TAX POLICY CENTER
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EXPLORING WHY THE IMPACTS OF OBBBA'S TAX CHANGES DIFFER BY RACE AND ETHNICITY

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We investigate how and why the impact of the 2025 Budget Reconciliation Act, also known as the One Big Beautiful Bill Act (OBBBA), on federal tax burdens varies by race and ethnicity. TPC's prior estimates show that White households gain significantly more on average than Black and Hispanic households from the tax provisions of OBBBA. We find that those average differential impacts are largely due to White households' higher average incomes, as households with higher incomes gain more from OBBBA both in dollar terms and percentage changes in after-tax income. We estimate that differential impacts within income groups relate to differences by race and ethnicity in household composition and the types and amounts of income, benefitting Black and Hispanic families in the bottom two quintiles and White families in the top 5 percent.

Focusing on income groups with a large differential impact, we find that Black households and Hispanic households within the lower two income quintiles gain relatively more than White households, in large part due to their household composition, including the presence and number of children. Among the top 5 percent of households by income, White households gain relatively more than Black and Hispanic households, in large part because they have more tax-favored business income. Understanding the sources of OBBBA's differential impacts provides policymakers with a clearer picture of how tax policies interact with longstanding differences across racial and ethnic groups and a stronger foundation for developing more fair and effective tax policies.

The 2025 Budget Reconciliation Act, also referred to as the One Big Beautiful Bill Act (OBBBA), extends expiring provisions of the 2017 Tax Cuts and Jobs Act (TCJA) and includes temporary tax provisions related to President Trump's 2024 presidential election campaign proposals, revenue-raising provisions including repeal of various energy tax incentives, and changes to certain business and international tax rules.

The Urban-Brookings Tax Policy Center (TPC) previously analyzed the distributional impacts of OBBBA's tax provisions by income level and racial or ethnic group (TPC 2026).[1] TPC found the following:

- The average federal tax cut, which in practice is a boost in income, from OBBBA in 2026 for White households is $3,350, compared with $1,770 for Black households and $1,730 for Hispanic households.[2] Average tax cuts as a share of after-tax income are also larger for White households (2.8 percent) than for Black households and Hispanic households (2.5 and 2.6 percent, respectively).
- Among households in lower income quintiles, Black households and Hispanic households see larger average tax cuts than White households. However, White households see larger average tax cuts, in dollar terms, than Black households and Hispanic households in higher income quintiles.

Prior economic and legal research has shown that tax policies have different impacts across racial or ethnic groups due to ongoing differences in income, wealth, and household structures. When policies do not account for the factors that contribute to these differences, they can exacerbate long-standing disparities in areas such as housing, education, and employment (Boddupalli, Holtzblatt, and Hunter 2024; Brown 2021; TPC 2024).

In this research brief, we investigate the drivers of differential impacts of OBBBA's tax changes, based on a regression analysis of the effect of differences in household characteristics by race or ethnicity on tax liabilities. We also demonstrate how to conduct more effective and inclusive tax analyses, such as by highlighting and meaningfully interpreting subgroup differences, explaining how policy design choices contribute to outcomes, and putting taxes in historical and structural context (Balu et al. 2026).

Understanding the sources of OBBBA's differential impacts provides policymakers with a clearer picture of how tax policies interact with longstanding differences across racial and ethnic groups and a stronger foundation for developing more fair and effective tax policies.

IMPACTS FOR ALL HOUSEHOLDS

OBBBA increases the average after-tax incomes of White households, in dollar terms, by nearly twice as much as for Black households or Hispanic households in 2026 (TPC 2026). These differential impacts mostly stem from differences in average incomes by race and ethnicity. TPC estimates that average expanded cash incomes (ECI)[3] was $87,000 for Black households, $83,000 for Hispanic households and $154,000 for White households.

Compared with their shares of the overall population, Black households and Hispanic households comprise disproportionately smaller shares at the top of the income distribution and disproportionately larger shares at the bottom of the income distribution (table 1). Racial and ethnic disparities in income have persisted over time, because of unequal access to education, good jobs, homeownership, and other wealth-building opportunities that have limited economic opportunity and upward mobility for generations of people of color (Bowdler and Harris 2022; Morse et al. 2023).

TABLE 1

Black Households and Hispanic Households Comprise Disproportionately Smaller Shares Among Households with Higher Incomes

Composition of income groups by racial or ethnic group, 2026

Expanded cash income percentile	Black	Hispanic	White
Lowest quintile	18%	25%	49%
Second quintile	15%	21%	56%
Middle quintile	14%	17%	61%
Fourth quintile	11%	12%	68%
Top quintile	7%	9%	73%
All	14%	18%	60%
Addendum			
80–90th percentile	9%	10%	71%
90–95th percentile	6%	9%	72%
Top 5 percent	4%	6%	77%

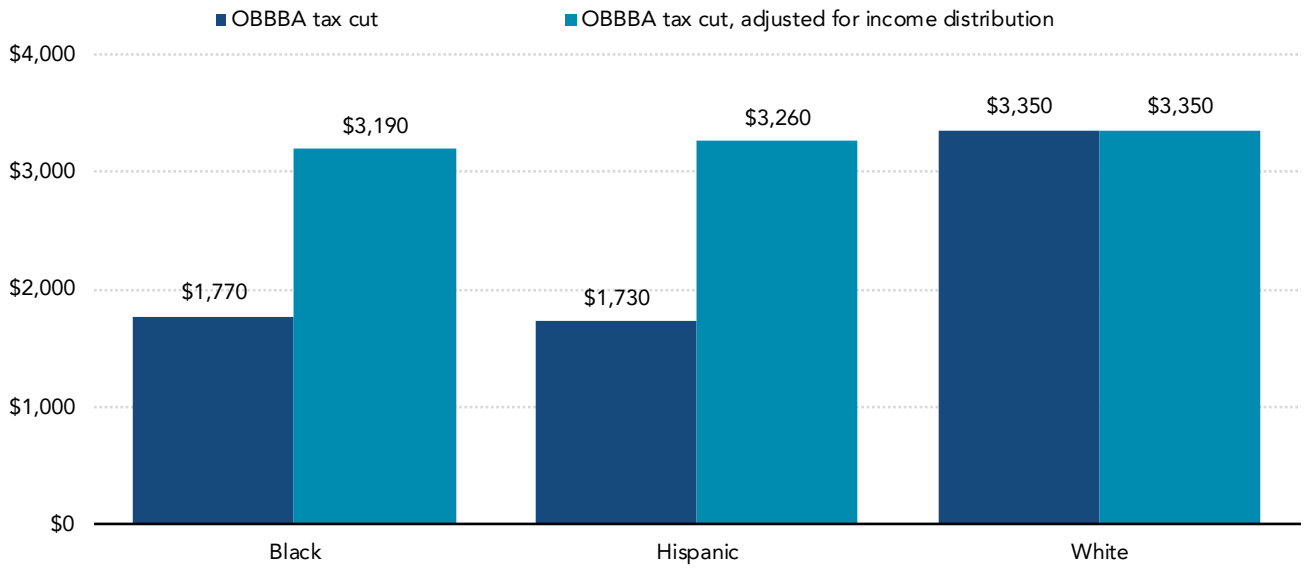
Source: Urban-Brookings Tax Policy Center Microsimulation Model (version 0325-4); authors' analysis.
Notes: (1) Details may not add to total due to rounding; estimates not shown for people of additional races due to data limitations, such as Asian American and Pacific Islanders, American Indian or Alaska Natives, and people who identify with more than one race. (2) Includes both filing and non-filing units but excludes those that are dependents of other tax units. (3) The income percentile classes used in this table are based on the income distribution for the entire population and contain an equal number of people, not tax units. Income percentile classes are calculated based on all taxpayers, not those of a particular race or ethnicity. The income breaks are (in 2026 dollars): 20% $34,600; 40% $66,800; 60% $119,200; 80% $217,100; 90% $317,700; 95% $460,800.

TPC's prior estimates show that OBBBA's average federal tax cuts, in dollar terms, are significantly larger for households with higher incomes ($12,540 for the top income quintile) than households with lower incomes ($150 for the lowest income quintile; TPC 2025). Households with lower incomes see lower gains from OBBBA for two reasons. First, a lower income implies fewer dollars in taxes for a given tax rate. So, if OBBBA had reduced taxes by the same percentage for all taxpayers, those with lower incomes would have gotten a smaller tax cut in terms of dollars. Second, OBBBA reduced taxes by greater amounts as a share of their incomes for taxpayers with higher incomes.

The cumulative effects of income differences on OBBBA's differential impacts can be demonstrated by estimating the average tax cut that Black or Hispanic households would have received if their distribution across income categories were the same as that of White households. Under this thought experiment, TPC estimates that, on average, Black households would have received a $3,190 tax cut and Hispanic households would have received a $3,260 tax cut, compared with $3,350 tax cut for White households. So, adjusting for the differing distribution across income categories reduces OBBBA's differential impacts between Black households or Hispanic households and White households from nearly 50 percent to less than 5 percent (figure 1).

FIGURE 1

Differences in Amount of Income Account for Much of the Differential Impacts of OBBBA Tax Cuts



Source: Urban-Brookings Tax Policy Center Microsimulation Model (version 0325-4); authors' analysis.
Note: The adjustment for income distribution weights the average tax cut in each quintile for Black or Hispanic households by the percentage of White households in that quintile.

Alternatively, one can observe the importance of differences in incomes by examining OBBBA's percentage impact on after-tax incomes: 2.8 percent for White households, compared with 2.5 percent for Black households and 2.6 percent for Hispanic households. Differential impacts are still apparent but are much smaller than in dollar terms.

However, there are other drivers for OBBBA's differential impacts beyond those attributable to how much income households have. This can be illustrated by analyzing differential impacts within specific income categories, as shown below.

IMPACTS WITHIN INCOME CATEGORIES

OBBBA's differential impacts by race and ethnicity vary across the income distribution. Table 2 shows the percent difference in the dollar value of OBBBA's tax benefits for Black and Hispanic households compared with White households. For example, on average, Black households in the lowest quintile received a 20 percent larger tax cut than White households, and Hispanic households in that quintile received a 48 percent larger tax cut than White households.

TABLE 2

Differential Impacts of OBBBA's Tax Cuts Vary Across Income Distribution

Percent difference from White households in average federal tax change, by racial or ethnic group, 2026

Expanded cash income percentile	Black	Hispanic
Lowest quintile	20%	48%
Second quintile	21%	35%
Middle quintile	0%	4%
Fourth quintile	4%	-1%
Top quintile	-28%	-24%
Addendum		
80–90th percentile	9%	6%
90–95th percentile	6%	-2%
Top 5 percent	-22%	-14%

Source: Urban-Brookings Tax Policy Center Microsimulation Model (version 0325-4); authors' analysis.
Notes: (1) Details may not add to total due to rounding. (2) Includes both filing and non-filing units but excludes those that are dependents of other tax units. (3) The income percentile classes used in this table are based on the income distribution for the entire population and contain an equal number of people, not tax units. Income percentile classes are calculated based on all taxpayers, not those of a particular race or ethnicity. The income breaks are (in 2026 dollars): 20% $34,600; 40% $66,800; 60% $119,200; 80% $217,100; 90% $317,700; 95% $460,800.

The differential impacts tend to be positive or small, except for the top 5 percent of households where the differential impacts are negative, indicating that White households gain more from OBBBA in this income group. The largest differentials are in the lowest and second quintiles, as well as in the top 5 percent by income. To focus our analysis, we discuss estimates of differential impacts of the lowest quintile, second quintile, and top 5 percent income groups because they demonstrate large differential impacts.

To identify particular drivers of OBBBA's differential impacts by race or ethnicity, TPC employed a regression analysis relating household characteristics to these differential impacts. This method does not provide precise estimates of any particular tax provision's influence, but it does provide insights into what drivers are associated with OBBBA's differential impacts.[4]

Impacts on the Lowest Income Quintile

For households in the lowest income quintile (with household incomes below $35,000), Black households gain on average about $30 more, and Hispanic households $60 more, than the $130 that accrues to White households from OBBBA.

By far, the greatest source of these differential impacts is the number of families with children in the lowest income category. The presence and number of children matters because OBBBA includes tax cuts favoring households with children, most notably the extension and expansion of the child tax credit (CTC). TPC's estimates show that 21 percent of Black households and 23 percent of Hispanic households have at least one

child, compared with 12 percent of White households in this income category. That difference is estimated to boost the value of OBBBA's tax cuts by an average of $30 for Black households, relative to White households.

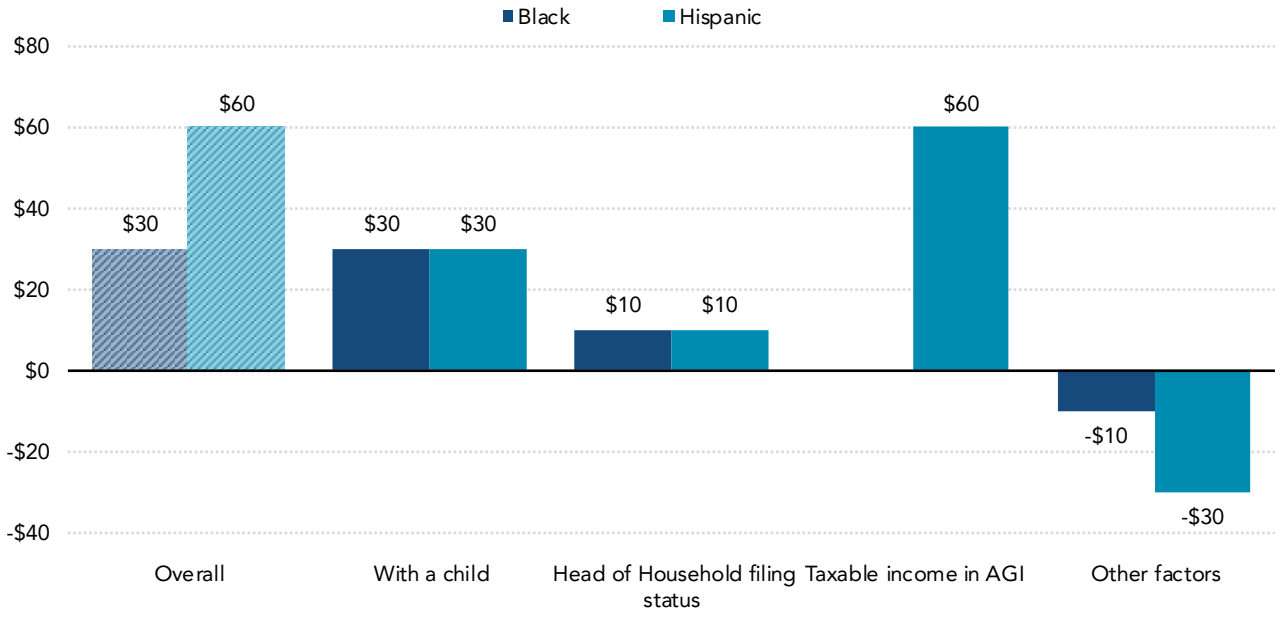
However, OBBBA did not change the CTC's underlying policy levers, which limit the extent to which families with low incomes can fully benefit from the CTC (Maag and Crandall-Hollick 2025). Those levers include the minimum earnings requirement to receive the refundable portion of the credit, the phase-in, and the limitation on how much of the credit can be received as a refund. Prior research shows that, as a result, Black and Hispanic children are likelier to miss out on the full CTC (Goldin and Michelmore 2022).[5] TPC estimates that eliminating the earnings phase-in for families with low incomes would benefit 19 million children, and nearly 2 million of them would be newly eligible for the CTC (Maag 2025). If those tax changes were implemented, Black and Hispanic households would see larger relative gains, though most families with low incomes, regardless of their race and ethnicity, would benefit.

Black households also gain an additional $10, relative to White families, because a greater share are single parents who file as head of household (17 percent for Black households, compared with 7 percent for White households). Prior to OBBBA's enactment, the standard deduction, including head of household tax filers' standard deduction, was going to substantially decrease in 2026 from the expiration of TCJA's temporary individual income tax provisions that OBBBA made permanent. Various other drivers subtract about $10 from OBBBA's differential impact between Black households and White households (figure 2). [6]

FIGURE 2

Differential Impacts of OBBBA's Tax Changes Are Associated with Household Composition and Taxable Income in the Lowest Income Quintile

Average federal tax change relative to that of White households, by racial or ethnic group, 2026



Source: Urban-Brookings Tax Policy Center Microsimulation Model (version 0325-4); authors' analysis.

Notes: (1) AGI = adjusted gross income. Details may not add to total due to rounding. Baseline is the federal tax change for White households within this specific income percentile class. (2) Includes both filing and non-filing units but excludes those that are dependents of other tax units. (3) The income percentile classes used in this table are based on the income distribution for the entire population and contain an equal number of people, not tax units. Income percentile classes are calculated based on all taxpayers, not those of a particular race or ethnicity. The income breaks are (in 2026 dollars): 20% $34,600; 40% $66,800; 60% $119,200; 80% $217,100; 90% $317,700; 95% $460,800.

Similarly, greater likelihood of having a child is a driver for $30 of the $60 OBBBA's differential impact between Hispanic households and White households in the lowest quintile. Hispanic households gain another $10 because they are more likely to file as head of household (15 percent for Hispanic households, compared with 7 percent for White households).

More importantly, Hispanic households in the lowest income quintile have taxable income of $12,600, notably larger than White households' or Black households' taxable income, even though Hispanic, White, and Black households have similar taxable plus nontaxable incomes of $21,000.[7] Most of the difference in taxable income stems from Hispanic households having higher wage and salary income than White or Black households. As noted above, with a similar tax rate reduction, OBBBA creates more dollar savings for those with more taxable income. The difference in Hispanic households' and White households' taxable income is estimated to contribute about $60 more to Hispanic households' tax savings. Various other drivers subtract $30 from OBBBA's differential impact (figure 2).

Impacts on the Second Income Quintile

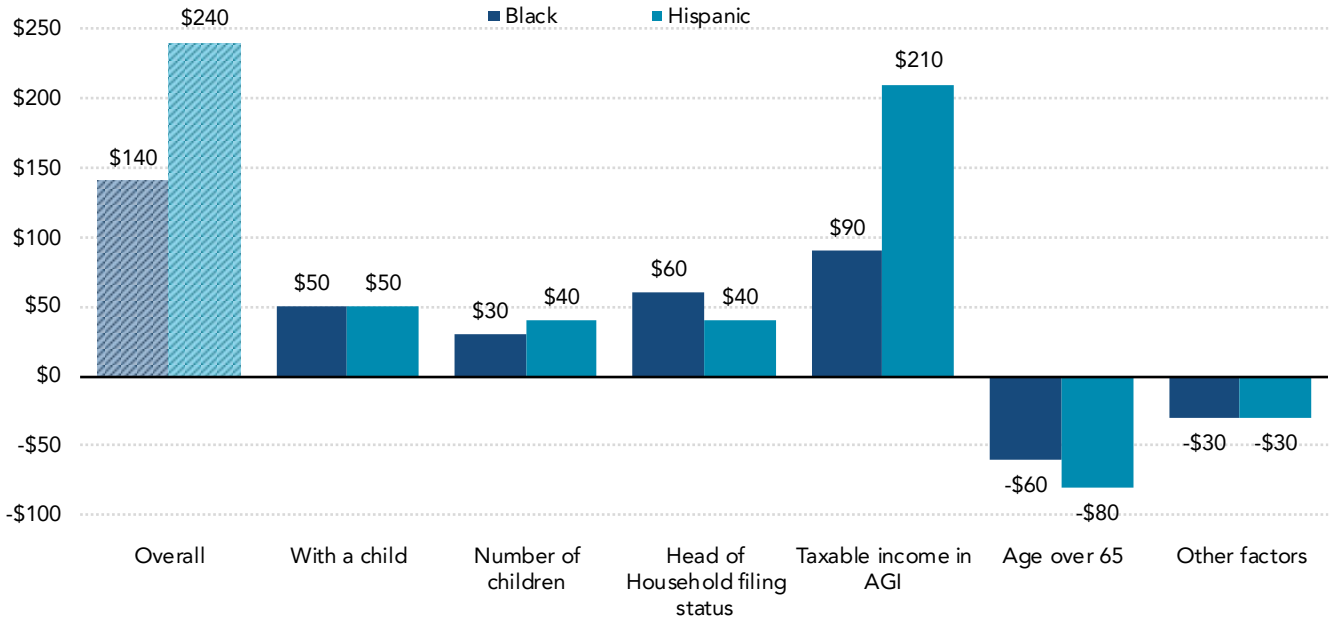
For households in the second income quintile (with household incomes between $35,000 and $67,000), Black households gain on average about $140 more, and Hispanic households $240 more, than the $680 that accrues to White households from OBBBA.

Of the $140 in larger gains for Black households, about $50 is driven by a higher likelihood of having at least one child (35 percent for Black households, compared with 17 percent for White households), and another $30 from a higher number of children (0.6 for Black households compared with 0.3 for White households, on average). The greater prevalence of head of household filing status (30 percent versus 12 percent) accounts for another $60. And larger taxable income contributes $90 to the differential. A major offsetting driver, subtracting $60 from Black households' gains, is that Black households' are only half as likely as White households to include a taxpayer age 65 or older (22 percent versus 44 percent), which may in part reflect their relatively younger populations (Schaeffer 2019). OBBBA included an enhanced standard deduction for seniors, so Black households would benefit less from this additional standard deduction, all else equal. Other drivers subtract $30 from OBBBA's differential impact (figure 3).

FIGURE 3

Differential Impacts of OBBBA's Tax Changes Are Associated with Household Composition and Taxable Income in the Second Income Quintile

Average federal tax change relative to that of White households, by racial or ethnic group, 2026



Source: Urban-Brookings Tax Policy Center Microsimulation Model (version 0325-4); authors' analysis.

Notes: (1) AGI = adjusted gross income. Details may not add to total due to rounding. Baseline is the federal tax change for White households within this specific income percentile class. (2) Includes both filing and non-filing units but excludes those that are dependents of other tax units. (3) The income percentile classes used in this table are based on the income distribution for the entire population and contain an equal number of people, not tax units. Income percentile classes are calculated based on all taxpayers, not those of a particular race or ethnicity. The income breaks are (in 2026 dollars): 20% $34,600; 40% $66,800; 60% $119,200; 80% $217,100; 90% $317,700; 95% $460,800.

Many of the same drivers are important for the Hispanic-White differential within this income quintile: likelihood of having at least one child (37 percent for Hispanic households, compared with 17 percent for White households) contributes $50; number of children (0.7 versus 0.3) contributes $40; and the greater prevalence of head of household filing status (25 percent versus 12 percent) contributes $40. Larger taxable income contributes $210. A lower share of households with a taxpayer age 65 or older (14 percent versus 44 percent) offsets $80 of those gains. Other drivers subtract $30 from OBBBA's differential impact (figure 3).

Impacts on the Top 5 Percent by Income

In contrast to the lower two income quintiles, White households in the top 5 percent by income (with household incomes over $461,000) are estimated to gain substantially more from OBBBA than Black households and Hispanic households. Black households gain $6,860 less and Hispanic households gain $4,340 less than the $31,000 going to White households on average.[8]

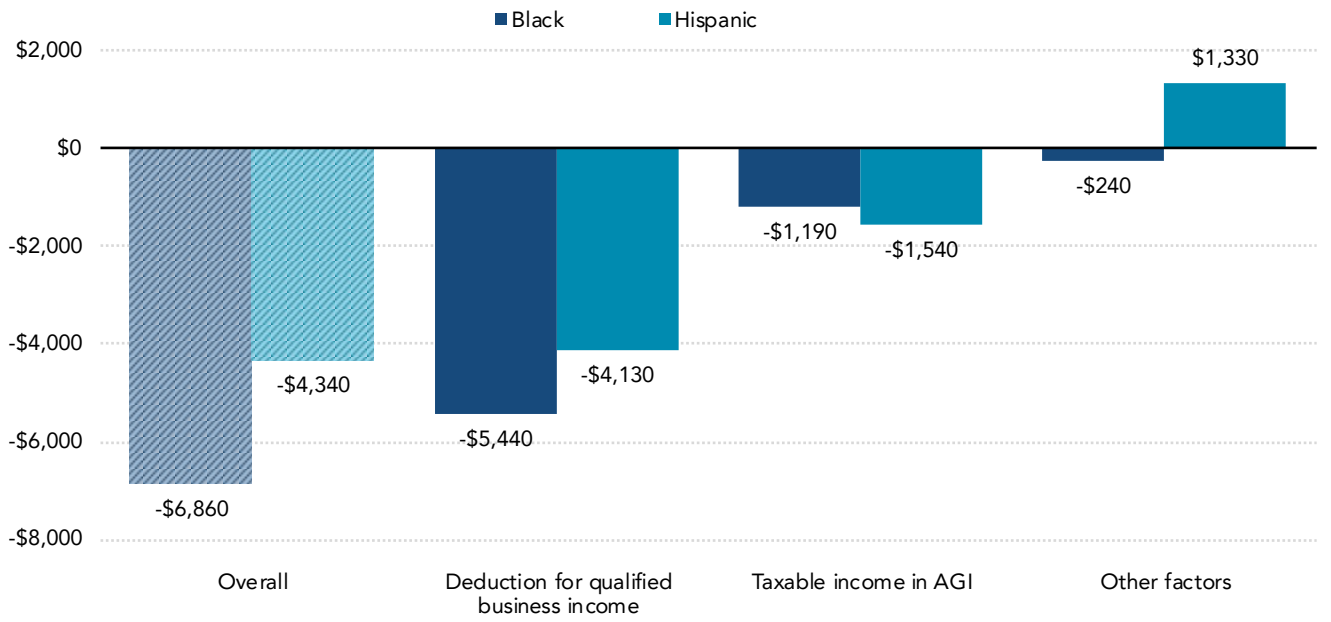
Income that meets the criteria for the deduction for qualified business income (QBI), also known as the 199A deduction or QBI deduction, is estimated to be by far the largest determinant of Black households' smaller gains relative to those of White households. The QBI deduction was part of TCJA, and it was extended and expanded by OBBBA. This tax provision offers reduced tax rates on certain types of "pass-through" income, or business income that is reported on individual income tax returns. Black households in the top 5 percent are

estimated to have about $16,000 in QBI deduction on average, compared with about $28,000 for White households. TPC's analysis estimates that the differing levels of QBI deduction account for $5,440 of the $6,860 overall OBBBA's differential impacts between Black households and White households. Alongside home ownership, business ownership is among the most significant sources of wealth for many US families. Ownership rates and the gross values of businesses, however, vary widely by racial or ethnic group of owners, in part reflecting longstanding income and wealth inequalities by race and ethnicity that may inhibit setting aside sufficient resources to invest in or start and sustainably run a business (Boddupalli, Holtzblatt, and Hunter 2024). The US Department of Treasury has previously estimated that roughly 90 percent of QBI deduction benefits accrued to White families in 2023, whereas Black families received only 2 percent of the total tax benefits (Cronin, DeFilippes, and Fisher 2023). Lower amounts of taxable income account for another $1,190. Various other drivers account for the remaining $240 of OBBBA's differential impact (figure 4).

FIGURE 4

Differential Impacts of OBBBA's Tax Changes Are Associated with Business Income in the Top 5 Percent by Income

Average federal tax change relative to that of White households, by racial or ethnic group, 2026



Source: Urban-Brookings Tax Policy Center Microsimulation Model (version 0325-4); authors' analysis.

Notes: (1) AGI = adjusted gross income. Details may not add to total due to rounding. Baseline is the federal tax change for White households within this specific income percentile class. (2) Includes both filing and non-filing units but excludes those that are dependents of other tax units. (3) The income percentile classes used in this table are based on the income distribution for the entire population and contain an equal number of people, not tax units. Income percentile classes are calculated based on all taxpayers, not those of a particular race or ethnicity. The income breaks are (in 2026 dollars): 20% $34,600; 40% $66,800; 60% $119,200; 80% $217,100; 90% $317,700; 95% $460,800.

The QBI deduction also accounts for most of the differential impact between Hispanic households and White households in the top 5 percent. Hispanic households, on average, are estimated to have $19,000 in QBI deduction on average, compared with $28,000 for White households. That difference accounts for $4,130 of the $4,340 overall OBBBA's differential impact between Hispanic households and White households. Lower taxable income accounts for another $1,540. Various other drivers offset $1,330 of the differential (figure 4).

CONCLUSION

In this research brief, we investigate the drivers of differences in federal tax burdens from changes made under the 2025 Budget Reconciliation Act, also known as OBBBA, by race and ethnicity.

TPC's prior estimates show that White households gain significantly more, on average, than Black households or Hispanic households from the tax provisions of OBBBA. We find that OBBBA's differential impacts are largely due to White households' higher average incomes, as households with higher incomes gain more from OBBBA, both in dollar terms and in terms of percentage change in after-tax income.

Within the bottom two income quintiles, Black households and Hispanic households gain relatively more than White households in large part due to their household composition, including the presence and number of children. Among the top 5 percent of households by income, White households gain relatively more in dollar terms than Black households and Hispanic households, in large part because White households have more tax-favored business income on average.

Due in large part to the resulting ongoing differences in income, wealth, and household structures, tax policies have different impacts across racial or ethnic groups and can either mitigate or exacerbate long-standing racial and ethnic disparities in areas such as housing, education, and employment. Understanding the factors that drive OBBBA's differential impacts provides a more complete assessment of the law's effects and a stronger foundation for developing more fair and effective tax policies.

DATA AND METHODS

The income quintile cutoffs in this research brief are calculated based on individuals from all households, and not tax units. The same income breakdowns apply for every racial or ethnic group. TPC uses ECI to categorize tax units across the income distribution in order to analyze changes in federal taxes.[9] We present dollar estimates rounded to the nearest ten, as is typical in TPC's distributional analyses, though these estimates by racial or ethnic group are subject to relatively higher uncertainty.

Estimates presented in this research brief were derived from TPC's microsimulation tax model[10] with imputed race and ethnicity likelihood for each tax unit.[11] Due to data limitations we are unable to produce rigorous estimates for people of additional races, including Asian American and Pacific Islanders, American Indian or Alaska Natives, and people who identify with more than one race.

To estimate the sources of OBBBA's differential impacts by race and ethnicity, TPC employed a Blinder-Oaxaca decomposition (Jann 2008) to perform a set of regression analyses on households in seven different income categories estimating the impact of various household characteristics (such as filing status, number of children, and the amounts of various deductions) on the impact of OBBBA on federal taxes. Multiplying the estimated coefficients by the average characteristics by race and ethnicity then yielded predicted impacts of each characteristic on tax liability for each race and ethnicity. The difference between those predicted impacts for a particular characteristic is interpreted as the contribution of that characteristic to the overall difference in impacts by race and ethnicity. Note that this methodology leaves some of the differences unexplained. And the impact can be positive or negative, so in some cases a few characteristics with the largest impacts account for more than the overall difference (with the difference offset by impacts of characteristics with the opposite sign). Because a given characteristic may be related to other characteristics not included in the regression, the dollar estimates should not be interpreted as precise impact of such characteristic, but rather as indicative of the general influence of such characteristic to OBBBA's differential impacts.

TPC's analysis includes all tax provisions in OBBBA that exceed $100 million of revenue, as estimated by the staff of the Joint Committee on Taxation (JCT), except the following provisions, which were excluded due to a lack of data to allow for estimation of tax units with a tax cut or tax increase: provisions related to premium tax credits for health insurance, extension and modification of qualified transportation fringe benefits, extension and modification of limitation on exclusion for moving expenses, extension and modification of limitation on wagering losses, Trump accounts (except pilot contributions), extension and enhancement of paid family and medical leave credit, enhancement of employer-provided childcare credit, enhancement of adoption credit, enhancement of the dependent care assistance program, tax credit for contributions of individuals to scholarship granting organizations, exclusion for employer payments of student loans, modification of excise tax on investment income of certain private colleges and universities, expanding application of tax on excess comp within tax-exempt organizations, permanent renewal and enhancement of opportunity zones, permanent extension of New Markets tax credit, permanent increase in limitation on cover over of tax on distilled spirits, expansion of qualified small business stock gain exclusion, exclusion of interest on loans secured by rural or agricultural real property, reduction of transfer and manufacturing taxes for certain devices, termination of clean vehicle and residential energy credits, modifications to de minimis entry privilege for commercial shipments, excise tax on certain remittance transfers, and modifications affecting health savings accounts. TPC's imputations of race or ethnicity may not fully reflect the differential effects by race and ethnicity of Social Security Number requirements for certain tax benefits.

TABLE A.1

Summary Statistics for Black Households, 2026

Variable	All	Lowest quintile	Second quintile	Middle quintile	Fourth quintile	80–90th percentile	90–95th percentile	Top 5 percent
Number of tax units	26,407,082	8,815,453	6,652,502	5,487,846	3,459,473	1,212,329	389,694	244,060
AGI under OBBBA Baseline	$58,523	$9,154	$30,860	$61,844	$115,285	$193,062	$269,135	$808,744
OBBBA impact on tax burden	-$1,772	-$162	-$825	-$1,835	-$3,739	-$5,983	-$9,509	-$24,135
Tax unit characteristics								
Married filing jointly as % of all tax units	20.8%	6.7%	13.0%	20.2%	45.1%	70.5%	75.4%	80.7%
Head of household as % of all tax units	21.3%	16.8%	29.7%	25.8%	18.2%	7.7%	3.7%	2.8%
With a child as % of all tax units	31.5%	20.7%	35.0%	33.4%	39.1%	50.2%	52.8%	60.5%
Number of children	0.53	0.32	0.59	0.57	0.68	0.95	1.02	1.14
Number of dependents other than children	0.04	0.02	0.05	0.06	0.06	0.04	0.03	0.03
Tax unit with a child without SSN as % of all tax units	0.8%	0.8%	1.0%	1.1%	0.3%	0.0%	0.0%	0.0%
Tax unit with a parent without SSN as % of all tax units	1.5%	1.4%	1.8%	2.1%	0.7%	0.0%	0.0%	0.0%
Tax unit with at least one taxpayer age 65 or older as % of all tax units	21.0%	24.0%	22.3%	19.4%	17.9%	11.4%	10.4%	18.2%
Dollar amount of								
Total taxable income	$59,169	$9,278	$31,125	$62,294	$116,426	$195,481	$272,924	$821,928
QBI deduction	$568	$41	$97	$235	$996	$2,961	$4,565	$15,969
Qualified tips deductions	$331	$184	$354	$392	$604	$355	$220	$16
Qualified over-time pay deductions	$585	$46	$249	$742	$1,471	$2,387	$3,075	$469
Qualified car loan interest deductions	$354	$218	$366	$498	$480	$435	$70	$2
Total above-the-line deductions	$647	$125	$265	$450	$1,141	$2,419	$3,790	$13,184
Standard or itemized deduction amount claimed	$20,166	$12,857	$19,813	$22,431	$27,151	$33,213	$38,972	$61,076
ECI less taxable income, corporate tax liability and employer share of payroll taxes	$23,513	$10,549	$17,243	$24,479	$37,311	$56,884	$84,233	$112,632
Expanded Cash Income (ECI)	$86,879	$20,510	$50,662	$91,289	$162,372	$267,066	$376,327	$972,811
Percent of tax units with a non-zero value of								
QBI deduction	10.4%	8.5%	7.5%	8.8%	16.1%	20.9%	24.8%	37.1%

Variable	All	Lowest quintile	Second quintile	Middle quintile	Fourth quintile	80–90th percentile	90–95th percentile	Top 5 percent
Qualified tips deductions	4.4%	4.3%	4.9%	4.4%	5.0%	2.9%	1.7%	0.2%
Qualified over-time pay deductions	9.7%	2.7%	7.5%	15.4%	18.2%	21.5%	18.0%	3.3%
Qualified car loan interest deductions	13.4%	8.0%	13.2%	18.9%	20.2%	17.5%	3.2%	0.1%
Total above-the-line deductions	18.8%	10.3%	16.3%	22.5%	28.8%	37.7%	35.8%	42.8%

Source: Urban-Brookings Tax Policy Center Microsimulation Model (version 0325-4); authors' analysis.

Notes: (1) AGI = adjusted gross income; OBBBA = One Big Beautiful Bill Act; SSN = Social Security Number; QBI = Qualified Business Income. Details may not add to total due to rounding. (2) Includes both filing and non-filing units but excludes those that are dependents of other tax units. (2) The income percentile classes used in this table are based on the income distribution for the entire population and contain an equal number of people, not tax units. Income percentile classes are calculated based on all taxpayers, not those of a particular race or ethnicity. The income breaks are (in 2026 dollars): 20% $34,600; 40% $66,800; 60% $119,200; 80% $217,100; 90% $317,700; 95% $460,800.

TABLE A.2

Summary Statistics for Hispanic Households, 2026

Variable	All	Lowest quintile	Second quintile	Middle quintile	Fourth quintile	80–90th percentile	90–95th percentile	Top 5 percent
Number of tax units	34,793,455	12,504,213	9,111,037	6,755,552	3,869,681	1,388,611	583,420	356,730
AGI under OBBBA Baseline	$58,366	$12,455	$34,552	$65,249	$116,295	$194,034	$273,050	$752,593
OBBBA impact on tax burden	-$1,729	-$199	-$917	-$1,904	-$3,554	-$5,779	-$8,741	-$26,655
Tax unit characteristics								
Married filing jointly as % of all tax units	31.4%	15.7%	21.9%	35.9%	64.4%	81.1%	86.5%	92.1%
Head of household as % of all tax units	17.2%	15.1%	24.6%	19.6%	11.3%	4.0%	1.3%	1.8%
With a child as % of all tax units	34.0%	22.6%	36.8%	37.5%	45.7%	51.9%	56.4%	63.4%
Number of children	0.62	0.37	0.68	0.72	0.84	0.95	1.04	1.25
Number of dependents other than children	0.04	0.03	0.05	0.07	0.05	0.04	0.04	0.05
Tax unit with a child without SSN as % of all tax units	1.0%	0.9%	1.1%	1.5%	0.4%	0.0%	0.0%	0.0%
Tax unit with a parent without SSN as % of all tax units	1.7%	1.5%	2.3%	2.6%	0.8%	0.1%	0.1%	0.0%
Tax unit with at least one taxpayer age 65 or older as % of all tax units	14.2%	17.0%	13.5%	12.2%	11.5%	9.9%	9.1%	8.5%
Dollar amount of								
Total taxable income	$59,095	$12,606	$34,940	$65,861	$117,431	$196,320	$276,653	$768,168
QBI deduction	$668	$58	$257	$528	$972	$2,588	$4,392	$18,748
Qualified tips deductions	$373	$228	$446	$451	$579	$371	$162	$22
Qualified over-time pay deductions	$602	$70	$301	$804	$1,721	$2,444	$2,853	$442
Qualified car loan interest deductions	$426	$288	$424	$609	$642	$465	$75	$1
Total above-the-line deductions	$729	$151	$388	$612	$1,136	$2,286	$3,603	$15,575
Standard or itemized deduction amount claimed	$21,801	$16,021	$21,315	$24,177	$29,114	$34,364	$38,983	$49,155
ECI less taxable income, corporate tax liability and employer share of payroll taxes	$20,000	$7,015	$12,689	$20,696	$36,284	$56,348	$82,375	$152,675
Expanded Cash Income (ECI)	$83,368	$20,547	$50,185	$91,425	$162,597	$267,544	$379,302	$958,382
Percent of tax units with a non-zero value of								
QBI deduction	12.1%	9.0%	11.8%	12.3%	14.2%	22.0%	29.3%	38.0%
Qualified tips deductions	5.1%	5.6%	5.5%	5.0%	4.6%	2.9%	1.3%	0.5%
Qualified over-time pay deductions	10.2%	3.5%	8.8%	16.3%	20.6%	20.7%	15.8%	3.1%
Qualified car loan interest deductions	15.5%	10.2%	14.8%	21.8%	25.9%	18.6%	3.0%	0.1%
Total above-the-line deductions	17.3%	10.0%	15.7%	19.6%	27.8%	34.9%	32.9%	46.5%

Source: Urban-Brookings Tax Policy Center Microsimulation Model (version 0325-4); authors' analysis.
Notes: (1) AGI = adjusted gross income; OBBBA = One Big Beautiful Bill Act; SSN = Social Security Number; QBI = Qualified Business Income. Details may not add to total due to rounding. (2) Includes both filing and non-filing units but excludes those that are dependents of other tax units. (2) The income percentile classes used in this table are based on the income distribution for the entire population and contain an equal number of people, not tax units. Income percentile classes are calculated based on all taxpayers, not those of a particular race or ethnicity. The income breaks are (in 2026 dollars): 20% $34,600; 40% $66,800; 60% $119,200; 80% $217,100; 90% $317,700; 95% $460,800.

TABLE A.3

Summary Statistics for White Households, 2026

Variable	All	Lowest quintile	Second quintile	Middle quintile	Fourth quintile	80–90th percentile	90–95th percentile	Top 5 percent
Number of tax units	115,866,898	24,626,527	24,230,590	24,353,546	21,859,921	9,645,590	4,790,076	4,809,634
AGI under OBBBA Baseline	$109,384	$9,141	$28,018	$63,523	$118,416	$190,836	$273,903	$983,410
OBBBA impact on tax burden	-$3,353	-$135	-$681	-$1,836	-$3,592	-$5,470	-$8,938	-$30,998
Tax unit characteristics								
Married filing jointly as % of all tax units	38.1%	9.9%	19.8%	31.9%	59.8%	79.5%	81.6%	82.8%
Head of household as % of all tax units	8.3%	7.3%	11.7%	11.1%	7.7%	3.8%	2.3%	1.9%
With a child as % of all tax units	23.1%	11.6%	17.4%	18.7%	29.9%	42.1%	43.9%	47.1%
Number of children	0.40	0.16	0.27	0.32	0.53	0.77	0.81	0.94
Number of dependents other than children	0.02	0.01	0.02	0.03	0.03	0.02	0.02	0.01
Tax unit with a child without SSN as % of all tax units	0.4%	0.5%	0.6%	0.6%	0.2%	0.0%	0.0%	0.0%
Tax unit with a parent without SSN as % of all tax units	0.8%	0.9%	1.1%	1.2%	0.4%	0.0%	0.0%	0.0%
Tax unit with at least one taxpayer age 65 or older as % of all tax units	35.0%	33.9%	44.2%	38.8%	32.1%	23.1%	21.6%	22.3%
Dollar amount of								
Total taxable income	$110,852	$9,301	$28,305	$64,053	$119,395	$192,724	$277,125	$1,001,763
QBI deduction	$1,733	$55	$138	$339	$832	$1,967	$3,747	$27,578
Qualified tips deductions	$274	$168	$262	$292	$441	$351	$184	$29
Qualified over-time pay deductions	$731	$44	$189	$629	$1,312	$2,162	$2,496	$447
Qualified car loan interest deductions	$282	$186	$238	$355	$418	$401	$56	$1
Total above-the-line deductions	$1,468	$161	$287	$530	$978	$1,889	$3,223	$18,353
Standard or itemized deduction amount claimed	$25,247	$13,239	$19,520	$23,967	$29,818	$35,778	$40,718	$72,720
ECI less taxable income, corporate tax liability and employer share of payroll taxes	$35,201	$11,359	$20,300	$24,746	$36,487	$58,815	$85,771	$149,183
Expanded Cash Income (ECI)	$153,718	$21,370	$50,626	$93,122	$164,575	$266,779	$384,381	$1,207,091
Percent of tax units with a non-zero value of								
QBI deduction	14.5%	9.7%	9.4%	11.3%	16.9%	22.2%	27.4%	43.0%
Qualified tips deductions	3.3%	4.0%	3.6%	3.2%	3.7%	2.8%	1.7%	0.4%
Qualified over-time pay deductions	9.8%	2.4%	6.1%	12.9%	15.9%	18.3%	14.0%	2.9%
Qualified car loan interest deductions	11.2%	6.9%	8.9%	13.8%	18.1%	16.2%	2.3%	0.1%
Total above-the-line deductions	21.4%	11.7%	13.9%	19.8%	27.2%	36.3%	33.2%	46.9%

Source: Urban-Brookings Tax Policy Center Microsimulation Model (version 0325-4); authors' analysis.

Notes: (1) AGI = adjusted gross income; OBBBA = One Big Beautiful Bill Act; SSN = Social Security Number; QBI = Qualified Business Income. Details may not add to total due to rounding. (2) Includes both filing and non-filing units but excludes those that are dependents of other tax units. (2) The income percentile classes used in this table are based on the income distribution for the entire population and contain an equal number of people, not tax units. Income percentile classes are calculated based on all taxpayers, not those of a particular race or ethnicity. The income breaks are (in 2026 dollars): 20% $34,600; 40% $66,800; 60% $119,200; 80% $217,100; 90% $317,700; 95% $460,800.

TABLE A.4

Decomposition of the Differential Impact in Average Federal Tax Change between Black Households and White Households, 2026

Variable	All	Lowest quintile	Second quintile	Middle quintile	Fourth quintile	80–90th percentile	90–95th percentile	Top 5 percent
Summary								
Average tax change, Black (Non-Hispanic)	-1,771.90**	-161.55**	-824.90**	-1,834.81**	-3,738.82**	-5,983.04**	-9,508.52**	-24,135.30**
Average tax change, White (non-Black, non-Hispanic)	-3,353.45**	-134.94**	-680.94**	-1,835.69**	-3,592.26**	-5,469.68**	-8,937.64**	-30,997.71**
Difference in average tax change	1,581.56**	-26.61**	-143.96**	0.88	-146.55**	-513.36**	-570.89**	6,862.41**
Difference in average tax change from observed characteristic differences								
Tax unit characteristics								
Married filing jointly as % of all tax units	278.87**	-1.03*	-3.79**	11.68**	50.24**	6.58	-222.30**	139.21**
Head of household as % of all tax units	29.82**	-9.13**	-56.49**	-101.49**	-57.32**	10.84	55.31**	111.79**
With a child as % of all tax units	-57.18**	-28.64**	-49.23**	-20.51**	-33.99*	7.27	-16.73	-257.81**
Number of children	-55.39**	1.08	-33.27**	-46.36**	-47.62**	-58.99**	-163.43**	-4.65
Number of dependents other than children	3.30	-0.18	2.97**	15.07**	26.62**	25.79**	15.27*	-14.85
Tax unit with a child without SSN as % of all tax units	10.67**	1.62**	6.09**	9.15**	3.45*	-0.05	0.02	-0.48
Tax unit with a parent without SSN as % of all tax units	19.47**	2.95**	10.49**	16.71**	4.78**	0.46	0.26	-0.73
Tax unit with at least one taxpayer age 65 or older as % of all tax units	42.20**	2.00	59.05**	176.35**	285.68**	190.81**	353.36**	179.40**
Dollar amount of								
Total taxable income	376.55**	0.38	-89.15**	58.25**	101.31**	-55.62**	179.35**	1,187.67**
QBI deduction	543.29**	1.24**	4.15**	13.91**	-44.99**	-260.27**	-251.54**	5,435.64**
Qualified tips deductions	-9.58**	-0.30	-6.72**	-12.45**	-29.62**	-0.71	-10.03	6.18
Qualified over-time pay deductions	35.32**	-0.15	-5.40**	-16.69**	-27.76**	-51.63**	-142.07**	4.75
Qualified car loan interest deductions	-1.23	-0.26	-4.47**	-19.99**	-11.01**	-9.09**	-7.27	0.07
Total above-the-line deductions	42.65**	-0.31	-0.51**	-2.31**	11.92**	16.97**	49.47**	218.27**
Standard or itemized deduction amount claimed	-70.70**	-1.25**	3.67**	-56.67**	-153.18**	-140.81**	24.50**	-148.15**
ECI less taxable income, corporate tax liability and employer share of payroll taxes	52.36**	2.74**	16.51**	0.91*	-10.48**	20.84**	41.02**	178.00**
Percent of tax units with a non-zero value of								
QBI deduction	-7.83**	-0.32	0.44	0.31	-4.22**	5.05**	35.54**	-13.82
Qualified tips deductions	7.44**	-0.06	-0.76**	-0.59	0.67	-0.05	-0.10	-8.34

Variable	All	Lowest quintile	Second quintile	Middle quintile	Fourth quintile	80–90th percentile	90–95th percentile	Top 5 percent
Qualified over-time pay deductions	-0.17	0.15	-0.09	-1.05	-2.72	-3.90	-17.20	-27.68*
Qualified car loan interest deductions	14.14**	-0.17	-2.39**	9.17**	1.04	-0.01	0.82	9.44
Total above-the-line deductions	0.37	-0.11	0.87**	-1.90**	-6.41**	3.33*	6.37	-55.81**
Total	1,254.35**	-29.75**	-148.04**	31.50**	56.38**	-293.17**	-69.40	6,938.11**
Unexplained difference in average tax change	327.20**	3.14	4.08	-30.62**	-202.93**	-220.19**	-501.48**	-75.70

Source: Urban-Brookings Tax Policy Center Microsimulation Model (version 0325-4); authors' analysis.

Notes: (1) Details may not add to total due to rounding; **/* Estimates differ significantly between Black tax units and White tax units at the 0.05 and 0.1 confidence levels, respectively. The "unexplained difference in average tax change" is the difference in average tax change that is beyond the estimated differential impact based on racial differences in the explanatory variables. (2) Includes both filing and non-filing units but excludes those that are dependents of other tax units. (3) The income percentile classes used in this table are based on the income distribution for the entire population and contain an equal number of people, not tax units. Income percentile classes are calculated based on all taxpayers, not those of a particular race or ethnicity. The income breaks are (in 2026 dollars): 20% $34,600; 40% $66,800; 60% $119,200; 80% $217,100; 90% $317,700; 95% $460,800.

TABLE A.5

Decomposition of the Differential Impact in Average Federal Tax Change between Hispanic Households and White Households, 2026

Variable	All	Lowest quintile	Second quintile	Middle quintile	Fourth quintile	80–90th percentile	90–95th percentile	Top 5 percent
Summary								
Average tax change, Hispanic	-1,728.84**	-199.26**	-917.04**	-1,904.38**	-3,554.11**	-5,778.55**	-8,741.33**	-26,655.43**
Average tax change, non-Hispanic White	-3,353.45**	-134.94**	-680.94**	-1,835.69**	-3,592.26**	-5,469.68**	-8,937.64**	-30,997.71**
Difference in average tax change	1,624.61**	-64.32**	-236.10**	-68.69**	38.15	-308.88**	196.31*	4,342.28**
Difference in average tax change from observed characteristic differences								
Tax unit characteristics								
Married filing jointly as % of all tax units	108.03**	1.91*	1.18**	-3.96**	-15.75**	-1.15	171.69**	-602.74**
Head of household as % of all tax units	20.31**	-7.53**	-40.33**	-58.66**	-19.68**	0.48	-41.42**	-10.61
With a child as % of all tax units	-73.61**	-34.64**	-54.27**	-26.16**	-58.07*	8.74	-23.42	-315.25**
Number of children	-89.20**	1.44	-42.63**	-74.25**	-95.89**	-61.37**	-179.86**	-7.12
Number of dependents other than children	3.63	-0.30	3.76**	17.37**	17.59**	21.79**	33.87*	-35.42
Tax unit with a child without SSN as % of all tax units	16.50**	2.53**	8.36**	18.93**	4.92*	0.31	0.03	0.28
Tax unit with a parent without SSN as % of all tax units	27.80**	3.26**	17.64**	27.82**	7.09**	0.53	2.38	-0.22
Tax unit with at least one taxpayer age 65 or older as % of all tax units	62.81**	3.40	82.75**	242.14**	415.86**	214.79**	396.05**	607.60**
Dollar amount of								
Total taxable income	377.09**	-55.08**	-209.80**	-59.84**	67.01**	-72.53**	20.15	1,542.72**
QBI deduction	496.72**	-0.28	-11.94**	-25.31**	-38.25**	-162.51**	-198.36**	4,134.31**
Qualified tips deductions	-16.51**	-1.13**	-13.40**	-19.76**	-25.05**	-4.15	6.03	3.50
Qualified over-time pay deductions	31.16**	-1.57**	-10.11**	-25.86**	-71.22**	-64.75**	-87.53**	-0.98
Qualified car loan interest deductions	-2.46	-0.85	-6.48**	-35.36**	-39.78**	-17.13**	-9.96	0.01
Total above-the-line deductions	38.40**	-0.08	2.34**	2.36**	11.57**	12.69**	33.20**	117.30**
Standard or itemized deduction amount claimed	-47.96**	9.11**	22.41**	7.77**	-40.41**	-77.63**	24.35**	-299.81**
ECI less taxable income, corporate tax liability and employer share of payroll taxes	68.10**	14.71**	41.11**	13.74**	2.59	26.62**	90.55**	-17.00
Percent of tax units with a non-zero value of								
QBI deduction	-4.55**	-0.19	-0.57	-0.12	-14.14**	1.05	-24.63**	-11.77

Variable	All	Lowest quintile	Second quintile	Middle quintile	Fourth quintile	80–90th percentile	90–95th percentile	Top 5 percent
Qualified tips deductions	12.22**	-0.37	-1.11**	-0.87	0.44	-0.10	-3.10	5.10
Qualified over-time pay deductions	0.86*	0.53	-0.18	-1.43	-5.69	-2.90	-7.70	-12.04
Qualified car loan interest deductions	26.95**	-0.53	-3.34**	14.36**	3.86	-0.02	0.65	0.97
Total above-the-line deductions	0.58	-0.14	0.65**	0.16	-2.59*	-3.42*	-0.80	-5.09
Total	1,056.89**	-65.80**	-213.97**	13.05	104.40**	-180.65**	202.18**	5,093.75**
Unexplained difference in average tax change	567.72**	1.48	-22.13**	-81.74**	-66.25	-128.22**	-5.87	-751.47**

Source: Urban-Brookings Tax Policy Center Microsimulation Model (version 0325-4); authors' analysis.

Notes: (1) Details may not add to total due to rounding; **/* Estimates differ significantly between Hispanic tax units and White tax units at the 0.05 and 0.1 confidence levels, respectively. The "unexplained difference in average tax change" is the difference in average tax change that is beyond the estimated differential impact based on racial differences in the explanatory variables. (2) Includes both filing and non-filing units but excludes those that are dependents of other tax units. (3) The income percentile classes used in this table are based on the income distribution for the entire population and contain an equal number of people, not tax units. Income percentile classes are calculated based on all taxpayers, not those of a particular race or ethnicity. The income breaks are (in 2026 dollars): 20% $34,600; 40% $66,800; 60% $119,200; 80% $217,100; 90% $317,700; 95% $460,800.

NOTES

1 TPC's analysis considered OBBBA's changes relative to current law, under which most of TCJA's temporary provisions related to individual income taxes (primarily tax cuts) would have expired. Thus, most of the estimated gains from OBBBA reported here do not represent a reduction in taxes in 2026 relative to taxes in 2025; instead, they represent hypothetical tax increases that would have occurred if TCJA had expired without OBBBA. In addition, our estimates include only the tax provisions of OBBBA, and do not incorporate impacts of cuts to government spending on health and food programs (Medicaid or SNAP, for example), which disproportionately affect those with lower incomes.

2 We use the term "household" throughout in this research brief to aid readability, though the unit of analysis is the tax unit. A tax unit is composed of an individual or a married couple who may file a tax return and their dependents. We use the term "Hispanic" to refer to people of Hispanic or Latino origin: we recognize that this term may not be the preferred identifier for some, and we remain committed to using inclusive language whenever possible. We capitalize the term "White" to avoid perpetuating the notion of Whiteness as the standard or norm to which all other races and ethnicities are compared. For simplicity, we refer to non-Hispanic Black households as Black households, and non-Hispanic White households as White households.

3 Expanded cash income (ECI) refers to TPC's broad measure of pre-tax income which proxies for taxpayers' economic well-being and their ability to pay taxes. ECI equals the adjusted gross income (AGI) plus above-the-line adjustments, tax-exempt interest, nontaxable Social Security and pension income, cash transfers and food stamps, the employer share of payroll taxes, imputed corporate tax liability, tax-exempt employee and employer contributions to health insurance and other fringe benefits, employee and employer contributions to tax-deferred retirement accounts, and income earned within retirement accounts. In this research brief, mentions of "income" refer to ECI unless specified otherwise.

4 See the Data and Methods section at the end of this research brief for further technical information.

5 As of 2018, only about half of Black children and Hispanic children were estimated to be eligible for the maximum value of the CTC, compared with three-quarters of White children (Goldin and Michelmore 2022).

6 Note that particular drivers or combinations of drivers can contribute more than the total differential impacts when there are other drivers, in the opposite direction, that reduce the difference in gains.

7 Nontaxable income includes tax-exempt interest, nontaxable Social Security and pension income, cash transfers and food stamps, the employer share of payroll taxes, imputed corporate tax liability, tax-exempt employee and employer contributions to health insurance and other fringe benefits, employee and employer contributions to tax-deferred retirement accounts, and income earned within retirement accounts.

8 Estimating the influences of particular drivers is especially complicated in this income category. The average income of White households in the top 5 percent is significantly higher ($1,210,000 for White households, compared with $970,000 for Black households and $960,000 for Hispanic households). TPC's method produces estimates of the influences of different types of income on differential impacts OBBBA's differential impacts, but such estimates include both influences unique to a particular type of income and those of overall differences in the level of income. Nonetheless, TPC's estimates provide a sense of which drivers contribute the most to the differential gains.

9 For more information on ECI, see here: https://taxpolicycenter.org/resources/tax-model-resources/income-measure-used-distributional-analyses-tax-policy-center.

10 For more information on TPC's tax model, see here: https://taxpolicycenter.org/resources/brief-description-tax-model.

11 For more information on TPC's method to impute race and ethnicity in its tax data, including sources of uncertainty in the estimates, see Khitatrakun et al. 2023.

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