

Measuring the Effects of Republicans' Tax Cuts and Jobs Act on Income Taxes



President
Donald Trump

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By Justin Haskins

In 2017, President Donald J. Trump and Congress, which was then controlled by members of the Republican Party, passed the Tax Cuts and Jobs Act (TCJA) into law. (Most of its provisions did not go into effect until 2018.)¹

In a report published by the Tax Foundation less than a week before President Trump signed TCJA into law, the Tax Foundation noted, “The Tax Cuts and Jobs Act would reform the individual income tax code by lowering tax rates on wages, investment, and business income; broadening the tax base; and simplifying the tax code. The plan would lower the corporate income tax rate to 21 percent and move the United States from a worldwide to a territorial system of taxation.”²

During the legislative debates that occurred prior to the bill’s passage, opponents of the legislation—especially congressional Democrats—argued TCJA would disproportionately benefit wealthy households and businesses, at the expense of lower- and middle-income American families.

For example, Rep. Nancy Pelosi (D-CA), who now

BULLET POINTS

- According to data from the U.S. Internal Revenue Service comparing outcomes from 2017 to 2018, the Tax Cuts and Jobs Act reduced average effective income tax rates for filers in every one of the IRS’s income brackets, with the largest benefits going to lower- and middle-income households.
- IRS data show the TCJA appeared to have a strong upward effect on economic mobility.
- The IRS data reveal higher-income earners paid an even larger share of the total tax burden in 2018 than they did in 2017, suggesting the tax code became slightly more progressive.

¹ Thomas Kaplan and Alan Rappeport, “Republican Tax Bill Passes Senate in 51-48 Vote,” *The New York Times*, Dec. 19, 2017, <https://www.nytimes.com/2017/12/19/us/politics/tax-bill-vote-congress.html>

² Tax Foundation, “Preliminary Details and Analysis of the Tax Cuts and Jobs Act,” taxfoundation.org, Dec. 18, 2017, <https://taxfoundation.org/final-tax-cuts-and-jobs-act-details-analysis>

serves as speaker of the House, said on November 6, 2017, “Despite Republicans’ empty promises to cut taxes for middle class working families, it’s clear that the GOP tax plan for the wealthiest is rich indeed.”³

“House Republicans’ tax bill would increase taxes for 12 percent of Americans next year, according to a new report from the nonpartisan Tax Policy Center,” Pelosi added.

“The truth is already catching up with the GOP’s snake oil pitch,” Pelosi concluded. “Instead of pushing a deficit-exploding handout to corporations and the wealthy that increases taxes on millions of hard-working families, Republicans must join Democrats to work on bipartisan tax reform that puts the middle class first.”

More than four years after Pelosi’s dire statements, analysts now have the evidence needed to evaluate whether TCJA truly was, as Pelosi suggested, nothing more than a “snake oil pitch.” The results are definitive and striking.

According to data from the U.S. Internal Revenue Service (IRS) comparing outcomes from 2017 to 2018—the first year the tax reform law went into effect—the Tax Cuts and Jobs Act reduced average effective income tax rates for filers in every one of the IRS’s income brackets, with the largest benefits going to lower- and middle-income households. (See Table 1.)

For example, after accounting for all tax deductions and credits, filers with an adjusted gross income (AGI) of \$40,000 to \$50,000 received an average tax cut of 18.2 percent.⁴

The IRS data further show the Tax Cuts and Jobs Act appeared to have a strong upward effect on economic mobility. The number of filers with an adjusted gross income of \$1 to \$25,000 decreased by more than 2 million in just one year, while the number of households reporting incomes higher than \$25,000 increased in every income bracket.⁵

Based on tax data from 2017 and 2018, the Tax Cuts and Jobs Act reduced taxes for the vast majority of filers, led to substantial improvements in upward economic mobility, and disproportionately benefited working- and middle-class households, many of which experienced tax cuts topping 18 percent to 20 percent.

The most significant increase occurred in the \$100,000 to \$200,000 bracket, which included more than one million additional filers in 2018 than in 2017.⁶

The IRS data also reveal higher-income earners paid an even larger share of the total tax burden in 2018 than in 2017, indicating the Tax Cuts and Jobs Act may have made the tax code slightly more progressive. This finding contradicts the countless statements made by Democrats over the past four years criticizing TCJA as legislation that favored wealthier filers.

In 2017, filers earning \$500,000 or more paid 38.9 percent of all personal income tax revenues. In 2018, the same income bracket paid 41.5 percent of total income tax revenues.⁷

The available evidence is clear: Based on tax data from 2017 and 2018, the Tax Cuts and Jobs Act reduced taxes for the vast majority of filers, led to substantial improvements in upward economic mobility, and disproportionately benefited working- and middle-class households, many of which experienced tax cuts topping 18 percent to 20 percent.

It appears Nancy Pelosi’s claim of “snake oil” peddling was completely unfounded.

³ Nancy Pelosi, “The Tax Cut and Jobs Act’: GOP vs. Reality,” speaker.gov, Nov. 6, 2017, <https://www.speaker.gov/newsroom/11617-4>

⁴ See Table 1.

⁵ See Table 1. Figure does not include filers in the “no adjusted gross income” category.

⁶ See Table 1.

⁷ *Ibid.*

Table 1. The Effects of the 2017 Tax Reform Law on Personal Income Tax Revenues

Size of adjusted gross income, all returns, total (2017-18)	Number of returns (2017)	Average income tax paid by each filer, in dollars (2017)	Number of returns (2018)	Average income tax paid by each filer, in dollars (2018)	Percent change in number of filers (2017 to 2018)	Percent change in average taxes paid by each filer (2017 to 2018)
Total Returns	152,903,231	10,498.68	153,774,296	10,006.55	0.57%	-4.69%
\$1 - < \$5,000	9,752,106	3.28	9,187,650	1.99	-5.79%	-39.37%
\$5,000 - < \$10,000	10,789,563	34.11	10,014,109	4.21	-7.19%	-87.65%
\$10,000 - < \$15,000	11,594,637	120.03	11,454,274	34.20	-1.21%	-71.51%
\$15,000 - < \$20,000	10,665,270	328.69	10,187,149	240.16	-4.48%	-26.93%
\$20,000 - < \$25,000	9,983,829	632.45	9,610,628	530.76	-3.74%	-16.08%
\$25,000 - < \$30,000	8,824,548	1,031.82	8,984,412	817.71	1.81%	-20.75%
\$30,000 - < \$40,000	15,209,009	1,720.47	15,510,580	1,403.72	1.98%	-18.41%
\$40,000 - < \$50,000	11,915,599	2,819.03	12,017,312	2,306.05	0.85%	-18.20%
\$50,000 - < \$75,000	20,958,446	5,041.06	21,460,676	4,177.60	2.40%	-17.13%
\$75,000 - < \$100,000	13,508,353	8,362.71	13,685,409	7,100.42	1.31%	-15.09%
\$100,000 - < \$200,000	19,951,450	17,091.12	21,146,537	15,157.88	5.99%	-11.31%
\$200,000 - < \$500,000	6,215,046	54,699.98	6,905,670	47,469.06	11.11%	-13.22%
\$500,000 - < \$1,000,000	1,010,203	171,230.39	1,108,430	156,270.47	9.72%	-8.74%
\$1,000,000 - < \$1,500,000	222,611	333,633.12	241,713	312,855.89	8.58%	-6.23%
\$1,500,000 - < \$2,000,000	90,527	487,902.36	98,583	463,730.37	8.90%	-4.95%
\$2,000,000 - < \$5,000,000	129,868	852,636.35	142,011	815,503.19	9.35%	-4.36%
\$5,000,000 - < \$10,000,000	31,628	1,937,354.50	34,788	1,869,881.74	9.99%	-3.48%
\$10,000,000 or more	20,223	7,991,562.48	22,112	7,380,559.06	9.34%	-7.65%
No adjusted gross income	2,030,316	97.90	1,962,253	70.65	-3.35%	-27.84%

Data Source: U.S. Internal Revenue Service, "SOI Tax Stats - Individual Statistical Tables by Size of Adjusted Gross Income," irs.gov, last updated May 14, 2021, <https://www.irs.gov/statistics/soi-tax-stats-individual-statistical-tables-by-size-of-adjusted-gross-income>

ABOUT THE AUTHOR

Justin Haskins is a widely published writer and political commentator and the editorial director and research fellow at The Heartland Institute, a national free-market think tank. Haskins is the editor-in-chief of StoppingSocialism.com, one of the world’s largest and most influential publications devoted to challenging socialism, and Justin serves as the director of the Henry Dearborn Institute for Human Rights, a nonprofit association of scholars and professionals.

Haskins writes frequently for FoxNews.com and works as a contributor for *The Hill*, *Newsweek*, *Washington Examiner*, and *Townhall*. He has appeared on television and radio more than 200 times, on shows like *Tucker Carlson Tonight*, *Fox & Friends*, and the *Glenn Beck Program*.

Haskins is the author of the Amazon best-selling book *Socialism Is Evil: The Moral Case Against Marx’s Radical Dream* (2018), and he served as the first contributor to Glenn Beck’s *Arguing with Socialists* (2020), a *New York Times* best-selling book. Haskins is also the co-author, with Beck, of *The Great Reset: Joe Biden and the Rise of Twenty-First Century Fascism* (2022).

Haskins has been published more than 800 times in major digital and print publications, including *The Wall Street Journal*, *New York Post*, *Forbes*, *Newsweek*, and *National Review*, among many others. His writing has also been featured or discussed by *The Rush Limbaugh Show*, *Glenn Beck Radio Program*, *The New York Times*, *Drudge Report*, The Heritage Foundation, the White House, and Newsmax, which named Haskins one of “Top 30 Republicans Under 30” in 2017. In 2016, Haskins was named to MediaDC’s “30 Under 30” list of young and influential leaders on the right.

Haskins is author or co-author of three Heartland *Policy Briefs*, all of which received significant media attention: “The American Health Care Plan” (2021), “Estimating the Income Tax Hikes Required to Pay for Bernie Sanders’ Medicare-for-All Plan” (2019) and “Debunking the Scandinavian Socialism Myth: An Evaluation of Denmark, Norway, and Sweden” (2019).

Haskins has also co-authored several national surveys conducted by Rasmussen Reports, one of America’s leading pollsters.

Haskins graduated from the University of Richmond (Richmond, VA) in 2010. In 2011, Justin earned his M.A. in government with specializations in international relations and American government from Regent University (Virginia Beach, VA), and he earned a second M.A., this time in journalism, from Regent in 2015. Haskins was inducted into the Philadelphia Society in 2018.