

ISSUE BRIEF

No. 4908 | OCTOBER 16, 2018

Taxes Will Go Up in Every Congressional District If the TCJA Is Repealed

Adam N. Michel, Kevin Dayaratna, PhD, and Parker Sheppard, PhD

Since President Donald Trump signed the Tax Cuts and Jobs Act (TCJA) into law, Democrats have campaigned against it, threatening to repeal all or part of the law if they gain legislative majorities.¹

Despite the Democrats' frequent mischaracterizations of the law as only aiding the wealthy, Americans of all income levels can check their paystubs to see that their employers are withholding less in taxes.² Businesses are investing and expanding in the U.S. as a result of the more globally competitive tax system.³ These immediate effects are only the beginning of the economic benefits that Americans can expect from the tax cuts. As long as the tax cuts remain in place, they are expected to continue to boost investment, wages, and employment.

To illustrate the lost wealth that average Americans would experience should the tax cuts be overturned, we modeled the economic effect of repealing the TCJA, effective in 2020. If taxes resumed their old structure and rates in 2020, the average American would be \$26,906 poorer over the following 10 years. The average family of four can expect its take-home pay to fall by \$45,739. Average taxpayers in every congressional district would have lower incomes and fewer employment opportunities.

Method for Estimating Changes in Take-Home Pay

The TCJA reduced federal income tax rates, increased the standard deduction, doubled the child tax credit, repealed the personal and dependent exemptions, created a new business deduction, and capped the deduction for state and local taxes. Those changes to the personal income tax code remain in effect through 2025. The law also made significant business tax reforms, including permanently lowering the corporate income tax rate from 35 percent to 21 percent.⁴ For this exercise, we assume that the entire TCJA is repealed during the next Congress, and that repeal would go into effect—meaning that taxes would go back up—in 2020.

We quantify the effects of the repeal through two main channels. The first accounts for the fact that when tax rates go up, households have higher tax bills and less money to spend or save for a given level of income. The second accounts for the fact that higher tax rates change the incentives that households face when deciding whether to spend or save. Higher tax rates reduce the benefit from saving, so households spend more, which reduces the amount of savings available to finance business investment.

We use the Heritage Foundation Individual Income Tax Model (HFIITM) to estimate the effects of repealing these provisions on average household tax liabilities between 2020 and 2029. The HFIITM applies the provisions of the tax code to a representative sample of tax returns available in the IRS' 2007 Public Use File.

We use a variation of a standard economic growth model⁵ to estimate the overall economic impact of the law on filers over the subsequent 10 years (2020 to 2029). The model accounts for the law's effects on

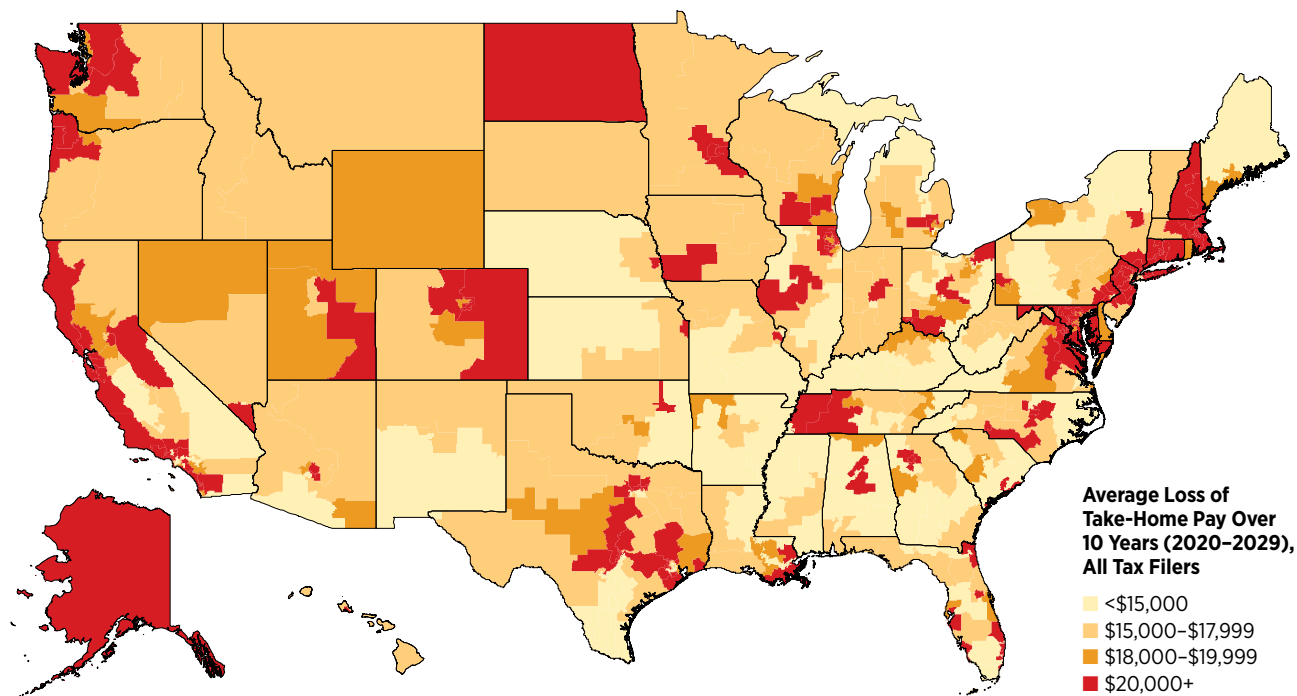
This paper, in its entirety, can be found at <http://report.heritage.org/ib4908>

The Heritage Foundation
214 Massachusetts Avenue, NE
Washington, DC 20002
(202) 546-4400 | heritage.org

Nothing written here is to be construed as necessarily reflecting the views of The Heritage Foundation or as an attempt to aid or hinder the passage of any bill before Congress.

MAP 1

The Impact of Repealing the Tax Cuts and Jobs Act, by Congressional District



SOURCE: Heritage Foundation calculations using the Heritage Foundation Individual Income Tax Model (HFIITM) and an augmented Solow growth model.

IB4908 heritage.org

private saving, foreign capital inflows, government deficits, investment in new capital, interest rates, wages, and hours worked. Income growth rates from the economic model are used to scale the incomes used in the HFIITM.

This analysis builds on our previously published work. Methodologies for the HFIITM and the economic growth model are detailed in the appendix of our July 2018 *Backgrounder*.⁶

We report national, state, and congressional district results for individual filers and for married couples filing jointly with two children.

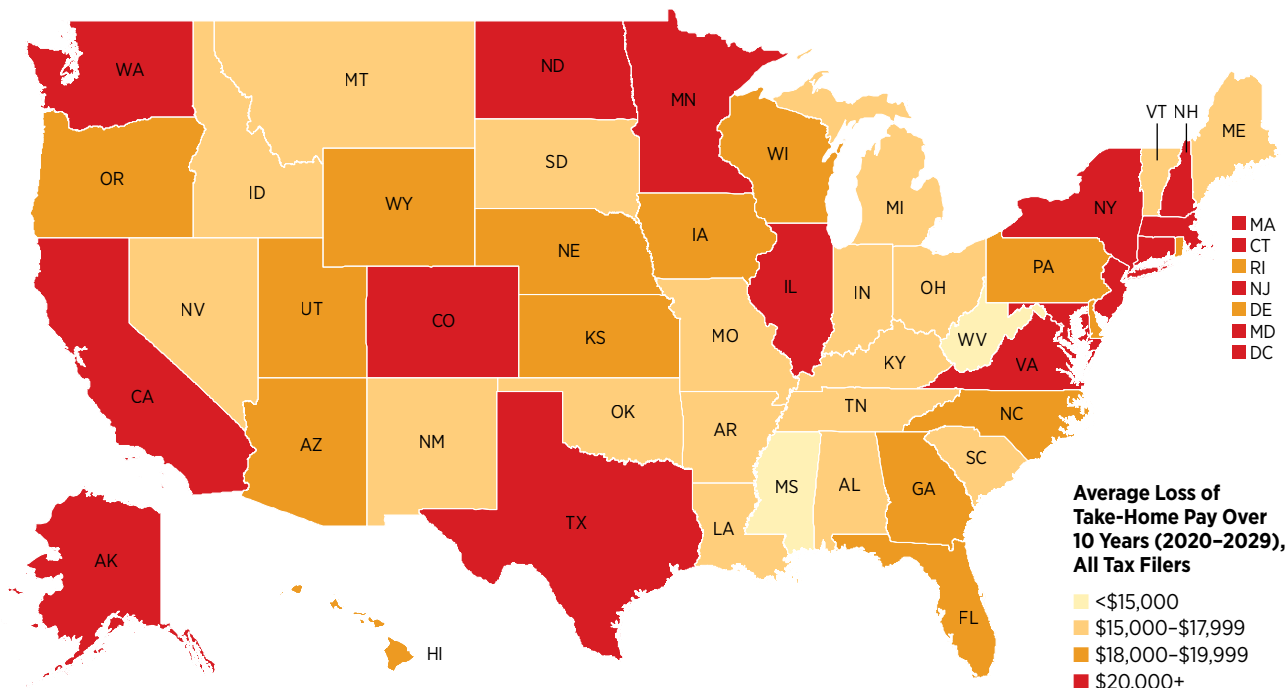
Lower Incomes in Every Congressional District

Repealing the TCJA would raise taxes on the average taxpayer in every state and congressional district.

1. Not One Penny, "Repeal the Trump Tax," <https://notonepenny.org/> (accessed October 4, 2018), and Aaron Blake, "Nancy Pelosi Keeps Giving the GOP Talking Points," *The Washington Post*, May 8, 2018, https://www.washingtonpost.com/news/wp/2018/05/08/nancy-pelosi-keeps-gift-wrapping-talking-points-to-the-gop/?utm_term=.97f81e3403bf (accessed October 4, 2018).
2. Ryan Deto, "Pennsylvania Democrats Criticize the New Tax Cuts for Overwhelmingly Benefiting the Wealthy," *Pittsburgh City Paper*, February 28, 2018, <https://www.pghcitypaper.com/PolitiCrap/archives/2018/02/28/pennsylvania-democrats-criticize-the-new-tax-cuts-for-overwhelmingly-benefiting-the-wealthy> (accessed October 5, 2018).
3. Eric York, "Business Investment Increases by 39 Percent in Q1 2018," Tax Foundation, April 27, 2018, <https://taxfoundation.org/business-investment-increases-39-percent-q1-2018/> (accessed October 9, 2018), and Justin Fox, "Businesses Are Investing More in 2018, But It's No Boom," Bloomberg, July 26, 2018, <https://www.bloomberg.com/view/articles/2018-07-26/business-capital-spending-is-good-but-not-great> (accessed October 9, 2018).
4. Adam N. Michel, "Analysis of the 2017 Tax Cuts and Jobs Act," Heritage Foundation *Issue Brief* No. 4800, December 19, 2017, <https://www.heritage.org/taxes/report/analysis-the-2017-tax-cuts-and-jobs-act>.
5. Internal Revenue Service, "2007 Statistics of Income Public Use Tax File," <http://users.nber.org/~taxsim/gdb/gdb07.pdf> (accessed July 18, 2018).
6. Kevin Dayaratna, Parker Sheppard, and Adam N. Michel, "Tax Cuts in Every Congressional District in Every State," Heritage Foundation *Backgrounder* No. 3333, July 23, 2018, <https://www.heritage.org/taxes/report/tax-cuts-every-congressional-district-every-state>.

MAP 2

The Impact of Repealing the Tax Cuts and Jobs Act, by State



SOURCE: Heritage Foundation calculations using the Heritage Foundation Individual Income Tax Model (HFIITM) and an augmented Solow growth model.

IB4908 [heritage.org](https://www.heritage.org)

Incorporating the forgone economic benefits of the tax cuts over the following 10 years produces a more comprehensive picture of how repealing the law will harm Americans' incomes.

The average filer's lost take-home pay over the course of 10 years is quite substantial, ranging from \$7,660 in New York's 15th congressional district to \$59,633 in California's 18th congressional district. For married couples with two children, these values are even higher, ranging from \$10,585 to \$101,009 in these two districts. Map 1 and Appendix Table 1 show the changes in take-home pay as a result of repealing the TCJA on a district-by-district basis.

Looking at the estimates for states, lost take-home pay over 10 years for the average filer varies from \$14,188 for the state of Mississippi up to \$29,443 for the average filer in the District of Columbia. The lost after-tax income for married couples with two children is even larger. The foregone income over 10 years for a family of four ranges from \$21,339 in West Virginia to \$84,788 in the District of Columbia. Map 2 and Appendix Table 2 show the changes in take-

home pay as a result of repealing the TCJA on a state-by-state basis.

Conclusion

Americans should understand the economic stakes of fiscal policy decisions. If Congress were to repeal the TCJA, the typical American family could lose income that could have been used toward the down payment on a home, daycare expenses, or college tuition. Moreover, repeal of the TCJA would lower after-tax incomes and limit economic opportunities for Americans across the country—not a select few.

A family's lost take-home pay would be larger than the additional amount owed to the federal government in individual income taxes. It would also include lower wages and other lost income as a result of the smaller economy. Repeal of the TCJA, especially the business reforms and lower corporate income tax rate, will reduce the incentive for saving and investment and limit Americans' future economic opportunity.

Some critics object to the TCJA on the grounds that it is projected to increase the federal budget deficit, which partially crowds out the increase in private investment. We agree that increases in the deficit are undesirable. However, instead of repealing the tax cuts, or rolling parts of them back, Congress should make the TCJA permanent and reduce the deficit by reducing spending to align with projected revenues. A balanced budget and lower tax rates will lead to a larger economy by both increasing the capital stock and allowing Americans to keep more of what they earn.

—*Adam N. Michel is a Policy Analyst in the Grover M. Hermann Center for the Federal Budget, of the Institute for Economic Freedom, at The Heritage Foundation. Kevin Dayaratna, PhD, is Senior Statistician and Research Programmer in the Center for Data Analysis, of the Institute for Economic Freedom. Parker Sheppard, PhD, is Senior Policy Analyst for Dynamic Modeling and Simulations in the Center for Data Analysis.*

APPENDIX TABLE 1

How Repealing the Tax Cuts and Jobs Act Would Affect Each Congressional District (Page 1 of 6)

AVERAGE CHANGE IN TAKE-HOME PAY OVER 10 YEARS (2020–2029)

District Number/ Representative	Married Filing Jointly, 2 Children		District Number/ Representative	Married Filing Jointly, 2 Children	
	All Filers			All Filers	
ALABAMA			19	Zoe Lofgren	-\$29,284
1	Bradley Byrne	-\$15,645	20	Jimmy Panetta	-\$20,920
2	Martha Roby	-\$14,406	21	David Valadao	-\$10,981
3	Mike Rogers	-\$14,151	22	Devin Nunes	-\$17,914
4	Robert Aderholt	-\$13,935	23	Kevin McCarthy	-\$17,545
5	Mo Brooks	-\$18,907	24	Salud Carbajal	-\$22,779
6	Gary Palmer	-\$24,072	25	Steve Knight	-\$22,365
7	Terri Sewell	-\$11,383	26	Julia Brownley	-\$25,627
ALASKA			27	Judy Chu	-\$26,082
1	Don Young	-\$22,751	28	Adam Schiff	-\$25,443
ARIZONA			29	Tony Cárdenas	-\$12,327
1	Tom O'Halleran	-\$17,231	30	Brad Sherman	-\$28,428
2	Martha McCally	-\$18,139	31	Peter Aguilar	-\$16,129
3	Raul Grijalva	-\$11,306	32	Grace Napolitano	-\$14,616
4	Paul Gosar	-\$15,227	33	Ted Lieu	-\$51,753
5	Andy Biggs	-\$23,307	34	Jimmy Gomez	-\$13,722
6	David Schweikert	-\$30,344	35	Norma Torres	-\$12,081
7	Ruben Gallego	-\$10,143	36	Raul Ruiz	-\$15,967
8	Debbie Lesko	-\$19,138	37	Karen Bass	-\$22,529
9	Kyrsten Sinema	-\$20,100	38	Linda Sánchez	-\$15,830
ARKANSAS			39	Edward Royce	-\$25,511
1	Rick Crawford	-\$12,880	40	Lucille Roybal-Allard	-\$9,450
2	French Hill	-\$17,759	41	Mark Takano	-\$13,983
3	Steve Womack	-\$18,381	42	Ken Calvert	-\$19,442
4	Bruce Westerman	-\$12,754	43	Maxine Waters	-\$15,760
CALIFORNIA			44	Nanette Barragán	-\$10,696
1	Doug LaMalfa	-\$16,861	45	Mimi Walters	-\$35,868
2	Jared Huffman	-\$32,535	46	J. Luis Correa	-\$13,195
3	John Garamendi	-\$19,656	47	Alan Lowenthal	-\$19,315
4	Tom McClintock	-\$27,381	48	Dana Rohrabacher	-\$33,464
5	Mike Thompson	-\$22,853	49	Darrell Issa	-\$33,397
6	Doris Matsui	-\$15,849	50	Duncan Hunter	-\$21,573
7	Ami Bera	-\$22,099	51	Juan Vargas	-\$11,061
8	Paul Cook	-\$13,586	52	Scott Peters	-\$36,126
9	Jerry McNerney	-\$18,064	53	Susan Davis	-\$19,130
10	Jeff Denham	-\$17,103	COLORADO		
11	Mark DeSaulnier	-\$35,685	1	Diana DeGette	-\$24,510
12	Nancy Pelosi	-\$40,620	2	Jared Polis	-\$28,817
13	Barbara Lee	-\$28,537	3	Scott Tipton	-\$17,517
14	Jackie Speier	-\$39,394	4	Ken Buck	-\$25,700
15	Eric Swalwell	-\$39,012	5	Doug Lamborn	-\$18,926
16	Jim Costa	-\$11,705	6	Mike Coffman	-\$24,955
17	Ro Khanna	-\$46,263	7	Ed Perlmutter	-\$19,687
18	Anna Eshoo	-\$59,633	CONNECTICUT		
			1	John Larson	-\$22,817
			2	Joe Courtney	-\$23,615

APPENDIX TABLE 2

How Repealing the Tax Cuts and Jobs Act Would Affect Each State

AVERAGE CHANGE IN TAKE-HOME PAY OVER 10 YEARS (2020–2029)

State	Senators	All Filers	Married Filing Jointly, 2 Children
Alabama	Richard Shelby and Doug Jones	–\$16,260	–\$26,758
Alaska	Dan Sullivan and Lisa Murkowski	–\$22,751	–\$38,197
Arizona	John McCain and Jeff Flake	–\$18,793	–\$30,743
Arkansas	Tom Cotton and John Boozman	–\$15,658	–\$24,323
California	Dianne Feinstein and Kamala Harris	–\$24,231	–\$42,003
Colorado	Michael Bennet and Cory Gardner	–\$23,034	–\$38,308
Connecticut	Richard Blumenthal and Chris Murphy	–\$27,406	–\$50,722
Delaware	Tom Carper and Chris Coons	–\$19,722	–\$33,797
D.C.	—	–\$29,443	–\$84,733
Florida	Bill Nelson and Marco Rubio	–\$18,423	–\$32,470
Georgia	Johnny Isakson and David Perdue	–\$18,792	–\$33,675
Hawaii	Brian Schatz and Mazie Hirono	–\$19,102	–\$29,935
Idaho	Mike Crapo and Jim Risch	–\$16,473	–\$23,391
Illinois	Richard Durbin and Tammy Duckworth	–\$21,693	–\$38,274
Indiana	Joe Donnelly and Todd Young	–\$16,659	–\$26,709
Iowa	Chuck Grassley and Joni Ernst	–\$18,101	–\$27,418
Kansas	Pat Roberts and Jerry Moran	–\$18,806	–\$29,479
Kentucky	Mitch McConnell and Rand Paul	–\$16,012	–\$24,759
Louisiana	Bill Cassidy and John Kennedy	–\$17,231	–\$30,969
Maine	Susan Collins and Angus King	–\$16,586	–\$25,235
Maryland	Ben Cardin and Chris Van Hollen	–\$24,621	–\$47,114
Massachusetts	Elizabeth Warren and Ed Markey	–\$26,998	–\$50,746
Michigan	Debbie Stabenow and Gary Peters	–\$17,805	–\$29,555
Minnesota	Amy Klobuchar and Tina Smith	–\$21,846	–\$36,368
Mississippi	Roger Wicker and Cindy Hyde-Smith	–\$14,188	–\$24,519
Missouri	Claire McCaskill and Roy Blunt	–\$17,380	–\$27,947
Montana	Jon Tester and Steve Daines	–\$16,800	–\$25,688
Nebraska	Deb Fischer and Ben Sasse	–\$18,208	–\$28,413
Nevada	Dean Heller and Catherine Cortez Masto	–\$17,410	–\$28,825
New Hampshire	Jeane Shaheen and Maggie Hassan	–\$22,458	–\$37,117
New Jersey	Bob Menendez and Cory Booker	–\$27,340	–\$50,633
New Mexico	Tom Udall and Martin Heinrich	–\$15,869	–\$26,024
New York	Chuck Schumer and Kirsten Gillibrand	–\$22,580	–\$41,343
North Carolina	Richard Burr and Thom Tillis	–\$18,222	–\$30,601
North Dakota	John Hoeven and Heidi Heitkamp	–\$20,251	–\$31,759
Ohio	Sherrod Brown and Rob Portman	–\$17,333	–\$29,465
Oklahoma	Jim Inhofe and James Lankford	–\$17,544	–\$26,890
Oregon	Ron Wyden and Jeff Merkley	–\$19,648	–\$31,173
Pennsylvania	Bob Casey Jr. and Pat Toomey	–\$19,979	–\$33,940
Rhode Island	Jack Reed and Sheldon Whitehouse	–\$19,376	–\$35,205
South Carolina	Lindsey Graham and Tim Scott	–\$16,853	–\$28,647
South Dakota	John Thune and Mike Rounds	–\$17,774	–\$27,380
Tennessee	Lamar Alexander and Bob Corker	–\$16,952	–\$27,788
Texas	John Cornyn and Ted Cruz	–\$20,470	–\$35,135
Utah	Orrin Hatch and Mike Lee	–\$18,986	–\$28,072
Vermont	Patrick Leahy and Bernie Sanders	–\$17,430	–\$27,723
Virginia	Mark Warner and Tim Kaine	–\$24,445	–\$42,095
Washington	Patty Murray and Maria Cantwell	–\$23,664	–\$38,079
West Virginia	Joe Manchin and Shelley Moore Capito	–\$14,886	–\$21,339
Wisconsin	Ron Johnson and Tammy Baldwin	–\$18,201	–\$29,010
Wyoming	Mike Enzi and John Barrasso	–\$19,537	–\$28,914

SOURCE: Heritage Foundation calculations using the Heritage Foundation Individual Income Tax Model (HFIITM) and an augmented Solow growth model.