

**A-B-Cs OF FEDERAL BUDGET ISSUES - First in a series**

**THE THREAT OF MAKING BAD TAX BREAKS, GIVEAWAYS WORSE**

During the first Trump presidency, congressional Republicans unilaterally enacted a huge tax cut, the lion's share of provisions benefiting the wealthiest individuals and most profitable corporations. Now they want more - which is bad news for working families and fiscal stability.

**Cuts drive up debt, skew gains to the wealthy and harm working Americans**

This "Tax Cut and Jobs Act" (TCJA) enacted in 2017 made permanent reductions to the corporate income tax, but only temporary changes expiring at the end of 2025 to personal income and estate taxes. Making some changes temporary held down official estimates for costs of the tax package overall - to \$1.9 trillion over the decade.<sup>1</sup> These changes are adding dramatically to the federal deficit. But the cost would have been \$4.2 trillion<sup>2</sup> more through 2035 had the cuts to personal income taxes and estate taxes been made permanent.

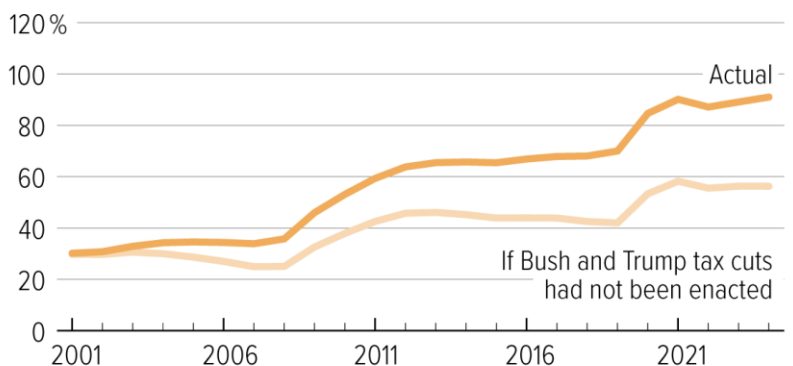
President Trump and congressional Republicans now are gearing up for a second and even bigger set of tax-cut legislation. A House-passed resolution makes \$4.5 trillion in TCJA tax cuts permanent through 2034 - while demanding cuts in services of \$2 trillion.

**Already huge deficits grow, drive deeper debt in Republican plans**

**A** The 2017 tax cuts followed cuts in 2001 and 2003 under President George W. Bush, which the Center on Budget and Policy Priorities notes have reduced revenues by hundreds of billions of dollars a year as a share of the economy. These choices leave the nation well short of what it needs to invest in retirement and health care commitments to seniors; in communities, education and infrastructure; and in managing the risks of driving debt higher than the pace of economic growth.<sup>3</sup> The House budget resolution also calls for raising the debt limit ceiling by \$4 trillion, its authors conceding that the legislation will explode the federal debt.<sup>4</sup>

**The Debt Is Higher Due to the Bush and Trump Tax Cuts**

Debt as a percentage of GDP



Note: Debt refers to "net debt," which is the government's total debt net of its financial assets.  
Source: CBPP analysis of data from CBO and JCT

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**Big benefits again to the rich - about half to the top 5%**

**B** For all the talk of helping families with incomes in the middle or below, extending the individual income-tax and estate-tax provisions of the 2017 law boost the wealthy. This is clear from official Treasury Department analysis. Families making more than roughly \$743,000 a year would see

tax cuts averaging \$62,000, compared with about \$400 on average for families in the bottom 60% (\$96,000 income or less).<sup>5</sup> More succinctly, the bottom 95% of households would receive about half of the benefits of extending the 2017 tax law. The top 1% would take 30%, and the next 4% get 19%.

### Cuts in budget will inevitably harm Medicaid and SNAP recipients

**C** The House calls for \$880 billion in cuts from the Energy and Commerce Committee, where Medicaid is the biggest program it may cut (Medicare is protected). This makes cuts in Medicaid virtually inevitable.<sup>6</sup> Likewise, the House Ag Committee is directed to cut \$230 billion through 2034, and SNAP is the biggest target, with cuts in benefits or restricted eligibility the means to do so.<sup>7</sup> The choice: Cutting critical protections for families in need vs. cutting taxes for the most wealthy.

### **Policy Recommendation: Focus federal tax policy on working families and long-term sustainability of programs that support families in need, security and economic growth.**

President Trump has called for other huge tax cuts in addition to making the TCJA temporary provisions permanent – further reducing the corporate income tax, expanding the state and local tax deduction; enacting tax breaks for goods made in America; cutting taxes on income from tips, overtime pay, eliminating taxes on Social Security benefits; and eliminating tax breaks for carried interest and stadium owners – together costing trillions more.

While there is some tax benefit to working American households to make some of the provisions of the TCJA permanent, particularly the child tax credit and standard deduction and tax rate provisions (with the reduction of itemized deductions and the personal credit), the cost of making those permanent is a small share of the tax cuts authorized – \$1.8 trillion.<sup>8</sup>

In particular, expanding the Child Tax Credit well above the current Republican plan would correct a big disparity in the federal tax code as it applied to households with children. To lessen the deficit impacts – for example keeping those to families earning below \$400,000 per year.

Congress's biggest impact on federal policy is how its budget funds essential government services and in taxes and revenues it collects to do so. Putting these tax cuts into one budget package easily can cloud the impacts of the cuts. What is clear, however, is that the cuts are targeted for the most affluent and profitable while working families in the middle receive only a tiny share of the benefits. As working Americans struggle to make ends meet facing inflation in household costs and providing for their children's future, the tax code needs to be built around their needs.

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<sup>1</sup> Congressional Budget Office (CBO), "The Budget and Economic Outlook: 2018 to 2028," April 9, 2018, <https://www.cbo.gov/publication/53651>. See also Center on Budget and Policy Priorities (CBPP), Chuck Marr and Samantha Jacoby, "House Republican Budget's \$4.5 Trillion Tax Cut Doubles Down on Costly Failures of 2017 Tax Law," Feb. 28, 2025. <https://www.cbpp.org/research/federal-budget/house-republican-budgets-45-trillion-tax-cut-doubles-down-on-costly>

<sup>2</sup> Department of the Treasury, Office of Tax Analysis, "The Cost and Distribution of Extending Expiring Provisions of the Tax Cuts and Jobs Act of 2017," Jan. 10, 2025. <https://home.treasury.gov/system/files/131/The-Cost-and-Distribution-of-Extending-Expiring-Provisions-of-TCJA-01102025.pdf>

<sup>3</sup> CBPP, Richard Kogan *et al.*, "More Revenue Is Required to Meet the Nation's Commitments, Needs, and Challenges," June 17, 2024, <https://www.cbpp.org/research/federal-budget/more-revenue-is-required-to-meet-the-nations-commitments-needs-and>.

<sup>4</sup> CBS News, "House adopts GOP budget resolution to implement Trump agenda in major victory for Johnson," Feb. 26, 2025. <https://www.cbsnews.com/news/budget-resolution-house-vote-mike-johnson-trump-agenda/>

<sup>5</sup> *Ibid*, Department of the Treasury.

<sup>6</sup> Economic Policy Institute (EPI), Josh Bivens, Hilary Wething and Monique Morrissey, "Cutting Medicaid to pay for low taxes on the rich is a terrible trade for American families," Feb. 28, 2025. <https://www.epi.org/publication/cutting-medicaid-for-low-taxes-on-the-rich-is-terrible-for-american-families/>

<sup>7</sup> CBPP, Katie Bergh, "Millions of Low-Income Households Would Lose Food Aid Under Proposed House Republican SNAP Cuts," Feb. 24, 2025. <https://www.cbpp.org/research/food-assistance/millions-of-low-income-households-would-lose-food-aid-under-proposed-house>

<sup>8</sup> *Ibid*, Department of the Treasury.