

ECONOMICS 231: SPECIAL PANEL EVENT

HOW DID TAX REFORM HAPPEN?

AUERBACH/KAMIN/KLEINBARD

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648 EVANS HALL
2:00-3:30PM



The Tax Cuts and Jobs Act

Fast: Passed in 7 weeks vs. 46 weeks for TRA86.

Reduced marginal tax rates.

- Individuals: Typically -2.5 pp. $39.6\% \rightarrow 37\%$ at top.
- Corporations: $35\% \rightarrow 21\%$.
- Pass-throughs: $39.6\% \rightarrow 29.6\%$ for many.

Mixed changes to tax bases.

- Individuals: Lose on exemption, SALT, mortgage ded, CPI. Gain on standard ded, child tax credit, ind/estate thresholds.
- Businesses: Lose on R&D, interest ded, overseas min tax. Gain on five years of 100% expensing, tax-free repatriation.

Misc: Repeals ACA mandate. One-time tax on overseas profits.

Non-business and expensing provisions sunset by 2025.

- ⇒ **GDP.** $+0.2\%$ in 2027 (JCT/Barro-Furman), higher until sunsets.
- ⇒ **Deficits.** $-\$1.1$ T through 2027 (JCT/Barro-Furman).
- ⇒ **Distribution.** Tax cuts for all at first, only at top later (JCT).

Alan Auerbach

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