ECO NOMICS 231: SPECIAL PANEL EVENT

HOW DID TAX REFORM HAPPEN?

AUERBACH / KAMIN / KLEINBARD

DAVID KAMIN
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- Former Special Assistant to President Obama for Economic Policy

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MARCH 12, 2018
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 −2.5pp. 39.6% → 37% at top.
- Corporations: 35% → 21%.
- Pass-throughs: 39.6% → 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. −$1.1T through 2027 (JCT/Barro-Furman).
⇒ Distribution. Tax cuts for all at first, only at top later (JCT).
How Did Tax Reform Happen?

Alan Auerbach
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- JCT Chief of Staff, 2007-2009

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