In December 2017, President Donald Trump signed the Tax Cuts and Jobs Act (TCJA), which had four goals:

- Tax relief for middle-income families
- Simplification for individuals
- Economic growth
- Repatriation of overseas income

Using estimates from the academic literature, we calculate that two salient corporate tax reforms — reducing the top marginal Federal corporate tax rate from 35% to 21% and allowing firms to fully expense investments in nonstructure capital — would raise output by 2% to 4% over the long run, and boost average household wages by about $4,000.

The most significant Federal tax reform enacted in the United States in decades

**Federal Tax Revenue as a Percentage of GDP**

**Average Effective Corporate Tax Rates of OECD Countries**

The effective average tax rate, a measure of the after-tax profit of an investment project over its lifetime, is a crucial determinant of investment location. Since 1999, the U.S. went from being the developed economy with the fourth highest effective average corporate tax rate, to that with the highest, as other OECD countries have steadily cut corporate tax rates.

**Distribution of State and Local Tax (SALT) Deductions**

SALT deductions are concentrated at the upper end of the income distribution; in other words, higher-income households disproportionately take advantage of the deduction. Lowering individual income tax rates while simultaneously limiting use of distortionary deductions like SALT and the mortgage interest deduction can therefore facilitate tax relief to middle-income households while at the same time partially offsetting short-to medium-term negative revenue effects.

**Types of Taxes**

- Individual Income
- Excise
- Corporate
- Social Insurance
- Miscellaneous Other

**Average Effective Corporate Tax Rates of OECD Countries**

Top Effective U.S. Corporate Tax Rate versus the OECD Average (Excluding the U.S.)

- **U.S.**
- **Other OECD countries**

**Distribution of State and Local Tax (SALT) Deductions**

<table>
<thead>
<tr>
<th>Average SALT Deductions (2015), Dollars</th>
</tr>
</thead>
<tbody>
<tr>
<td>$250,000</td>
</tr>
<tr>
<td>$200,000</td>
</tr>
<tr>
<td>$150,000</td>
</tr>
<tr>
<td>$100,000</td>
</tr>
<tr>
<td>$50,000</td>
</tr>
<tr>
<td>$0</td>
</tr>
</tbody>
</table>

**Percentage of Filers**

82% of all tax units receive, on average, a deduction of less than $1,800

Sources: Office of Management and Budget Historical Table 2.3 (2017); U.S. Census Historical Statistics of the United States (1975).

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