

Table T17-0215
Revenue Neutral Proposal to Lower Individual and Corporate Income Tax Rates and Repeal Certain Tax Expenditures¹
Proposal Retains Certain Tax Expenditures that Benefit Low-Income Households
Baseline: Current Law
Impact on Tax Revenue, 2018-37 by Fiscal Year

Provision	Fiscal Year										
	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2018-27
Individual Income and Payroll Taxes											
Repeal the individual AMT, NIIT, PEP, and "Pease"	-49.7	-69.3	-82.1	-89.7	-95.0	-100.3	-106.4	-113.2	-120.1	-127.0	-952.9
Reduce individual rates to 6.4, 11.5, and 29.3 percent ²	-465.2	-639.0	-664.9	-693.7	-723.7	-755.8	-789.3	-823.2	-857.5	-892.7	-7,305.0
Repeal individual tax expenditures	450.8	666.2	716.8	760.5	798.8	840.4	883.7	927.4	973.7	1,019.9	8,038.0
Total for individual income tax revenue	-64.2	-42.1	-30.2	-22.9	-20.0	-15.7	-12.0	-9.1	-3.9	0.2	-219.9
Corporate Income Tax											
Repeal the corporate AMT	-6.4	-10.6	-9.9	-8.3	-7.8	-8.0	-8.1	-8.3	-8.7	-9.0	-85.2
Reduce corporate rate to flat 26.0 percent	-48.7	-97.4	-116.6	-116.7	-118.6	-120.7	-124.3	-128.3	-132.9	-138.3	-1,142.5
Territorial system plus minimum tax on foreign-source income earned after 12-31-17	2.1	4.0	4.3	4.1	3.9	3.7	3.4	3.1	2.8	2.5	34.0
Repeal corporate tax expenditures	52.7	108.7	126.5	136.2	139.9	143.8	157.5	173.3	188.6	203.6	1,430.8
Total for corporate income tax revenue	-0.4	4.7	4.3	15.3	17.5	18.8	28.6	39.8	49.8	58.8	237.1
Total revenue effect of plan	-64.6	-37.4	-25.9	-7.6	-2.5	3.1	16.6	30.7	45.9	59.0	17.2
Addendum 1: Change in federal debt service costs											
Change in deficit (before debt service costs)	64.6	37.4	25.9	7.6	2.5	-3.1	-16.6	-30.7	-45.9	-59.0	-17.2
Change in interest costs	0.5	1.6	2.5	3.4	3.9	4.2	4.1	3.6	2.6	1.1	27.5
Change in deficit	65.1	39.0	28.4	11.1	6.4	1.1	-12.5	-27.1	-43.2	-57.9	10.3
Addendum 2: Change in federal debt relative to GDP											
Change in federal debt	65.1	104.1	132.5	143.5	149.9	151.0	138.5	111.4	68.2	10.3	1,074.5
GDP ³	19,926	20,661	21,378	22,168	23,037	23,948	24,899	25,889	26,917	27,985	236,809
Increase in federal debt relative to GDP (percent)	0.3	0.5	0.6	0.6	0.7	0.6	0.6	0.4	0.3	0.0	0.5

Provision	Fiscal Year										
	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2028-37
Individual Income and Payroll Taxes											
Repeal the individual AMT, NIIT, PEP, and "Pease"	-134.2	-142.9	-152.5	-160.6	-168.4	-176.5	-185.1	-194.0	-203.4	-213.2	-1,730.8
Reduce individual rates to 6.4, 11.5, and 29.3 percent ²	-928.9	-967.1	-1,006.9	-1,050.3	-1,096.2	-1,144.0	-1,193.9	-1,246.1	-1,300.5	-1,357.2	-11,291.1
Repeal individual tax expenditures	1,067.6	1,115.8	1,165.5	1,216.6	1,269.0	1,323.3	1,379.9	1,438.8	1,500.6	1,565.0	13,042.1
Total for individual income tax revenue	4.5	5.9	6.0	5.7	4.5	2.8	0.9	-1.3	-3.2	-5.4	20.3
Corporate Income Tax											
Repeal the corporate AMT	-9.4	-9.7	-10.1	-10.5	-11.0	-11.4	-11.9	-12.3	-12.8	-13.3	-112.5
Reduce corporate rate to flat 26.0 percent	-143.8	-149.6	-155.6	-161.8	-168.3	-175.0	-182.0	-189.3	-196.8	-204.7	-1,726.9
Territorial system plus minimum tax on foreign-source income earned after 12-31-17	2.1	1.7	1.3	0.9	0.4	-0.1	-0.7	-1.2	-1.9	-2.5	0.0
Repeal corporate tax expenditures	213.5	216.9	216.4	214.5	212.2	210.1	209.3	210.7	214.5	219.8	2,138.1
Total for corporate income tax revenue	62.4	59.3	52.0	43.0	33.4	23.6	14.8	7.9	3.0	-0.8	298.7
Total revenue effect of plan	66.9	65.2	58.0	48.7	37.9	26.4	15.7	6.6	-0.2	-6.2	319.0
Addendum 1: Change in federal debt service costs											
Change in deficit (before debt service costs)	-66.9	-65.2	-58.0	-48.7	-37.9	-26.4	-15.7	-6.6	0.2	6.2	-319.0
Change in interest costs	-0.7	-2.7	-4.7	-6.7	-8.4	-9.7	-10.7	-11.4	-11.9	-12.2	-79.2
Change in deficit	-67.6	-67.9	-62.7	-55.4	-46.3	-36.2	-26.4	-18.1	-11.7	-6.0	-398.2
Addendum 2: Change in federal debt relative to GDP											
Change in federal debt	-57.3	-125.2	-187.9	-243.3	-289.6	-325.8	-352.2	-370.2	-381.9	-387.9	-2,721.1
GDP ³	29,104	30,268	31,478	32,737	34,046	35,407	36,823	38,295	39,826	41,419	349,401
Increase in federal debt relative to GDP (percent)	-0.2	-0.4	-0.6	-0.7	-0.9	-0.9	-1.0	-1.0	-1.0	-0.9	-0.8

Source: Urban-Brookings Tax Policy Center (TPC) Microsimulation Model (version 0217-1) and TPC off-model estimates.

Note: AMT = alternative minimum tax; NIIT = net investment income tax; PEP = personal exemption phaseout; "Pease" = limitation on itemized deductions.

¹ Proposal is designed to be revenue neutral in FY 2037. For more details, see <http://www.taxpolicycenter.org/publications/tax-reform-tradeoff-eliminating-tax-expenditures-reducing-rates>.

² The 6.4% rate applies to income in the current law 10% and 15% brackets, 11.5% rate applies to income in the current law 25% and 28% brackets, and the 29.3% rate applies to income above the current law 28% bracket.

³ The GDP forecast through 2027 is from CBO, The Budget and Economic Outlook: 2017 to 2027 (January 2017) and for 2028-2037 is from CBO, The 2017 Long-Term Budget Outlook (March 2017).