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Macro Roundup Article

Headline: Making the Tax Cuts and Jobs Act Permanent: Two Revenue-Neutral, Pro-Growth Options for Tax Reform

Article Link: https://www.aei.org/research-products/report/making-the-tax-cuts-and-jobs-act-permanent-two-revenue-neutral-pro-growth-options-for-tax-reform/

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Tweet: Evidence from CBO projections suggests the TCJA corporate tax cut increased business investment, driving economic growth. @kpomerleau and @DonFSchneider present two revenue-neutral options to finance a permanent extension of the TCJA .

Summary: As Figure 1 indicates, real GDP, consumption, business investment, and payrolls grew more rapidly than expected in the 2017 forecast and in a manner consistent with CBO's post-TCJA 2018 projections. On net, actual economic performance nearly matched CBO's projections. These macroeconomic outcomes are also consistent with microeconomic data finding that companies benefiting from TCJA increased investment. For example, according to an analysis by Gabriel Chodorow-Reich et al. using administrative data for US corporate tax returns, "the TCJA caused domestic investment of firms with the mean tax change to increase by roughly 20% relative to firms experiencing no tax change." The primary issue with the TCJA is that it was not stable given that much of the law was temporary: 100 percent bonus depreciation is temporary and will fully phase out by 2027.

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Primary Topic: Taxation

Topics: Academic paper, Database, Fiscal Policy, GDP, Growth, Investment, Productivity, Taxation, Weekly

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