



The Daily Dish

Tax Reform and the Election

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The Congressional Budget Office (CBO) released a new report which determined that it will cost the federal government \$6 million to implement new cybersecurity legislation which passed the House Science Committee. The bill would require the National Institute of Standards and Technology (NIST) to provide resources to businesses to help them guard against cyber attacks.

On Friday a federal appeals court struck down a 2015 Federal Aviation Administration (FAA) drone registration rule. The FAA rule sought to require toy drone users to register their drone with the federal government. The rule was an interim rule and had not been officially finalized. The court argued that under the FAA Modernization and Reform Act of 2012 the FAA was barred from creating any rule pertaining to model toy drones.

Eakinomics: Tax Reform and the Election

The first complete Trump Administration budget will be released this morning. Based on a variety of new reports, it's projected to reach balance over the next 10 years, in large part because of \$1.7 trillion or so in reduced mandatory spending. Given the president's pledge to leave Social Security and Medicare untouched, one should expect this to be concentrated in the Medicaid and Supplemental Nutrition Assistance Program (SNAP).

In addition to savings on debt service, the other major component of deficit reduction will be more rapid economic growth, averaging roughly 3 percent over the 10 years. This, in turn, will stem in large part from revenue neutral tax reform, although the budget will be silent on the details.

This raises the immediate question: will tax reform get done? The House has continued to work on its Blueprint, including holding a hearing today on the controversial proposal to "border adjust" the reformed tax. The Senate has shown little public progress – although there is doubtless work underway – and the White House has – until today's Budget – displayed a preference for tax cuts over tax reform. Clearly, there is less than unanimity on the surface.

Meanwhile the clock has been ticking. Indeed some pundits have argued that tax reform has to be done in 2017, because 2018 is a midterm election year and "nothing gets done in an election year." Well, no so fast. The table below (reproduced from [here](#)) shows the revenue effects of the major tax bills in the past 50 years. But the most important numbers are actually the years themselves. Again and again tax bills – including the 1986 Tax Reform Act – are passed in election years.

This suggests that the window to do tax reform may be wider than some think. This would be a real benefit, as the U.S. desperately needs real tax reform.

**TABLE 2 - REVENUE EFFECTS OF MAJOR BILLS ENACTED SINCE
1968 1/**

	Tax bill					First 2-yr	4-year
		1	2	3	4	average	average
	Current dollars (in billions)						
1	Revenue and Expenditure Control Act of 1968	18.0	4.7	N/A	N/A	10.4	N/A
2	Tax Reform Act of 1969	3.8	2.4	N/A	N/A	3.1	N/A
3	Revenue Act of 1971	-4.4	-6.9	N/A	N/A	-5.7	N/A
4	Tax Reduction Act of 1975	-9.8	0.4	N/A	N/A	-4.7	N/A
5	Tax Reform Act of 1976	-15.3	-11.8	-7.1	N/A	-13.6	N/A
6	Tax Reduction and Simplification Act of 1977	-17.8	-13.7	-5.8	N/A	-15.8	N/A
7	Revenue Act of 1978	-11.5	-22.8	-26.7	-30.6	-17.2	-22.9
8	Crude Oil Windfall Profit Tax Act of 1980	13.0	18.4	18.8	21.0	15.7	17.8
9	Economic Recovery Tax Act of 1981	-38.3	-91.6	-136.0	-176.7	-65.0	-111.4
10	Tax Equity and Fiscal Responsibility Act of 1982	17.3	38.3	42.2	52.1	27.8	37.5
11	Social Security Amendments of 1983	8.2	8.8	9.3	11.4	7.5	8.9
12	Deficit Reduction Act of 1984	9.3	15.9	21.6	24.6	12.6	17.9
13	Tax Reform Act of 1986	18.6	0.9	-11.7	-9.0	9.8	-0.3
14	Omnibus Budget Reconciliation Act of 1987	9.1	14.3	16.2	15.6	11.7	13.8
15	Omnibus Budget Reconciliation Act of 1990	23.2	35.0	31.9	36.5	29.1	31.7
16	Omnibus Budget Reconciliation Act of 1993	24.3	45.3	52.5	65.9	34.8	47.0
17	Tax Relief Act of 1997	-9.4	-3.8	-18.6	-20.9	-8.6	-13.2
18	Economic Growth and Tax Relief Reconciliation Act of 2001 2/	-73.8	-34.4	-85.5	-104.0	-54.1	-74.4
19	Job Creation and Worker Assistance Act of 2002 2/	-42.6	-46.0	-27.3	3.8	-44.3	-28.0
20	Jobs and Growth Tax Relief Reconciliation Act of 2003 2/	-53.1	-138.6	-78.0	-8.9	-94.8	-89.2
21	Working Families Tax Relief Act of 2004	-27.2	-40.3	-20.4	-15.7	-33.8	-25.9
22	Tax Increase Prevention and Reconciliation Act of 2005 (enacted in 2008) 2/	-10.7	-35.4	-4.8	-39.6	-23.1	-22.6
23	Economic Stimulus Act of 2008 2/	-112.1	-45.6	14.0	8.9	-78.9	-33.7
24	Bank Bailout Bill of 2008	-100.3	-2.4	-3.0	-0.3	-51.4	-26.6
25	American Recovery and Reinvestment Tax Act of 2009 2/	-84.4	-188.7	-39.9	6.5	-136.6	-76.6
26	Patient Protection and Affordable Health Care Act of 2010	8.1	12.0	30.1	76.3	10.1	31.8
27	Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010	-407.8	-340.5	-88.1	13.2	-374.1	-205.8
28	American Taxpayer Relief Act of 2012 (enacted in 2013)	-276.7	-331.6	-318.7	-351.0	-305.7	-320.6