and the financing (Table 3). Middle-income households – those in the middle quintile – would face a 0.6 percent reduction in after-tax income ($360) from the combination of the tax cut and the financing. On the other hand, households in the top 40 percent, on average, would be better off even after the financing was included. Households in the fourth quintile would receive an average tax cut of $420 after equal-per-household financing. The top 1 percent would continue to have an average net gain around $36,000, which would equate to a 2.4 percent increase in after-tax income. Those in the top 0.1 percent would still gain, on average, about $173,000 per household in 2018.

The results of equal-per-household financing are quite different once several of the temporary provisions in the legislation expire. In 2027, under the scenario with equal-per-household financing, all income groups except the top 5 percent, on average, would experience a net drop in after-tax income (Table 4). However, since the required financing amount would be smaller in 2027, the drop in after-tax income would be smaller for the bottom two quintiles compared to 2018.

Tables 5 and 6 show what would happen if the tax proposal were coupled with proportional-to-income financing.[26] Households would have to pay, on average, 1.6 percent of their income (ECI) under current law in 2018 (Table 1) and 0.9 percent of income in 2027 (Table 2) to cover the burden of the tax proposal in those years.

In 2018, the bottom 60 percent of households and the 90th-95th percentiles, on average, would be worse off (Table 5). Average after-tax income would decrease by between 0.1 and 0.9 percent for these groups, on average, but it would increase by 0.5 percent for the top 1 percent. Those in the fourth quintile would be better off after proportional-to-income financing, realizing average tax cuts of $120 and a slight increase in after-tax income.

By 2027, every income group in the bottom 95 percent would be worse off, on average, under proportional-to-income financing relative to current law. Average after-tax income would drop for these groups by between 0.2 and 0.7 percent (Table 6). However, households in the top 5 percent would still experience an increase in after-tax income. For example, average federal taxes for those in the top 1 percent would decrease on net by about $38,000.

Tables 7 and 8 show 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 quite different from those under the other financing options.

In 2018, under this scenario, all income groups except those in the top 10 percent, on average, would experience a net increase in after-tax income (Table 7). The bottom quintile would receive a small average tax cut of $50 and see their after-tax income rise by 0.3 percent because many low-income households pay no income tax (and thus bear little burden of the financing cost under this scenario). Households in the middle quintile would experience an average increase in after-tax income of about 0.7 percent ($400) under this scenario in 2018. In stark opposition to the other two financing scenarios, those in the top 1 percent would experience an *increase* in federal taxes of about $30,000. After-tax income for this group would drop by 1.9 percent.

The results under proportional-to-income-tax financing would be quite different in 2027. Here, the bottom quintile would realize a negligible change relative to current law, but after-tax income would drop for those in the second quintile and the 80th-95th percentiles (Table 8). Households in the third quintile, fourth quintile, and top 5 percent would experience 0.1 to 0.6 percent net increases in after-tax income, on average. Again, the largest gains would be enjoyed by the top 0.1 percent of households.

V. THE SENATE PROPOSALS

The Tax Cuts and Jobs Act, as passed by the Senate on December 2, 2017 would:[27]

Individual Income Tax:

- Set individual income tax rates at 10, 12, 22, 24, 32, 35, and 38.5 percent;
- Increase the exemption amount for the alternative minimum tax;
- Increase the standard deduction to $12,000 for single filers and $24,000 for joint filers;
- Repeal personal and dependent exemptions;
- Increase the child credit to $2,000 and raise the income level at which the credit phases out;
- Create an additional $500 credit for other dependents;
- Repeal many itemized deductions, but retain the student loan interest deduction, medical expense itemized deduction, mortgage interest deduction, and the deduction for charitable giving;
- Temporarily reduce the threshold for the medical expense itemized deduction to 7.5 percent of AGI;
- Eliminate the deduction for state and local income and sales taxes and cap property tax deductions at $10,000;
- Repeal several other exemptions, deductions, and credits;
- Use an alternative measure of inflation to index tax brackets and other tax parameters;
- Provide a 23 percent deduction for certain sources of pass-through income;[28]

Corporate Tax:

- Starting in 2019, reduce the corporate income tax rate to 20 percent;
- Allow full expensing for new investments in depreciable property other than structures until 2023;
- Partially limit the ability of corporations to deduct net interest;
- Repeal certain business-related special exclusions and deductions;
- Adopt a modified territorial system of taxing foreign-source income with provisions to limit avoidance;
- Impose a one-time tax on un-repatriated foreign earnings;

Other:

- Double the exemption threshold for the estate tax; and
- Repeal the ACA individual mandate penalty.[29]

VI. DISTRIBUTIONAL EFFECTS OF THE SENATE BILL WITHOUT FINANCING

Table 9 shows the estimated distributional effects of the TCJA as passed by the Senate for calendar year 2019 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.[30] This is similar in construction to Table 1 that analyzes the House bill for calendar year 2018.

Major provisions in the Senate version of the TCJA would cut tax burdens for 75 percent of households in 2019, while about 7 percent of households would experience an increase in their tax burden (Table A9).[31] On average, however, every quintile of the income distribution would experience an increase in after-tax income compared to current law. In absolute terms, the average effects range from a tax cut of $40 for the lowest quintile to a tax cut of about $62,000 for the top 0.1 percent of households. After-tax income would rise by 0.3 percent in the bottom quintile and 2.0 percent for the top quintile (Table 9). In particular, the largest percentage gains would be enjoyed by those in the 95th-99th percentiles, who would experience an average increase in after-tax income of 3.1 percent. Less than 1 percent of the tax cut would go to the bottom quintile. The bottom three-fifths of households would receive about one-fifth of the overall tax cut. In contrast, more than three-fifths of the benefits would go to the top quintile, with about a quarter of the tax cuts going to households in the 95th-99th percentiles.

VII. SENATE BILL FINANCING OPTIONS

FRAMEWORK

When analyzing the distributional effects of financing the TCJA as passed by the Senate, we employ similar procedures as above. In each scenario, the total amount of financing offsets the burden from the tax cuts in calendar year 2019. Again, 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. We do not present a similar analysis for 2027 because the Senate bill is estimated to raise some revenue in that year, eliminating the need to consider financing decisions.

RESULTS: EFFECTS OF FINANCING

Tables 10 through 12 show the combined effect of the Senate tax proposals and the financing cost for each financing scenario by income group.

Under equal-per-household financing, each household would have to pay $1,210 in 2019 to cover the costs of the tax cuts in that year. (By construction, this is the average federal tax change per tax filing unit under the Senate legislation as shown in Table 9). Similar to the House bill, the inclusion of financing dramatically changes the distributional results.

Whereas households in all quintiles, on average, would receive benefits in 2019 from the tax proposal alone, the combination of tax cuts plus equal-per-household financing raises net burdens on the bottom 60 percent of households on average (Table 10). Households in the bottom quintile would experience a $1,170 reduction in their after-tax income in 2019 on average (after subtracting the $1,210 in financing from their $40 average tax cut), which produces an 8.1 percent reduction in after-tax income on average from the combination of the tax cut and the financing (Table 10). Middle-income households – those in the middle quintile – would face an average 0.6 percent reduction in after-tax income ($370) from the combination of the tax cut and the financing. On the other hand, households in the top 40 percent, on average, would be better off even after the financing was included. Households in the fourth quintile would receive an average tax cut of $350 after equal-per-household financing. The top 1 percent would have an average net gain of about $27,000, which would equate to a 1.7 percent increase in after-tax income. Households in the 95th-99th percentiles would still experience the largest percentage increase in after-tax income in 2019, on average, which is 2.8 percent.

Table 11 shows what would happen if the tax proposal were coupled with proportional-to-income financing.[32] Households would have to pay, on average, 1.6 percent of their income (ECI) under current law in 2019 (Table 9) to cover the burden of the tax proposal in that year.

In 2019, after-tax income for households in the bottom 60 percent and top 1 percent would drop after proportional-to-income financing. However, it would increase by less than 0.2 percent on average for households in the 60th-95th percentiles. Average after-tax income would increase by 1.4 percent for those in the 95th-99th percentiles under this scenario.

Table 12 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.

In 2019, under this scenario, all income groups except households in the 90th-95th percentiles and the top 1 percent, on average, would experience a net increase in after-tax income (Table 12). The bottom quintile would receive a small average tax cut of $20 and see their after-tax income rise by 0.2 percent because many low-income households pay no income tax (and thus bear little burden of the financing cost under this scenario). Households in the middle quintile would experience an average increase in after-tax income of about 0.7 percent ($410) under this scenario in 2019. Those in the top 1 percent would experience an *increase* in federal taxes of about $41,000. After-tax income for this group would drop by 2.6 percent.

VIII. CONCLUSION

The direct effects of the provisions in the TCJA would be regressive. They would initially benefit, on average, every income group in the economy, but they would generally 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 recent Administration and Congressional budget proposals. Under equal-per-household financing or proportional-to-income financing, the tax cuts would generally continue to be regressive. The results are mixed under proportional-to-income-taxes financing, but it is questionable how likely a financing scheme similar to this would come into effect under the current Administration.

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. These results emphasize that there are no free lunches in tax reform.

TABLE 1

Distribution of Federal Tax Change under W&M-Passed TCJA

2018

Expanded Cash income Percentile[a]	Tax Units		Percent Change in After-Tax Income[b]	Share of Total Federal Tax Change	Average Federal Tax Change ($)	Average Federal Tax Rate[c]	
	Number (thousands)	Percent of total				Change (% Points)	Under the Proposal
Lowest Quintile	48,780	27.7	0.4	1.3	-60	-0.4	3.7
Second Quintile	38,760	22.0	0.9	5.7	-310	-0.9	7.8
Middle Quintile	34,290	19.5	1.4	13.6	-830	-1.2	12.6
Fourth Quintile	28,870	16.4	1.7	22.3	-1,610	-1.4	15.9
Top Quintile	24,300	13.8	1.9	56.7	-4,860	-1.4	24.1
All	176,100	100.0	1.6	100.0	-1,180	-1.3	18.5
Addendum							
80-90	12,490	7.1	1.6	14.1	-2,350	-1.3	18.8
90-95	6,020	3.4	1.3	7.5	-2,590	-1.0	21.0
95-99	4,650	2.6	2.0	14.8	-6,640	-1.5	23.7
Top 1 Percent	1,140	0.7	2.4	20.3	-37,100	-1.7	30.9
Top 0.1 Percent	120	0.1	2.5	9.7	-174,620	-1.7	31.7

Source: Urban-Brookings Tax Policy Center Microsimulation Model (version 0217-1).
Notes: Number of AMT Taxpayers (millions). Baseline: 5.2 Proposal: 0
Calendar year. Baseline is current law. Includes all provisions in the House bill H.R. 1, The Tax Cuts and Jobs Act, as ordered reported by the Committee on Ways and Means. http://www.taxpolicycenter.org/resources/tpc-baseline-definitions
(a) 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.
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; 0% $86,100; 80% $149,400; 90% $216,800; 95% $307,900; 99% $732,800; 99.9% $3,439,900.
(b) 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.
(c) 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.

TABLE 2

Distribution of Federal Tax Change under W&M-Passed TCJA

2027

Expanded Cash income Percentile[a]	Tax Units		Percent Change in After-Tax Income[b]	Share of Total Federal Tax Change	Average Federal Tax Change ($)	Average Federal Tax Rate[c]	
	Number (thousands)	Percent of total				Change (% Points)	Under the Proposal
Lowest Quintile	50,190	26.9	0.1	0.4	-10	-0.1	4.2
Second Quintile	42,290	22.7	0.1	1.3	-50	-0.1	8.8
Middle Quintile	36,880	19.8	0.5	8.1	-360	-0.4	13.4
Fourth Quintile	30,280	16.2	0.7	15.8	-840	-0.6	16.4
Top Quintile	25,810	13.8	1.3	73.6	-4,590	-1.0	25.3
All	186,640	100.0	0.9	100.0	-860	-0.7	19.5
Addendum							
80-90	13,370	7.2	0.4	6.7	-810	-0.3	19.4
90-95	6,290	3.4	0.2	2.4	-600	-0.2	21.7
95-99	4,930	2.6	1.4	17.5	-5,690	-1.0	24.6
Top 1 Percent	1,220	0.7	2.6	47.1	-62,300	-1.8	31.7
Top 0.1 Percent	120	0.1	3.0	24.4	-320,640	-2.0	31.8

Source: Urban-Brookings Tax Policy Center Microsimulation Model (version 0217-1).

Notes: Number of AMT Taxpayers (millions). Baseline: 5.6 Proposal: 0

Calendar year. Baseline is current law. Includes all provisions in the House bill H.R. 1, The Tax Cuts and Jobs Act, as ordered reported by the Committee on Ways and Means. http://www.taxpolicycenter.org/resources/tpc-baseline-definitions

(a) 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. 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% $28,100; 40% $54,700; 60% $93,200; 80% $154,900; 90% $225,400; 95% $304,600; 99% $912,100; 99.9% $5,088,900.

(b) 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.

(c) 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.

TABLE 3

Distribution of Federal Tax Change with Equal-per-Household Financing under W&M-Passed TCJA

2018

Expanded Cash income Percentile[a]	Tax Units: Number (thousands)	Tax Units: Percent of total	Percent Change in After-Tax Income[b]	Average Federal Tax Change ($)	Average Federal Tax Rate[c]: Change (% Points)	Average Federal Tax Rate[c]: Under the Proposal
Lowest Quintile	48,780	27.7	-8.1	1,130	7.7	11.8
Second Quintile	38,760	22.0	-2.6	880	2.4	11.1
Middle Quintile	34,290	19.5	-0.6	360	0.5	14.3
Fourth Quintile	28,870	16.4	0.4	-420	-0.4	17.0
Top Quintile	24,300	13.8	1.4	-3,680	-1.1	24.4
All	176,100	100.0	0.0	0	0.0	19.8
Addendum						
80-90	12,490	7.1	0.8	-1,170	-0.6	19.5
90-95	6,020	3.4	0.7	-1,410	-0.5	21.4
95-99	4,650	2.6	1.7	-5,450	-1.2	24.0
Top 1 Percent	1,140	0.7	2.4	-35,910	-1.6	30.9
Top 0.1 Percent	120	0.1	2.5	-173,440	-1.6	31.7

Source: Urban-Brookings Tax Policy Center Microsimulation Model (version 0217-1).

Notes: Number of AMT Taxpayers (millions). Baseline: 5.2 Proposal: 0

Calendar year. Baseline is current law. Includes all provisions in the House bill H.R. 1, The Tax Cuts and Jobs Act, as ordered reported by the Committee on Ways and Means. http://www.taxpolicycenter.org/resources/tpc-baseline-definitions

(a) 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.

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; 0% $86,100; 80% $149,400; 90% $216,800; 95% $307,900; 99% $732,800; 99.9% $3,439,900.

(b) 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.

(c) 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.

TABLE 4

Distribution of Federal Tax Change with Equal-per-Household Financing under W&M-Passed TCJA

2027

Expanded Cash income Percentile[a]	Tax Units: Number (thousands)	Tax Units: Percent of total	Percent Change in After-Tax Income[b]	Average Federal Tax Change ($)	Average Federal Tax Rate[c]: Change (% Points)	Average Federal Tax Rate[c]: Under the Proposal
Lowest Quintile	50,190	26.9	-4.3	850	4.2	8.5
Second Quintile	42,290	22.7	-1.8	810	1.6	10.5
Middle Quintile	36,880	19.8	-0.7	510	0.6	14.4
Fourth Quintile	30,280	16.2	0.0	30	0.0	17.0
Top Quintile	25,810	13.8	1.1	-3,730	-0.8	25.5
All	186,640	100.0	0.0	0	0.0	20.2
Addendum						
80-90	13,370	7.2	0.0	50	0.0	19.8
90-95	6,290	3.4	-0.1	260	0.1	22.0
95-99	4,930	2.6	1.1	-4,830	-0.9	24.7
Top 1 Percent	1,220	0.7	2.6	-61,440	-1.7	31.7
Top 0.1 Percent	120	0.1	3.0	-319,780	-2.0	31.8

Source: Urban-Brookings Tax Policy Center Microsimulation Model (version 0217-1).

Notes: Number of AMT Taxpayers (millions). Baseline: 5.6 Proposal: 0

Calendar year. Baseline is current law. Includes all provisions in the House bill H.R. 1, The Tax Cuts and Jobs Act, as ordered reported by the Committee on Ways and Means. http://www.taxpolicycenter.org/resources/tpc-baseline-definitions

(a) 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.

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% $28,100; 40% $54,700; 60% $93,200; 80% $154,900; 90% $225,400; 95% $304,600; 99% $912,100; 99.9% $5,088,900.

(b) 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.

(c) 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.

TABLE 5

Distribution of Federal Tax Change with Proportional Financing under W&M-Passed TCJA

2018

Expanded Cash income Percentile[a]	Tax Units: Number (thousands)	Tax Units: Percent of total	Percent Change in After-Tax Income[b]	Average Federal Tax Change ($)	Average Federal Tax Rate[c]: Change (% Points)	Average Federal Tax Rate[c]: Under the Proposal
Lowest Quintile	48,780	27.7	-0.9	130	0.9	5.0
Second Quintile	38,760	22.0	-0.5	160	0.4	9.1
Middle Quintile	34,290	19.5	-0.1	30	0.1	13.9
Fourth Quintile	28,870	16.4	0.1	-120	-0.1	17.2
Top Quintile	24,300	13.8	0.2	-400	-0.1	25.4
All	176,100	100.0	0.0	0	0.0	19.8
Addendum						
80-90	12,490	7.1	0.0	-10	0.0	20.1
90-95	6,020	3.4	-0.4	740	0.3	22.2
95-99	4,650	2.6	0.3	-1,000	-0.2	25.0
Top 1 Percent	1,140	0.7	0.5	-8,250	-0.4	32.2
Top 0.1 Percent	120	0.1	0.6	-38,630	-0.4	33.0

Source: Urban-Brookings Tax Policy Center Microsimulation Model (version 0217-1).

Notes: Number of AMT Taxpayers (millions). Baseline: 5.2 Proposal: 0

Calendar year. Baseline is current law. Includes all provisions in the House bill H.R. 1, The Tax Cuts and Jobs Act, as ordered reported by the Committee on Ways and Means. http://www.taxpolicycenter.org/resources/tpc-baseline-definitions

(a) 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.

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; 0% $86,100; 80% $149,400; 90% $216,800; 95% $307,900; 99% $732,800; 99.9% $3,439,900.

(b) 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.

(c) 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.

TABLE 6

Distribution of Federal Tax Change with Proportional Financing under W&M-Passed TCJA

2027

Expanded Cash income Percentile[a]	Tax Units		Percent Change in After-Tax Income[b]	Average Federal Tax Change ($)	Average Federal Tax Rate[c]	
	Number (thousands)	Percent of total			Change (% Points)	Under the Proposal
Lowest Quintile	50,190	26.9	-0.7	130	0.6	4.9
Second Quintile	42,290	22.7	-0.6	300	0.6	9.4
Middle Quintile	36,880	19.8	-0.3	270	0.3	14.1
Fourth Quintile	30,280	16.2	-0.2	200	0.1	17.1
Top Quintile	25,810	13.8	0.4	-1,310	-0.3	26.0
All	186,640	100.0	0.0	0	0.0	20.2
Addendum						
80-90	13,370	7.2	-0.4	800	0.3	20.1
90-95	6,290	3.4	-0.6	1,630	0.5	22.4
95-99	4,930	2.6	0.4	-1,800	-0.3	25.3
Top 1 Percent	1,220	0.7	1.6	-37,870	-1.1	32.4
Top 0.1 Percent	120	0.1	2.0	-211,270	-1.3	32.5

Source: Urban-Brookings Tax Policy Center Microsimulation Model (version 0217-1).

Notes: Number of AMT Taxpayers (millions). Baseline: 5.6 Proposal: 0

Calendar year. Baseline is current law. Includes all provisions in the House bill H.R. 1, The Tax Cuts and Jobs Act, as ordered reported by the Committee on Ways and Means. http://www.taxpolicycenter.org/resources/tpc-baseline-definitions

(a) 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.

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% $28,100; 40% $54,700; 60% $93,200; 80% $154,900; 90% $225,400; 95% $304,600; 99% $912,100; 99.9% $5,088,900.

(b) 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.

(c) 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.

TABLE 7

Distribution of Federal Tax Change with Proportional-to-Income Taxes Financing under W&M-Passed TCJA

2018

Expanded Cash income Percentile[a]	Tax Units: Number (thousands)	Tax Units: Percent of total	Percent Change in After-Tax Income[b]	Average Federal Tax Change ($)	Average Federal Tax Rate[c]: Change (% Points)	Average Federal Tax Rate[c]: Under the Proposal
Lowest Quintile	48,780	27.7	0.3	-50	-0.3	3.8
Second Quintile	38,760	22.0	0.6	-190	-0.5	8.1
Middle Quintile	34,290	19.5	0.7	-400	-0.6	13.2
Fourth Quintile	28,870	16.4	0.6	-560	-0.5	16.8
Top Quintile	24,300	13.8	-0.6	1,660	0.5	25.9
All	176,100	100.0	0.0	0	0.0	19.8
Addendum						
80-90	12,490	7.1	0.2	-300	-0.2	20.0
90-95	6,020	3.4	-0.4	870	0.3	22.3
95-99	4,650	2.6	-0.3	1,100	0.3	25.5
Top 1 Percent	1,140	0.7	-1.9	29,520	1.3	33.8
Top 0.1 Percent	120	0.1	-2.1	149,570	1.4	34.8

Source: Urban-Brookings Tax Policy Center Microsimulation Model (version 0217-1).

Notes: Number of AMT Taxpayers (millions). Baseline: 5.2 Proposal: 0

Calendar year. Baseline is current law. Includes all provisions in the House bill H.R. 1, The Tax Cuts and Jobs Act, as ordered reported by the Committee on Ways and Means. http://www.taxpolicycenter.org/resources/tpc-baseline-definitions

(a) 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.

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; 0% $86,100; 80% $149,400; 90% $216,800; 95% $307,900; 99% $732,800; 99.9% $3,439,900.

(b) 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.

(c) 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.

TABLE 8

Distribution of Federal Tax Change with Proportional-to-Income-Taxes Financing under W&M-Passed TCJA

2027

Expanded Cash income Percentile[a]	Tax Units		Percent Change in After-Tax Income[b]	Average Federal Tax Change ($)	Average Federal Tax Rate[c]	
	Number (thousands)	Percent of total			Change (% Points)	Under the Proposal
Lowest Quintile	50,190	26.9	0.0	*	0.0	4.3
Second Quintile	42,290	22.7	-0.1	40	0.1	8.9
Middle Quintile	36,880	19.8	0.1	-50	-0.1	13.8
Fourth Quintile	30,280	16.2	0.1	-160	-0.1	16.8
Top Quintile	25,810	13.8	-0.1	250	0.1	26.3
All	186,640	100.0	0.0	0	0.0	20.2
Addendum						
80-90	13,370	7.2	-0.3	500	0.2	20.0
90-95	6,290	3.4	-0.6	1,510	0.5	22.4
95-99	4,930	2.6	0.2	-630	-0.1	25.5
Top 1 Percent	1,220	0.7	0.2	-5,440	-0.2	33.3
Top 0.1 Percent	120	0.1	0.6	-63,200	-0.4	33.4

Source: Urban-Brookings Tax Policy Center Microsimulation Model (version 0217-1).

Notes: Number of AMT Taxpayers (millions). Baseline: 5.6 Proposal: 0

Calendar year. Baseline is current law. Includes all provisions in the House bill H.R. 1, The Tax Cuts and Jobs Act, as ordered reported by the Committee on Ways and Means. http://www.taxpolicycenter.org/resources/tpc-baseline-definitions

(a) 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.

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% $28,100; 40% $54,700; 60% $93,200; 80% $154,900; 90% $225,400; 95% $304,600; 99% $912,100; 99.9% $5,088,900.

(b) 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.

(c) 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.

TABLE 9

Distribution of Federal Tax Change under Senate-Passed TCJA

2019

Expanded Cash income Percentile[a]	Tax Units: Number (thousands)	Tax Units: Percent of total	Percent Change in After-Tax Income[b]	Share of Total Federal Tax Change	Average Federal Tax Change ($)	Average Federal Tax Rate[c]: Change (% Points)	Average Federal Tax Rate[c]: Under the Proposal
Lowest Quintile	48,930	27.6	0.3	0.8	-40	-0.2	4.0
Second Quintile	39,320	22.2	0.9	5.6	-300	-0.8	8.1
Middle Quintile	34,350	19.4	1.4	13.5	-840	-1.2	12.7
Fourth Quintile	28,870	16.3	1.6	21.0	-1,560	-1.3	16.1
Top Quintile	24,560	13.9	2.0	62.2	-5,420	-1.5	24.3
All	177,230	100.0	1.6	100.0	-1,210	-1.3	18.8
Addendum							
80-90	12,610	7.1	1.6	14.1	-2,400	-1.3	18.9
90-95	6,090	3.4	1.7	9.8	-3,430	-1.3	20.8
95-99	4,710	2.7	3.1	23.0	-10,460	-2.3	23.2
Top 1 Percent	1,150	0.7	1.8	15.3	-28,430	-1.2	31.9
Top 0.1 Percent	120	0.1	0.8	3.4	-61,920	-0.6	33.5

Source: Urban-Brookings Tax Policy Center Microsimulation Model (version 0217-1).

Notes: * non-zero value rounded to zero; ** insufficient data

Number of AMT Taxpayers (millions). Baseline: 5.2 Proposal: 2.3

Calendar year. Baseline is current law. Excludes effects of reduction in ACA Individual Shared Responsibility Payment to zero.

http://www.taxpolicycenter.org/taxtopics/Baseline-Definitions.cfm

(a) 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

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% $25,400; 40% $49,600; 60% $87,400; 80% $150,100; 90% $217,800; 95% $308,200; 99% $746,100; 99.9% $3,587,300.

(b) 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.

(c) 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.

TABLE 10

Distribution of Federal Tax Change with Equal-per-Household Financing under Senate-Passed TCJA

2019

Expanded Cash income Percentile[a]	Tax Units: Number (thousands)	Tax Units: Percent of total	Percent Change in After-Tax Income[b]	Average Federal Tax Change ($)	Average Federal Tax Rate[c]: Change (% Points)	Average Federal Tax Rate[c]: Under the Proposal
Lowest Quintile	48,930	27.6	-8.1	1,170	7.7	11.9
Second Quintile	39,320	22.2	-2.6	900	2.4	11.3
Middle Quintile	34,350	19.4	-0.6	370	0.5	14.5
Fourth Quintile	28,870	16.3	0.4	-350	-0.3	17.1
Top Quintile	24,560	13.9	1.6	-4,210	-1.2	24.6
All	177,230	100.0	0.0	0	0.0	20.1
Addendum						
80-90	12,610	7.1	0.8	-1,190	-0.6	19.6
90-95	6,090	3.4	1.1	-2,230	-0.8	21.3
95-99	4,710	2.7	2.8	-9,250	-2.1	23.5
Top 1 Percent	1,150	0.7	1.7	-27,220	-1.2	31.9
Top 0.1 Percent	120	0.1	0.8	-60,710	-0.6	33.5

Source: Urban-Brookings Tax Policy Center Microsimulation Model (version 0217-1).

Notes: * non-zero value rounded to zero; ** insufficient data

Number of AMT Taxpayers (millions). Baseline: 5.2 Proposal: 2.3

Calendar year. Baseline is current law. Excludes effects of reduction in ACA Individual Shared Responsibility Payment to zero.

http://www.taxpolicycenter.org/taxtopics/Baseline-Definitions.cfm

(a) 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

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% $25,400; 40% $49,600; 60% $87,400; 80% $150,100; 90% $217,800; 95% $308,200; 99% $746,100; 99.9% $3,587,300.

(b) 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.

(c) 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.

TABLE 11

Distribution of Federal Tax Change with Proportional Financing under Senate-Passed TCJA

2019

Expanded Cash income Percentile[a]	Tax Units		Percent Change in After-Tax Income[b]	Average Federal Tax Change ($)	Average Federal Tax Rate[c]	
	Number (thousands)	Percent of total			Change (% Points)	Under the Proposal
Lowest Quintile	48,930	27.6	-1.1	160	1.0	5.3
Second Quintile	39,320	22.2	-0.5	170	0.5	9.3
Middle Quintile	34,350	19.4	-0.1	40	0.1	14.0
Fourth Quintile	28,870	16.3	0.1	-50	0.0	17.4
Top Quintile	24,560	13.9	0.3	-880	-0.2	25.6
All	177,230	100.0	0.0	0	0.0	20.1
Addendum						
80-90	12,610	7.1	0.0	-40	0.0	20.2
90-95	6,090	3.4	0.0	-70	0.0	22.1
95-99	4,710	2.7	1.4	-4,760	-1.1	24.4
Top 1 Percent	1,150	0.7	-0.1	1,510	0.1	33.2
Top 0.1 Percent	120	0.1	-1.1	78,340	0.7	34.8

Source: Urban-Brookings Tax Policy Center Microsimulation Model (version 0217-1).

Notes: * non-zero value rounded to zero; ** insufficient data

Number of AMT Taxpayers (millions). Baseline: 5.2 Proposal: 2.3

Calendar year. Baseline is current law. Excludes effects of reduction in ACA Individual Shared Responsibility Payment to zero.

http://www.taxpolicycenter.org/taxtopics/Baseline-Definitions.cfm

(a) 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

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% $25,400; 40% $49,600; 60% $87,400; 80% $150,100; 90% $217,800; 95% $308,200; 99% $746,100; 99.9% $3,587,300.

(b) 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.

(c) 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.

TABLE 12

Distribution of Federal Tax Change with Proportional-to-Income Taxes Financing under Senate-Passed TCJA

2019

Expanded Cash income Percentile[a]	Tax Units: Number (thousands)	Tax Units: Percent of total	Percent Change in After-Tax Income[b]	Average Federal Tax Change ($)	Average Federal Tax Rate[c]: Change (% Points)	Average Federal Tax Rate[c]: Under the Proposal
Lowest Quintile	48,930	27.6	0.2	-20	-0.2	4.1
Second Quintile	39,320	22.2	0.5	-180	-0.5	8.4
Middle Quintile	34,350	19.4	0.7	-410	-0.6	13.4
Fourth Quintile	28,870	16.3	0.5	-500	-0.4	17.0
Top Quintile	24,560	13.9	-0.5	1,230	0.3	26.2
All	177,230	100.0	0.0	0	0.0	20.1
Addendum						
80-90	12,610	7.1	0.2	-350	-0.2	20.0
90-95	6,090	3.4	0.0	40	0.0	22.1
95-99	4,710	2.7	0.8	-2,730	-0.6	24.9
Top 1 Percent	1,150	0.7	-2.6	40,950	1.7	34.8
Top 0.1 Percent	120	0.1	-3.7	273,400	2.5	36.5

Source: Urban-Brookings Tax Policy Center Microsimulation Model (version 0217-1).
Notes: * non-zero value rounded to zero; ** insufficient data
Number of AMT Taxpayers (millions). Baseline: 5.2 Proposal: 2.3
Calendar year. Baseline is current law. Excludes effects of reduction in ACA Individual Shared Responsibility Payment to zero.
http://www.taxpolicycenter.org/taxtopics/Baseline-Definitions.cfm
(a) 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
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% $25,400; 40% $49,600; 60% $87,400; 80% $150,100; 90% $217,800; 95% $308,200; 99% $746,100; 99.9% $3,587,300.
(b) 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.
(c) 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.

TABLE A1

Winners and Losers under W&M-Passed TCJA

2018

Expanded Cash Income Percentile[a]	Tax Units		Tax Units with Tax Increase or Cut[b]				Average Tax Change ($) For All Tax Units	
			With Tax Cut		With Tax Increase			
	Number (thousands)	Percent of total	Percent of Tax Units	Average Tax Cut	Percent of Tax Units	Average Tax Increase	All Provisions	Major Provisions Included Here
Lowest Quintile	48,780	27.7	48.0	-150	1.7	790	-60	-60
Second Quintile	38,760	22.0	84.0	-440	6.3	860	-310	-320
Middle Quintile	34,290	19.5	88.8	-1,090	9.8	1,100	-830	-860
Fourth Quintile	28,870	16.4	88.2	-2,110	11.4	1,580	-1,610	-1,680
Top Quintile	24,300	13.8	87.2	-6,970	12.7	5,080	-4,860	-5,430
All	176,100	100.0	76.0	-1,890	7.4	2,100	-1,180	-1,280
Addendum								
80-90	12,490	7.1	86.9	-3,190	13.0	1,930	-2,350	-2,520
90-95	6,020	3.4	84.1	-3,790	15.8	2,060	-2,590	-2,860
95-99	4,650	2.6	93.9	-8,080	5.9	4,320	-6,640	-7,330
Top 1 Percent	1,140	0.7	79.9	-64,210	20.1	40,720	-37,100	-43,120
Top 0.1 Percent	120	0.1	71.7	-350,020	28.3	164,140	-174,620	-204,590

Source: Urban-Brookings Tax Policy Center Microsimulation Model (version 0217-1).

Notes: * Non-zero value rounded to zero; ** Insufficient data

Calendar year. Baseline is current law. Due to data limitations, excludes the following provisions: repeal of deduction for moving expenses; limitation on exclusion of employee achievement awards and certain other fringe benefits; repeal of exclusion for qualified moving expense reimbursement; reduction in minimum age for allowable in-service distributions; small business accounting method reform and simplification; modifications to state and local bond interest (portion attributable to pass-through entities); and repeal of technical termination of partnerships. http://www.taxpolicycenter.org/taxtopics/Baseline-Definitions.cfm

(a) 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, seehttp://www.taxpolicycenter.org/TaxModel/income.cfm.

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.

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

TABLE A2

Winners and Losers under W&M-Passed TCJA

2027

Expanded Cash Income Percentile[a]	Tax Units		Tax Units with Tax Increase or Cut[b]				Average Tax Change ($) For	
			With Tax Cut		With Tax Increase			
	Number (thousands)	Percent of total	Percent of Tax Units	Average Tax Cut	Percent of Tax Units	Average Tax Increase	All Provisions	Major Provisions Included Here
Lowest Quintile	50,190	26.9	45.8	-120	13.0	320	-10	-20
Second Quintile	42,290	22.7	64.0	-380	24.0	760	-50	-60
Middle Quintile	36,880	19.8	68.3	-1,110	30.0	1,230	-360	-390
Fourth Quintile	30,280	16.2	72.4	-2,030	27.3	2,090	-840	-900
Top Quintile	25,810	13.8	64.3	-11,430	35.5	5,830	-4,590	-5,280
All	186,640	100.0	61.4	-2,410	24.2	2,080	-860	-980
Addendum								
80-90	13,370	7.2	64.3	-3,080	35.5	2,830	-810	-980
90-95	6,290	3.4	54.5	-4,190	45.1	3,510	-600	-700
95-99	4,930	2.6	74.9	-10,740	25.0	6,540	-5,690	-6,410
Top 1 Percent	1,220	0.7	71.1	-126,130	28.9	62,880	-62,300	-71,600
Top 0.1 Percent	120	0.1	71.5	-621,500	28.4	284,630	-320,640	-363,490

Source: Urban-Brookings Tax Policy Center Microsimulation Model (version 0217-1).

Notes: * Non-zero value rounded to zero; ** Insufficient data

Calendar year. Baseline is current law. Due to data limitations, excludes the following provisions: repeal of deduction for moving expenses; limitation on exclusion of employee achievement awards and certain other fringe benefits; repeal of exclusion for qualified moving expense reimbursement; reduction in minimum age for allowable in-service distributions; small business accounting method reform and simplification; modifications to state and local bond interest (portion attributable to pass-through entities); and repeal of technical termination of partnerships.

http://www.taxpolicycenter.org/taxtopics/Baseline-Definitions.cfm

(a) 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

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% $28,100; 40% $54,700; 60% $93,200; 80% $154,900; 90% $225,400; 95% $304,600; 99% $912,100; 99.9% $5,088,900.

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

TABLE A3

Winners and Losers with Equal-per-Household Financing under W&M-Passed TCJA

2018

Expanded Cash Income Percentile[a]	Tax Units with Tax Increase or Cut[b]				Average Tax Change ($) For	
	With Tax Cut		With Tax Increase			
	Percent of Tax Units	Average Tax Cut	Percent of Tax Units	Average Tax Increase	All Provisions	Major Provisions Included Here
Lowest Quintile	*	**	100.0	1,220	1,130	1,220
Second Quintile	0.3	-330	99.7	970	880	960
Middle Quintile	28.1	-570	71.0	820	360	420
Fourth Quintile	66.8	-1,270	32.7	1,380	-420	-400
Top Quintile	74.8	-6,720	25.0	3,530	-3,680	-4,150
All	26.9	-3,230	72.9	1,190	0	0
Addendum						
80-90	72.4	-2,410	27.3	1,850	-1,170	-1,240
90-95	69.2	-3,170	30.6	2,020	-1,410	-1,580
95-99	87.8	-7,300	12.1	3,030	-5,450	-6,050
Top 1 Percent	78.3	-64,230	21.7	38,940	-35,910	-41,830
Top 0.1 Percent	71.2	-351,330	28.8	162,150	-173,440	-203,310

Source: Urban-Brookings Tax Policy Center Microsimulation Model (version 0217-1).

Notes: * Non-zero value rounded to zero; ** Insufficient data

Calendar year. Baseline is current law. Due to data limitations, excludes the following provisions: repeal of deduction for moving expenses; limitation on exclusion of employee achievement awards and certain other fringe benefits; repeal of exclusion for qualified moving expense reimbursement; reduction in minimum age for allowable in-service distributions; small business accounting method reform and simplification; modifications to state and local bond interest (portion attributable to pass-through entities); and repeal of technical termination of partnerships. http://www.taxpolicycenter.org/taxtopics/Baseline-Definitions.cfm

(a) 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, seehttp://www.taxpolicycenter.org/TaxModel/income.cfm.

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.

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

TABLE A4

Winners and Losers with Equal-per-Household Financing under W&M-Passed TCJA

2027

Expanded Cash Income Percentile[a]	Tax Units with Tax Increase or Cut[b]				Average Tax Change ($) For	
	With Tax Cut		With Tax Increase			
	Percent of Tax Units	Average Tax Cut	Percent of Tax Units	Average Tax Increase	All Provisions	Major Provisions Included Here
Lowest Quintile	0.2	-500	99.8	970	850	960
Second Quintile	3.3	-440	96.3	970	810	920
Middle Quintile	32.2	-860	67.0	1,290	510	590
Fourth Quintile	55.0	-1,540	44.7	2,060	30	80
Top Quintile	53.9	-12,560	45.9	5,380	-3,730	-4,300
All	23.6	-4,810	76.1	1,490	0	0
Addendum						
80-90	51.4	-2,740	48.3	2,920	50	*
90-95	44.4	-4,050	55.4	3,750	260	280
95-99	68.6	-10,690	31.3	6,110	-4,830	-5,430
Top 1 Percent	70.0	-127,160	30.0	61,500	-61,440	-70,620
Top 0.1 Percent	71.5	-620,630	28.5	284,980	-319,780	-362,510

Source: Urban-Brookings Tax Policy Center Microsimulation Model (version 0217-1).

Notes: * Non-zero value rounded to zero; ** Insufficient data

Calendar year. Baseline is current law. Due to data limitations, excludes the following provisions: repeal of deduction for moving expenses; limitation on exclusion of employee achievement awards and certain other fringe benefits; repeal of exclusion for qualified moving expense reimbursement; reduction in minimum age for allowable in-service distributions; small business accounting method reform and simplification; modifications to state and local bond interest (portion attributable to pass-through entities); and repeal of technical termination of partnerships.
http://www.taxpolicycenter.org/taxtopics/Baseline-Definitions.cfm

(a) 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

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% $28,100; 40% $54,700; 60% $93,200; 80% $154,900; 90% $225,400; 95% $304,600; 99% $912,100; 99.9% $5,088,900.

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

TABLE A5

Winners and Losers with Proportional Financing under W&M-Passed TCJA

2018

Expanded Cash Income Percentile[a]	Tax Units with Tax Increase or Cut[b]				Average Tax Change ($) For	
	With Tax Cut		With Tax Increase			
	Percent of Tax Units	Average Tax Cut	Percent of Tax Units	Average Tax Increase	All Provisions	Major Provisions Included Here
Lowest Quintile	11.4	-110	84.2	190	130	150
Second Quintile	37.2	-190	60.9	430	160	190
Middle Quintile	53.6	-540	45.2	800	30	70
Fourth Quintile	60.4	-1,040	39.0	1,440	-120	-70
Top Quintile	48.9	-5,690	51.0	4,270	-400	-600
All	38.6	-1,460	59.3	950	0	0
Addendum						
80-90	54.5	-1,770	45.3	2,140	-10	10
90-95	38.7	-2,470	61.2	2,780	740	750
95-99	45.2	-7,010	54.7	3,560	-1,000	-1,220
Top 1 Percent	56.1	-54,690	43.9	42,870	-8,250	-11,870
Top 0.1 Percent	49.5	-310,920	50.5	191,220	-38,630	-57,310

Source: Urban-Brookings Tax Policy Center Microsimulation Model (version 0217-1).

Notes: * Non-zero value rounded to zero; ** Insufficient data

Calendar year. Baseline is current law. Due to data limitations, excludes the following provisions: repeal of deduction for moving expenses; limitation on exclusion of employee achievement awards and certain other fringe benefits; repeal of exclusion for qualified moving expense reimbursement; reduction in minimum age for allowable in-service distributions; small business accounting method reform and simplification; modifications to state and local bond interest (portion attributable to pass-through entities); and repeal of technical termination of partnerships. http://www.taxpolicycenter.org/taxtopics/Baseline-Definitions.cfm

(a) 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, seehttp://www.taxpolicycenter.org/TaxModel/income.cfm.

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.

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

TABLE A6

Winners and Losers with Proportional Financing under W&M-Passed TCJA

2027

Expanded Cash Income Percentile[a]	Tax Units with Tax Increase or Cut[b]				Average Tax Change ($) For	
	With Tax Cut		With Tax Increase			
	Percent of Tax Units	Average Tax Cut	Percent of Tax Units	Average Tax Increase	All Provisions	Major Provisions Included Here
Lowest Quintile	9.7	-160	85.2	190	130	140
Second Quintile	23.9	-310	74.4	550	300	330
Middle Quintile	42.2	-900	57.1	1,210	270	310
Fourth Quintile	51.8	-1,410	47.9	2,100	200	270
Top Quintile	40.4	-12,980	59.3	6,200	-1,310	-1,560
All	30.6	-3,080	67.3	1,400	0	0
Addendum						
80-90	41.8	-2,450	57.6	3,250	800	850
90-95	29.5	-4,170	70.4	4,350	1,630	1,830
95-99	46.1	-11,510	53.6	6,200	-1,800	-1,990
Top 1 Percent	57.4	-125,490	42.6	65,980	-37,870	-43,880
Top 0.1 Percent	59.3	-609,900	40.8	299,340	-211,270	-239,430

Source: Urban-Brookings Tax Policy Center Microsimulation Model (version 0217-1).

Notes: * Non-zero value rounded to zero; ** Insufficient data

Calendar year. Baseline is current law. Due to data limitations, excludes the following provisions: repeal of deduction for moving expenses; limitation on exclusion of employee achievement awards and certain other fringe benefits; repeal of exclusion for qualified moving expense reimbursement; reduction in minimum age for allowable in-service distributions; small business accounting method reform and simplification; modifications to state and local bond interest (portion attributable to pass-through entities); and repeal of technical termination of partnerships.
http://www.taxpolicycenter.org/taxtopics/Baseline-Definitions.cfm

(a) 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

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% $28,100; 40% $54,700; 60% $93,200; 80% $154,900; 90% $225,400; 95% $304,600; 99% $912,100; 99.9% $5,088,900.

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

TABLE A7

Winners and Losers with Proportional-to-Income-Taxes Financing under W&M-Passed TCJA

2018

Expanded Cash Income Percentile[a]	Tax Units with Tax Increase or Cut[b]				Average Tax Change ($) For	
	With Tax Cut		With Tax Increase			
	Percent of Tax Units	Average Tax Cut	Percent of Tax Units	Average Tax Increase	All Provisions	Major Provisions Included Here
Lowest Quintile	46.2	-130	3.3	450	-50	-50
Second Quintile	80.9	-320	8.9	720	-190	-190
Middle Quintile	82.1	-680	16.3	970	-400	-400
Fourth Quintile	72.4	-1,290	27.2	1,460	-560	-540
Top Quintile	46.9	-4,370	52.8	6,960	1,660	1,630
All	65.4	-950	17.8	3,490	0	0
Addendum						
80-90	58.4	-1,950	41.3	2,030	-300	-300
90-95	35.0	-2,650	64.7	2,800	870	880
95-99	35.0	-7,040	64.9	5,410	1,100	1,050
Top 1 Percent	32.6	-49,690	67.4	67,220	29,520	29,030
Top 0.1 Percent	29.2	-280,520	70.7	322,950	149,570	146,510

Source: Urban-Brookings Tax Policy Center Microsimulation Model (version 0217-1).

Notes: * Non-zero value rounded to zero; ** Insufficient data

Calendar year. Baseline is current law. Due to data limitations, excludes the following provisions: repeal of deduction for moving expenses; limitation on exclusion of employee achievement awards and certain other fringe benefits; repeal of exclusion for qualified moving expense reimbursement; reduction in minimum age for allowable in-service distributions; small business accounting method reform and simplification; modifications to state and local bond interest (portion attributable to pass-through entities); and repeal of technical termination of partnerships.
http://www.taxpolicycenter.org/taxtopics/Baseline-Definitions.cfm

(a) 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, seehttp://www.taxpolicycenter.org/TaxModel/income.cfm.

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.

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

TABLE A8

Winners and Losers with Proportional-to-Income-Taxes Financing under W&M-Passed TCJA

2027

Expanded Cash Income Percentile[a]	Tax Units with Tax Increase or Cut[b]				Average Tax Change ($) For	
	With Tax Cut		With Tax Increase			
	Percent of Tax Units	Average Tax Cut	Percent of Tax Units	Average Tax Increase	All Provisions	Major Provisions Included Here
Lowest Quintile	40.5	-130	18.1	270	*	*
Second Quintile	56.7	-300	30.6	680	40	40
Middle Quintile	58.9	-860	39.0	1,170	-50	-50
Fourth Quintile	61.0	-1,530	38.5	2,080	-160	-130
Top Quintile	41.0	-10,730	58.8	7,850	250	220
All	51.4	-1,790	33.9	2,710	0	0
Addendum						
80-90	45.5	-2,520	54.1	3,060	500	510
90-95	30.5	-3,970	69.3	4,190	1,510	1,690
95-99	41.1	-11,600	58.6	7,000	-630	-660
Top 1 Percent	44.4	-124,240	55.7	86,260	-5,440	-7,100
Top 0.1 Percent	47.6	-590,200	52.3	400,340	-63,200	-71,480

Source: Urban-Brookings Tax Policy Center Microsimulation Model (version 0217-1).

Notes: * Non-zero value rounded to zero; ** Insufficient data

Calendar year. Baseline is current law. Due to data limitations, excludes the following provisions: repeal of deduction for moving expenses; limitation on exclusion of employee achievement awards and certain other fringe benefits; repeal of exclusion for qualified moving expense reimbursement; reduction in minimum age for allowable in-service distributions; small business accounting method reform and simplification; modifications to state and local bond interest (portion attributable to pass-through entities); and repeal of technical termination of partnerships.
http://www.taxpolicycenter.org/taxtopics/Baseline-Definitions.cfm

(a) 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

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% $28,100; 40% $54,700; 60% $93,200; 80% $154,900; 90% $225,400; 95% $304,600; 99% $912,100; 99.9% $5,088,900.

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

TABLE A9

Winners and Losers under Senate-Passed TCJA

2019

Expanded Cash Income Percentile[a]	Tax Units: Number (thousands)	Tax Units: Percent of total	With Tax Cut: Percent of Tax Units	With Tax Cut: Average Tax Cut	With Tax Increase: Percent of Tax Units	With Tax Increase: Average Tax Increase	Average Tax Change ($) For: All Provisions	Average Tax Change ($) For: Major Provisions Included Here
			Tax Units with Tax Increase or Cut[b]					
Lowest Quintile	48,930	27.6	45.0	-120	1.6	810	-40	-40
Second Quintile	39,320	22.2	83.3	-430	5.2	750	-300	-320
Middle Quintile	34,350	19.4	88.4	-1,080	9.8	840	-840	-870
Fourth Quintile	28,870	16.3	87.5	-2,020	12.1	1,240	-1,560	-1,620
Top Quintile	24,560	13.9	88.6	-7,520	11.2	8,030	-5,420	-5,770
All	177,230	100.0	75.0	-1,990	7.0	3,070	-1,210	-1,280
Addendum								
80-90	12,610	7.1	87.3	-3,110	12.5	1,580	-2,400	-2,520
90-95	6,090	3.4	87.1	-4,440	12.7	1,790	-3,430	-3,630
95-99	4,710	2.7	95.0	-11,820	5.0	5,860	-10,460	-10,920
Top 1 Percent	1,150	0.7	86.0	-53,590	14.0	104,130	-28,430	-31,510
Top 0.1 Percent	120	0.1	68.8	-266,780	31.1	347,650	-61,920	-75,540

Source: Urban-Brookings Tax Policy Center Microsimulation Model (version 0217-1).

Notes: * Non-zero value rounded to zero; ** Insufficient data

Calendar year. Baseline is current law. Excludes reduction in ACA Individual Shared Responsibility Payment amount to zero. Due to data limitations, also excludes the following provisions: repeal of exclusion for employer-provided qualified moving expense reimbursements; repeal of deduction for moving expenses (other than members of the Armed Forces); simplified accounting for small business; limitation on deduction by employers of expenses on qualified transportation fringes; modification of limitation on excessive employee remuneration; 20 percent excise tax on excess tax-exempt organization executive compensation; tax gain on the sale of a partnership interest on look-thru basis; repeal of advanced refunding bonds (portion attributable to individuals); modify treatment of S corporation conversions into C corporations; and Craft Beverage Modernization and Tax Reform. http://www.taxpolicycenter.org/taxtopics/Baseline-Definitions.cfm

(a) 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

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% $25,400; 40% $49,600; 60% $87,400; 80% $150,100; 90% $217,800; 95% $308,200; 99% $746,100; 99.9% $3,587,300.

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

TABLE A10

Winners and Losers with Equal-per-Household Financing under Senate-Passed TCJA

2019

Expanded Cash Income Percentile[a]	Tax Units with Tax Increase or Cut[b]				Average Tax Change ($) For	
	With Tax Cut		With Tax Increase			
	Percent of Tax Units	Average Tax Cut	Percent of Tax Units	Average Tax Increase	All Provisions	Major Provisions Included Here
Lowest Quintile	0.1	-480	99.9	1,240	1,170	1,230
Second Quintile	2.7	-430	97.2	1,000	900	960
Middle Quintile	32.5	-510	66.3	860	370	400
Fourth Quintile	64.8	-1,200	34.6	1,270	-350	-340
Top Quintile	76.1	-7,360	23.6	4,740	-4,210	-4,490
All	28.1	-3,350	71.6	1,310	0	0
Addendum						
80-90	70.7	-2,400	28.9	1,580	-1,190	-1,240
90-95	73.9	-3,830	25.9	1,830	-2,230	-2,360
95-99	91.7	-10,930	8.3	4,580	-9,250	-9,650
Top 1 Percent	84.1	-53,490	15.9	93,010	-27,220	-30,230
Top 0.1 Percent	68.4	-267,120	31.6	343,650	-60,710	-74,260

Source: Urban-Brookings Tax Policy Center Microsimulation Model (version 0217-1).

Notes: * Non-zero value rounded to zero; ** Insufficient data

Calendar year. Baseline is current law. Excludes reduction in ACA Individual Shared Responsibility Payment amount to zero. Due to data limitations, also excludes the following provisions: repeal of exclusion for employer-provided qualified moving expense reimbursements; repeal of deduction for moving expenses (other than members of the Armed Forces); simplified accounting for small business; limitation on deduction by employers of expenses on qualified transportation fringes; modification of limitation on excessive employee remuneration; 20 percent excise tax on excess tax-exempt organization executive compensation; tax gain on the sale of a partnership interest on look-thru basis; repeal of advanced refunding bonds (portion attributable to individuals); modify treatment of S corporation conversions into C corporations; and Craft Beverage Modernization and Tax Reform. http://www.taxpolicycenter.org/taxtopics/Baseline-Definitions.cfm

(a) 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

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% $25,400; 40% $49,600; 60% $87,400; 80% $150,100; 90% $217,800; 95% $308,200; 99% $746,100; 99.9% $3,587,300.

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

TABLE A11

Winners and Losers with Proportional Financing under Senate-Passed TCJA

2019

Expanded Cash Income Percentile[a]	Tax Units with Tax Increase or Cut[b]				Average Tax Change ($) For	
	With Tax Cut		With Tax Increase		All Provisions	Major Provisions Included Here
	Percent of Tax Units	Average Tax Cut	Percent of Tax Units	Average Tax Increase		
Lowest Quintile	2.7	-340	93.4	180	160	160
Second Quintile	26.7	-320	71.3	380	170	180
Middle Quintile	52.4	-570	46.8	760	40	60
Fourth Quintile	58.2	-990	41.2	1,360	-50	-20
Top Quintile	55.3	-5,820	44.5	5,080	-880	-960
All	34.2	-1,820	63.9	970	0	0
Addendum						
80-90	52.6	-1,800	47.2	1,960	-40	-20
90-95	45.6	-3,190	54.1	2,550	-70	-70
95-99	75.4	-7,940	24.5	4,460	-4,760	-4,900
Top 1 Percent	54.6	-47,750	45.4	57,870	1,510	160
Top 0.1 Percent	42.8	-237,400	57.3	304,530	78,340	72,850

Source: Urban-Brookings Tax Policy Center Microsimulation Model (version 0217-1).

Notes: * Non-zero value rounded to zero; ** Insufficient data

Calendar year. Baseline is current law. Excludes reduction in ACA Individual Shared Responsibility Payment amount to zero. Due to data limitations, also excludes the following provisions: repeal of exclusion for employer-provided qualified moving expense reimbursements; repeal of deduction for moving expenses (other than members of the Armed Forces); simplified accounting for small business; limitation on deduction by employers of expenses on qualified transportation fringes; modification of limitation on excessive employee remuneration; 20 percent excise tax on excess tax-exempt organization executive compensation; tax gain on the sale of a partnership interest on look-thru basis; repeal of advanced refunding bonds (portion attributable to individuals); modify treatment of S corporation conversions into C corporations; and Craft Beverage Modernization and Tax Reform. http://www.taxpolicycenter.org/taxtopics/Baseline-Definitions.cfm

(a) 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

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% $25,400; 40% $49,600; 60% $87,400; 80% $150,100; 90% $217,800; 95% $308,200; 99% $746,100; 99.9% $3,587,300.

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

TABLE A12

Winners and Losers with Proportional-to-Income-Taxes Financing under Senate-Passed TCJA

2019

Expanded Cash Income Percentile[a]	Tax Units with Tax Increase or Cut[b]				Average Tax Change ($) For	
	With Tax Cut		With Tax Increase			
	Percent of Tax Units	Average Tax Cut	Percent of Tax Units	Average Tax Increase	All Provisions	Major Provisions Included Here
Lowest Quintile	43.1	-100	3.8	380	-20	-30
Second Quintile	80.1	-300	8.3	570	-180	-190
Middle Quintile	81.7	-680	16.4	870	-410	-420
Fourth Quintile	71.3	-1,220	28.2	1,340	-500	-490
Top Quintile	55.3	-4,270	44.4	8,160	1,230	1,260
All	65.2	-990	16.8	3,840	0	0
Addendum						
80-90	58.2	-1,890	41.4	1,800	-350	-350
90-95	45.3	-3,050	54.4	2,610	40	40
95-99	67.6	-6,810	32.2	5,760	-2,730	-2,750
Top 1 Percent	25.4	-47,830	74.3	72,760	40,950	41,890
Top 0.1 Percent	19.0	-242,140	81.0	401,290	273,400	279,200

Source: Urban-Brookings Tax Policy Center Microsimulation Model (version 0217-1).

Notes: * Non-zero value rounded to zero; ** Insufficient data

Calendar year. Baseline is current law. Excludes reduction in ACA Individual Shared Responsibility Payment amount to zero. Due to data limitations, also excludes the following provisions: repeal of exclusion for employer-provided qualified moving expense reimbursements; repeal of deduction for moving expenses (other than members of the Armed Forces); simplified accounting for small business; limitation on deduction by employers of expenses on qualified transportation fringes; modification of limitation on excessive employee remuneration; 20 percent excise tax on excess tax-exempt organization executive compensation; tax gain on the sale of a partnership interest on look-thru basis; repeal of advanced refunding bonds (portion attributable to individuals); modify treatment of S corporation conversions into C corporations; and Craft Beverage Modernization and Tax Reform. http://www.taxpolicycenter.org/taxtopics/Baseline-Definitions.cfm

(a) 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

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% $25,400; 40% $49,600; 60% $87,400; 80% $150,100; 90% $217,800; 95% $308,200; 99% $746,100; 99.9% $3,587,300.

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

NOTES

[1] Joint Committee on Taxation (2017a, 2017b).

[2] In Gale, Khitatrakun, and Krupkin (2017), we pursued the same exercise for the White House's (2017) April 2017 outline and found similar results.

[3] Similar 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 (Gale, Orszag, and Shapiro 2004; Elmendorf et al. 2008). The issue of financing tax cuts has also been explored in more recent work, including Gale, Khitatrakun, and Krupkin (2017); Huang and Duke (2017); and Furman and Leiserson (2017).

[4] The Joint Committee on Taxation (2017c) finds that the Senate bill as passed by the Committee on Finance would increase the level of GDP by about 0.8 percent on average over the ten-year window. Page et al. (2017b) estimate that the Senate bill as passed by the Committee on Finance would leave GDP roughly the same in 2027 as under current law. Page et al. (2017a) estimate that the House bill would increase the level of GDP by 0.3 percent at the end of the first decade. Zandi, Lafakis, and Yaros (2017) find that the legislation would only increase the average annual growth rate over a decade by 0.03 percentage points. The Penn Wharton Budget Model (2017) finds that GDP would be 0.4-0.9 percent larger in 2027 under the House version of the TCJA compared to current policy. TPC Staff (2017c, Table 7) analyze an earlier, similar proposal and conclude that the growth effects would initially be small and positive, but eventually turn negative. Hatzius et al. (2017) find that a similar tax cut would raise the level of GDP (not the growth rate) by 0.5 percent over the medium term. Gale and Samwick (2017) review research and evidence on the relationship between income tax cuts and growth and find small effects. In a recent University of Chicago poll of leading economists, only 1 out of 42 respondents agreed that, "If the US enacts a tax bill similar to those currently moving through the House and Senate — and assuming no other changes in tax or spending policy — US GDP will be substantially higher a decade from now than under the status quo" (IGM Forum 2017).

[5] According to Senator Marco Rubio, "We have to generate economic growth, which generates revenue, while reducing spending. That will mean instituting structural changes to Social Security and Medicare for the future." President Trump said, next, "we're going to go into welfare reform" (Zernike and Rappeport 2017). Senator Hatch said, "Now let's just be honest about it: We're in trouble. This country is in deep debt. You don't help the poor by not solving the problems of debt, and you don't help the poor by continually pushing more and more liberal programs thorugh" (Stein 2017).

[6] TPC Staff (2017a); Joint Committee on Taxation (2017a).

[7] The Appendix Tables show the share of tax units with tax increases or tax cuts under each financing scenario. They only include the effects of major provisions in the Tax Cuts and Jobs Act, while Tables 1-12 include all provisions. This slightly changes the necessary financing amount in each year. For more details, see Tax Policy Center (2017a, 2017b).

[8] Figure 1 uses data provided in Tables 1, 3, 5, and 7. Similarly, Figure 2 uses data provided in Tables 2, 4, 6, and 8. Both figures do not show results for the second or fourth quintiles.

[9] TPC Staff (2017b); Joint Committee on Taxation (2017b).

[10] Congressional Budget Office (2017b).

[11] Results for calendar year 2025 are similar to those for calendar year 2019 (TPC Staff 2017b).

[12] Figure 3 uses data provided in Tables 9-12. It does not show results for the second or fourth quintiles.

[13] Joint Committee on Taxation (2017a).

[14] For details on the bubble tax rate, see Gale (2017).

[15] The top rate would be set at 25% for "passive" net business income, a weighted 35.22% rate for "active" net business income, and 39.6% for personal service income.

[16] TPC Staff (2017a, Table 1).

[17] TPC Staff (2017a, Table 3). Comparable estimates with financing are in Appendix Tables A3, A5, and A7.

[18] TPC Staff (2017a, Table 4). Comparable estimates with financing are in Appendix Tables A4, A6, and A8.

[19] See Tax Policy Center (2016).

[20] 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).

[21] Over a decade, the House GOP's budget resolution from early October 2017 would have cut programs aimed at low-income and moderate-income households by $2.9 trillion. The legislation would have cut these programs by more than a third in 2027 (Shapiro, Kogan, and Cho 2017a). The Senate's version, which was later adopted by the House, calls for more than $4 trillion in cuts to mandatory spending programs over the same period (Friedman et al. 2017). 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 2017, would cut federal Medicaid spending by more than $800 billion over a decade and would cut taxes for high-income households (Congressional Budget Office 2017a). Rappeport (2017) writes that Republicans may cut entitlement programs to reduce the deficit effects of their tax cuts. Bartlett (2017) posits that the tax cuts will be paired in the future with cuts in Medicare and Social Security.

[22] Stein (2017); Zernike and Rappeport (2017).

[23] 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 proposed in the Tax Cuts and Jobs Act, 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.

[24] Each of the three financing scenarios has two tables, one for 2018 and another for 2027.

[25] Numbers do not add up because each value is rounded to the nearest $10.

[26] We obtain similar results using adjusted gross income as the income measure instead of ECI.

[27] Joint Committee on Taxation (2017b). Several provisions in the bill, including most of the individual income tax provisions and the estate tax provision, would sunset after 2025, after which, they would revert to current law.

[28] Personal service business income would not receive the deduction. The deduction is limited above $250,000 for single filers or $500,000 for joint filers based on compensation paid.

[29] We do not include this provision in our analysis. Including the provision would make the results more regressive (Congressional Budget Office 2017b).

[30] TPC Staff (2017b, Table 1).

[31] TPC Staff (2017b, Table 4). Comparable estimates with financing are in Appendix Tables A10 through A12.

[32] We obtain similar results using adjusted gross income as the income measure instead of ECI.

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