



TAX CUTS:
COMPARING RHETORIC WITH REALITY
JUNE 2025

Table of Contents

Executive Summary	3
Background	4
Development of the Modern Tax Code	4
The Rise of Supply-Side Economics and the 1981 Reagan Tax Cuts	4
Tax Policy from Reagan to George W. Bush	5
The 2001 and 2003 Bush Tax Cuts.....	5
The Great Recession and Extension of the Bush Tax Cuts.....	5
The 2017 Trump Tax Cuts.....	6
The Current Tax Debate	6
Claim: Tax Cuts Pay for Themselves	7
Claim: Tax Cuts Spur Economic Growth	10
Claim: Tax Cuts Benefit Everyone.....	14
Conclusion	17

Executive Summary

Over the last 50 years, Congress has passed four major bills that cut taxes: the 1981 Reagan tax cuts; the 2001 and 2003 George W. Bush tax cuts; and the 2017 Trump tax cuts. Each time, President Reagan, President Bush, President Trump, and their congressional allies made the same three main arguments in favor of the tax cuts:

1. The tax cuts would pay for themselves.
2. The tax cuts would supercharge economic growth, create millions of jobs, and dramatically raise wages.
3. The tax cuts would benefit everyone.

This legislative retrospective examines these three claims, none of which have proven to be accurate.

Rather than paying for themselves, the Reagan, Bush, and Trump tax cuts each significantly increased the federal deficit. In total, tax cuts have added over \$10.4 trillion to the federal deficit since 1981 compared to the Congressional Budget Office's baseline projections.

Rather than growing, the economy shrank after passage of the Reagan tax cuts and unemployment surged to over 10%. Following the enactment of the Bush and Trump tax cuts, the economy did grow marginally, but at rates much lower than their supporters predicted. Over the last 50 years, the economy performed best during the Clinton presidency, which saw 3.9% real annual growth, robust wage increases, and booming private investment. Notably, this economic success followed tax increases, not tax cuts.

And rather than benefiting everyone, the savings from the Reagan, Bush, and Trump tax cuts flowed predominantly to the richest Americans. The average tax cut for households in the top 1% under the Reagan tax cut (\$47,147) was 68 times larger than the average tax cut for middle-class households (\$695). The Bush and Trump tax cuts similarly provided their greatest benefits to the wealthy, with households in the top 1% receiving tax cuts 16 times (Bush tax cuts) and 36 times (Trump tax cuts) larger than middle-class households. As a result, the tax cuts helped fuel the growing income and wealth inequality America has experienced over the last 50 years.

Background

Development of the Modern Tax Code

Congress's taxing power is one of its most fundamental constitutional responsibilities, and debates over tax policy are as old as Congress itself.¹ Until the early 20th century, the federal government relied primarily on tariffs and excise taxes to raise revenues, but this changed with the introduction of a permanent income tax in 1913 following the ratification of the Sixteenth Amendment.² Initially, the tax affected only the wealthiest households and businesses and tax rates were low, ranging from 1% to 7%.³

Policymakers fundamentally reshaped the tax system in response to World War I and World War II by broadening the tax base and raising rates to meet wartime spending demands. By mid-century, the three key features of the modern tax system were in place: a broad-based, progressive personal income tax; a corporate tax with flatter rates across incorporated businesses; and dedicated payroll taxes funding Social Security (with Medicare payroll taxes added in 1966).⁴

Throughout the post-World War II period, policymakers from both parties used tax policy to pay for new federal expenditures, manage economic cycles, and reduce the federal debt relative to the size of the economy.⁵ Taxes were increased in 1950, 1951, and 1968 to fund the Korean and Vietnam Wars.⁶ When the economy needed boosting, the Kennedy and Johnson Administrations championed the Revenue Act of 1964, which reduced the highest marginal income tax rate from 91% to 70% while also cutting rates for low- and middle-income households and small businesses.⁷ These changes were implemented with broad bipartisan support and reflected an economic consensus that “demand-side” tax cuts could manage the economy by increasing disposable income and consumer spending.⁸ This approach continued through the 1970s, as the Nixon, Ford, and Carter Administrations enacted additional demand-side tax cuts.⁹

The Rise of Supply-Side Economics and the 1981 Reagan Tax Cuts

The post-war economic consensus fractured in the 1970s as Americans faced the unprecedented combination of high inflation, weak growth, and rising unemployment known as “stagflation.”¹⁰ Prominent Republican lawmakers responded by advocating for across-the-board income tax cuts using new “supply-side” economic theories.¹¹ These advocates argued that tax cuts would stimulate production by spurring investment, creating jobs, and taming inflation.¹² Critics lambasted these policies as “trickle-down” economics that would favor the wealthy, exacerbate inflation, weaken safety net programs, and increase the deficit.¹³

President Reagan made these supply-side tax cuts the centerpiece of his economic agenda. After winning the presidency, his administration moved quickly to enact the Economic Recovery Tax Act of 1981 – at the time, the largest tax cut since the end of World War II.¹⁴ The law lowered the top marginal tax rate on individual income from 70% to 50% in 1982 and phased in a 23% across-the-board reduction in other income rates, while also making corporate tax changes designed to spur investment.¹⁵

Policymakers, however, had to quickly adjust course in response to an economic recession and a rising deficit. Between 1982 and 1984, the administration and Congress passed a series of tax increases – the first peacetime tax increases since the 1930s.¹⁶ This fiscal pivot culminated with the Tax Reform Act of 1986, a comprehensive set of reforms that fundamentally differed from President Reagan's 1981

approach. The 1986 reforms maintained revenue neutrality by eliminating numerous tax shelters and loopholes to offset the cost of further reducing rates for individuals and corporations.¹⁷

Tax Policy from Reagan to George W. Bush

After the 1986 tax reforms, deficit reduction dominated federal tax policy, with Congress passing modest tax increases and spending cuts in 1987 and 1989.¹⁸ In 1990, President George H.W. Bush broke his “no new taxes” campaign pledge to enact a major budget agreement that raised the top marginal income tax rate, expanded Medicare’s payroll taxes, and cut entitlement spending.¹⁹ President Clinton and congressional Democrats continued this trend with budget legislation in 1993 that further increased taxes on high-income households and made additional entitlement spending cuts.²⁰

Republicans returned to supply-side economics when they gained control of Congress in 1994, having campaigned on the “Contract with America,” which promised additional supply-side tax cuts.²¹ When President Clinton rejected these proposals, the standoff triggered two government shutdowns before lawmakers finally reached a budget agreement without tax cuts in 1996.²² As the economy strengthened during Clinton’s second term, the federal deficit fell to its lowest share of Gross Domestic Product (GDP) since 1970.²³ This improved fiscal outlook enabled a bipartisan compromise in 1997 that paired targeted tax cuts with additional entitlement cuts in order to eliminate the federal deficit by fiscal year 2002.²⁴ Combined with the additional revenue from the 1990 and 1993 tax increases and robust economic growth, this compromise produced the first budget surplus in 29 years in 1998 – four years earlier than projected.²⁵ Throughout the remainder of Clinton’s presidency, congressional tax cut advocates continued pursuing deeper supply-side cuts that were vetoed by the president.²⁶

The 2001 and 2003 Bush Tax Cuts

The projected budget surpluses became a major focus of the 2000 election, with George W. Bush campaigning for tax cuts modeled after those vetoed by President Clinton, arguing that they would preserve the budget surplus while accelerating economic growth.²⁷ After winning the presidency, Bush moved quickly to fulfill his campaign promises with the Economic Growth and Tax Relief Reconciliation Act of 2001, which significantly reduced individual income tax rates and cut the estate tax.²⁸ After the economy entered a recession following the bursting of the dot-com bubble and the September 11th terrorist attacks, the administration and congressional tax cut advocates pushed for a second round of tax cuts, enacting the Jobs and Growth Tax Relief Reconciliation Act of 2003. The law accelerated the phase-in of the 2001 law’s cuts, cut taxes on capital gains and dividends, and expanded business investment deductions.²⁹

These changes and the economic recession led to the largest reduction in tax collections since the end of World War II, with federal revenues as a share of GDP decreasing by 21% between fiscal years 2000 and 2003.³⁰

The Great Recession and Extension of the Bush Tax Cuts

The Great Recession, triggered by the 2008 Wall Street collapse, fundamentally shaped tax policy during President Obama's first term. As the Bush tax cuts approached their scheduled expiration in December 2010 and with unemployment remaining near 10%, lawmakers from both parties worried that raising

taxes during a fragile recovery would derail economic growth.³¹ Congress reached a bipartisan compromise in the Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010, which fully extended the Bush tax cuts for two years and included additional stimulus provisions.³²

When these provisions neared their expiration in late 2012, lawmakers faced a looming “fiscal cliff” – a combination of automatic tax increases and spending cuts that economists warned could trigger another recession.³³ The American Taxpayer Relief Act of 2012 resolved this standoff by making the Bush tax cuts permanent for households earning less than \$400,000 a year (\$450,000 for married couples), while increasing rates on higher-income taxpayers.³⁴ This compromise protected the ongoing economic recovery while achieving concessions from both parties: Democrats accepted lower Bush-era rates for nearly 99% of taxpayers, while Republicans agreed to raise taxes for the first time since 1990.³⁵ The compromise achieved modest gains in progressivity while preserving the core Bush-era tax framework that would soon become the starting point for the 2017 tax debate.³⁶

The 2017 Trump Tax Cuts

After winning unified control of government in 2016, President Trump and congressional Republicans revived Bush and Reagan-era arguments to enact the Tax Cuts and Jobs Act of 2017 (TCJA). The law permanently reduced the corporate tax rate from 35% to 21% and overhauled the taxation of U.S. corporations’ foreign earnings. It also lowered individual tax rates and expanded the standard deduction until the end of 2025. Other provisions significantly lowered the estate tax.³⁷

The 2017 tax cuts resulted in significant revenue losses. In 2018, federal revenues were \$201 billion below CBO and JCT’s pre-tax-cut projections. In 2019, the revenue losses increased to \$223 billion. These declines closely matched the agencies’ projections of \$144 billion in losses in 2018 and \$271 billion in 2019.³⁸ Economic growth continued at largely the same rate as prior to the tax cuts, with GDP growth increasing from 2.5% in 2017 to 3.0% in 2018 and falling to 2.6% in 2019.³⁹

In 2020, the COVID-19 pandemic upended the economy and eliminated over 20 million jobs in a single month.⁴⁰ Congress responded with multiple emergency measures that included trillions of dollars in emergency tax relief and direct payments.⁴¹ These developments make it difficult to isolate the impacts of the Trump tax cuts on deficits and the economy after 2019.

The Current Tax Debate

During the Biden Administration, Congress enacted significant tax legislation through the American Rescue Plan, Infrastructure Investment and Jobs Act, and Inflation Reduction Act. These laws preserved the individual and corporate income tax rate structure from the 2017 law.⁴² Unlike the Trump tax cuts, which added over a trillion dollars to the deficit, the infrastructure law and the Inflation Reduction Act together largely offset each other’s fiscal impacts.⁴³

As the economy recovered from the pandemic, attention returned to the approaching expiration of the individual provisions of the 2017 law, setting the stage for the current debate over income tax policy. Congress is currently debating whether to enact another round of major tax cuts, including making permanent the provisions affecting individual taxpayers from the Trump 2017 tax cuts that are set to expire at the end of 2025.

Proponents claim these cuts will reduce the deficit, stimulate economic growth, and benefit middle-class Americans.⁴⁴ These are the same arguments tax cut advocates used during debates over the Reagan tax cuts in 1981, the Bush tax cuts in 2001 and 2003, and the Trump tax cuts in 2017. As this legislative retrospective shows, these promises never materialized. The major tax cuts of 1981, 2001, 2003, and 2017 increased deficits, produced uneven economic results, and delivered their largest benefits to wealthy Americans. During the current debate on the future of tax policy, this history may be useful in evaluating the competing claims being made by lawmakers and advocates.

Claim: Tax Cuts Pay for Themselves

"It's economic nonsense to say that lowering tax rates will add to our deficits. ... [W]e find that every time that government has a broad reduction in the tax rates, the boost in prosperity is so immediate that while the taxpayers pay less individually, government revenues go up because of that increased prosperity."

-- President Ronald Reagan, June 24, 1981⁴⁵

"The best way to get more revenues in the Treasury is not raise taxes, slowing down the economy, it's cut taxes to create more economic growth. That's how you get more money into the U.S. Treasury."

-- President George W. Bush, July 24, 2003⁴⁶

"It will be revenue-neutral when you add growth because we're going to have magnificent growth ... [I]f you go up one point in GDP, it takes care of many sins. If you go up two points, it takes care of everything. ... [B]ecause we're going to go like a rocket ship, we're going to more than make up the difference."

-- President Donald Trump, September 14, 2018⁴⁷

During the debates over the Reagan, George W. Bush, and Trump tax cuts, supporters of the tax cuts frequently claimed that the cuts would spur so much economic growth that they would pay for themselves or even reduce the deficit. In 1981, President Reagan promised that "starting next year, the deficits will get smaller until in just a few years the budget can be balanced."⁴⁸ In 2003, President George W. Bush argued that tax relief "will bring the added benefit of higher revenues for the government."⁴⁹ And in 2017, President Trump's Treasury Secretary, Steven Mnuchin, proclaimed, "Not only will this tax plan pay for itself, but it will pay down debt."⁵⁰

The laws' congressional supporters echoed these claims:

- Senator Charles Percy in 1981: "We will never balance the Federal budget until we ... make tax cuts that will generate more rapid economic growth in the years ahead. It is this faster growing economy that will in itself bring in more revenue and will bring the budget into balance by 1984."⁵¹
- Senator Jon Kyl in 2003: "If we can encourage economic growth on a sustained, long-term basis, we will not have to worry about balancing budgets or about deficits... [R]educing marginal tax rates provides an ongoing incentive for all taxpayers to work harder and longer, which is what creates the increased economic activity that we seek. It also creates additional income which can be taxed, so Government ends up making more money in the long run."⁵²

- Representative Jeb Hensarling in 2017: “It’s not just economic theory but economic history. ... The bottom line is we will be able to fill any deficit hole with additional revenues.”⁵³

The historical record has contradicted these claims. After the Reagan tax cuts took effect, tax revenues as a share of GDP fell, and the federal deficit more than doubled between 1981 and 1983.⁵⁴ Alarmed by these deficit increases, Congress quickly reversed course by passing three significant tax increases between 1982 and 1984.⁵⁵ When Congress undertook a comprehensive reform of the tax code in 1986, lawmakers paid for additional income tax cuts by eliminating dozens of longstanding loopholes.⁵⁶ This discipline continued throughout the 1980s and 1990s, including significant tax increases in 1990 and 1993.⁵⁷ These subsequent tax increases and strong economic growth throughout the 1990s generated the higher revenues that helped eliminate the deficit in fiscal year 1998 and produced the first federal surplus in almost three decades.⁵⁸

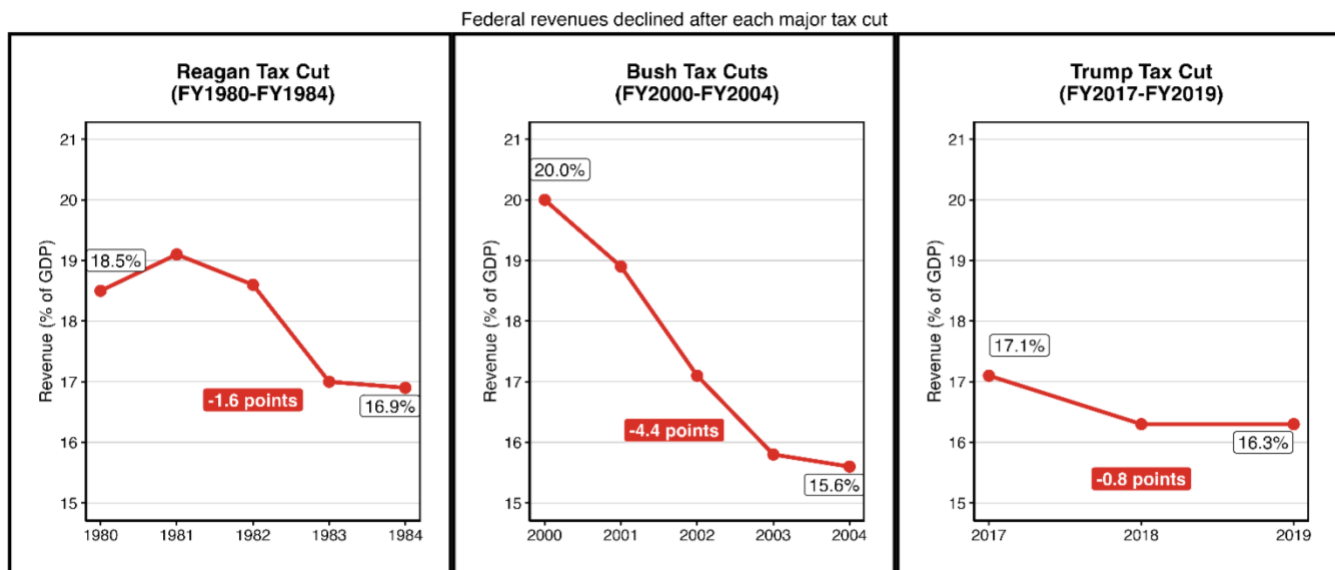
Despite the fiscal experience of the 1980s and 1990s, Congress again enacted significant, across-the-board tax cuts in 2001 following the election of George W. Bush. Federal revenues declined immediately, as they had following the 1981 tax cuts, and deficits returned in fiscal year 2002.⁵⁹ Unlike in the 1980s, however, Congress cut taxes again in 2003. Between fiscal years 2001 and 2003, federal revenues fell by \$209 billion, and by fiscal year 2004, federal revenues as a share of GDP had fallen 22% below their fiscal year 2000 levels.⁶⁰ These revenue declines, combined with spending increases for the wars in Iraq and Afghanistan, added \$2.5 trillion to the federal debt held by the public between fiscal years 2001 and 2008.⁶¹

History repeated itself again after the 2016 election, as Congress enacted another set of across-the-board income tax cuts in 2017, despite the federal debt already having reached 76% of GDP. This level of debt was more than double its 33.7% level in fiscal year 2001 and nearly triple its 25.5% level in fiscal year 1980.⁶² Just like in 1981, 2001, and 2003, revenues as a percentage of GDP declined immediately, by 4.7% between fiscal years 2017 and 2019, causing the deficit to increase by 48%.⁶³ Deficits continued to grow as Congress resorted to emergency measures to stabilize the economy during the COVID-19 pandemic. By fiscal year 2024, the federal debt had reached \$28.2 trillion – 97.8% of GDP, nearly quadruple its share of the economy in 1980, and its highest level since World War II.⁶⁴

Tax cut advocates have often downplayed the effect of tax cuts on federal deficits by focusing on the total amount of dollars flowing into the Treasury. Since the early 1980s, they often cited increases in total revenues to argue that tax cuts pay for themselves, while ignoring whether those revenues kept pace with economic growth.⁶⁵ For example, during the debate over the 2017 tax cuts, Senator James Inhofe said, “In 1981, the amount of revenue that we had coming into the Federal coffers was \$469 billion. Ten years later that was \$750 billion. ... [W]e know that if we can stimulate the economy, we are going to have more revenue coming in.”⁶⁶ But this argument ignores a fundamental economic reality: a growing economy expands the tax base and increases tax collections. During the decade Senator Inhofe cited, nominal GDP increased by 88%, yet total federal revenues only increased by 72% -- meaning that revenues actually grew more slowly than the economy.⁶⁷ In earlier decades, revenues increased faster than GDP. In the 1960s, GDP rose by 91% and revenues increased by 104%, and in the 1970s, GDP grew by 150% while revenues rose by 176%.⁶⁸ The dollar amounts cited by Senator Inhofe and other tax cut advocates reflect normal economic growth, not that tax cuts paid for themselves.

To accurately measure the effect of changes in tax policy, it is necessary to measure revenues as a share of GDP, which accounts for the impact of economic growth. By this measure, the record is clear: federal revenues as a share of GDP declined following passage of the tax cuts. Following the 1981 Reagan tax cuts, revenues dropped from 18.5% of GDP in fiscal year 1980 to 16.9% in fiscal year 1984. After the 2001 and 2003 tax cuts, revenues dropped from 20.0% of GDP in fiscal year 2000 to 15.6% in fiscal year 2004. Following the 2017 Trump tax cuts, revenues dropped from 17.1% of GDP in fiscal year 2017 to 16.3% in fiscal year 2019.⁶⁹ See **Figure 1**.

Figure 1. Revenue Changes After Major Tax Cuts (% of GDP, Fiscal Years)



Source: OMB Historical Table 1.2

Contrary to tax cut advocates' claims, cost estimate data from the CBO and JCT show that tax cuts have not paid for themselves. The CBO and JCT estimated that tax legislation enacted between 1981 and 2025 reduced federal revenues by \$10.4 trillion compared to their baseline projections.⁷⁰ This massive revenue reduction directly contradicts the claim that tax cuts pay for themselves. Multiple additional analyses have reached the same conclusion: tax cuts reduce revenues.⁷¹

Claim: Tax Cuts Spur Economic Growth

"[W]e've presented a complete program of reduction in tax rates ... to provide incentive for the individual, incentives for business to encourage production and hiring of the unemployed, and to free up money for investment."

-- President Ronald Reagan, July 27, 1981⁷²

"Our economy grows when the tax burden goes down, and stays down. ... To encourage growth in job creation, we must protect the lower tax rates we've enacted, and we must make them permanent."

-- President George W. Bush, April 30, 2002⁷³

"[W]e will dramatically cut the business tax rate so that American companies and American workers can beat our foreign competitors and start winning again. ... This is a revolutionary change, and the biggest winners will be the everyday American workers as jobs start pouring into our country, as companies start competing for American labor, and as wages start going up at levels that you haven't seen in many years."

-- President Donald Trump, September 27, 2017⁷⁴

Presidents Reagan, Bush, and Trump, and their congressional allies, repeatedly promised that cutting tax rates would spur economic growth. For four decades, they insisted that cutting tax rates – especially for wealthy individuals and corporations – would significantly increase individuals' incentives to work, save, and invest while spurring businesses to expand, hire more workers, and raise wages. For example:

- Representative Bill Archer in 1981: "If only one word were used to describe the ... bill, it should be 'incentive.' Incentive is the key that spurs individual effort to make our American economic miracle a reality. This bill contains the greatest incentive in 20 years for savings and capital investment. That means real job opportunities for Americans in all economic categories."⁷⁵
- Representative Paul Ryan in 2001: "[R]ather than take your money and find new ways to spend it for you here in Washington, we want to give it back to the American people, put the money back into their paychecks as they overpay their taxes, and revive this engine of economic growth."⁷⁶
- Senator Orrin Hatch in 2003: "[L]ower tax rates will encourage Americans to work harder, to save more, and invest a higher amount of their income. ... A basic economic axiom is that if we want more of something, we should tax it less. By lowering the tax on the fruits of investment, both in the form of capital gains and of dividends, we will get more investment. This tax cut on investments will bode well for our economy both in the next few months and years, and for decades to come."⁷⁷
- Representative Kevin Brady in 2017: "The Tax Cuts and Jobs Act ... is focused entirely on growing our economy, bringing jobs back to our local communities, increasing paychecks for our workers, and making sure Americans are able to keep more of the money they earn."⁷⁸

The actual performance of the U.S. economy after these tax cuts, however, contradicts the central assumption that tax cuts spur stronger economic growth, job creation, and wage increases. Economic data from presidential administrations over the last 50 years show no consistent relationship between the tax rates for the wealthiest Americans and economic growth, wages, or unemployment.

Figure 2. Economic Indicators by Presidential Administration

Presidential Administration	Top Statutory Tax Rate	Real GDP Growth	Unemployment Rate
Ford (1974-1976)	70.0%	1.5%	7.3%
Carter (1977-1980)	70.0%	3.3%	6.5%
Reagan (1981-1988)	48.2%	3.5%	7.5%
H.W. Bush (1989-1992)	29.5%	2.2%	6.3%
Clinton (1993-2000)	39.6%	3.9%	5.2%
W. Bush (2001-2008)	36.0%	2.2%	5.3%
Obama (2009-2016)	37.3%	1.7%	7.4%
Trump (2017-2019)	37.9%	2.7%	4.0%

Source: Internal Revenue Service, Congressional Budget Office

As **Figure 2** demonstrates, the economy expanded regardless of the level of the top income tax rate. President Reagan’s tax cuts – which dropped the average tax rate from 70% to 48.2% – produced only marginally higher average growth (3.5%) than President Carter achieved (3.3%). President Clinton delivered the strongest growth (3.9%) and wage increases (2.4%) after increasing the average top rate by 34%, while the highest average unemployment rates occurred during the Reagan and Obama Administrations, despite their lower top tax rates.⁷⁹

These economic results reflect the consistent findings of Congress’s own nonpartisan tax experts at CBO and JCT, who have repeatedly found that tax cuts generate only a fraction of their promised benefits. Since 2003, the House of Representatives has required JCT to produce “dynamic” macroeconomic analyses of tax legislation.⁸⁰ Its analyses of the 2003 and 2017 tax cuts found that only about a quarter of the laws’ initial revenue losses would be offset by higher economic growth.⁸¹

Despite these nonpartisan assessments, tax cut supporters in Congress have consistently relied on far more optimistic economic projections from the White House rather than their own tax economists at CBO and JCT. When President Reagan submitted economic projections to Congress in support of his 1981 tax cuts, his projections predicted that enacting across-the-board tax cuts would create millions of new jobs and accelerate economic growth, while also cutting inflation in half and balancing the budget within three years.⁸² These projections became known as “the rosy scenario” because they assumed that the proposed tax cuts would increase economic growth and reduce inflation simultaneously.⁸³ The administration’s projections were widely echoed by his congressional allies.⁸⁴

The White House’s optimistic projections failed to materialize, however. By the time the 1981 tax cuts were enacted, the economy had entered the most severe recession since the Great Depression.⁸⁵ The

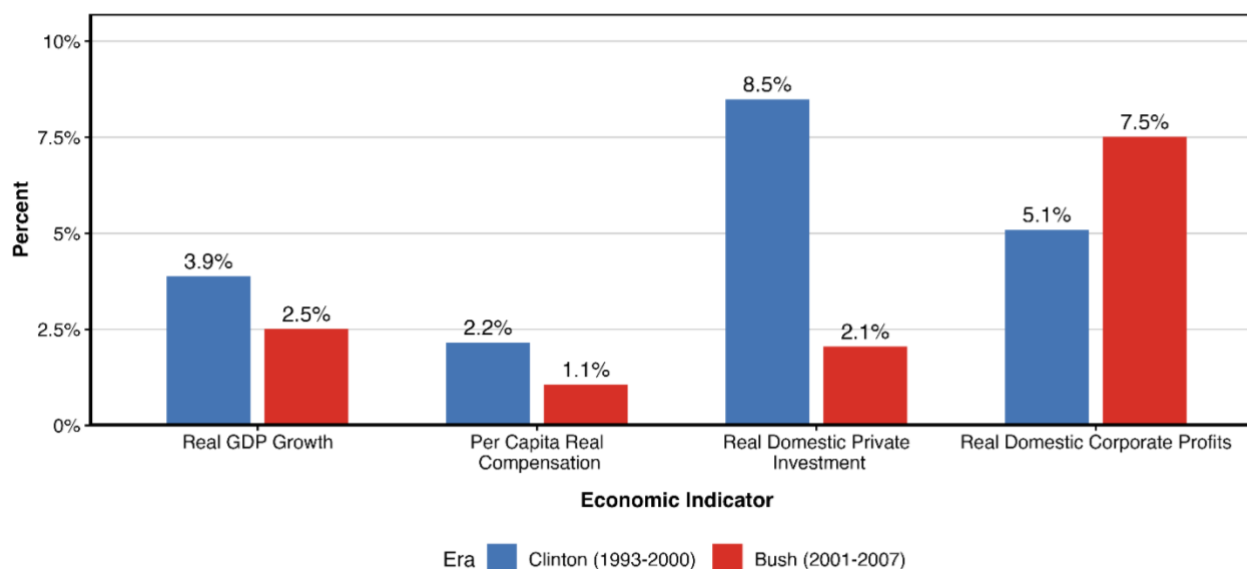
White House's rosy scenario had projected a 4.2% increase in real Gross National Product (GNP) for 1982 with unemployment falling to 7.2%. Instead, GNP declined, unemployment surged to a new postwar high of 10.8%, and private investment dropped, contradicting the argument that tax cuts alone would drive growth.⁸⁶ President Reagan's budget director, former congressman David Stockman, admitted that when the administration's initial projections showed a \$116 billion deficit in 1984 under the proposed tax cuts, he created the "rosy scenario" forecast to make the shortfall appear smaller. He further acknowledged that he had "never believed that just cutting taxes alone [would] cause output and employment to expand."⁸⁷ Confronted with these consequences, President Reagan and Congress reversed course, signing three major tax increases between 1982 and 1984 to contain the growing fiscal imbalance.⁸⁸

Like President Reagan, President George W. Bush cast his tax cuts as a driver of economic growth, claiming they would "create new jobs ... generate new wealth, and ... open new opportunities."⁸⁹ His administration further claimed that the cuts would be "a powerful force in helping to boost long-term growth," asserting that lowering the top marginal rate from 39.6% to 33.0% would reduce the "success tax" on entrepreneurs and spur investment. It also claimed that eliminating the estate tax "will boost risk-taking and wealth creation ... help family businesses, and give seniors renewed incentive to save for their children."⁹⁰ To justify these measures, the White House's Council of Economic Advisers projected that the 2003 tax cuts would jumpstart economic growth and significantly boost employment.⁹¹ Treasury Secretary John Snow testified to Congress that by late 2005 the tax cuts would create "well over 2 million additional jobs" and increase GDP growth by "an additional 1 percent" for two consecutive years.⁹² Supply-side advocates in Congress frequently cited similar job growth statistics in support of the President's proposal.⁹³

Again, these economic promises failed to materialize. By the end of 2004, employment remained millions of jobs below the administration's projections. Although real GDP growth initially outpaced the administration's estimates, it did not reach Secretary Snow's predicted level.⁹⁴ Eventually, as job growth continued to lag behind expectations, the White House abandoned its optimistic projections, and the economy underperformed through the remainder of the Bush Administration.⁹⁵ The result was that between 2001 and 2007, the economy did not match its gains during the Clinton Administration, when significantly higher tax rates were in place, as shown in **Figure 3**.⁹⁶

Figure 3. Economic Performance Before and After the Bush Tax Cuts

Comparing Economic Indicators: Clinton Administration (1993-2000) vs. Bush Administration (2001-2007)



Source: Congressional Budget Office

With the subsequent collapse of the housing market and financial system in 2008, this lackluster growth deteriorated into one of the worst recessions in American history. In that year alone, job losses surpassed 3.5 million and real GDP grew a meager 0.1%.⁹⁷ The following year, an additional 5 million jobs were wiped out as the economy shrank by 2.6%.⁹⁸

In 2017, congressional supply-side advocates worked with President Trump to enact another round of major tax cuts, the Tax Cuts and Jobs Act. The law lowered both income and corporate taxes to create “a tax code built ... for the growth of paycheck, for the growth of local jobs and economy, and the growth of America’s economy.”⁹⁹ The law delivered the supply-side movement’s long-sought goals: permanently cutting the corporate tax rate – which was reduced from 35% to 21%, the largest one-time reduction in U.S. history – while also overhauling the taxation of American companies’ foreign earnings, temporarily allowing companies to fully write off the cost of new equipment, and lowering individual tax rates through 2025.¹⁰⁰

The law’s supporters claimed the new international tax system would encourage multinational corporations to repatriate foreign earnings instead of holding them in overseas tax havens, and this would increase economic growth, job creation, and wages.¹⁰¹ President Trump claimed that economic growth under the law could reach “4, 5, and maybe even 6%” annually, while the White House’s Council of Economic Advisers Chairman Kevin Hassett predicted “very conservatively” that median wages would increase by about \$4,000 per year and possibly up to \$20,000.¹⁰² Treasury Secretary Steve Mnuchin promised that “trillions of dollars will come back on shore and will be reinvested here in the United States, for capital goods and job creation.”¹⁰³ These ambitious economic projections were amplified by the law’s congressional supporters, who enthusiastically endorsed similar claims during floor debates and their public statements.¹⁰⁴

Actual economic and wage growth fell far short of its supporters' exaggerated promises. Real economic growth averaged 2.8% in 2018 and 2019, compared to 2.5% in 2017, and some of this increase was due to an increase in federal spending from the Bipartisan Budget Act of 2018.¹⁰⁵ Instead of a hiring boom, employment growth slowed from an average of 200,000 jobs a month in 2016 and 2017 to 190,000 in 2018 and 168,000 in 2019.¹⁰⁶ Finally, there was no broad-based increase in wage growth. Average pay increased by 3.0% in 2018 and 3.3% in 2019, only slightly higher than the 2.6% increases in 2016 and 2017.¹⁰⁷ For the average full-time worker, this meant an annual raise of \$251 in 2018 and \$675 in 2019 – far below the \$4,000 increase that President Trump's economic advisers predicted "very conservatively."¹⁰⁸

Especially revealing is the level of corporate repatriation of foreign earnings and how those earnings were used. The Trump tax cuts triggered the repatriation of only \$800 billion in overseas profits, a fraction of the trillions that advocates claimed would be repatriated.¹⁰⁹ Instead of using these funds for domestic investment and increasing workers' wages, corporations paid most of the repatriated funds to their shareholders.¹¹⁰ A 2021 Brookings Institution analysis found that 60% of the repatriated funds were used for share repurchases.¹¹¹ In multiple analyses, Congress's own tax experts at the Congressional Research Service (CRS) did not find "significant increase in investment flows from abroad" from the tax cuts and concluded that the funds were "largely used for share repurchases."¹¹² In its most recent summary of the law's economic effects, CRS's experts found "that there were no obvious large increases in macroeconomic variables due to the TCJA's tax changes."¹¹³

Claim: Tax Cuts Benefit Everyone

"Unlike some past 'tax reforms,' this is not merely a shift of wealth between different sets of taxpayers. This proposal for an equal reduction in everyone's tax rates will expand our national prosperity, enlarge national incomes, and increase opportunities for all Americans."

-- President Ronald Reagan, February 18, 1981¹¹⁴

"These are the basic ideas that guide my tax policy: lower income taxes for all, with the greatest help for those most in need. Everyone who pays income taxes benefits – while the highest percentage tax cuts go to the lowest income Americans. I believe this is a formula for continuing the prosperity we've enjoyed, but also expanding it in ways we have yet to discover. It is an economics of inclusion. It is the agenda of a government that knows its limits and shows its heart."

-- President George W. Bush, February 15, 2001¹¹⁵

"[T]he rich will not be gaining at all with this plan. ... It'll be the largest tax decrease in the history of our country for the middle class."

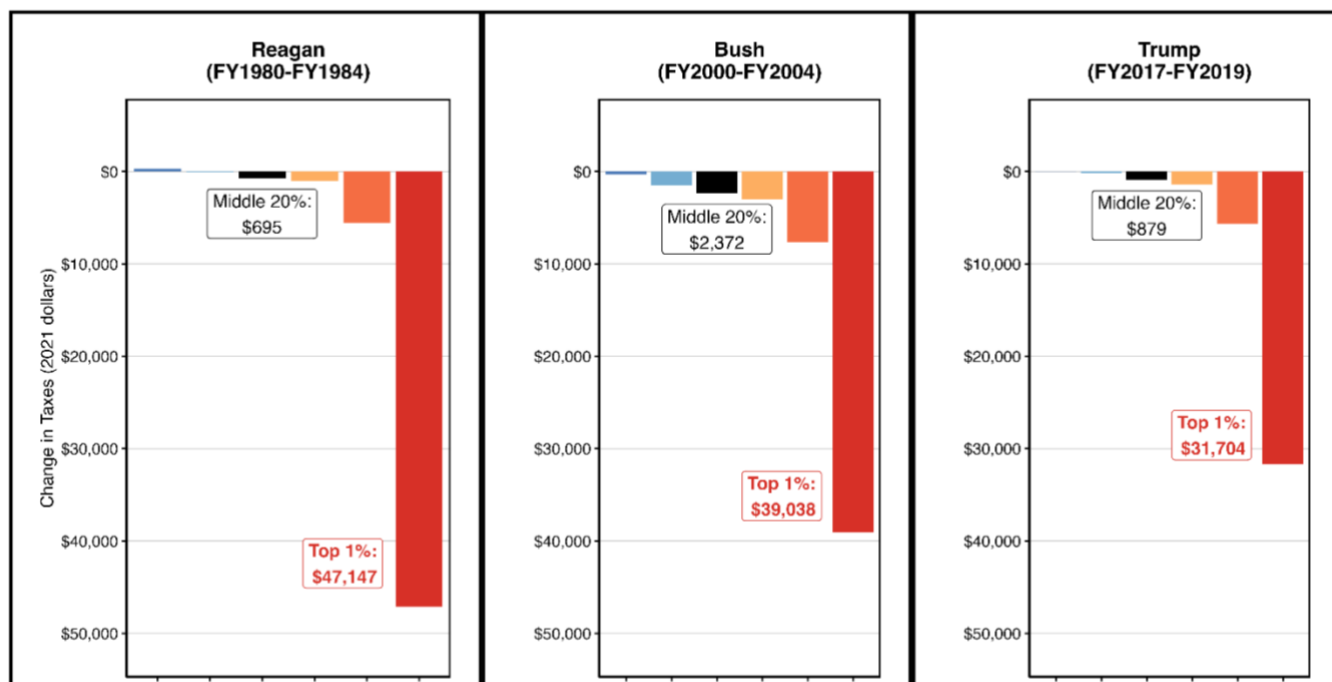
-- President Donald Trump, September 13, 2017¹¹⁶

Presidents Reagan, Bush, and Trump, and tax-cut advocates in Congress consistently promised that their tax cuts would primarily benefit middle-class and lower-income families. In reality, the opposite occurred. The richest 1% of households have captured rewards from each tax cut that dwarf those received by ordinary households.

Figure 4 shows the scale of this disparity. The wealthiest 1% of households saved \$47,147 from the Reagan cuts, \$39,038 from the Bush cuts, and \$31,704 from the Trump cuts. Middle-income households,

however, saved just \$695, \$2,372, and \$879, respectively.¹¹⁷ In each case, the wealthiest Americans received tax cuts 16 to 68 times larger than those received by ordinary Americans.

Figure 4. Impact of Reagan, Bush, and Trump Tax Cuts by Income Group

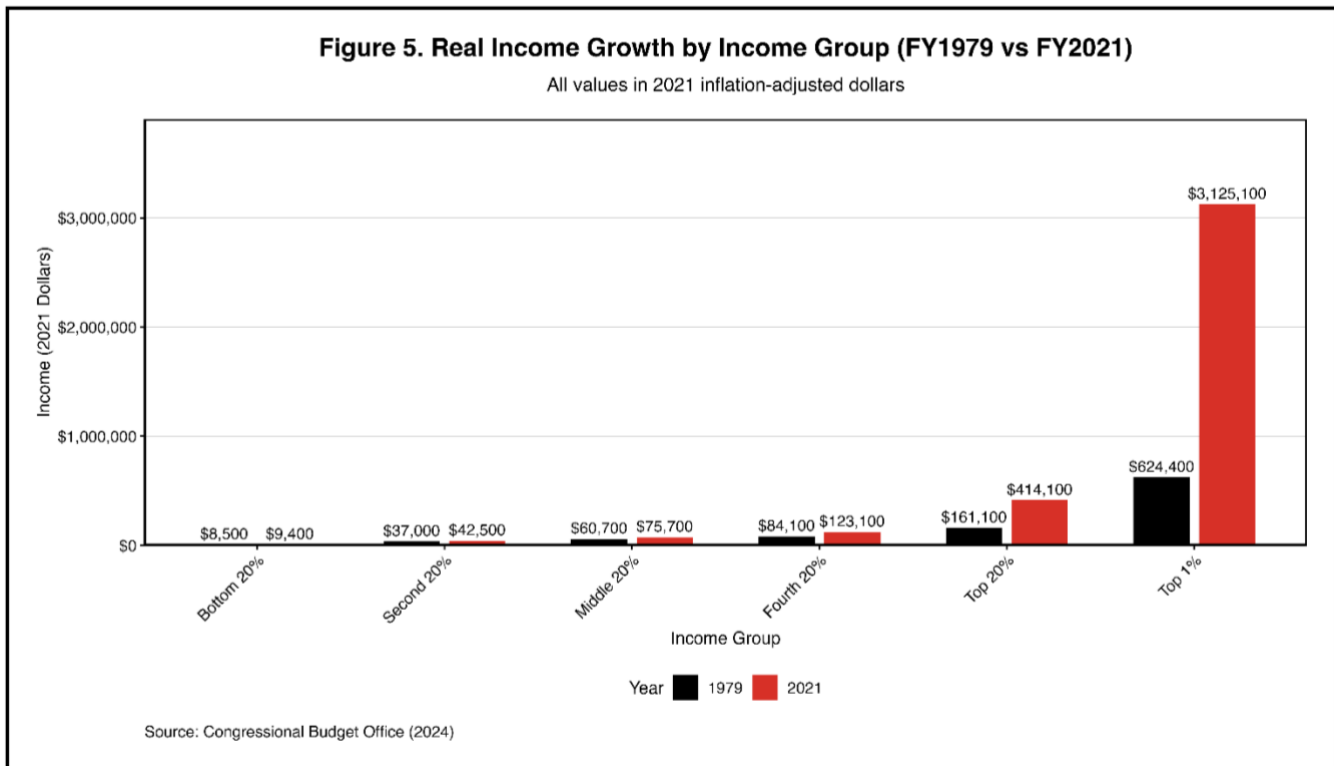


Source: Congressional Budget Office (2024)

Tax cut advocates defended these disproportionate distributional effects by labeling any criticism as “class warfare.” In 1983, Representative Jack Kemp – the main co-sponsor of the 1981 Reagan tax cuts – declared:

“[T]here are two ways to make people equal. We can either make the rich poor or the poor rich. ... I ask Members to reject the idea of pitting the poor against the rich. I ask them to reject the idea of putting the American people and this debate into the terms of class warfare. We have cut the [tax] rates across the board. ... [T]here is a stronger desire for income growth than for redistribution of income.”¹¹⁸

Representative Kemp’s framing was repeated during the debates over the Bush and Trump tax cuts.¹¹⁹ Yet the results have contradicted Kemp’s vision of making the “poor rich.” As shown in **Figure 5**, rather than a rising tide lifting all boats equally, the repeated tax cuts have coincided with a dramatic increase in income inequality. Between fiscal years 1979 and 2021, the average real incomes of the top 1% of Americans increased fivefold, rising from \$624,400 to over \$3.1 million (in 2021 dollars). During this same period, the average income for middle-income Americans (those in the middle 20% of earners) increased by just 25% from \$60,700 to \$75,700. Income for the poorest fifth of households barely budged, increasing by 11% from \$8,500 to \$9,400.¹²⁰



The result is that the wealthiest Americans received three advantages: they more than doubled their share of national after-tax income and accumulated increasing wealth, while paying lower tax rates. In fiscal year 1979, the top 1% received 7.3% of national after-tax income and faced an effective tax rate of 35.1%. By fiscal year 2021, their share of national income had grown to over 16% and their effective tax rate fell to 29.8% – a reduction of 15%.¹²¹ Their average wealth increased from \$13.1 million to \$42.1 million (in 2022 dollars) between fiscal years 1989 and 2022 – an increase of 220%.¹²²

Another rhetorical tactic used to justify the Reagan, Bush, and Trump tax cuts was to portray the tax cuts as necessary to protect the American way of life. The debate over lowering the estate tax exemplifies this approach. By consistently invoking the sympathetic image of family farmers facing financial ruin, tax cut advocates were able to recast estate tax cuts as necessary and fair – even as they increased the estate tax’s exemption from \$625,000 to nearly \$14 million, a 22-fold increase that outpaced median wage growth by 19 times.¹²³

During the 1981 debate, advocates’ arguments were responding to significant economic concerns. Inflation had eroded the value of the estate tax’s exemption during the 1970s, with nearly one in ten estates owing the tax.¹²⁴ Yet as successive tax cuts resolved these concerns, advocates continued to use the same arguments while the tax’s reach narrowed dramatically.¹²⁵

By 2001, only 2.1% of estates faced any tax liability, but that did not deter congressional advocates from claiming the tax was “punishing family farms and ranches from going from one generation to the next generation.”¹²⁶ After the 2001 Bush tax cut had increased the exemption to over \$1.7 million (2025 dollars) and lowered the share of households paying the tax to 1.1% in 2003, another member characterized “the victims of the death tax” as “hardworking Americans of medium-sized estates, farmers and small business owners.”¹²⁷ By 2017, the estate tax affected just 0.21% of estates – roughly

one in five hundred – yet Senator Pat Roberts argued that doubling the exemption to \$11 million was essential because “landowning, cash-constrained farmers ... can hit this exemption amount quickly” and without it, farmers would be “taxed out of business.”¹²⁸

In fact, a vanishingly small number of farm operators are subject to the estate tax.¹²⁹ Among those who pay the tax, finance executives and professionals dominate, accounting for 36% of returns and 39% of total estate value, while farmers, fishers, and foresters comprised just 4% of those paying the tax.¹³⁰ By 2024, the USDA's Economic Research Service estimated that only 0.3% of farm operators would face any estate tax liability.¹³¹

As the estate tax example illustrates, the Reagan, Bush, and Trump tax cuts did the opposite of what proponents argued. Rather than lifting up average Americans, they contributed to the concentration of income and wealth among the wealthiest households. Warren Buffett, one of the richest men in America, provided a pithy and accurate assessment of the impacts: “There's class warfare, all right, but it's my class, the rich class, that's making war, and we're winning.”¹³²

Conclusion

As Congress debates extending the 2017 tax cuts, supporters are making the same three arguments advanced during the 1981, 2001, 2003, and 2017 tax debates: the cuts will pay for themselves, generate substantial economic growth, and primarily benefit working families.

For example, Speaker Mike Johnson has claimed the legislation will more than pay for itself: “I am telling you, this is going to reduce the deficit. ... [W]e are going to spur on tremendous economic growth here.”¹³³

The White House Council of Economic Advisers has projected that extending the Trump tax cuts will “result in 3.0 percent annual real GDP growth rates over the next 10 years.”¹³⁴

And Ways & Means Chairman Jason Smith has argued that “waitresses, mechanics, nurses, and farmers are the winners of this tax bill,” projecting that increased GDP growth “will translate to \$4,500 of more income for the average family.”¹³⁵

The historical record, however, shows that the Reagan, Bush, and Trump tax cuts have not paid for themselves. To the contrary, tax cuts since 1981 have reduced revenues by \$10.4 trillion compared to CBO's baseline projections.¹³⁶ They have not spurred the level of economic growth promised by their advocates. Instead, they predominantly benefited the wealthy: the top 1% received average tax cuts 68 times larger than those for middle-income households under Reagan, 16 times larger under Bush, and 36 times larger under Trump.¹³⁷

This record reveals a consistent pattern. The tax cuts did not deliver on the promises of their advocates. In fact, they often achieved exactly the opposite, worsening the debt and exacerbating income inequality. Understanding this history may be useful in evaluating the claims now being made as lawmakers debate a new round of major tax cuts.

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- ² W. Elliot Brownlee, *Federal Taxation in America: A History*, Chapters 2 and 3 (2016) (<https://archive.org/details/federaltaxationi0000brow>).
- ³ W. Elliot Brownlee, *Federal Taxation in America: A History*, pages 89-92 (2016) (<https://archive.org/details/federaltaxationi0000brow>).
- ⁴ Internal Revenue Service, *U.S. Individual Income Tax: Personal Exemptions and Lowest and Highest Bracket Tax Rates, and Tax Base for Regular Tax* (March 17, 2025) (<https://www.irs.gov/statistics/soi-tax-stats-historical-table-23>) (historical individual tax income brackets and rates); Internal Revenue Service, *Corporation Income Tax Brackets and Rates, 1909-2002* (<https://www.irs.gov/pub/irs-soi/02corate.pdf>) (historical corporate rates and brackets); Internal Revenue Service, *Statistics of Income: Summary of Corporation Income and Tax by Years*, page 40 (1929) (https://fraser.stlouisfed.org/files/docs/publications/income/income_1927.pdf) (percentage of corporations subject to tax); Social Security Administration, *Social Security & Medicare Tax Rates* (<https://www.ssa.gov/oact/progdata/taxRates.html>) (historical payroll tax rates).
- ⁵ Between fiscal years 1946 and 1964, revenues as a percent of Gross Domestic Product (GDP) ranged between 14.2% and 18.5%, while federal debt held by the public decreased from 106.1% of GDP to 38.8%, even as the amount of debt held by the public increased from \$242 billion to \$257 billion. See, White House Office of Management and Budget, *Historical Tables 1.2 and 7.1* (<https://www.govinfo.gov/app/details/BUDGET-2025-TAB/context>).
- ⁶ Tax Notes, *Timelines in Tax History: The Korean War* (October 3, 2022) (<https://www.taxnotes.com/tax-history-project/timelines-tax-history-korean-war/2022/09/30/7f6k2>); Tax Notes, *Timelines in Tax History: Guns, Butter, and the Vietnam War Tax Surcharge* (January 16, 2023) (<https://www.taxnotes.com/tax-history-project/timelines-tax-history-guns-butter-and-vietnam-war-tax-surcharge/2023/01/13/7fv5l>).
- ⁷ Charles L.B. Lowndes, *The Revenue Act of 1964: A Critical Analysis*, Duke Law Journal (Autumn 1964) (<https://scholarship.law.duke.edu/cgi/viewcontent.cgi?article=1940&context=dlj>).
- ⁸ University of California Santa Barbara's American Presidency Project, *John F. Kennedy: Address and Question and Answer Period at the Economic Club of New York* (December 14, 1962) (<https://www.presidency.ucsb.edu/documents/address-and-question-and-answer-period-the-economic-club-new-york>); University of California Santa Barbara's American Presidency Project, *Lyndon B. Johnson: Radio and Television Remarks Upon Signing the Tax Bill* (February 26, 1964) (<https://www.presidency.ucsb.edu/documents/radio-and-television-remarks-upon-signing-the-tax-bill>); W. Elliot Brownlee, *Federal Taxation in America: A History*, pages 149-172 (2016) (<https://archive.org/details/federaltaxationi0000brow>).
- ⁹ U.S. Department of the Treasury, Office of Tax Analysis, *Revenue Effects of Major Tax Bills* (revised September 2006) (<https://home.treasury.gov/system/files/131/WP-81.pdf>); University of California Santa Barbara's American Presidency Project, *Richard Nixon: Statement on Signing the Tax Reform Act of 1969* (December 30, 1969) (<https://www.presidency.ucsb.edu/documents/statement-signing-the-tax-reform-act-1969>); University of California Santa Barbara's American Presidency Project, *Richard Nixon: Remarks on Signing the Revenue Act of 1971* (December 10, 1971) (<https://www.presidency.ucsb.edu/documents/remarks-signing-the-revenue-act-1971>); University of California Santa Barbara's American Presidency Project, *Gerald Ford: Address to the Nation Upon Signing the Tax Reduction Act of 1975* (March 29, 1975) (<https://www.presidency.ucsb.edu/documents/address-the-nation-upon-signing-the-tax-reduction-act-1975>); University of California Santa Barbara's American Presidency Project, *Jimmy Carter: Remarks on Signing Tax and Drought Relief Bills Into Law* (May 23, 1977) (<https://www.presidency.ucsb.edu/documents/remarks-signing-tax-and-drought-relief-bills-into-law>); University of California Santa Barbara's American Presidency Project, *Jimmy Carter: Tax Reduction and Reform Message to the Congress* (January 20, 1978) (<https://www.presidency.ucsb.edu/documents/tax-reduction-and-reform-message-the-congress>).
- ¹⁰ Michael Bryan, *The Great Inflation: 1965-1982*, Federal Reserve Bank of Atlanta (<https://www.federalreservehistory.org/essays/great-inflation>).
- ¹¹ New York Times, *2 Republicans Plan A New Tax Cut Bill* (January 11, 1979) (<https://www.nytimes.com/1979/01/11/archives/2-republicans-plan-a-new-taxcut-bill-kemp-and-roth-also-say-they.html>); Congressional Budget Office, *An Analysis of the Roth-Kemp Tax Cut Proposal* (October 1978) (https://www.cbo.gov/sites/default/files/95th-congress-1977-1978/reports/78-cbo-053_0.pdf).
- ¹² Monica Prasad, *Starving the Beast: Ronald Reagan and the Tax Cut Revolution*, Chapter 5 (2018).
- ¹³ Washington Post, *Speaker Opposes Capital Gains Cut: 'It Goes Too Far'* (July 25, 1978) (<https://www.washingtonpost.com/archive/politics/1978/07/25/speaker-opposes-capital-gains-cut-it-goes-too-far/65f7a994-1f2c-4a8e-a988-95087ad46f4e/>); New York Times, *Democrats Seeking to Stem G.O.P. Tax-Cut Moves* (August 1, 1978) (<https://www.nytimes.com/1978/08/01/archives/democrats-seeking-to-stem-gop-taxcut-moves-democratic-tax>).

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¹⁴ Joint Committee on Taxation, *General Explanation Of The Economic Recovery Tax Act Of 1981* (December 19, 1981) (<https://www.jct.gov/publications/1981/jcs-71-81/>) (summary of 1981 law); U.S. Department of the Treasury, *Revenue Effects of Major Tax Bills* (revised September 2006) (<https://home.treasury.gov/system/files/131/WP-81.pdf>); U.S. Department of the Treasury, *Revenue Effects of Major Tax Bills Updated Tables for all 2012 Bills* (February 2013) (<https://home.treasury.gov/system/files/131/WP81-Table2013.pdf>) (historical comparison of tax legislation); Congressional Budget Office, *Revenue Projections, by Category, January 2025, Legislation (Pct of GDP)* (January 2025) (<https://www.cbo.gov/data/budget-economic-data>).

¹⁵ Joint Committee on Taxation, *General Explanation of the Economic Recovery Tax Act of 1981*, pages 5-15 (December 29, 1981) (<https://www.jct.gov/getattachment/d44df064-f7c8-444a-9c57-68d03522feed/s-71-81-2397.pdf>). In addition to ERTA, Congress simultaneously considered the Omnibus Budget Reconciliation Act of 1981, which reduced funding for a range of federal programs. See, Congress.gov, *H.R. 3982 – Omnibus Budget Reconciliation Act of 1981 (P.L. 97-35)* (<https://www.congress.gov/bill/97th-congress/house-bill/3982>).

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¹⁷ Joint Committee on Taxation, *General Explanation of the Tax Reform Act of 1986* (May 15, 1987) (<https://www.jct.gov/publications/1987/jcs-10-87/>); C. Eugene Steuerle, *Contemporary U.S. Tax Policy*, Chapter 7 (2004) (<https://archive.org/details/contemporaryusta0000steu/page/n9/mode/2up>); W. Elliot Brownlee, *Federal Taxation in America: A History*, Chapter 7 (2016) (<https://archive.org/details/federaltaxationi0000brow>).

¹⁸ Congress.gov, *H.R. 3545 – Omnibus Budget Reconciliation Act of 1987 (P.L. 100-203)* (<https://www.congress.gov/bill/100th-congress/house-bill/3545>); Congress.gov, *H.R. 3299 – Omnibus Budget Reconciliation Act of 1989 (P.L. 101-239)* (<https://www.congress.gov/bill/101st-congress/house-bill/3299>).

¹⁹ C. Eugene Steuerle, *Contemporary U.S. Tax Policy*, Chapter 8 (2004) (<https://archive.org/details/contemporaryusta0000steu/page/n11/mode/2up>); Congress.gov, *H.R. 5835 Omnibus Budget Reconciliation Act of 1990 (P.L. 101-508)* (<https://www.congress.gov/bill/101st-congress/house-bill/5835>).

²⁰ C. Eugene Steuerle, *Contemporary U.S. Tax Policy*, Chapter 9 (2004) (<https://archive.org/details/contemporaryusta0000steu/page/n11/mode/2up>); Congress.gov, *H.R. 2264 – Omnibus Budget Reconciliation Act of 1993 (P.L. 103-66)* (<https://www.congress.gov/bill/103rd-congress/house-bill/2264>).

²¹ Tax Notes, *Social Policy, Supply-Side, and Fundamental Reform: Republican Tax Policy, 1994-2004*, pages 687-688 (November 1, 2004) (<https://www.cato.org/sites/cato.org/files/articles/edwards-tax-notes-gop.pdf>).

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²³ White House Office of Management and Budget, *Historical Table 1.2* (<https://www.govinfo.gov/app/details/BUDGET-2025-TAB/context>).

²⁴ Tax Notes, *Social Policy, Supply-Side, and Fundamental Reform: Republican Tax Policy, 1994-2004*, page 688 (November 1, 2004) (<https://www.cato.org/sites/cato.org/files/articles/edwards-tax-notes-gop.pdf>) (intent to balance budget); Congressional Budget Office, *Budgetary Implications of the Balanced Budget Act of 1997* (December 1997) (<https://www.cbo.gov/sites/default/files/105th-congress-1997-1998/reports/bba-97.pdf>) (budget agreement compromise).

²⁵ White House Office of Management and Budget, *Historical Table 1.1* (<https://www.govinfo.gov/app/details/BUDGET-2025-TAB/context>).

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vetoed a bill that would have repealed the estate tax. Congress.gov, *H.R. 8 – Death Tax Elimination Act of 2000* (<https://www.congress.gov/bill/106th-congress/house-bill/8>).

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³⁵ Internal Revenue Service, *Individual Income Tax Shares, 2012*, Table 1 (2015) (<https://www.irs.gov/pub/irs-soi/soi-a-ints-id1506.pdf>).

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⁸⁴ Rep. Jack Kemp: "I believe in full employment without inflation ... and I reject the tradeoff between jobs and inflation. ... [W]e will never stop inflation until we get all Americans back to work. I am convinced President Reagan agrees and is courageously changing the Nation's economic agenda to get us moving again toward that goal." *Congressional Record*, page 8519 (May 5, 1981) (<https://www.congress.gov/97/crecb/1981/05/05/GPO-CRECB-1981-pt7-1-2.pdf>). Senator Robert Kasten: "The best way to increase the rate of savings in this country is to reduce the marginal tax rate on the next dollar of interest or dividend income an individual earns. ... It is time to reject the failed economic policies of the past, and to move into a hopeful new era of growth and prosperity." *Congressional Record*, page 17972 (July 29, 1981) (<https://www.congress.gov/97/crecb/1981/07/29/GPO-CRECB-1981-pt14-1-1.pdf>). Senator William Roth: "Unless tax rates are reduced and the growth of Federal spending is restrained, the economy faces continued inflation and recession. The high rates of taxation now imposed on the American people are strangling economic growth, choking off private initiative, pushing up prices, and retarding the savings and investments needed to increase productivity and create new jobs. The Reagan tax cut proposal will reduce the tax drag on the economy and increase the incentives to work, save, invest, and produce."

Congressional Record, page 9202, (May 11, 1981) (<https://www.congress.gov/97/crecb/1981/05/11/GPO-CRECB-1981-pt7-5-1.pdf>).

⁸⁵ Federal Reserve, *Recession of 1981-82*, (November 22, 2013) (<https://www.federalreservehistory.org/essays/recession-of-1981-82>).

⁸⁶ The White House, *America's New Beginning: A Program for Economic Recovery*, pages 24-25 (February 18, 1981) (<https://fraser.stlouisfed.org/title/america-s-new-beginning-1221>) (economic projections); Paul O. Flaim, Bureau of Labor Statistics, *Unemployment in 1982: The Cost to Workers and Their Families*, page 30 (February 1984) (<https://www.bls.gov/opub/mlr/1984/02/art4full.pdf>) (unemployment rate); Congressional Budget Office, *Historical Data and Economic Projections* (January 2025) (<https://www.cbo.gov/data/budget-economic-data>) (calendar year change in real GNP, real gross private domestic investment). Note: Gross National Product measures the value of all goods and services produced by a country's citizens domestically and abroad, and it was the primary measure of U.S. production before 1991, when it was replaced by gross domestic product – the value of goods and services produced within a country's borders, regardless of who produces them. See Bureau of Economic Analysis, *Gross National Product* (April 13, 2018) (<https://www.bea.gov/help/glossary/gross-national-product-gnp>).

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⁸⁸ C. Eugene Steuerle, *Contemporary U.S. Tax Policy*, Chapter 6 (2004) (<https://archive.org/details/contemporaryusta0000steu/page/n9/mode/2up>).

⁸⁹ President George W. Bush, *Remarks to the United States Chamber of Commerce* (April 16, 2001) (<https://www.presidency.ucsb.edu/documents/remarks-the-united-states-chamber-commerce-3>).

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Congressional tax cut advocates echoed the administration's arguments. See Rep. Patrick Toomey, *Congressional Record*, page 2028 (May 9, 2001) (<https://www.congress.gov/107/crec/2001/05/09/CREC-2001-05-09-house.pdf>); Rep. Mike Pence, *Congressional Record*, pages 210-212 (February 7, 2001) (<https://www.congress.gov/107/crec/2001/02/07/CREC-2001-02-07-house.pdf>).

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⁹³ Over a dozen members touted potential job gains from the tax cuts. For example, Rep. Rob Portman: "One thing that excites me about this bill is it will create 1.2 million new jobs by the end of next year, including over 34,000 new jobs in the State of Ohio." *Congressional Record*, page H3920 (May 9, 2003) (<https://www.congress.gov/108/crec/2003/05/09/CREC-2003-05-09-house.pdf>); Rep. Denny Rehberg: "[T]he House Jobs and Growth Tax Act will create an estimated 1.2 million jobs by the end of 2004. That translates into 2,700 jobs for Montanans this year, another 2,500 next year." *Congressional Record*, page H3862 (May 9, 2003) (<https://www.congress.gov/108/crec/2003/05/09/CREC-2003-05-09-house.pdf>); Rep. Jeb Hensarling: "Republicans have a plan to create more jobs. The Republican plan will create 1.2 million new jobs by the end of 2004 alone." *Congressional Record*, page H3881 (May 9, 2003) (<https://www.congress.gov/108/crec/2003/05/09/CREC-2003-05-09-house.pdf>).

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equals total compensation adjusted by the Personal Consumption Expenditures index divided by the number civilian workers aged 16 and older.

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¹¹³ Congressional Research Service, *Economic Effects of the Tax Cuts and Jobs Act*, page 8 (April 7, 2025) (<https://www.congress.gov/crs-product/R48485>).

¹¹⁴ Ronald Reagan Presidential Library and Museum, *Address Before a Joint Session of Congress on the Program for Economic Recovery* (February 18, 1981) (<https://www.reaganlibrary.gov/archives/speech/address-joint-session-congress-program-economic-recovery-february-1981>).

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¹¹⁷ Figure 4 estimates tax cut benefits by comparing actual taxes paid to a counterfactual scenario. Using Congressional Budget Office income and tax data, the amount of taxes that each income group would have paid without the Reagan, Bush, and Trump tax cuts are calculated. For each income group, the average federal tax rate from the year before each tax cut is multiplied by the average pre-tax, pre-transfer income in the year after each tax cut. The difference between this counterfactual tax burden and actual taxes paid represents the benefit from each tax cut. Benefits are shown as negative values to indicate tax savings. All dollar amounts are in 2021 dollars.

This approach captures the combined effect of changes in income, payroll, corporate, and excise taxes. But it does not account for behavioral responses and macroeconomic effects. Income groups represent quintiles of the income distribution, ranked by their market income, with the top 1% shown separately. Market income includes labor income, business income, capital income (including capital gains), income from retirement based on past employment, and other nongovernmental sources of income. Congressional Budget Office, *The Distribution of Household Income in 2021* (September 11, 2024) (<https://www.cbo.gov/publication/60341>).

¹¹⁸ Rep. Jack Kemp, *Congressional Record*, pages 17143-17144 (June 23, 1983) (<https://www.congress.gov/98/crecb/1983/06/23/GPO-CRECB-1983-pt13-1-2.pdf>).

¹¹⁹ Senator Phil Gramm: "This is not a debate about taxes, this is a debate about class warfare. I do not understand how people can love jobs and yet hate the process that creates those jobs. If America is going to be saved, it is going to be saved at a profit, and I am not going to apologize for trying to provide incentives to create jobs, growth, and opportunity in America. ... I am not going to apologize for the fact that when 20 percent of the people pay 80 percent of the taxes, when you are going to do a tax cut, that 20 percent is going to get a bigger tax cut." *Congressional Record*, page S6418 (June 26, 1997) (<https://www.govinfo.gov/content/pkg/CREC-1997-06-26/pdf/CREC-1997-06-26-senate.pdf>). Senator Rick Santorum: [T]his idea of class warfare; that somehow or another, if you have worked hard and you have been successful starting a business or creating a company ... you should be punished and should be paying exorbitantly more than people who have not been as successful. ... Under the Bush proposal, they get proportionately more money. But somehow they [tax cut critics] argue they are undeserving ... They pay the vast majority of taxes, but they need to pay more, and they don't deserve relief because they have money." *Congressional Record*, page S1364 (February 14, 2001) (<https://www.govinfo.gov/content/pkg/CREC-2001-02-14/pdf/CREC-2001-02-14-senate.pdf>); Speaker of the House Paul Ryan: "Put the class warfare aside ... We're going to lower taxes for middle class taxpayers, we're going to make it easier for families living paycheck to paycheck to finance their lives, and we're going to make taxes better for businesses so we can keep businesses and jobs in America." Wisconsin Public Radio, *Paul Ryan Defends Tax Proposal, Health Insurance Subsidy Cut* (October 16, 2017) (<https://www.wpr.org/economy/paul-ryan-defends-tax-proposal-health-insurance-subsidy-cut>); Rep. Jeb Hensarling: "All my friends on the other side of the aisle can

offer is the politics of division, envy, and class warfare. I am proud to support the Tax Cuts and Jobs Act because it is all about better jobs, fair taxes, and bigger paychecks.” *Congressional Record*, page H9387 (November 16, 2017) (<https://www.congress.gov/115/crec/2017/11/16/CREC-2017-11-16-house.pdf>).

¹²⁰ Dollar amounts represent pre-tax market income, which includes labor income, business income, capital income (including capital gains), income from retirement based on past employment, and other nongovernmental sources of income. See Congressional Budget Office, *The Distribution of Household Income in 2021* (September 11, 2024) (<https://www.cbo.gov/publication/60341>).

¹²¹ Congressional Budget Office, *The Distribution of Household Income in 2021* (September 11, 2024) (<https://www.cbo.gov/publication/60341>).

¹²² Congressional Budget Office, *Trends in the Distribution of Family Wealth, 1989 to 2022*, pages 5 and 35 (October 2, 2024) (<https://www.cbo.gov/publication/60343>) (total wealth, top 1% share of total wealth with scheduled Social Security benefits); Congressional Budget Office, *Historical Data and Economic Projection* (January 2025) (<https://www.cbo.gov/data/budget-economic-data>) (number of households). Note: average wealth of the top 1% was calculated by multiplying total wealth shown on page 5 by the top 1% share of wealth of total wealth with scheduled Social Security benefits. These totals were divided by 1% of the number of households in 1989 and 2022 in CBO’s historical data. This calculation does not account for households who are not covered by Social Security, which lowers the estimated average levels of wealth.

¹²³ Internal Revenue Service, *The Estate Tax: Ninety Years and Counting, Figure D* (<https://www.irs.gov/pub/irs-soi/ninetyestate.pdf>) (historical estate tax exemption amounts); Internal Revenue Service, *Estate Tax* (October 29, 2024) (<https://www.irs.gov/businesses/small-businesses-self-employed/estate-tax>) (current estate tax exemption); U.S. Bureau of Labor Statistics, *Consumer Price Index for All Urban Consumers: All Items in U.S. City Average [CPIAUCSL]* (accessed on June 5, 2025) (<https://fred.stlouisfed.org/series/CPIAUCSL>) (inflation); U.S. Bureau of Labor Statistics, *Employed Full Time: Median Usual Weekly Real Earnings: Wage and Salary Workers: 16 Years and Over [LES1252881600Q]*, Federal Reserve Bank of St. Louis (accessed on June 5, 2025) (<https://fred.stlouisfed.org/series/LES1252881600Q>) (change in median weekly real earnings growth). To calculate the comparison between the estate tax’s exemption and median weekly earnings, the increase in the estate tax’s exemption from 1980 to 2025 was adjusted for inflation using the ratio of the average Consumer Price Index for all Urban Consumers (CPI-U) in 2025 (Jan.-Apr.) to the annual average of the 1980 CPI-U. Second, the increase in the exemption was calculated by dividing the 2025 exemption by the real value of the 1980 exemption. Third, growth in real earnings for the median worker was calculated by dividing first quarter 2025 earnings by the annual average of 1980 earnings. Finally, the relative growth rate was calculated by dividing the increase in the exemption’s value by the increase in real median earnings.

¹²⁴ Internal Revenue Service, *Taxable Estate Tax Returns as a Percentage of Adult Deaths, Selected Years of Death* (September 9, 2024) (<https://www.irs.gov/statistics/soi-tax-stats-historical-table-17>).

¹²⁵ In addition to the Reagan, Bush, and Trump tax cuts, the Taxpayer Relief Act of 1997 also modified the estate tax, gradually increasing its exemption from \$600,000 to \$1,000,000 by 2006. See Congressional Research Service, *The Taxpayer Relief Act of 1997: An Overview* (Updated October 17, 1997) (<https://www.everycrsreport.com/reports/97-854.html>).

¹²⁶ Internal Revenue Service, *Taxable Estate Tax Returns as a Percentage of Adult Deaths, Selected Years of Death* (September 9, 2024) (<https://www.irs.gov/statistics/soi-tax-stats-historical-table-17>) (2001 estate tax exemption); Rep. Scott McInnis, *Congressional Record*, page H866 (March 13, 2001), (<https://www.congress.gov/107/crec/2001/03/13/CREC-2001-03-13-house.pdf>).

¹²⁷ Internal Revenue Service, *The Estate Tax: Ninety Years and Counting, Figure D* (<https://www.irs.gov/pub/irs-soi/ninetyestate.pdf>) (2003 estate tax exemption, adjusted using CPI-U from January 2003); U.S. Bureau of Labor Statistics, *Consumer Price Index for All Urban Consumers: All Items in U.S. City Average [CPIAUCSL]* (accessed on June 5, 2025) (<https://fred.stlouisfed.org/series/CPIAUCSL>) (inflation of 2003 exemption between January 2003 and April 2025); Internal Revenue Service, *Taxable Estate Tax Returns as a Percentage of Adult Deaths, Selected Years of Death* (September 9, 2024) (<https://www.irs.gov/statistics/soi-tax-stats-historical-table-17>); Rep. Thomas Reynolds, *Congressional Record*, page H5476 (June 18, 2003) (<https://www.congress.gov/108/crec/2003/06/18/CREC-2003-06-18-house.pdf>).

¹²⁸ Internal Revenue Service, *Taxable Estate Tax Returns as a Percentage of Adult Deaths, Selected Years of Death* (September 9, 2024) (<https://www.irs.gov/statistics/soi-tax-stats-historical-table-17>) (2017 estate tax exemption); Senator Pat Roberts, *Congressional Record*, page S7525 (November 30, 2017) (<https://www.congress.gov/115/crec/2017/11/30/CREC-2017-11-30-pt1-PgS7508-4.pdf>).

¹²⁹ Internal Revenue Service, *Taxable Estate Tax Returns as a Percentage of Adult Deaths, Selected Years of Death* (September 9, 2024) (<https://www.irs.gov/statistics/soi-tax-stats-historical-table-17>).

¹³⁰ Internal Revenue Service, *SOI Tax Stats – Estate Tax Filing Year Tables*, Table 5 (2022) (October 7, 2024) (<https://www.irs.gov/statistics/soi-tax-stats-estate-tax-filing-year-tables>). The 36% of returns and 39% of estate value

attributed to finance executives and professionals is the combined totals for decedents classified under “Management” and “Business and Financial Operations.” See U.S. Bureau of Labor Statistics, *2018 Standard Occupational Classification System* (https://www.bls.gov/soc/2018/major_groups.htm).

¹³¹ U.S. Department of Agriculture, *Federal Tax Issues – Federal Estate Tax* (updated May 23, 2025) (<https://www.ers.usda.gov/topics/farm-economy/federal-tax-issues/federal-estate-taxes>).

¹³² New York Times, *In Class Warfare, Guess Which Class Is Winning* (November 26, 2006) (<https://www.nytimes.com/2006/11/26/business/yourmoney/in-class-warfare-guess-which-class-is-winning.html>).

¹³³ NBC News, *Meet the Press* (June 1, 2025) (<https://www.nbcnews.com/meet-the-press/june-1-2025-n1312211>).

¹³⁴ White House Council of Economic Advisers, *The Economic Impact of Extending the Tax Cuts and Jobs Act* (April 2025) (<https://www.whitehouse.gov/wp-content/uploads/2025/03/Economic-Impact-of-Extending-TCJA-Provisions.pdf>) (the projected 3.0% GDP growth rate includes the effects of additional executive branch policies, which CEA estimates will increase GDP growth by 0.1-0.2%).

¹³⁵ Rep. Jason Smith, *Chairman Smith Opening Statement: Delivering Historic Tax Relief to Working Families, Farmers, and Small Businesses* (May 13, 2025) (<https://waysandmeans.house.gov/2025/05/13/chairman-smith-opening-statement-waitresses-mechanics-nurses-and-farmers-are-the-winners-of-this-tax-bill/>).

¹³⁶ Congressional Budget Office, *Evaluating CBO’s Projections of Components of the Federal Budget* (January 2025) (<https://github.com/US-CBO/eval-projections?tab=readme-ov-file-readme>); Congressional Budget Office, *The Economic and Budget Outlook: Fiscal Years 1986-1990*, Table D-3 (February 1985) (<https://www.cbo.gov/sites/default/files/99th-congress-1985-1986/reports/85-cbo-001.pdf-page=4>). See, *supra* note 70 for more information.

¹³⁷ Congressional Budget Office, *The Distribution of Household Income in 2021* (September 11, 2024) (<https://www.cbo.gov/publication/60341>). See, *supra* note 117 for more information.