



## Insight

# Fact-Checking the Ways and Means Committee

**GORDON GRAY | DECEMBER 19, 2017**

The Committee on Ways and Means has stated that under the conference agreement for H.R. 1, the Tax Cuts and Jobs Act (TCJA), “the typical family of four earning the median family income of \$73,000 will receive a tax cut of \$2,059.”<sup>[1]</sup> Now that the text of the conference report for the TCJA is available, this should be an easily verifiable claim.<sup>[2]</sup> This analysis examines this claim and finds that it is accurate, “true,” devoid of “Pinocchios,” and otherwise passable under any reasonable standard for fact checkers.

To calculate the hypothetical family’s tax savings under the TCJA, one needs to first calculate what their tax liability in 2018 would have been in the absence of the new legislation. In October, the Internal Revenue Service published what would have been the tax brackets and other inflation-adjusted parameters for 2018, which makes calculating the hypothetical family’s tax liability under current law very straightforward.<sup>[3]</sup>

According to the Census, median *family* income was \$72,707 in 2016, which is rounded up to \$73,000.<sup>[4]</sup> Assuming this same income in 2018, this hypothetical family would have a tax liability of \$3,558.

### **Table 1: Current Law Tax Liability, Family of 4 (2018)**

Current Law (Including Credits)	
Income	\$73,000
Standard Deduction	\$13,000
Personal Exemptions	\$16,600
Taxable Income	\$43,400
Tax	\$5,558
CTC	-\$2,000
EIC	\$0
Additional CTC	\$0
Tax Liability	<b>\$3,558</b>

Under current law, the family would be taxed at the 10 percent and 15 percent brackets, while receiving \$29,000 in combined deductions and personal exemptions (\$4,150 per person), while receiving \$2,000 in combined child tax credits (\$1,000 per child). The hypothetical family would receive no refundable tax credits.

Under the TCJA, the hypothetical family's tax liability would be reduced to \$1,499, a \$2,059 reduction compared to current law, in this instance, primarily due to the increased child tax credit.

**Table 2: TCJA Tax Liability, Family of 4 (2018)**

Proposal (Including Credits)	
Income	\$73,000
Standard Deduction	\$24,000
Personal Exemptions	\$0
Taxable Income	\$49,000
Tax	\$5,499
CTC	-\$4,000
EIC	\$0
Additional CTC	\$0
Tax Liability	<b>\$1,499</b>

Under the TCJA, the family would be taxed at the 10 percent and the new 12 percent brackets, while receiving \$24,000 from the larger standard deduction, while receiving \$4,000 in combined child tax credits (\$2,000 per child). The hypothetical family would receive no refundable tax credits.

The Ways and Means Committee's claim that a typical, or median income, family would see

a tax savings of \$2,059 in 2018 under the TCJA is a straightforward exercise in arithmetic - comparing the effects of current law versus the effects under the TCJA, the details of which are public. Based on these observable facts, the Ways and Means claim that a family earning the median income will receive a tax cut of \$2,059 in 2018 is accurate.

[1]

[https://waysandmeans.house.gov/wp-content/uploads/2017/12/TCJA\\_Conference121517.pdf](https://waysandmeans.house.gov/wp-content/uploads/2017/12/TCJA_Conference121517.pdf)

[2] <http://docs.house.gov/billsthisweek/20171218/CRPT-115HRPT-%20466.pdf>

[3] See: <https://www.irs.gov/pub/irs-drop/rp-17-58.pdf>

[4] <https://fred.stlouisfed.org/series/MEFAINUSA672N>