DEPARTMENT OF THE TREASURY
WASHINGTON, D.C.

Analysis of Growth and Revenue Estimates Based on the U.S. Senate Committee on Finance Tax Reform Plan
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Treasury's Office of Tax Policy (OTP) has modeled the Senate Finance tax reform plan and overall has similar analysis to the Joint Committee on Taxation (JCT) on a static basis, with a score of approximately -$1.5 trillion on a current law basis and approximately -$1 trillion on a current policy basis.[1] The difference between current law and current policy is that current law assumes existing provisions that are set to expire, such as bonus depreciation, do expire; while current policy assumes these are renewed, as has often been the case historically.

In addition to a static score, JCT calculated the increase in government tax receipts in the Senate Finance tax plan due to growth. They estimated $408 billion of additional tax revenue. Adding this $408 billion to the static score leads to a change in total projected receipts under JCT's assumptions of approximately -$1 trillion on a current law basis.

OTP has modeled the revenue impact of higher growth effects, using the Administration projections of approximately a 2.9% real GDP growth rate over 10 years contained in the Administration's Fiscal Year 2018 budget.[2]

OTP compared this 2.9% GDP growth scenario to a baseline of previous projections of 2.2% GDP growth. Treasury expects approximately half of this 0.7% increase in growth to come from changes to corporate taxation. We expect the other half to come from changes to pass-through taxation[3] and individual tax reform, as well as from a combination of regulatory reform, infrastructure development, and welfare reform as proposed in the Administration's Fiscal Year 2018 budget.

This 0.7% increase in the annual real growth rate results in an increase in tax revenues during the 10-year period of approximately $1.8 trillion. Adding this $1.8 trillion of incremental revenue to the static current law score of -$1.5 trillion results in total receipts over the 10-year window increasing by $300 billion. These increased receipts are primarily collected in the last five years, as full expensing creates growth in early years but results in a deferral of collection of taxes.

We acknowledge that some economists predict different growth rates. OTP projects that at approximately 0.35% of incremental annual GDP growth, Treasury tax receipts would generate approximately $1 trillion of incremental revenue.

Neither JCT nor Treasury has released a score showing increased tax receipts from the House plan, though we would not expect the results to be materially different.

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[1] OTP assumed similar levels of savings from the repeal of Obamacare's individual mandate as JCT. All scores are on a 10-year time period.
[2] More specifically, growth is 2.5% in 2018, 2.8% in 2019, and 3.0% thereafter, as developed by Treasury, OMB, and CEA for the President's budget (FY2018).
[3] Business tax receipts are estimated to be approximately half from corporations and half from pass-through businesses, although this has varied over time.