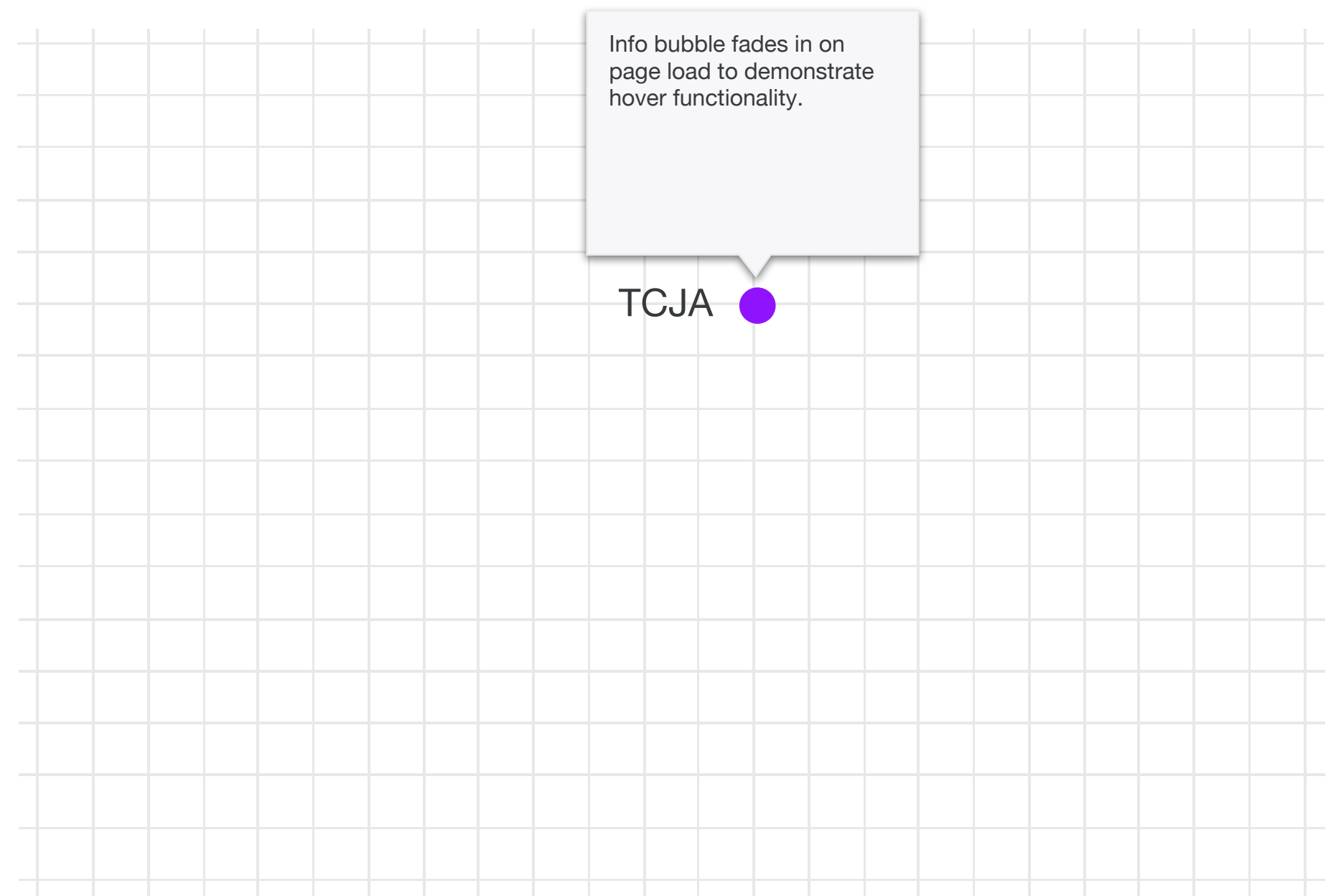


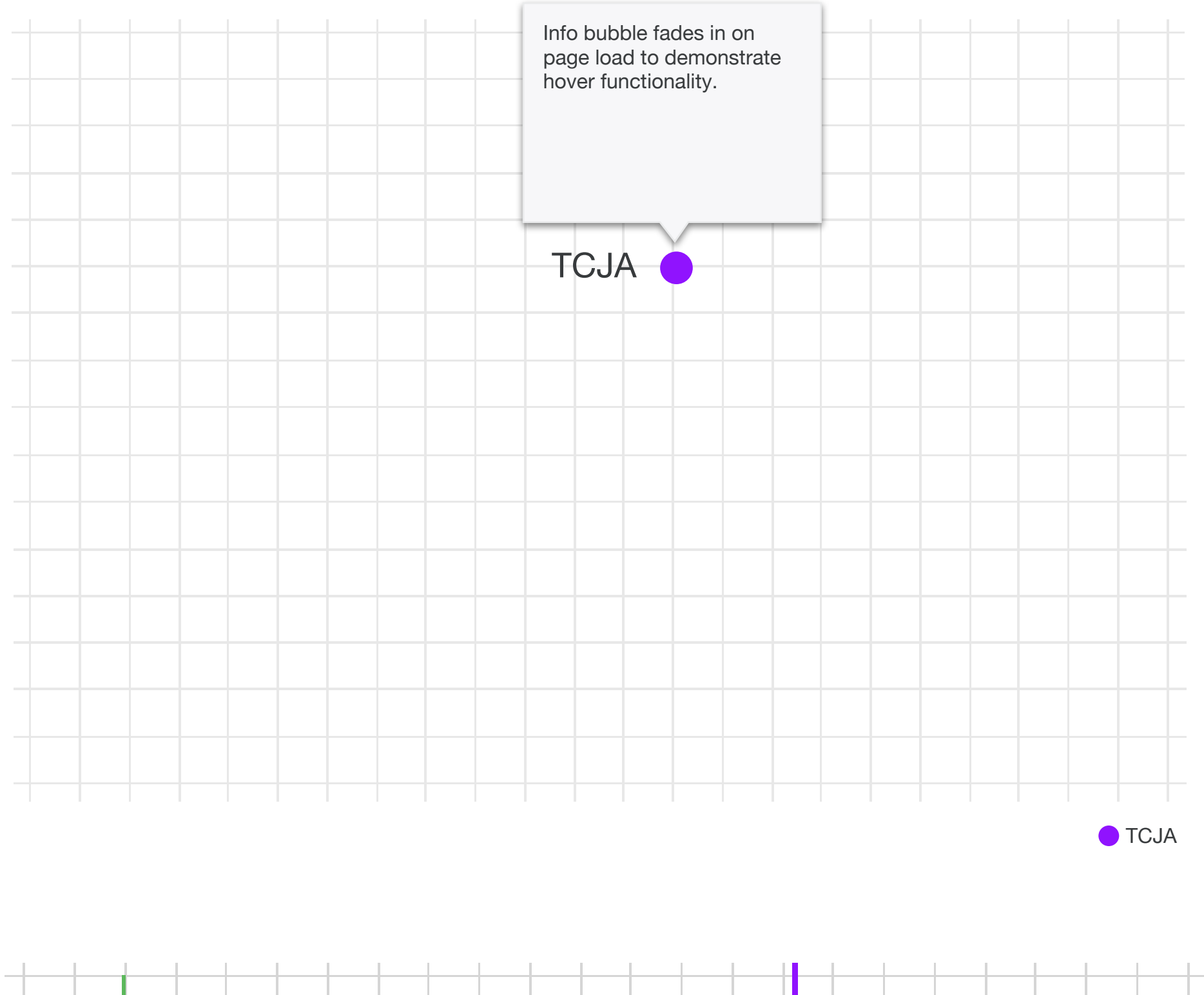
- TCJA happened with little analysis, upended decades of federal tax policy
- Microsim models typically look at one plan/tradeoffs, but now TPC can explore the tradeoffs by calculating many alternative plans
- Exploring and understanding these tradeoffs is how you create better tax policy

Here's the TCJA - it lost X revenue and resulted in X change in after tax income for all taxpayers compared with prior law.

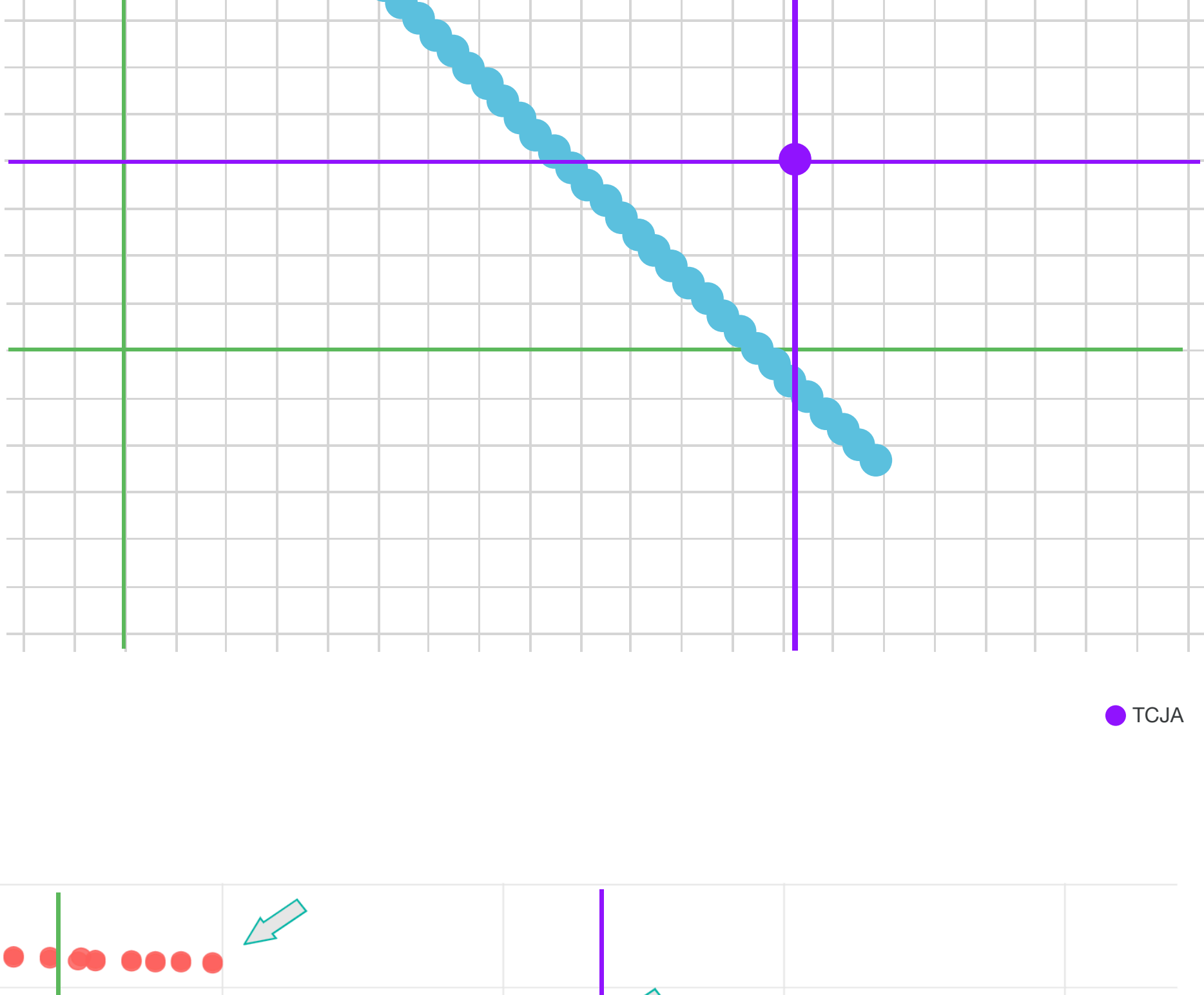




Here's the TCJA - it lost X revenue and resulted in X change in after tax income for all taxpayers compared with prior law.



We looked at thousands of alternatives to the TCJA (in terms of several parameters). Overall more after tax income = less revenue for the federal government. There are plans that generate more revenue than the TCJA, and others that generate more after-tax income for certain groups. But the same plans don't help everyone. What are those tradeoffs?

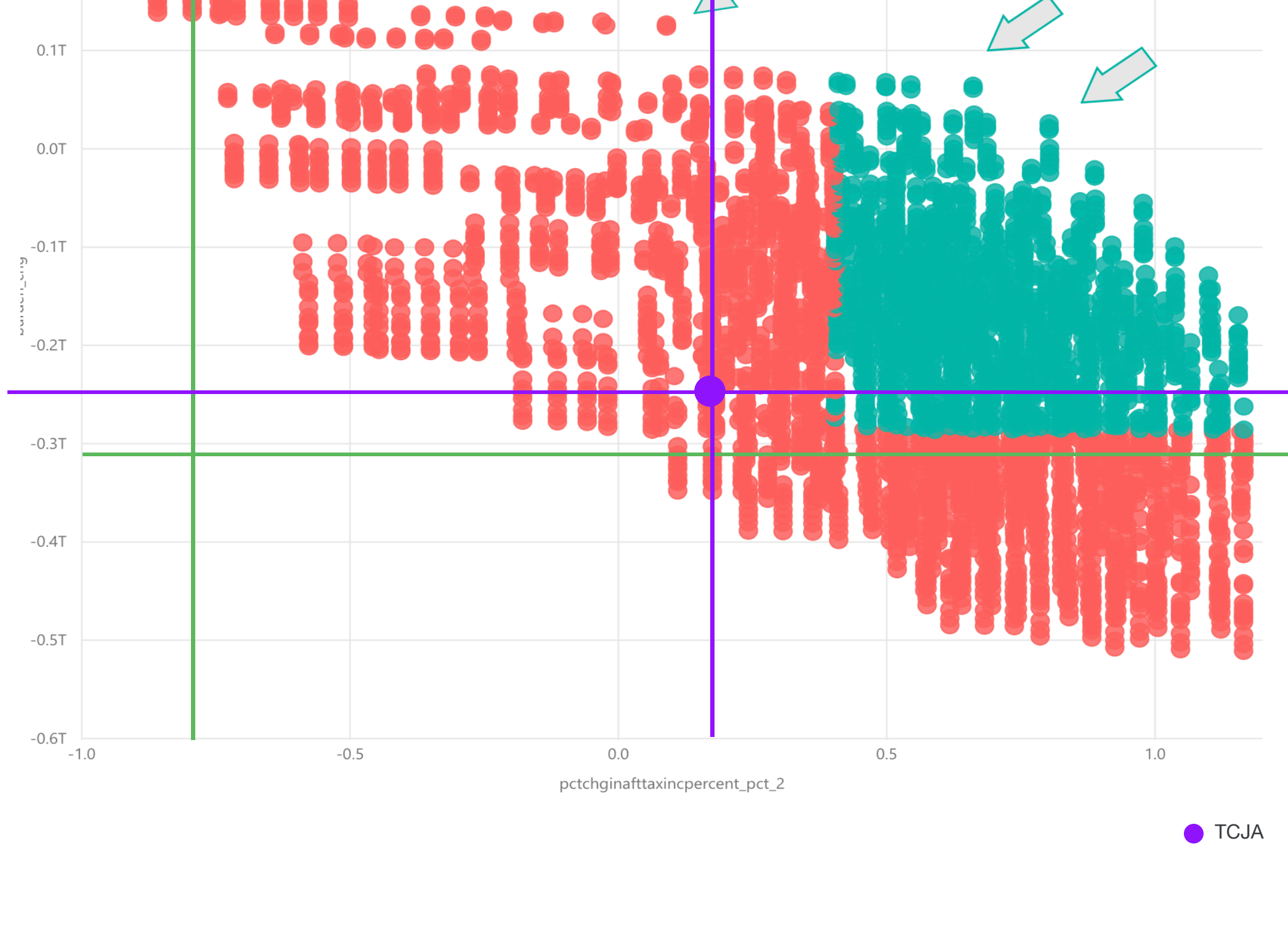


What tax policy levers have the greatest effect on different ends of the income spectrum? Let's start by looking just at taxpayers in the bottom 20 percent of incomes. (green dots). Changing the CTC refund, CTC threshold, standard deduction, and personal exemption have the biggest impact on after tax income for the bottom 20 percent. Let's look at why...

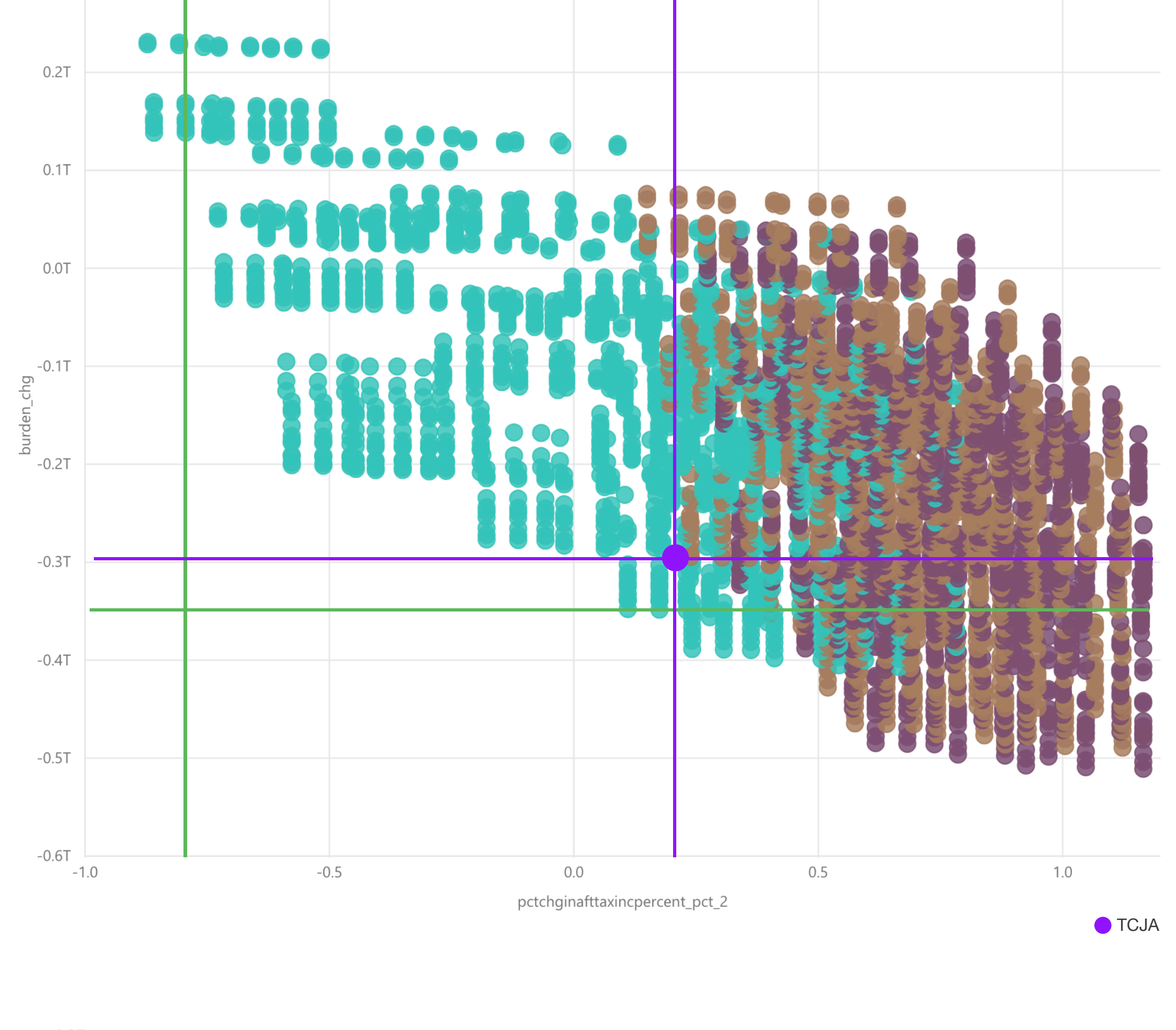
[highlight section]  
The upper left arrow shows the plans that result in the most revenue. As we move from left to right across this line, the bottom 20 percent has more after tax income with plans that have increases in the child tax credit refund and that set the refund threshold to 0.

[highlight section]  
The plans directly below this line follow the same pattern. But in this case, other parameters besides the CTC are being changed. These parameters lose revenue, but they don't affect the bottom 20 percent's average after-tax income.

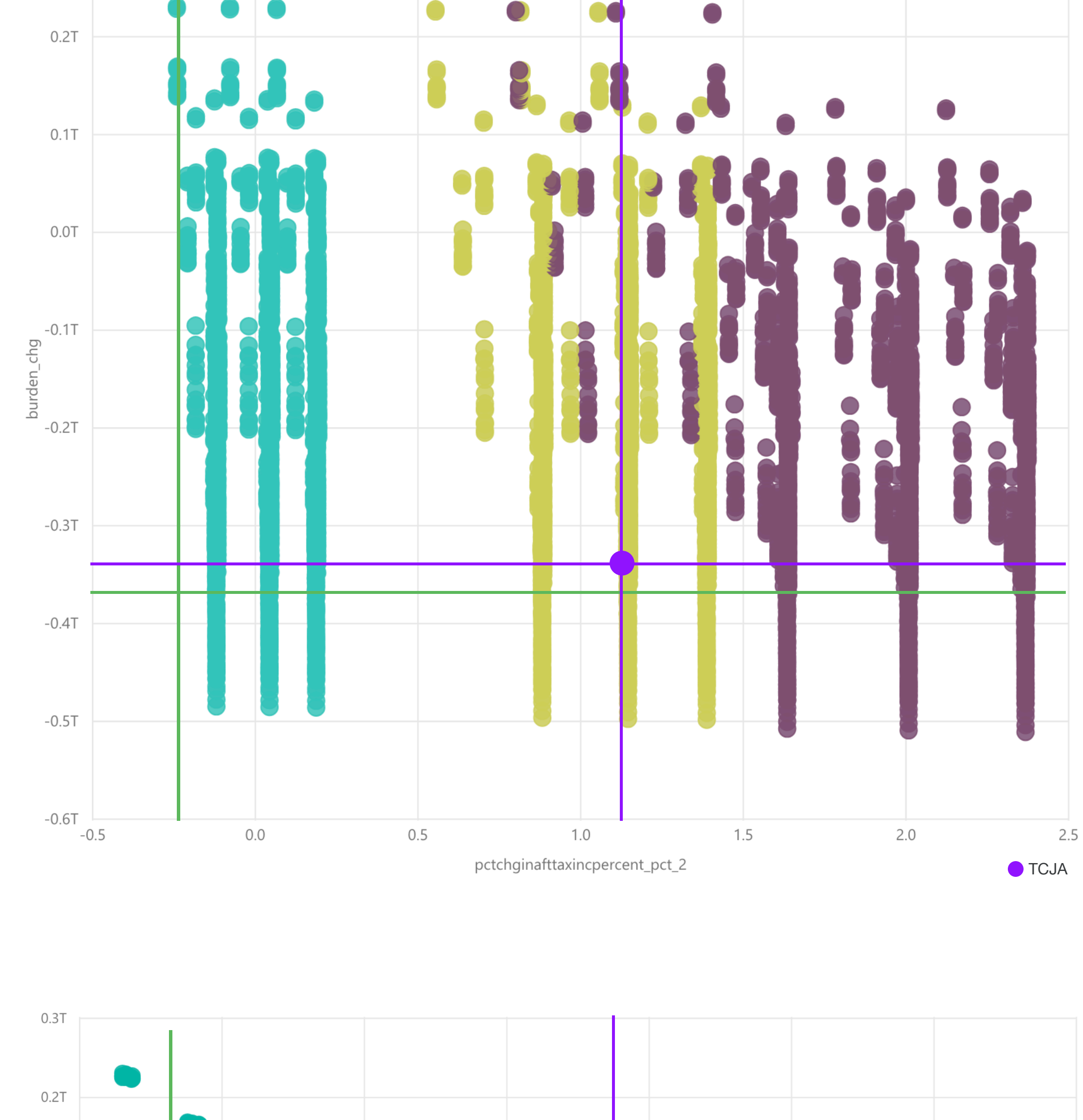
[highlight section]  
The second arrow follows the same pattern, but this time we moved the personal exemption from 0 to 2050. This shifts the line down because it results in less revenue. But it also shifts to the right and results in more after tax income for the bottom 20 percent.



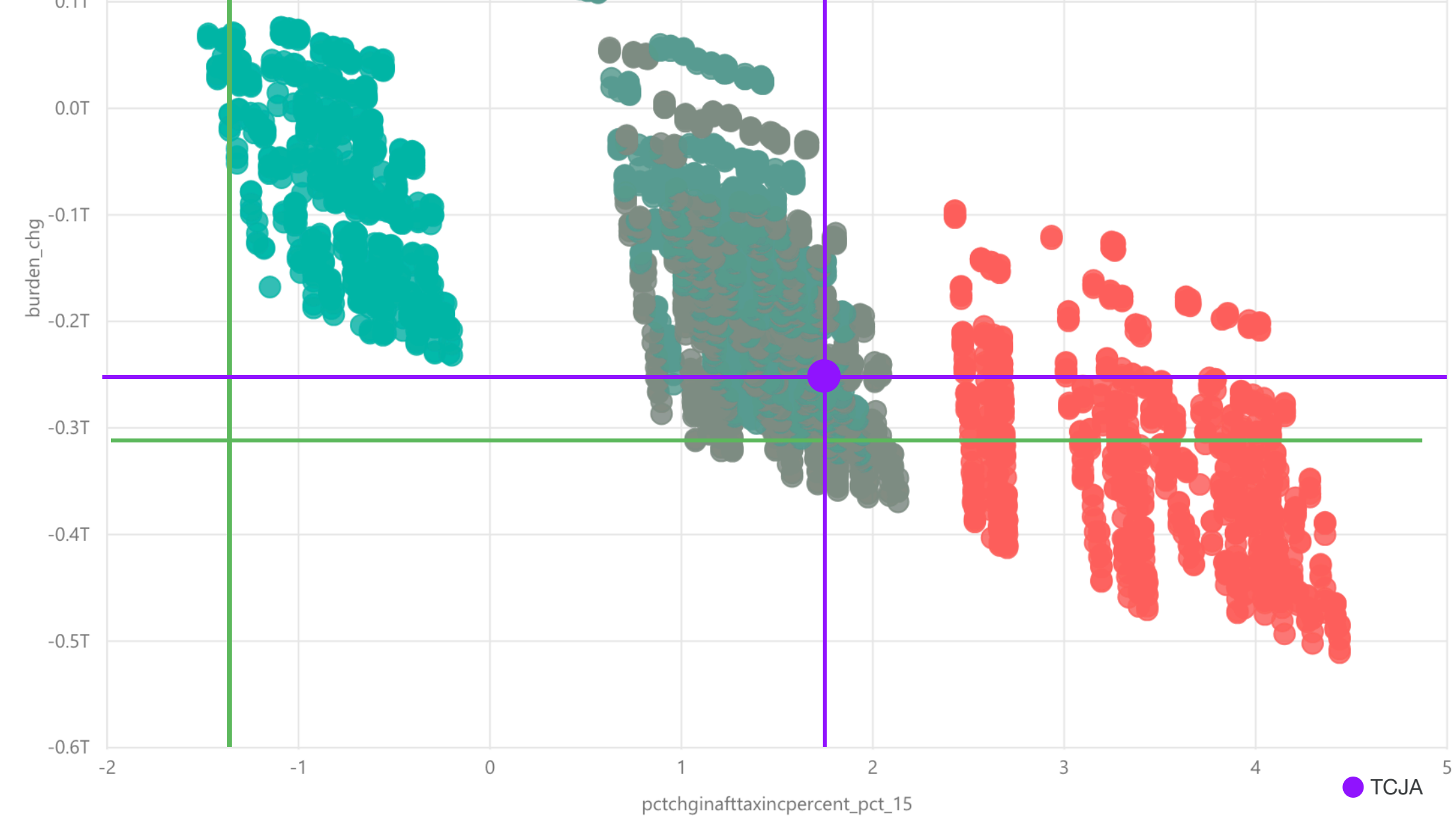
Let's look at how just changing the standard deduction affects revenue and change in after tax income for the bottom 20 percent. This chart shows the three standard deductions for married filers: 13,000 (blue), 24,000 (brown), and 26,400 (purple). As the standard deduction increases, taxpayers in the bottom 20 percent have more after tax income, but revenue is lost.



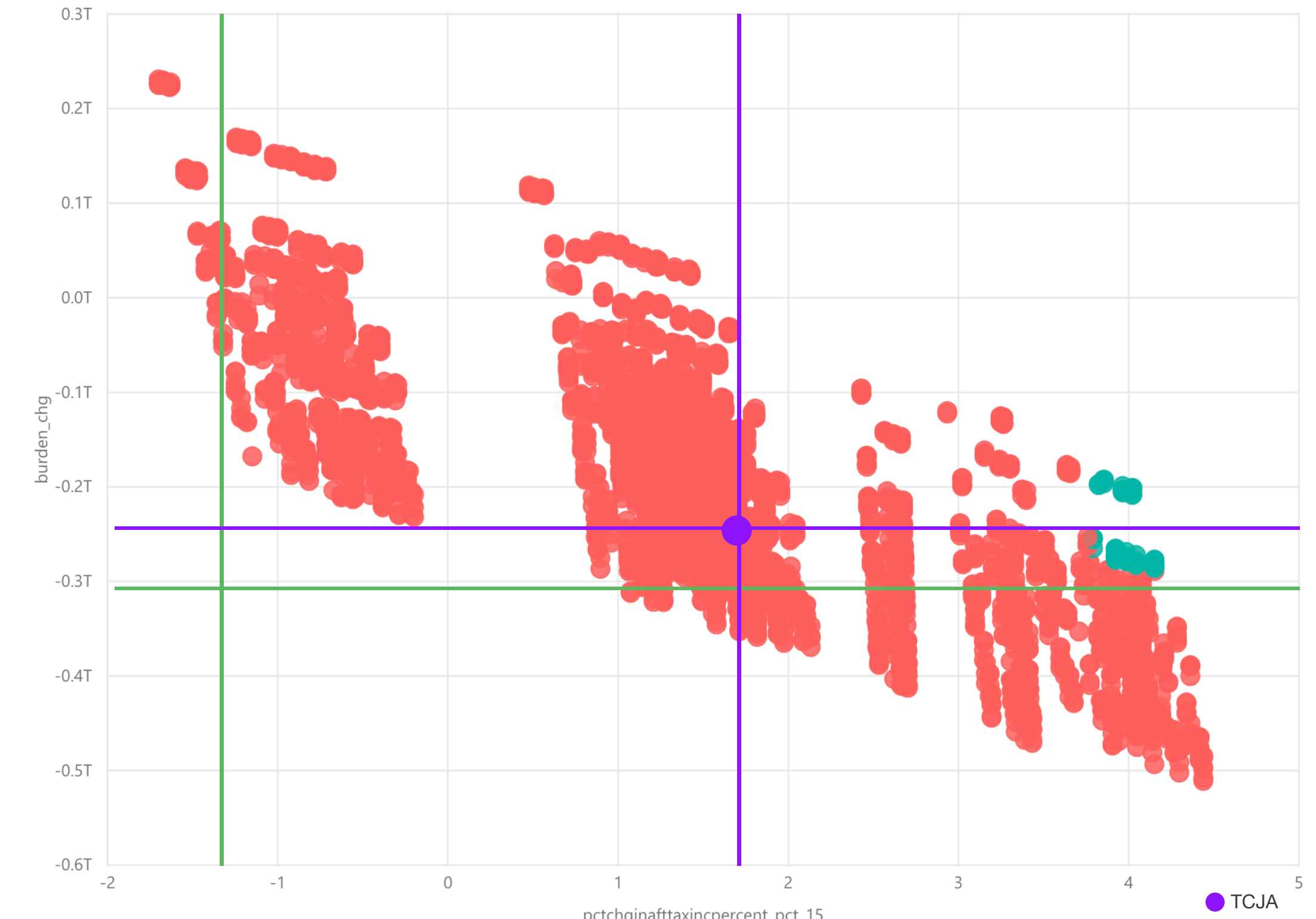
This pattern is even more clear for married taxpayers in the bottom 20 percent with kids. Here we're changing the CTC refundability and refund thresholds. The lines are broken into three groups by the refundability levels. Higher refundability gives people bigger tax refunds. Within the three groups there are three lines representing the different CTC thresholds. Lower thresholds allow people to start accessing the credit at lower incomes. Higher refundability and lower thresholds allow low income people to gain more from the CTC. They play an important role for lower income families with kids. The opposite can also be seen in the vertical line shape in the data. The other parameters have little to no effect on this group, so there is no horizontal movement, implying no change in after-tax income.



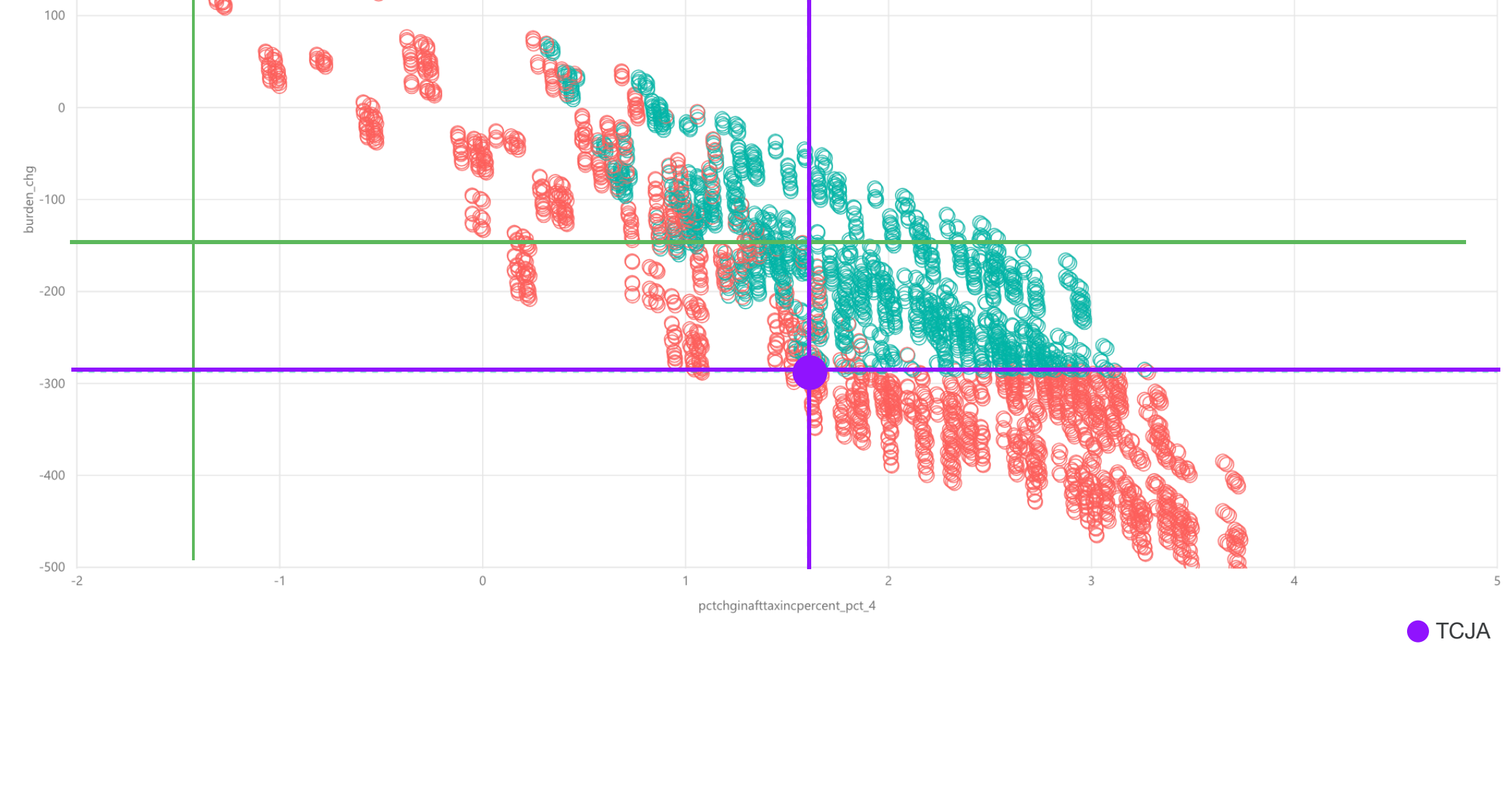
Now let's turn to the top 5 percent (instead of bottom 20 percent). Rates are the most important factor affecting after tax income for the top 5 percent. The groups in the chart (highlight each) are clustered around the 4 different sets of rates (list rates here).



What does this all tell us? There are many plans that would generate more revenue than the TCJA while also increasing after tax income for the bottom 20 percent. But there are much fewer plans that accomplish this for the top 5 percent. Plans that increase low-income people's after tax income without losing revenue don't benefit after tax income for the top 5 percent more than TCJA did. (chart highlights plans that, without losing revenue, benefit bottom 20 percent and top 5 percent with different colors; shows they don't overlap)



Without revenue restrictions, there are many plans that increase after-tax income for all quintiles (about 10% of our simulations). Among plans with revenue restrictions (that don't lose any more revenue than TCJA), plenty of plans benefit taxpayers in the bottom four quintiles (many plans that benefit bottom quintile also benefit third quintile, for example) (Chenxi's slide 20). But among plans that don't lose more revenue than TCJA, no plan that benefits the top quintile benefits any of the other quintiles.



We can also figure out which plans would (compared with pre-TCJA law) more evenly raise after tax income without losing as much revenue as the TCJA (note that it might not be best plan in terms of economic growth, but it is most equitable).

For example, one plan would cost about two-thirds as much as the TCJA and raise average after-tax incomes in each quintile by 1.02% (for bottom quintile) to 1.98% (for top quintile), compared with TCJA change of 0.4% for the bottom quintile and 2.98% for the top quintile. (tooltip with parameters of this tax plan?; show this plan on the chart)

Another plan would cost about the same as the TCJA and raise average after-tax incomes by 1.17% (for bottom quintile) to 3.08% (for top quintile), compared with TCJA change of 0.4% for the bottom quintile up to 2.98% for the top income quintile. (tooltip with parameters of this tax plan?; show plan on chart)

But all these plans come with tradeoffs for certain groups. The effect of changing one parameter can vary widely depending on people's income and filing status. Understanding these tradeoffs (both in terms of revenue and after tax income) is critical to creating sound, evidence-based tax policy.

The TCJA was passed in haste, and our tool shows that there were plausible alternatives that changed the same parts of the tax code. Do these plans make the right tradeoffs among income groups? Of equity and



Now see for yourself how changing different parameters affects revenue and after tax income.

Income Tax Rates: 1

☒ TCJA lorem ipsum dolor

☐ Pre-TCJA lorem ipsum dolor

☐ Lorem ipsum dolor

☐ Ipsum ipsum dolor

Standard deduction: 1

Low

Medium

High

Alternative Minimum Tax: 1

Phaseout threshold:

Low

High

Exemption amount:

Low

High

Personal exemption amount: 1

\$0

\$901

\$4,150

\$5,500

SALT deduction: 1

\$0

\$10,000

\$15,000

\$20,000

Child Tax Credit - Refundability threshold: 1

\$0

\$1,250

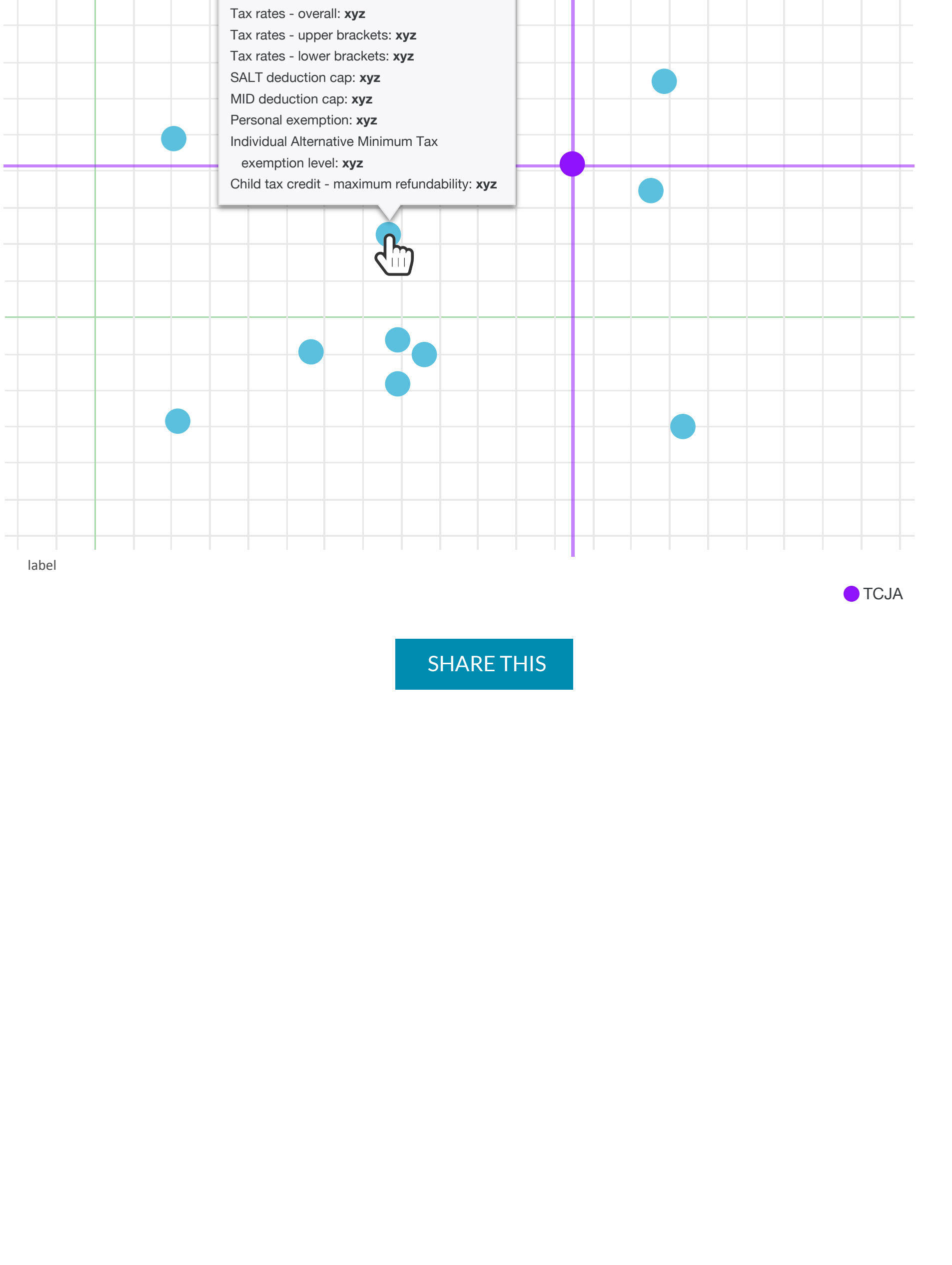
\$2,500

Child Tax Credit - Refundable portion: 1

\$1,000

\$1,400

\$2,000



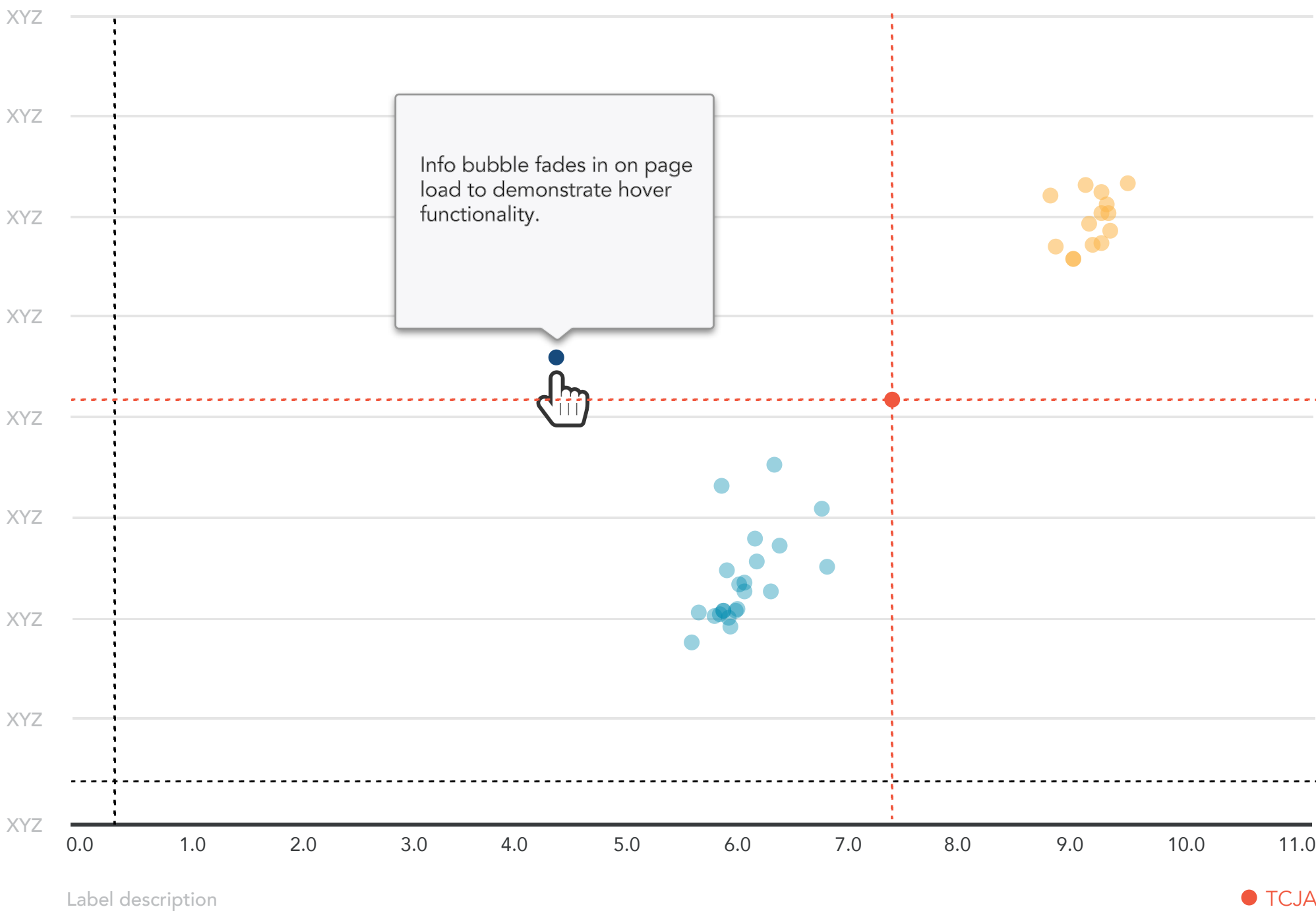




# Title

What tax policy levers have the greatest effect on different ends of the income spectrum? Let’s start by looking just at taxpayers in the bottom 20 percent of incomes. (green dots). Changing the CTC refund, CTC threshold, standard deduction, and personal exemption have the biggest impact on after tax income for the bottom 20 percent. Let’s look at why...

Active / hover color	Data selection color and links	TCJA color	Narrative highlight color
#174a7c	#008bb0	#f0573e	#fcb64b



## Centered text / subtitle Lorem Ipsum

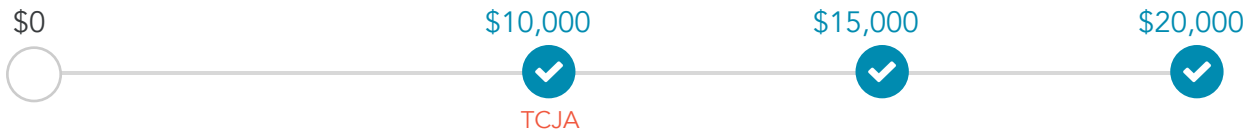
### Income Tax Rates: ⓘ

- ☒ TCJA lorem ipsum dolor
- ☐ Pre-TCJA lorem ipsum dolor
- ☒ Lorem lorem ipsum dolor
- ☐ Ipsum lorem ipsum dolor

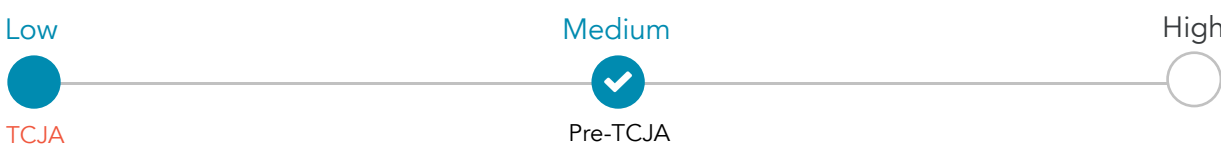
BUTTON

BUTTON

### SALT deduction: ⓘ



### Standard deduction: ⓘ



### Select Menu: ⓘ

▼

Selected Item

Standard Deduction

Info about this item

Where is the Pre-TCJA value?  
Pre-TCJA is not shown for this input because lorem ipsum

On click:  
A modal with info about this item

Standard deduction: ⓘ

Low

Medium

High

TCJA

Pre-TCJA

Breakdown of the items within this selection on hover

### Income Tax Rates: ⓘ

- ☒ TCJA lorem ipsum dolor
- ☐ Pre-TCJA lorem ipsum dolor
- ☒ Lorem lorem ipsum dolor
- ☐ Ipsum lorem ipsum dolor

### SALT deduction: ⓘ

