

Assessing the Potential Impact of the New Tax Law on Housing & Food Expenditure

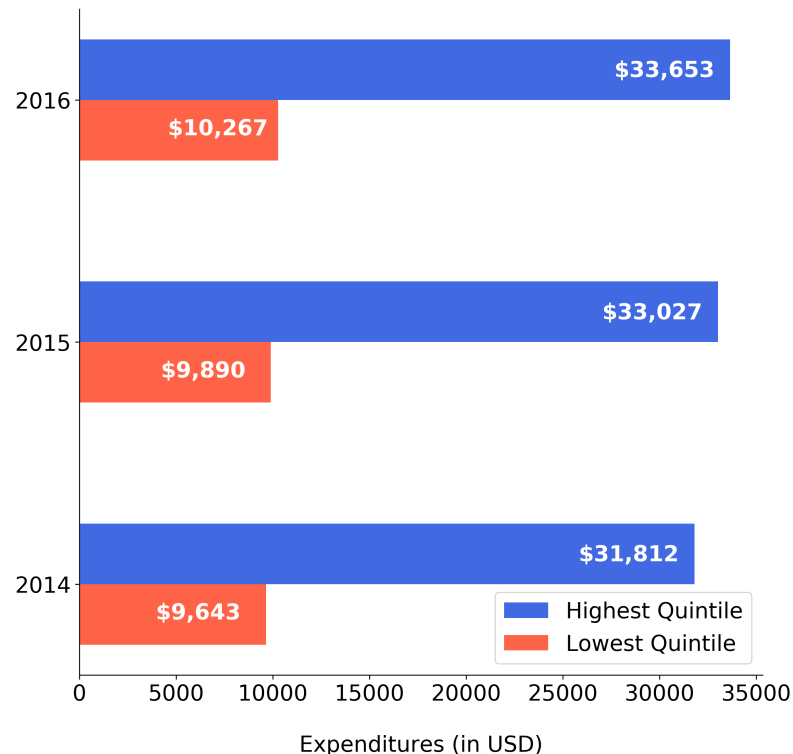
Rodrigo de las Casas

Github repo for this assignment (including data, code, & figs):

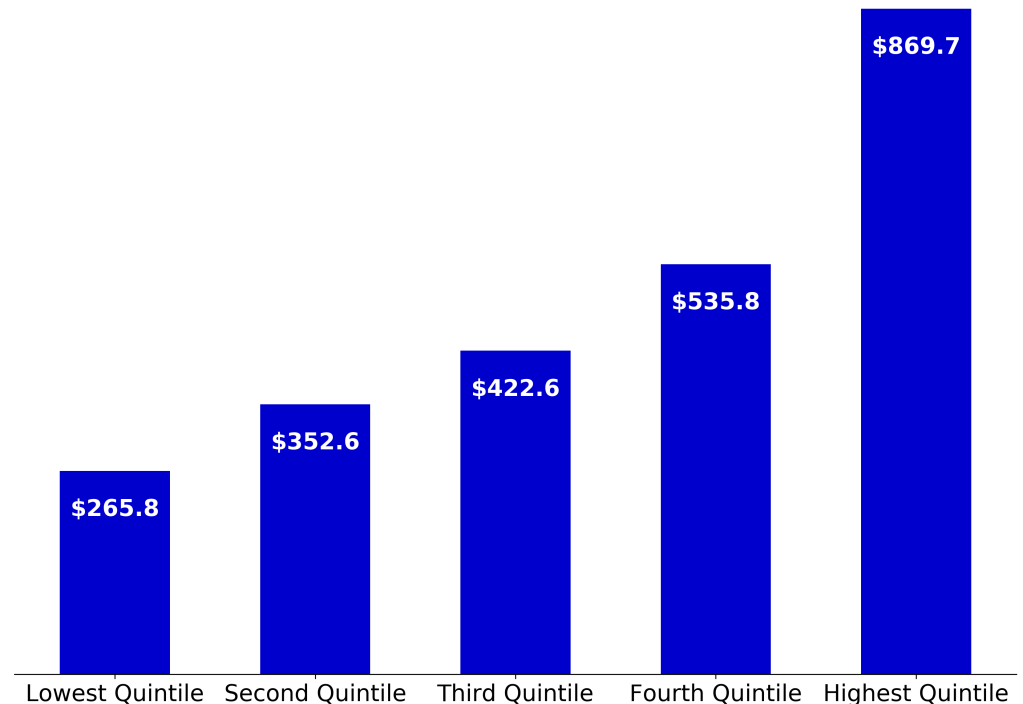
There is a significant difference between the highest and lowest income quintiles

- Not surprisingly, the highest income quintile spends the most on housing.
- However, it is worth noting just how much more the highest quintile spends relative to the lowest quintile, and even the fourth quintile.

Average Spending Difference Between Lowest and Highest Income Quintiles on Housing



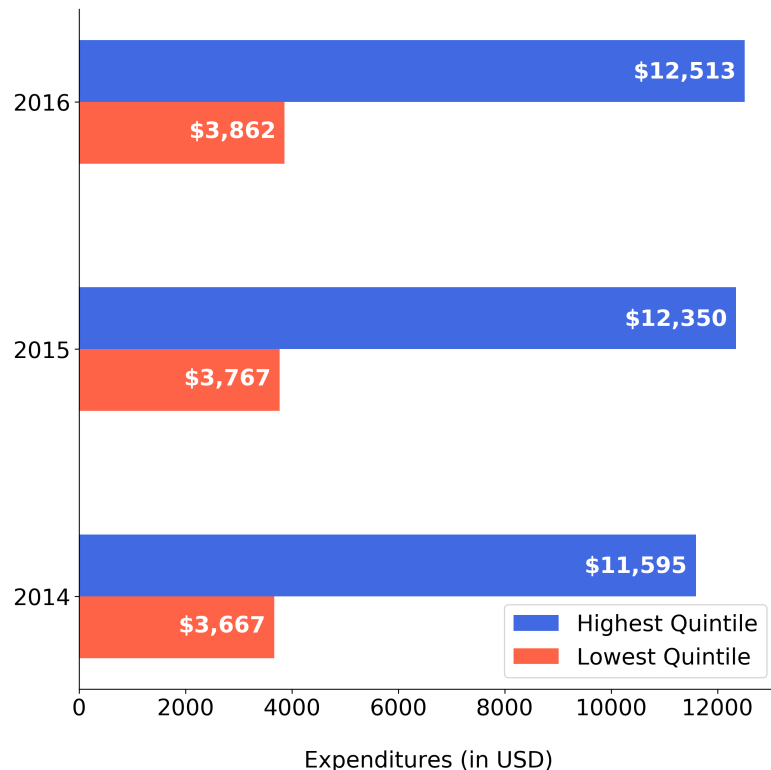
Total Expenditure (in Billion USD) for Housing by Income Quintile in 2016



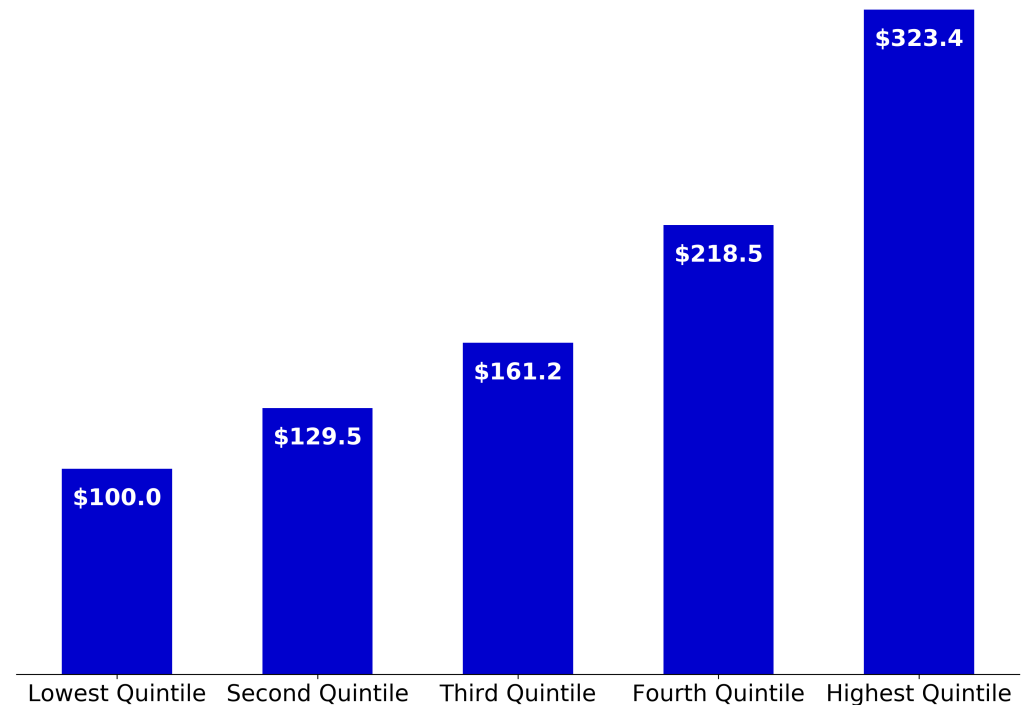
There is also a significant difference in spending between higher and lower income quintiles on food

- Similarly, the highest income quintile spends much more on food.
- As with the previous slide, it is worth that the highest income quintile spends far more on food when compared with the other quintiles, especially the lowest.

Average Spending Difference Between Lowest and Highest Income Quintiles on Food



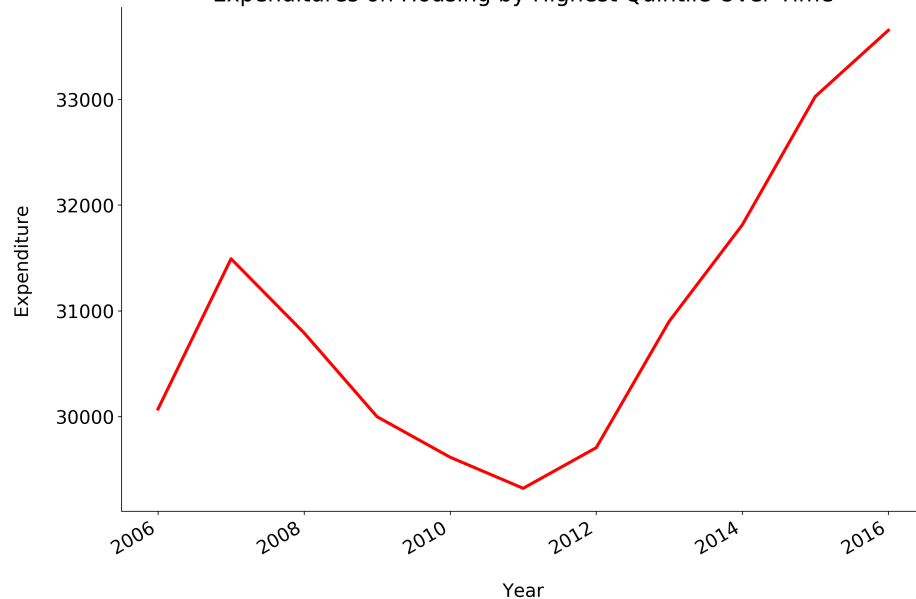
Total Expenditure (in Billion USD) for Food by Income Quintile in 2016



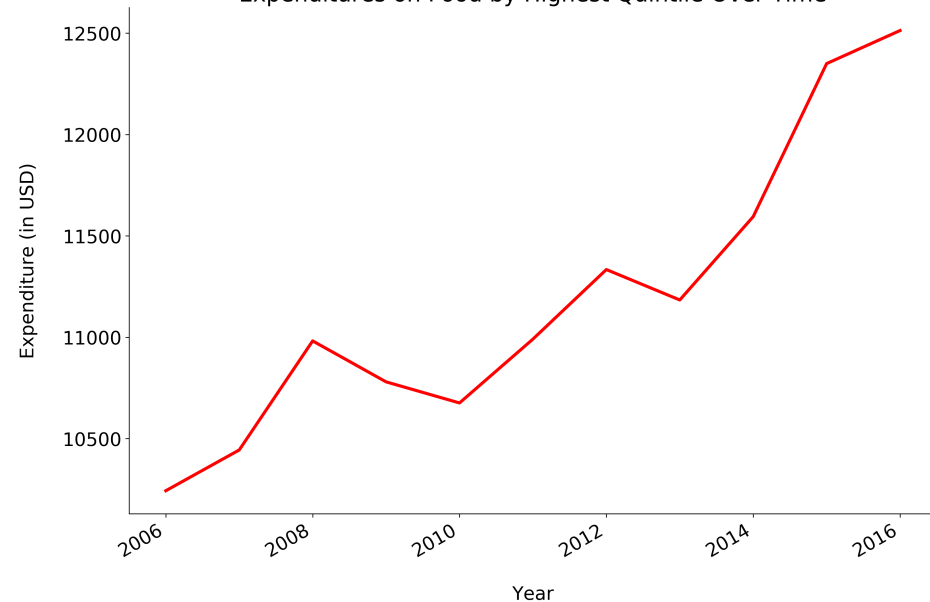
Expenditures on food and housing by the highest income quintile have also been trending up

- In addition to the significant expenditures on housing and food, the highest income quintile has been consistently increasing its spending more on these two items, in contrast to several other items (e.g., transportation).
- The trend is mostly uninterrupted since the end of the most recent recession.

Expenditures on Housing by Highest Quintile Over Time



Expenditures on Food by Highest Quintile Over Time



The tax bill disproportionately benefits the highest income quintile

Consumer Unit	Mean Income Before Tax	2017 Tax	2018 Tax	Tax Saving
Lowest Quintile	\$11,389.00	\$1,138.90	\$1,138.90	\$0.00
Second Quintile	\$28,976.00	\$3,413.75	\$3,042.00	\$371.75
Third Quintile	\$50,563.00	\$6,651.80	\$5,686.44	\$965.36
Fourth Quintile	\$84,173.00	\$12,520.35	\$10,396.72	\$2,123.63
Highest Quintile	\$198,674.00	\$42,512.69	\$36,206.18	\$6,306.51

- The **highest income quintile benefits disproportionately** from the tax law signed by President Trump at the end of 2017.
- Assuming the highest quintile **spends the same proportion of their income** on housing and food, expenditures on these two items may rise by billions of dollars in 2018.
- Given the **consistent, upward trend** in spending in these two areas by the highest income quintile, it seems logical to expect that they will use some of the savings on both food and housing.
- Companies providing services in these two areas to higher income customers **could experience higher earnings in 2018**.

Possible Tax Impact (in Billion USD) on Total Expenditure by Highest Income Quintile

