Analysis of Growth and Revenue Estimates Based on the U.S. Senate Committee on Finance Tax Reform Plan
December 11, 2017

Treasury’s Office of Tax Policy (OTP) has modeled the Senate Finance tax reform plan and overall has similar analysis to the Joint Committee on Taxation (JCT) on a static basis, with a score of approximately -$1.5 trillion on a current law basis and approximately -$1 trillion on a current policy basis.\(^1\) The difference between current law and current policy is that current law assumes existing provisions that are set to expire, such as bonus depreciation, do expire; while current policy assumes these are renewed, as has often been the case historically.

In addition to a static score, JCT calculated the increase in government tax receipts in the Senate Finance tax plan due to growth. They estimated $408 billion of additional tax revenue. Adding this $408 billion to the static score leads to a change in total projected receipts under JCT’s assumptions of approximately -$1 trillion on a current law basis.

OTP has modeled the revenue impact of higher growth effects, using the Administration projections of approximately a 2.9% real GDP growth rate over 10 years contained in the Administration’s Fiscal Year 2018 budget.\(^2\)

OTP compared this 2.9% GDP growth scenario to a baseline of previous projections of 2.2% GDP growth. Treasury expects approximately half of this 0.7% increase in growth to come from changes to corporate taxation. We expect the other half to come from changes to pass-through taxation\(^3\) and individual tax reform, as well as from a combination of regulatory reform, infrastructure development, and welfare reform as proposed in the Administration’s Fiscal Year 2018 budget.

This 0.7% increase in the annual real growth rate results in an increase in tax revenues during the 10-year period of approximately $1.8 trillion. Adding this $1.8 trillion of incremental revenue to the static current law score of -$1.5 trillion results in total receipts over the 10-year window increasing by $300 billion. These increased receipts are primarily collected in the last five years, as full expensing creates growth in early years but results in a deferral of collection of taxes.

We acknowledge that some economists predict different growth rates. OTP projects that at approximately 0.35% of incremental annual GDP growth, Treasury tax receipts would generate approximately $1 trillion of incremental revenue.

Neither JCT nor Treasury has released a score showing increased tax receipts from the House plan, though we would not expect the results to be materially different.

---

\(^1\) OTP assumed similar levels of savings from the repeal of Obamacare’s individual mandate as JCT. All scores are on a 10-year time period.

\(^2\) More specifically, growth is 2.5% in 2018, 2.8% in 2019, and 3.0% thereafter, as developed by Treasury, OMB, and CEA for the President’s budget (FY2018).

\(^3\) Business tax receipts are estimated to be approximately half from corporations and half from pass-through businesses, although this has varied over time.