Contact: David G. Tuerck. *Phone* 855 244 4550. *Email* dtuerck@beaconhill.org

The Beacon Hill Institute for Public Policy Research

Tax Cuts and Jobs Act Boosts After-Tax Income and The U.S. Economy

BOSTON, MA –The Beacon Hill Institute analyzed the Tax Cuts and Jobs Act using its economic modeling capabilities and found that the Act would produce results that are in sharp contrast to those reported in the news media and by the Joint Committee on Taxation. Specifically, the Institute has found that:

- Taxpayers at *all* income levels would gain under the Act, and by an average of $2,000 per household. The Act is not just a tax cut for the rich, as its opponents contend. Households in the highest income decile would see their after-tax income rise by 4.8, just slightly more than the 4.4% gain by households in the lowest income decile.
- The economy would show significant increases in GDP, personal income and investment. By 2027, the proposal would:
  - Increase real GDP 2.3 percent,
  - Increase personal income by 2.5 percent, and
  - Increase investment by 5.7 percent.
- The federal government would lose $1 trillion over ten-years, before accounting for the effects of the Act on economic growth. This is far less than the $1.487 trillion loss estimated by the Joint Committee on Taxation.[1] Faster economic growth would replenish a portion of the loss in federal tax revenues, so that the actual fall in revenue would be only $407 billion after ten years.
- Even without accounting for the effects of the Act on economic growth, the Act would increase the debt-to-GDP ratio by 3.7%. When growth effects are considered, the ratio falls by 3.1%.

Much of the reporting on the Act focuses on the fact that it would, as shown here, increase effective tax rates on all but the lowest income deciles. This is the result of the elimination of many deductions and credits currently available to individual taxpayers. This reporting misses the fact that the reduction in the corporate tax rate would substantially reduce the burden of the tax code on households across all income deciles.

Said David Tuerck, president of the Beacon Hill Institute: "Even though the Tax Cuts and Jobs Act imposes higher average personal tax rates, it increases the after-tax income for taxpayers across the economic spectrum. This is mainly attributable to the higher income growth made possible by the cut in corporate taxes. It would be well for the Senate to keep these findings in mind as it forges its own tax plan."

165 Main Street
Suite 306
Medway, MA 02053

Phone 855 244 4550
email: bhi@beaconhill.org
web site: www.beaconhill.org