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NEWS RELEASE

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LARGE MAJORITY LIKELY TO END UP NET LOSERS WHEN NEW TAX-CUT BILL IS PAID FOR

Average Household Under $100,000 Will Lose Far More from Likely Steps To Finance the Tax Cuts than It Will Gain from the Tax Cuts Themselves

New data from the Urban Institute-Brookings Institution Tax Policy Center indicate that whether the new tax-cut bill the President will sign today is ultimately paid for through program cuts, tax increases, or some combination of the two, the small or non-existent tax benefit that most Americans will get from the bill will likely be outweighed by the cost imposed on them by the financing measures.

"There is no such thing as a free lunch. This tax bill — like all recent tax legislation — is being financed with borrowed money, and that money will eventually have to be paid back," said Leonard Burman, director of the Tax Policy Center. "The vast majority of American households will receive little or no benefit from the bill, but they will share responsibility for the debt. When the bill comes due, most Americans are almost certain to lose far more than they gain from this legislation."

A Center on Budget and Policies report by Burman and CBPP staff Isaac Shapiro and Aviva Aron-Dine, based on the Tax Policy Center analysis, considers three possible ways of paying for the tax cuts. It finds that under all three scenarios, the average household with income below $100,000 would lose more than it gains from the tax bill. A household in the middle of the income spectrum, which will receive an average of $20 from the bill, will end up with:

- a net loss of $430 if the bill is paid for largely through cuts in federal programs, with each household paying the same dollar amount to finance the bill;
- a net loss of $110 if the bill is paid for by increasing all households' income tax burdens by the same percentage; and
- a net loss of $240 if the bill is paid for with a combination of the first two approaches.

High-income households, in contrast, end up as substantial net winners under all three scenarios, largely because the tax-cut bill gives them such sizable benefits. For example, the average household with income above $1 million will receive almost $43,000 in tax benefits from the new law (before financing costs are considered).

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