



The Daily Dish

Confusion and TCJA

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Eakinomics: Confusion and TCJA

Confusion, thy name is the economics of the Tax Cuts and Jobs Act (TCJA). There have already been claims that the TCJA [didn't work](#) when it is far [too soon](#) to make a scientific judgment about the impact — especially because its impact is conflated with effects of large-scale deregulation, perpetual trade wars, and (now) emergency declarations that are unneeded, unwise, and possibly unconstitutional. But it appears that the confusion is getting worse and not better.

The latest kerfuffle stems from the fact that, in the words of [USA Today](#): “The average tax refund issued so far fell to \$1,865, down 8.4 percent from \$2,035 at the same time last year, according to IRS statistics.” Now, refunds are the difference between taxes withheld and the final tax liability so a smaller refund could mean higher taxes, except that the TCJA cut taxes. So a smaller refund must mean that withholding was reduced by more than the tax cut. Simple and not complicated.

Except that on February 11, Senator Kamala Harris — who has thrown her hat into the 2020 presidential ring — tweeted “The average tax refund is down about \$170 compared to last year. Let’s call the President’s tax cut what it is: a middle-class tax hike to line the pockets of already wealthy corporations and the 1%.” This assertion is wrong on two fronts. As noted, it is not a tax hike on the middle class. Second, the assertion that it is nearly exclusively a benefit for wealthy corporations and the top 1 percent is not consistent with the [facts](#). As I have [noted](#), fully 77 percent of the tax cuts go to individuals or pass-through businesses, so only 23 percent goes to corporations. Over one-half of the 2019 individual tax cuts, \$133 billion, go to those earning under \$200,000 — again, not exactly skewed to the top 1 percent. Finally, there is no way to avoid large dollar cuts when reducing the top rate, but the percentage reduction in taxes is much bigger for those with lower incomes than for the affluent.

I’m realistic enough to not expect a fact-heavy discussion of a signature Trump Administration policy from contenders for the presidency. But I do long for a moment when there is agreement on the facts and a spirited debate over the policy.