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Chapter 1

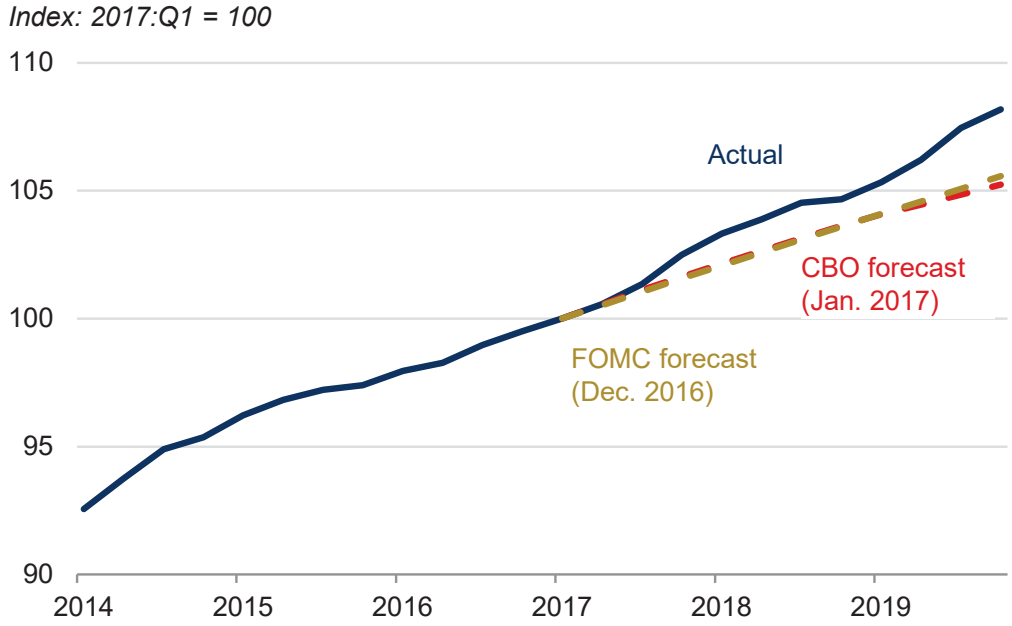
The Economic and Fiscal Benefits of the One Big Beautiful Bill Act

Passed on July 4, 2025, the One Big Beautiful Bill Act (OBBBA) builds upon the 2017 Tax Cuts and Jobs Act (TCJA) from President Trump's first Administration. It does so by making the TCJA's reduced tax rates and increased deductions permanent while also expanding its provisions for full expensing of investments. Simultaneously, the OBBBA contains provisions that reduce government spending. This chapter's economic and fiscal analysis of the key tax and spending provisions of the OBBBA demonstrates that the law will meaningfully boost economic growth, increase workers' paychecks, and bend the arc of national debt in a more sustainable direction.

The Successful Legacy of the 2017 Tax Cuts and Jobs Act

The 2017 Tax Cuts and Jobs Act was born out of a need to revitalize the economy. The TCJA enacted broad-based tax cuts for households and businesses to boost growth driven by the private sector, provide better and more abundant employment opportunities, raise wages, and increase after-tax take-home pay. Specifically, the TCJA cut the U.S. corporate tax rate from 35 to 21 percent, bringing what had previously been the highest corporate tax rate among Organization for Economic Cooperation and Development nations down to internationally competitive levels. In addition, the TCJA lowered taxes on pass-through businesses, partly by reducing the personal income tax rate and partly by enacting a 20 percent deduction for pass-through businesses. Full expensing of equipment investment was also introduced by the TCJA, incentivizing all types of businesses to build up their productive capacity. Individual taxpayers also benefited from cuts in the personal income tax rate, in addition to a near-doubling of the standard deduction and a doubling of the child tax credit. Although the TCJA made a number of provisions permanent, including the 21 percent corporate tax rate, several important elements of the TCJA

Figure 1-1. Post-TCJA GDP Growth Has Outperformed Forecasts



Sources: Bureau of Economic Analysis; Federal Reserve Board of Governors; CBO; CEA calculations.
Note: CBO = Congressional Budget Office; FOMC = Federal Open Market Committee. Real GDP values are indexed to 2017:Q1; FOMC and CBO forecasts originally are presented in growth rates and are turned in to nominal values and indexed to 2017:Q1.

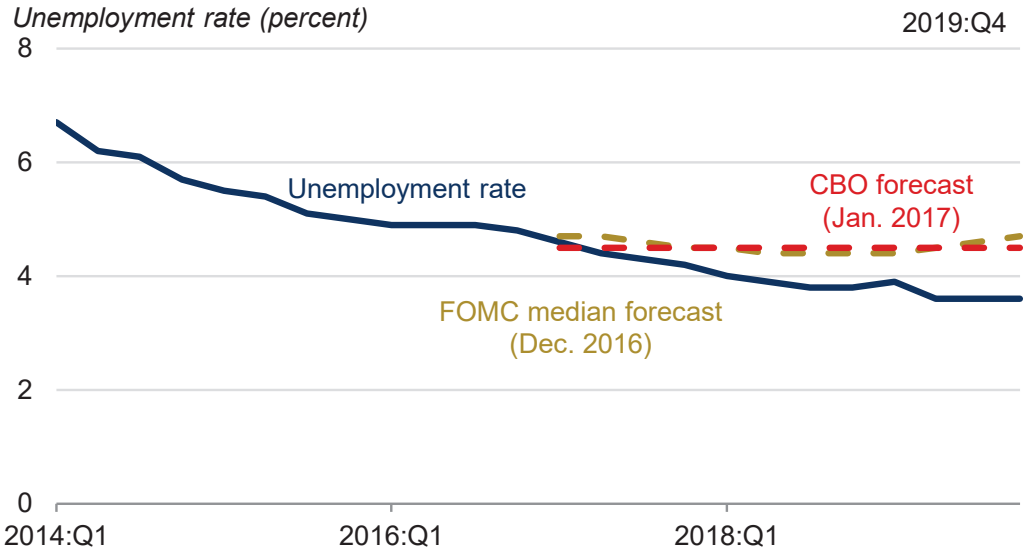
were slated to expire. Among these expiring elements were lower tax rates for individual and pass-through business income, the enhanced standard deduction for individuals, the 20 percent deduction for pass-through income, and full expensing of equipment.

The economic policies of the first Trump Administration proved successful, yielding higher economic growth and lower unemployment rates than projected by the Congressional Budget Office (CBO) in January 2017 and by the Federal Open Market Committee (FOMC) in December 2016, as displayed in figures 1-1 and 1-2. These supply-expanding policies also kept inflation contained near the Federal Reserve's 2 percent target.

Highlights of the macroeconomic strength of the prepandemic period include:

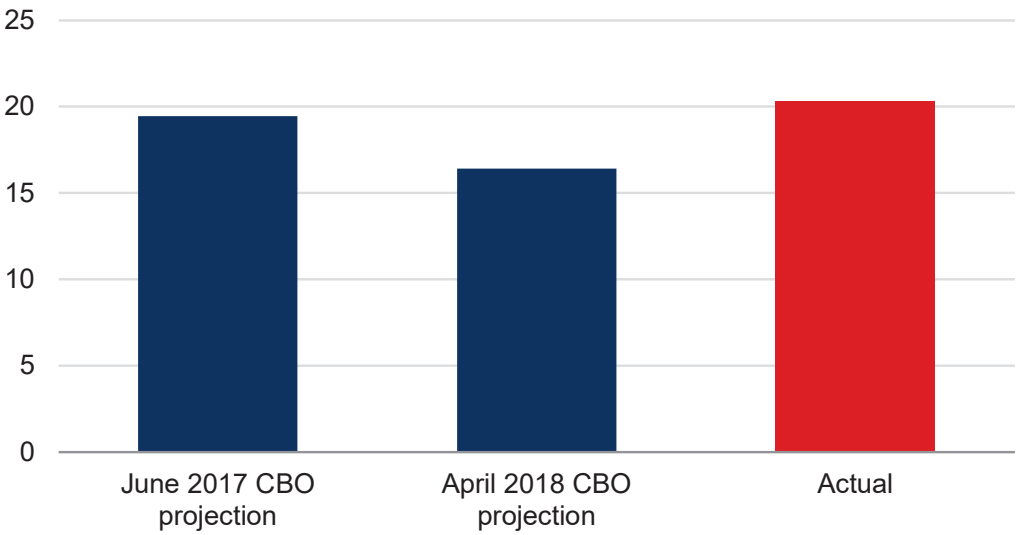
- *Overall real workers' earnings growing roughly twice as fast:* From January 2017 to February 2020, relative to the post–Great Recession period from July 2009 to December 2016 during the Obama Administration, real wages grew roughly twice as fast, outperforming expectations.
- *Workers at the bottom benefiting most:* After experiencing near-zero growth in that 2009–16 period, workers in the bottom 10 percent of the income distribution experienced earnings growth more than twice as fast as those in the top 10 percent.
- *Income for the typical family rising by the highest level on record:* Real

Figure 1-2. The Post-TCJA Unemployment Rate Has Outperformed Forecasts



Sources: Bureau of Labor Statistics; Federal Reserve Board of Governors; CBO.
Note: CBO = Congressional Budget Office; FOMC = Federal Open Market Committee.

Figure 1-3. Cumulative Real Growth in Total Tax Revenue, 2017–24



Source: Congressional Budget Office (CBO).

income jumped by $6,400 in the year after the TCJA passed, the highest yearly increase on record.

- *Poverty reaching record lows:* The strong economy lifted nearly 7 million people out of poverty through 2019, leading to the lowest recorded poverty rate since data on the topic first became available in 1959.

The TCJA was also fiscally sound, despite some claims to the contrary. In April 2018, soon after passage of the TCJA, the CBO forecasted that growth in real tax revenues through 2024 would be about 4 percentage points ($1.1 trillion) lower than without the TCJA. However, as shown in figure 1-3, this was not the case. Instead, the economy under the TCJA achieved the same level of revenue in 2024 as what the CBO forecasted if TCJA was not enacted and taxes remained at their prior higher levels. This was accomplished through higher gross domestic product (GDP) growth and stable revenues as a share of GDP. Revenue as a share of GDP was 17.1 percent in 2024, just as it was in 2017 before the TCJA.

The One Big Beautiful Bill Act: Avoiding the Largest Tax Increase Ever

The One Big Beautiful Bill Act (OBBBA) makes permanent some of the key features of the TCJA and adds further pro-growth provisions. Some of its key components include:

- Permanent extension of lower tax rates for small businesses from the TCJA, including the 20 percent deduction for pass-through business income;
- Permanent full expensing for equipment;
- Permanent full expensing for research and development (R&D);
- Temporary full expensing for new factories;
- Permanent extension of lower individual tax rates and higher individual deductions from the TCJA;
- Temporary no income tax on overtime, no income tax on tips, and tax relief for seniors; and
- Permanent extension and enhancement of Opportunity Zone incentives in distressed areas.

Without the OBBBA, key parts of President Trump's 2017 tax cuts would have expired, leading to a $4 trillion tax hike over 10 years, the largest nominal increase in history, inflicting serious damage on the U.S. economy. The CEA estimates that if the TCJA had expired and the OBBBA had not been passed, the level of U.S. real GDP would have been about 4 percent lower after 4 years. This would have led to about 6.1 million fewer full-time-equivalent jobs due to less hiring and increased layoffs. Lower long-run GDP resulting from this recession would have produced more than $4 trillion in deficits due to a smaller tax base and more government spending on unemployment insurance and other safety net programs.

According to the CEA's analysis, this downturn would have been driven by two key factors. First, higher tax rates and lower deductions for pass-through businesses would slow small business creation, growth, and hiring. Second, these businesses would be hit by reductions in spending on their products, as

consumers would need to contend with higher tax rates and lower deductions on individual income. Altogether, these would exacerbate increased business closures and layoffs along with reduced job creation.

The most vulnerable people would have borne the brunt of this hardship. Low-income communities would lose investment, jobs, and housing as Opportunity Zones lapsed. Youth, minorities, and workers with less education tend to see the worst labor market outcomes during recessions (Bell and Branchflower 2011; Boulware and Kuttner 2024; Ozkan and Sullivan 2025). Even after recessions are over, they also tend to have the longest-lasting effects on these groups, in the form of persistently lower wages and higher mortality rates (Finkelstein et al. 2025; Schwandt and von Wachter 2023). In sum, the most vulnerable would have been most affected.

Benefits of the OBBBA for Blue-Collar Workers

The OBBBA's tax cuts represent a continuation of the tax policies that were instrumental in creating prosperity during the first Trump Administration. In addition to renewing key TCJA provisions, the OBBBA creates new incentives to grow America's domestic manufacturing base. Furthermore, it delivers targeted relief to those workers most affected by the lingering results of the high inflation during the Biden Administration. According to an analysis by the CEA (2025a):

- No tax on tips is projected to save the average tipped worker about $1,675 per year, and no tax on overtime will save the average overtime worker between $1,400 and $1,750 per year (CEA 2025d).
- These substantial savings are targeted to workers who are more economically fragile. Recent data show average overtime workers' earnings are about $73,000; the average tipped worker earns $41,000. Both these numbers are below the average income of all full-time workers.
- Temporary full expensing for new factories and lower tax rates on domestic manufacturing is projected to enhance America's industrial base and boost economic opportunity for workers with and without a college degree.
- Enhanced Opportunity Zone incentives are projected to help drive more than $100 billion in investment, create more than 1 million new jobs, and lead to hundreds of thousands of new homes in distressed communities, especially in rural areas.

Furthermore, the Joint Committee on Taxation (2025a) finds that the percentage decline in Federal taxes is smaller for the top 1 percent under the OBBBA, causing the top 1 percent to shoulder a greater share of total Federal taxes.

To quantify the effects of the OBBBA's business tax provisions, the CEA utilizes a model of the user cost of capital (UCC). This model is an extended version of the UCC model employed by the CEA in 2017, which accurately estimated the effects of the TCJA. Intuitively, lower taxes and more generous expensing provisions reduce the cost of purchasing additional capital such as machinery or factories. This leads businesses to buy extra capital, which in turn generates extra output. More formally, the model is based on research by Auerbach and Hassett (1992) and is capable of considering the dynamic effects of both temporary and permanent policy changes. The UCC model is further enriched with four separate capital stocks (equipment, structures, intellectual property, and residential) and two separate sectors (C-corporate and pass-through). This enables analysts to consider the key tax rate provisions of the OBBBA (which differ for C-corporations and pass-throughs) and its key expensing provisions (which differ by type of capital). For illustrative purposes, in the case of permanent policy changes only, UCC is calculated as follows:

$$UCC_{i,s} = (r + \delta_i)\frac{1 - \tau_s \lambda_i}{1 - \tau_s},$$

where r is the interest rate, δ is the depreciation rate for capital of type i, τ is the tax rate on businesses in sector s, and λ is the net present value of depreciation allowances for capital of type i. UCC can be calculated under a variety of scenarios, including a scenario where the TCJA's nonpermanent provisions are allowed to lapse and one where the OBBBA has been passed. These are the two that most are relevant for determining the effects of the OBBBA's passage.

The key parameter in such a model is the UCC's elasticity of investment, which specifies the percent change in investment resulting from a given change in the user cost of capital. A UCC elasticity of −1 is used. In addition to being the neoclassical benchmark, this number is consistent with empirical estimates of the elasticity and is the same elasticity used by the CEA in 2017 in estimating the effects of the TCJA. The CEA (2018) discusses this parameter choice in detail.

To make this more concrete, consider a specific numerical example. Suppose C-corporations experience no change in tax rates but have full expensing of their equipment investment restored. Relative to a baseline where full expensing completely lapses, it is possible to calculate the resulting change in C-corporate equipment investment as shown here. In this case, τ_c = 0.253 represents the 21 percent C-corporate tax rate plus the 4.3 percent average State tax rate. And λ_i = 1 represents full expensing of equipment, whereas λ_i = 0.85 represents the net present value of the Internal Revenue Service's depreciation allowances for equipment in the absence of full expensing. C-corporate

investment in equipment thus increases about 4.8 percent as a result of this change:

$$\Delta I_{e,c} = \Delta UCC_{e,c} = -1 * \left(\frac{1-(0.253)*1}{1-(0.253)} - \frac{1-(0.253)*0.85}{1-(0.253)}\right) \Big/ \left(\frac{1-(0.253)*0.85}{1-(0.253)}\right) = 4.8\%$$

The increased investment resulting from reduced user costs gradually builds up the capital stock to a new level, which leads to GDP increasing to a new steady state level over time as well. The conversion of additional capital of each type into additional aggregate output is determined by the income share of each type of capital, data which are available in the Multifactor Productivity Tables produced by the Bureau of Labor Statistics. For illustrative purposes, continuing with the previous example, in the long run, the additional capital increases GDP by $\Delta Y = \omega_c \alpha_e \Delta I_{e,c} = 0.18$ percent, where α_e is the share of GDP accruing to equipment, and ω_c is the share of the capital stock held by C-corporations. Note that, to consider the total effects of full expensing of equipment, it is necessary to sum this effect with the effect through the pass-through sector. The CEA (2025b) describes the methodology, assumptions, and data inputs to the model in greater detail in its methodological appendix.

To compute effects on wages, the CEA relies on an elasticity of wages with respect to tax rates on pass-through business income from Risch (2024). Additionally, following the approach taken by the CEA in 2017 in estimating the effects of the TCJA's passage, a range of elasticity of wages with respect to the corporate income tax rate is used, with the lower estimate coming from Azémar and Hubbard (2015) and the upper estimate from Felix (2007). Again, the methodological appendix of CEA (2025b) describes the approach in greater detail.

Low Tax Rates for Main Street Businesses

The CEA first studies the effect of extending the low tax rates for businesses that were set to expire. These include the individual rate cuts applicable to pass-through business owners, the 20 percent deduction for pass-through income (section 199A), and the current tax rates for global intangible low-taxed income and foreign-derived intangible income.[1] Allowing these provisions to expire, and the resulting reversion of rates to higher levels, would have created significant disincentives for economic activity.

The CEA finds that, compared with the TCJA's expiration, these OBBBA provisions raise investment by 0.9 to 2.7 percent and boost real GDP by 0.1 to 0.2 percent during the first four years. They raise investment by 1.3 to 3.0 percent and boost real GDP by 0.2 to 0.4 percent during the 10-year budget

[1] While the OBBBA provides for a small increase in the foreign-derived intangible income and global intangible low-taxed income tax rates, it makes favorable changes to the calculation of this income that offset the slightly higher tax rates.

Table 1-1. The One Big Beautiful Bill Act's Macroeconomic and Fiscal Effects: Lower Tax Rates for Small Businesses

Investment (%)		Level of GDP (%)		Annual wage (dollars)	
4-year	*10-year*	*Year 4*	*Year 10*	*Year 4*	*Year 10*
0.9 to 2.7	1.3 to 3.0	0.1 to 0.2	0.2 to 0.4	2,331 to 3,947	2,427 to 4,123

Source: CEA calculations.

window. The provisions raise real wages by about $2,300 to $4,000 after four years, as shown in table 1-1.[2]

Expensing Provisions to Incentivize Investment

The CEA also analyzes the permanent full expensing of equipment investment and R&D incorporated in the OBBBA, along with the temporary four-year provision for full expensing for new factories. In each of these cases, full expensing reduces up-front costs and frees up cash flow to enable businesses to make critical investments in expanding capacity and driving innovation. Workers ultimately benefit from the resulting higher productivity and stronger labor demand driven by these additional investments.

The CEA finds that the permanent full expensing of equipment and R&D boosts investment permanently by 2.7 to 3.2 percent, with GDP initially climbing by 0.2 to 0.3 percent during the first four years, and ultimately ending up 0.4 to 0.5 percent higher at the end of the 10-year budget window. During the first four years, these provisions cause wages to rise by about $1,100 to $2,300, with the wage effect growing to a range of about $1,250 to $2,500 after 10 years.

Temporary factory expensing leads to an investment surge of 3.1 to 3.8 percent during the first four years, adding another 0.1 to 0.2 percent to GDP and raising wages by about $500 to $900, with the wage effect gradually fading over time after the expiration of the provision (table 1-2).

The CEA finds that, when combined, all the business tax provisions in the OBBBA will generate an increase in investment of 6.7 to 9.7 percent during the first four years, with GDP 0.4 to 0.6 percent higher and average annual wages about $3,900 to $7,100 higher at the end of that period. Over a 10-year horizon, these provisions will increase investment by 5.2 to 7.7 percent, and GDP will be 0.7 to 1.0 percent higher. Average annual wages will increase by about $4,200 to $7,400 (table 1-3). (Also see box 1-1.)

[2] These estimates differ very slightly from those in CEA (2025b) because the model has been enriched to consider a more realistic baseline. The baseline here is gradual TCJA expiration, as would have occurred under the pre-TCJA current law (lower rates persist in 2025 but expire in 2026; bonus depreciation on equipment at 40 percent in 2025, 20 percent in 2026, and 0 percent in 2027 and onward). Subsequent sections of this chapter rely on the same baseline. The baseline in CEA (2025b) was immediate TCJA expiration.

Table 1-2. One Big Beautiful Bill Macroeconomic and Fiscal Effects: Full Expensing Provisions

Investment (%)		Level of GDP (%)		Annual wage (dollars)	
4-year	*10-year*	*Year 4*	*Year 10*	*Year 4*	*Year 10*
Permanent full equipment and R&D expensing					
2.7 to 3.2	2.7 to 3.2	0.2 to 0.3	0.4 to 0.5	1,104 to 2,288	1,253 to 2,463
Temporary full factory expensing					
3.1 to 3.8	1.2 to 1.5	0.1 to 0.2	0.1	510 to 883	486 to 854

Source: CEA calculations.

Table 1-3. The One Big Beautiful Bill Act's Macroeconomic and Fiscal Effects: Business Provisions Combined

Investment (%)		Level of GDP (%)		Annual wage (dollars)	
4-year	*10-year*	*Year 4*	*Year 10*	*Year 4*	*Year 10*
6.7 to 9.7	5.2 to 7.7	0.4 to 0.6	0.7 to 1.0	3,945 to 7,118	4,166 to 7,439

Source: CEA calculations.

Box 1-1. Analysis from the CEA's Nonlinear Model

To validate these results, the CEA also employs a more sophisticated nonlinear model. In this model, each firm owns stocks of capital (in structures, s; equipment, e; and intellectual property, p) that are used to make output. Each period, firms must choose how much of each type of capital to own in the next period. The firms, however, face a cost of adjusting their stocks of capital upward or downward. Their choices for optimal capital stocks in the next period can be characterized as the solution to this problem:

$$
\begin{aligned}
V_t(K_s, K_e, K_p) = \max \Bigg\{ & (1-\tau_t) Y \\
& - (1 - \tau_t \lambda_t^s) \left[K_s' - (1-\delta_s) K_s + \frac{\phi}{2} K_s \left(\frac{K_s'}{K_s} - 1 \right)^2 \right] \\
& - (1 - \tau_t \lambda_t^e) \left[K_e' - (1-\delta_e) K_e + \frac{\phi}{2} K_e \left(\frac{K_e'}{K_e} - 1 \right)^2 \right] \\
& - (1 - \tau_t \lambda_t^p) \left[K_p' - (1-\delta_p) K_p + \frac{\phi}{2} K_p \left(\frac{K_p'}{K_p} - 1 \right)^2 \right] \\
& + \beta V_{t+1}(K_s', K_e', K_p') \Bigg\},
\end{aligned}
$$

subject to $0 \leq K_j' - (1 - \delta_j) K_j$ for $j = \{s, e, p\}$, where

- Y is the output of the firm, set to be $Y = z(K_s^{\alpha s}, K_e^{\alpha e}, K_p^{\alpha p})^{\theta}$.
- $V(K_s, K_e, K_p)$ is the value of the firm when it enters the period with capital stocks of quantities K_s, K_e, K_p.
- K_s', K_e', K_p' are the capital stocks for the firm next period, chosen this period.
- τ_t is the tax rate paid by the firm.
- λ_t^s, λ_t^e, λ_t^p are parameters that control the degree to which investment of each type can be expensed.
- β is the discount rate on future values.

To match the model to the data, two types of firms are allowed for: C-corporations and pass-through entities. These firms solve the same problem but face different tax rates, so their solutions will vary. Setting $\phi = 8$ delivers a one-period elasticity of investment with

respect to a permanent change in the user cost of –1.1 (i.e., roughly in accord with the UCC elasticity used in the preceding UCC model). The CEA calibrates the model with the relevant policy parameters (τ_s for C-corporations and pass-throughs and λ_s for each variety of capital) under both the scenario where the TCJA had expired and the scenario where the OBBBA is law. Additional parameters in need of calibration are the capital income shares for each category of capital, which can be obtained from the Bureau of Labor Statistics' Multifactor Productivity tables, and the relative size of the C-corporate and pass-through sectors, which can be obtained from IRS data on statistics of income.

These, too, are the same sources as used for the preceding UCC model. The model is then solved numerically. Finally, effects on overall GDP can be determined by adjusting downward to account for the fact that the increases in output yielded by the model apply only to the C-corporate and pass-through sectors, not to government or private households, which account for about one-quarter of overall GDP (table 1-i).

The results are broadly in line with the UCC model used for the CEA's main estimates. The business tax provisions of the OBBBA increase GDP by 0.4 to 0.5 percent after 4 years (compared with 0.5 to 0.7 percent) and by 0.8 to 1.0 percent after 10 years (compared with 0.7 to 1.0 percent). In other words, the more sophisticated nonlinear model bears out the CEA's main estimates.

Table 1-i. One Big Beautiful Bill Macroeconomic and Fiscal Effects: Nonlinear Model (All OBBBA Business Tax Provisions)

Investment (%)		Level of GDP (%)	
4-Year	*10-Year*	*Year 4*	*Year 10*
6.7 to 7.3	4.8 to 5.4	0.4 to 0.5	0.8 to 1.0

Source: CEA calculations.

Pillar Two of the OBBBA: Individual Tax Relief

The OBBBA extends and strengthens the larger child tax credit and standard deduction of the TCJA while also providing new relief in the form of no income tax on overtime, no income tax on tips, and tax relief for seniors who are often reliant on fixed-income streams. The CEA quantifies the economic impact of these measures by following the same methodology from its May and June 2025 reports. Specifically, the CEA's analysis takes into account the permanent increase in GDP owing to stronger labor supply, along with the short-run demand-side boost to GDP from households raising their consumption in response to higher take-home pay. The labor supply effects are estimated using elasticities from work by Chetty, Manoli, and Weber (2011). The short-run demand-side boost is estimated through a multiplier effect with a value of the multiplier implied by an MPC of 0.4, consistent with, among others, Auclert, Rognlie, and Straub (2024); Kaplan and Violante (2022); and Carroll and colleagues (2017). We note that this approach yields a more modest multiplier than typical directly estimated tax cut multipliers, as reviewed in Ramey (2019).

Making Permanent and Strengthening the TCJA's Individual Tax Relief

Extending the low tax rates and the larger standard deduction from the TCJA increases the incentive to work, which boosts labor supply and permanently raises GDP. In addition to preventing the standard deduction from reverting to pre-TCJA levels, the OBBBA raises the standard deduction between 2025 and 2026 by a further $1,000 for single filers and $2,000 for married filing jointly (Senate Finance Committee n.d.). Rather than letting the child tax credit get cut in half from $2,000 to its pre-TCJA value of $1,000, the OBBBA increases the child tax credit even further and indexes it to inflation, bringing the child tax credit to $2,200 per child. Importantly, the OBBBA also maintains earned income requirements for the refundable portion of the child tax credit, which strengthens the incentive for households to have at least one gainfully employed worker.

The CEA finds that, relative to the TCJA's expiration, these provisions raise the level of real GDP by 3.9 percent over the first four years, permanently boosting take-home pay by about $2,340 for a typical family with two children. In the long run, real GDP is 1.7 percent higher because of these provisions (CEA 2025b).

No Tax on Tips, No Tax on Overtime, and Tax Relief for Seniors

The OBBBA, however, goes beyond just extending the TCJA's individual tax provisions. It additionally enacts no tax on overtime, no tax on tips, and tax relief for seniors over a four-year period.

Currently, a worker with overtime pays taxes both on his or her base pay and the premium from working overtime. The OBBBA eliminates the income

tax on the overtime premium for most overtime workers. For example, suppose an hourly worker earning $20 an hour gets paid $30 an hour for overtime hours (the $20 base rate plus a $10 premium). This worker would pay no tax on the $10 premium per hour he or she earns when working overtime. The CEA finds that this change will cause overtime workers to increase their overtime hours by 4.7 percent, leading to a 0.2 percent increase in aggregate labor supply while the provision is in effect. The CEA estimates that the average overtime worker will receive a tax cut of between $1,260 and $1,400 per year.[3]

To estimate the impact of no tax on tips, the CEA uses the Joint Committee on Taxation's revenue estimate of tip exemption from the OBBBA and the number of tipped workers according to the Statistics of Income W-2 tabulations (Joint Committee on Taxation 2025b; Internal Revenue Service n.d.). Based on these sources, the CEA finds that no tax on tips will increase average take-home pay for tipped workers by $1,300 a year.[4]

The OBBBA includes a generous $6,000 bonus deduction for seniors. Using the Joint Committee on Taxation's revenue score for this provision and estimates from the Department of the Treasury provided to the CEA on the number of qualifying seniors who would likely benefit from the provision, the CEA finds that the bonus senior deduction will increase the average take-home pay for each qualifying senior person by about $670 a year (Joint Committee on Taxation 2025b).

The provisions for no tax on overtime, no tax on tips, and senior tax relief, along with the OBBBA's provision making auto loan interest tax-deductible, boost GDP by 0.3 to 0.4 percent while they are in effect (table 1-4).

A Deeper Exploration of the Effects of the OBBBA on Seniors

Under the OBBBA, 51.4 million seniors—88 percent of all seniors receiving Social Security income—will pay no tax on their Social Security. This is 14.2 million seniors more than under the pre-OBBBA law (table 1-5).

In table 1-6, multiple scenarios are considered that are representative of the benefits of the OBBBA to seniors receiving Social Security income. First, consider the case of a senior filing as a single taxpayer receiving the current average retirement benefit of about $24,000 (per Social Security

[3] The $1,260 end of the range comes from dividing the projected fiscal impact of this provision, $25.6 billion, by the number of people who are expected to benefit (20 percent of 101.7 million overtime-eligible workers). The $1,400 end of the range comes from calculating the tax savings for a worker earning $28.16 per hour who is in the 22 percent income tax bracket, assuming they work 8.67 hours of overtime each week, based on calculations using American Community Survey data. The calculation is 0.5*28.16*0.22*8.67*52, where the 0.5 is because workers are still taxed on their base pay but not the 50 percent overtime premium. The CEA's June report provides further details.

[4] The $1,300 estimate comes from dividing the projected fiscal impact of this provision, $7.8 billion, by the 6 million workers who are expected to benefit.

Table 1-4. One Big Beautiful Bill's Macroeconomic and Fiscal Effects: Household Tax Relief

	Level of GDP (%)	Typical boost to annual take-home pay (dollars)
Permanent household tax relief		
Year 4	3.3 to 3.8	2,340
Year 10	1.7	2,340
Temporary no tax on overtime and tips, senior tax relief, and deductible auto loan interest		
Year 4	0.3	1,260 to 1,400 overtime; 1,300 tips; 670 per senior
Year 10	0	0
All OBBBA household tax relief		
Year 4	3.6 to 4.2	Up to 3,600 to 3,740*
Year 10	1.7	1,700

Source: CEA calculations.

*Includes permanent household tax relief plus no tax on overtime.

Table 1-5. The Benefits of OBBBA for Seniors

Seniors	*Millions of beneficiaries*	*Percentage of beneficiaries*
Those age 65 and over receiving Social Security income	58.5	100
Those with exemptions and deductions exceeding taxable Social Security income*		
… under pre-OBBBA law	37.2	64
… under OBBBA	51.4	88

Source: U.S. Treasury, July 1, 2025.

*Includes seniors who receive Social Security income but have no such income in their adjusted gross income.

Administration data). The maximum amount of Social Security included in taxable income is 85 percent of the benefit, which would be $20,400 in this case. Under the OBBBA, in 2025 this senior will be entitled to $23,750 in deductions: the $15,750 standard deduction, the $2,000 current-law additional deduction, and (if this taxpayer's adjusted gross income is $75,000 or less) the $6,000 new OBBBA senior deduction. This means that the OBBBA would lead to deductions that exceed the senior's taxable Social Security income (table 1-6).

Table 1-6. Deductions for Seniors under the One Big Beautiful Bill for 2025

Type of deduction	*Single senior under OBBBA*	*Single senior before OBBBA*
New senior deduction	$6,000	$0
Standard deduction	$15,750	$15,000
Existing senior deduction	$2,000	$2,000
Total	**$23,750**	**$17,000**
Type of deduction	*Married seniors under OBBBA*	*Married seniors before OBBBA*
New senior deduction	$12,000	$0
Standard deduction	$31,500	$30,000
Existing senior deduction	$3,200	$3,200
Total	**$46,700**	**$33,200**

Source: CEA calculations.

Second, consider a married couple of seniors both receiving $24,000 in Social Security retirement benefits. The couple will have a total of $48,000 in Social Security income, of which at most 85 percent is taxable ($40,800). Under the OBBBA, this couple will also be entitled to deductions that exceed their taxable Social Security income.

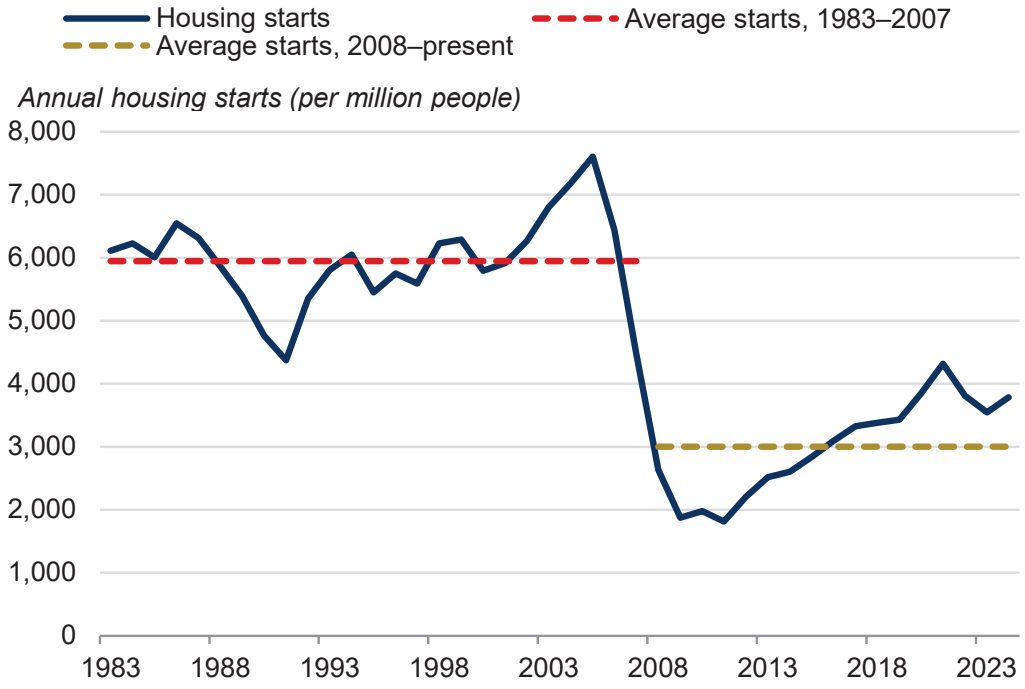
Seniors often have sources of income beyond just Social Security, and there will be benefits for seniors in such situations as well. Consider, for example, a married senior couple receiving $40,000 in Social Security income and another $40,000 in income from an individual retirement account or a 401(k). Calculations by the Treasury Department show that, if the TCJA had been allowed to expire, in 2026 this couple would be expected to owe $3,150 in taxes, whereas under the OBBBA, they will owe only $1,210—a reduction of nearly $2,000. About $1,200 of this reduction is due solely to the new $12,000 OBBBA senior deduction claimed by the couple.

Making Permanent and Enhancing Opportunity Zone Incentives

Opportunity Zones are another important feature of the TCJA that were extended and enhanced by the OBBBA. Recent studies have found that the first round of Opportunity Zones associated with the TCJA directed $89 billion in investment into distressed communities (Glasner, Ozimek, and Lettieri 2025), created over 1 million jobs (Arefeva et al. 2025), and led to the construction of over 300,000 new housing units that would not otherwise have been built (Glasner, Ozimek, and Lettieri 2025). To build upon this successful legacy and combat deteriorating rural housing affordability (CEA 2025c), the OBBBA

strengthens Opportunity Zones by making the incentives permanent and providing enhanced incentives for rural areas to ensure an even more robust flow of investment. To the extent that rural areas have less onerous regulatory barriers to business formation and the development of new housing supply, Opportunity Zones are likely to play an even more meaningful role in addressing problems like the housing affordability crisis by helping to reverse the shortfall in new housing construction that has emerged over the past 15 years, shown in figure 1-4.

Figure 1-4. Average Housing Starts per Million People, 1983–2024



Sources: Census Bureau; CEA calculations.

Summarizing the Economic Impact of All the OBBBA's Tax Provisions

The CEA finds that the package of business and individual tax provisions under the OBBBA will, taken as a whole, raise investment by 6.7 to 9.7 percent over the next four years and by 5.2 to 7.7 percent during the 10-year budget window. This investment will increase the level of real GDP by 4.6 to 4.9 percent during the next four years (about 1.1 to 1.2 percent higher average growth per year) and by 2.4 to 2.7 percent through the 10-year budget window (about 0.2 to 0.3 percent higher average growth per year). The CEA estimates that real take-home pay for a median-income family with an overtime worker and two children will increase by up to about $7,500 to $10,900, driven both by higher wages and less tax taken out of Americans' paychecks by the Federal government. Americans of all backgrounds benefit from these tax provisions. In addition, struggling and

Table 1-7. Summary of the Economic Impact of the OBBBA's Tax Provisions

All business and individual provisions

	Investment (%)	*Level of GDP (%)*	*Annual take-home pay (dollars, year 4)*
4-year	6.7 to 9.7	4.6 to 4.9	7,545 to 10,858*
10-year	5.2 to 7.7	2.4 to 2.7	

Impact in Opportunity Zones

	Investment	*Added jobs*	*New homes*
	$100+ billion	1+ million	At least 300,000

Source: CEA calculations.
*Take-home pay for a median-income family with an overtime worker and two children.

previously left-behind communities will benefit from the surge of investment, jobs, and housing supply enabled by the permanent extension of Opportunity Zones (table 1-7).

The Fiscal Impact of the Trump Administration's Economic Policies Anchored by the OBBBA

The prospects for continued economic prosperity and low taxes also depend on the fiscal trajectory of the United States. Before COVID-19, Federal debt held by the public as a share of GDP was under 80 percent (U.S. Office of Management and Budget and Federal Reserve Bank of Saint Louis 2026). Since then, this ratio has climbed to nearly 100 percent, and the CBO projects that, under its baseline assumptions of sub–2 percent economic growth and a $4 trillion tax hike from the expiration of the TCJA, that the debt-to-GDP ratio will rise to 117 percent in 2034. In this subsection, the CEA projects America's fiscal trajectory under alternative scenarios that incorporate the OBBBA and related Trump Administration economic policies.

The Impact of the OBBBA and Related Trump Administration Economic Policies on Deficits and Debt

A key question when scoring the costs of any policy change is what baseline will be used. In the context of OBBBA, two main baselines were used: the "current law" and "current policy" baselines. The current law baseline, as its name implies, assumed that the nonpermanent provisions of the TCJA would expire and a major tax hike would occur as a result, consistent with pre-OBBBA current law. The current policy baseline, again consistent with its name, assumed that pre-OBBBA current policy would continue indefinitely, with tax rates and expensing

Table 1-8. Summarizing Key Differences between pre-OBBBA Current Law, pre-OBBBA Current Policy, and the OBBBA

Aspect of law/policy	Current law	Current policy	OBBBA
Corporate tax rate	Stays at TCJA levels	Stays at TCJA levels	Stays at TCJA levels
Individual/ passthrough tax rates	Increase to pre-TCJA levels	Stays at TCJA levels	Stays at TCJA levels
Expensing provisions	No full expensing of any investment	40% expensing of equipment	Full expensing of equipment, R&D, factories
Tax on tips and overtime	Taxed as normal income	Taxed as normal income	No tax on tips and overtime

Source: CEA calculations.

provisions continuing as they were in 2025 before the OBBBA's passage. In short, the key difference was that the current law baseline assumed a $4 trillion tax hike, and this was the baseline generally used by the CBO in its estimates. To a casual observer, this made the OBBBA look quite costly (table 1-8).

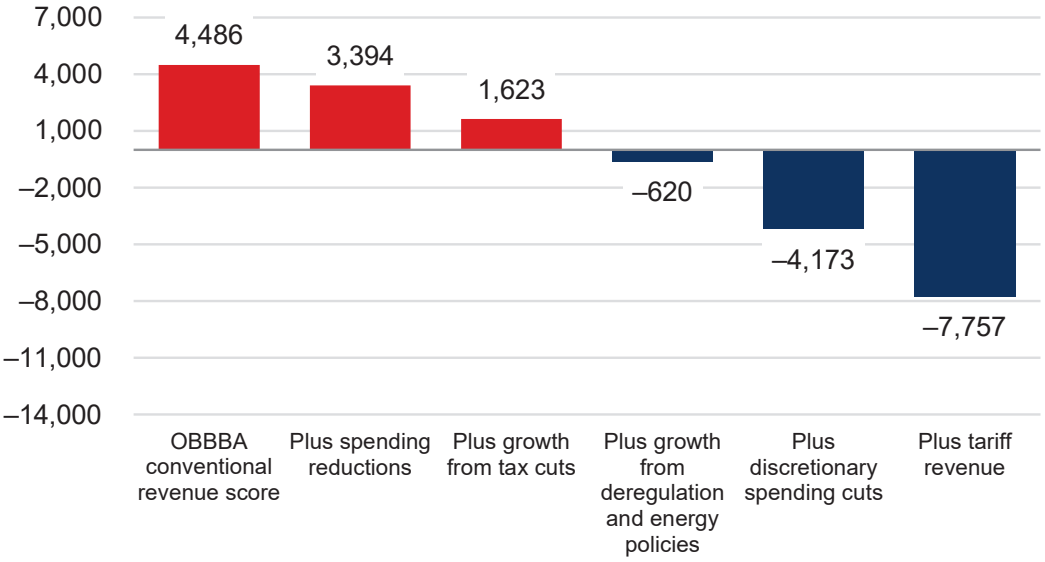
Relative to the CBO's pre-OBBBA current law baseline, which entailed a tax hike associated with the TCJA's expiration, the OBBBA reduces revenues by $4.486 trillion. Relative to the CEA's estimated pre-OBBBA current policy baseline, the OBBBA reduces revenues by only $726 billion. The first bar in figure 1-5 shows the revenue score relative to the CBO's pre-OBBBA current law baseline, while the first bar in figure 1-6 uses the pre-OBBBA current policy baseline. As a matter of proper interpretation, it is important to recognize that under the most recent CBO baseline forecast before the OBBBA's passage, revenue as a share of GDP is projected to rise above current and historic levels (from 17.1 percent to 18.2 percent by 2034). Thus, the CBO scores any policy that prevents or moderates such an increase as revenue reducing.

As scored by the CBO, the OBBBA lowers noninterest outlays by $1.091 trillion over the period 2025–34. Netting the change in outlays against the change in revenues produces an overall conventional OBBBA score of $3.394 trillion of higher primary deficits over the budget window relative to the CBO's pre-OBBBA current law baseline. However, relative to pre-OBBBA current policy, the OBBBA reduces primary deficits by $365 billion over 10 years before including revenue feedback from higher growth. The second bar in figures 1-5 and 1-6 shows these scores.

The third bar in each figure updates the OBBBA score to account for the primary deficit reduction from higher economic growth induced by the OBBBA's tax provisions. Adjusting by the midpoint of these estimates causes

Figure 1-5. Primary Deficit Impact of Trump Administration Policies Compared with Current Law Baseline (pre-OBBBA)

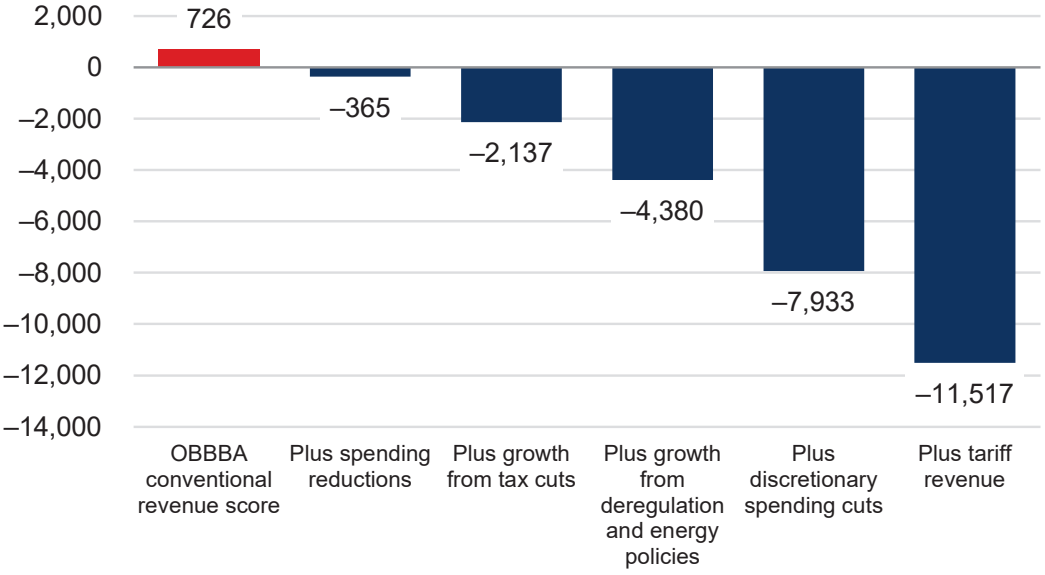
10-year deficit impact ($ billions)



Sources: Congressional Budget Office; Office of Management and Budget; CEA calculations, using midpoint growth estimates.
Note: Positive numbers indicate higher deficits relative to the current policy baseline. Negative numbers indicate deficit reduction.

Figure 1-6. Primary Deficit Impact of Trump Administration Policies Compared with Current Law Baseline (pre-OBBBA)

10-year deficit impact ($ billions)



Sources: Congressional Budget Office; Office of Management and Budget; CEA calculations, using midpoint growth estimates.
Note: Positive numbers indicate higher deficits relative to the current policy baseline. Negative numbers indicate deficit reduction.

the OBBBA to only increase 10-year primary deficits by $1.623 trillion relative to the CBO pre-OBBBA current law baseline, and the OBBBA reduces primary deficits by $2.137 trillion using the pre-OBBBA current policy baseline. Augmenting the growth from the OBBBA tax provisions, a recent CEA analysis finds that the deregulatory policies of the Trump Administration, elements of which depend on or are enhanced by the OBBBA, add another 0.3 to 0.8 percentage point to annual real economic growth (CEA 2025e). Energy policies apart from deregulation add another 3 to 12 basis points of annual real economic growth. Faster economic growth from the tax cuts and deregulation as well as the spending reductions in the OBBBA reduce primary deficits by $620 billion relative to the CBO pre-OBBBA current law baseline and by $4.380 trillion relative to the pre-OBBBA current policy baseline (using the midpoint of growth).

The Mid-Session Review of the White House Office of Management and Budget (OMB) provides estimates related to other elements of the Trump Administration's economic agenda, including over $3.5 trillion in discretionary spending cuts and $3.5 trillion in tariff revenue over the period 2025–34. Accounting for the reduced discretionary spending raises the primary deficit savings to $4.173 trillion relative to the CBO pre-OBBBA current law baseline and $7.933 trillion relative to the pre-OBBBA current policy baseline. Finally, including tariff revenue, the CEA calculates that together, the Trump Administration's economic policies analyzed in this chapter reduce primary deficits by $7.757 trillion relative to the CBO's baseline and by $11.517 trillion relative to the pre-OBBBA current policy baseline.

An alternative way to evaluate the fiscal implications of the Administration's economic policies is by quantifying their impact on the stock of debt relative to GDP (the debt-to-GDP ratio), which offers several advantages over focusing on changes in primary deficits. [5] First, the debt-to-GDP ratio is easier to interpret than changes in primary deficits relative to some reference point. Second, the debt-to-GDP ratio takes into account the compounding effect of interest expenses—reduced primary deficits mean reduced interest payments on debt in the future, and this indirect effect is captured in the debt-to-GDP ratio. Third, the debt-to-GDP ratio, in conjunction with the interest rate, is a better barometer for the burden that a country faces in making payments on the debt.

The CBO projects, under its baseline for sub–2 percent economic growth and the expiration of the TCJA, that the debt-to-GDP ratio will reach 117 percent in 2034. The CEA-adjusted conventional score for the OBBBA would take this ratio even higher, to 126 percent in 2034, ignoring any increase in economic growth. After accounting for economic growth from the OBBBA's tax provisions, the CEA finds that the debt-to-GDP ratio is 118 percent—very similar

[5] Official budget projections are contained in the President's Budget and developed by OMB. These estimates may differ from official budget projections for a multitude of reasons, including methodological differences between the CEA and OMB, timing of analyses, and data availability.

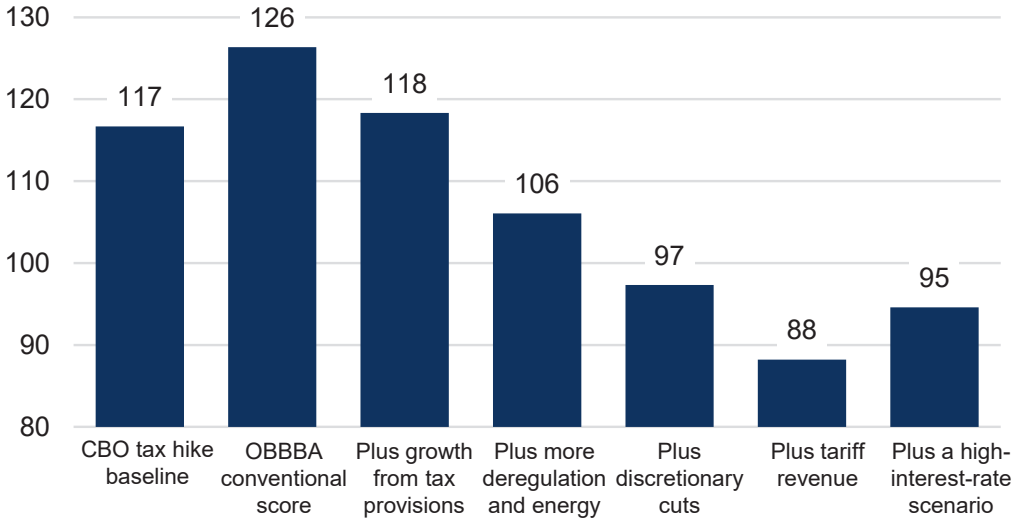
to the CBO pre-OBBBA current law baseline. The CBO's baseline deserves an important caveat, however, because it does not include the impact of higher unemployment insurance payments and other social safety net spending from the recession that could have ensued from the expiration of the TCJA.

The CEA projects that incorporating the additional growth from the Trump Administration's deregulatory and energy policies, which in many cases depend on or are enhanced by the OBBBA, causes the debt-to-GDP ratio to be 106 percent in 2034—considerably lower than this ratio under the CBO's pre-OBBB A current law baseline. Taking into account the discretionary spending reductions results in an even lower debt-to-GDP ratio of 97 percent in 2034. Finally, tariff revenue drives the debt-to-GDP ratio to 88 percent in 2034 under the midpoint scenario for economic growth under the Administration's economic policies.

As a sensitivity test, if real economic growth averages only 2.5 percent over the 10-year budget window, the debt-to-GDP ratio under the OBBBA without accounting for the discretionary spending cuts or tariff revenues is 113 percent in 2034, which is lower than the CBO's pre-OBBBA current law baseline forecast of 117 percent. Including the discretionary spending cuts and tariff revenues causes the debt-to-GDP ratio to be 102 percent in 2034 under this alternative scenario. This analysis shows that, even under more conservative assumptions, the Administration's economic agenda successfully halts the rising burden of debt. As another robustness check, if the interest rate on government debt is allowed to be 0.7 percentage point above the CBO baseline for the entirety of the 10-year window, this also leads to a debt-to-GDP ratio of 95 percent in 2034 once growth, tariff revenue, and discretionary cuts are considered. So, again,

Figure 1-7. Debt-to-GDP Ratio in 2034 under Various Scenarios

Debt-to-GDP ratio (percent)



Sources: Congressional Budget Office (CBO); Office of Management and Budget; CEA calculations.

the qualitative takeaway that the Administration's policies restrain debt growth remains the same (figure 1-7).

Conclusion

The OBBBA paves the way for a period of economic prosperity and fiscal sustainability. The OBBBA contains important ingredients needed to help working Americans recover the purchasing power they lost over the prior four years to the inflation exacerbated by the prior Administration and make greater strides toward achieving their economic aspirations. The CEA has studied the effects of the business tax provisions of the OBBBA through a user cost of capital model and the individual tax provisions through a model of labor supply and a short-run consumption multiplier. The CEA finds that, relative to a pre-OBBBA current law baseline, the OBBBA will produce substantial increases in investment, on the order of 7 to 10 percent over 4 years and 5 to 8 percent over 10 years. The GDP will also rise to levels 4.6 to 4.9 percent higher than baseline after 4 years and 2.4 to 2.7 percent higher after 10. Average annual wages will rise by $4,200 to $7,400 after 4 years. Combined with reduced taxes on individual income, this translates into a take-home pay increase of $7,500 to $10,900 dollars for a median-income family with a worker who does overtime and two children. Critically, the CEA estimates that the OBBBA and the broader Trump Administration economic policies that it supports will bend the trajectory of debt downward, placing America on a stable path into the future.