The Daily Dish

Fair and Foul On the Tax Cuts and Jobs Act

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Eakinomics: Fair and Foul On the Tax Cuts and Jobs Act

The Associated Press ran an interesting story about the geography of job growth under the Trump presidency. Its basic point was that those counties that supported then-candidate Clinton have experienced more job growth than those counties that supported then-candidate Trump. The larger point is that economic growth does not lift all boats equally. The unevenness of the geography of recent growth is not a new finding; the Economics Innovation Group made the same point with research published in the Obama era looking at the economic recovery.

The article notes, correctly, that the ailments are due to structural problems in the local areas: “They are areas where the currently robust national economy and job market obscure long-standing woes that generations of politicians have struggled to reverse. There are the long-shuttered factories, stagnant incomes and the departure of college-educated workers to cities and surrounding suburbs.” But it suddenly veers over the line by tagging the blame on the Tax Cuts and Jobs Act (TCJA): “But for struggling communities waiting for jobs to be restored, Trump’s tax cuts — which were skewed toward corporations and wealthy individuals — have yet to deliver.”

Ok, I get it. There have been conservatives that have oversold the impact of tax cuts. And the president seems insistent on emphasizing “cuts” to the exclusion of the incredibly valuable business tax reforms. Fine. But really ?

It makes no sense to expect an economy-wide tax bill to somehow miraculously target struggling pieces of geography that have been unable to solve their own problems with poor education, weak business climates, and inadequate infrastructure.

And to gratuitously opine — not report — that this is because it was “skewed toward corporations and wealthy individuals” is just not consistent with the facts. Fully 77 percent of the tax cuts go to individuals or pass-through businesses. Getting only 23 percent is hardly “skewed toward corporations.” Over one-half of the 2019 individual tax cuts, $133 billion, go to those earning under $200,000. That’s hardly skewed toward the super wealthy. However, the share of taxes paid by millionaires increase from 19.3 percent under prior law to 19.8 percent under the TCJA. 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.

Those are important facts. And even they understate the potential gains when the economy fully responds to better incentives to innovate, invest, and thus raise wages in the United States. That’s why the Tax Foundation finds that the among the largest gains in after-tax income occur at the lower end of the income distribution.

The TCJA cut taxes for corporations. The TCJA cut taxes for the rich. But the TCJA significantly cut taxes for lower incomes and small businesses. You can’t argue the first two criticisms without conceding the latter point.

Any other depiction is simply bad reporting.