

# The Impact of Tariffs and Tax Cuts in the Average Congressional District

Economic policy under the Trump Administration has two main components: (1) the budget law (Public Law 119-21) that Congress passed and President Trump signed into law on July 4, 2025, and (2) the new tariffs that the Trump Administration has unilaterally imposed on U.S. trading partners. According to President Trump, these two policies are connected because “[u]nder the American first economic model, as tariffs on other countries go up, taxes ... will come down.”

This economic policy affects nearly all Americans. In the average congressional district:

- **99%** of families will lose money because of the tariffs and the budget law.
- The costs to these families from higher prices due to tariffs, reduced healthcare coverage, and lost food assistance outweigh the benefits of any tax reduction in the budget bill. On average, the adversely affected families will **lose nearly \$2,000 annually** under the Trump economic policy in effect on October 1.

While nearly all families in the district are worse off under Trump’s economic policy, Wall Street executives and others making over \$1 million annually will receive over **\$130 billion** in new tax breaks between 2027 and 2033.

## Background

### The Trump Budget Law

On July 4, 2025, President Trump signed H.R. 1, the budget reconciliation bill, into law. This legislation has three major elements: (1) \$700 billion in new tax reductions that primarily benefit wealthy households, (2) \$1.1 trillion in spending cuts that primarily affect working families, and (3) a \$3.8 trillion extension of Trump’s 2017 tax cuts.<sup>1</sup> When the Senate considered the budget bill, the Senate directed that its tax provisions be measured against a “current policy baseline” that assumed the 2017 tax cuts would continue beyond their

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<sup>1</sup> Joint Committee on Taxation, *Estimated Revenue Effects Relative To The Current Policy Baseline Of The Tax Provisions In “Title VII – Finance” Of The Substitute Legislation As Passed By The Senate To Provide For Reconciliation Of The Fiscal Year 2025 Budget* (July 1, 2025) (<https://www.jct.gov/publications/2025/jcx-34-25/>) (\$700 billion revenue reduction, current policy baseline); Congressional Budget Office, *Estimated Budgetary Effects of Public Law 119-21, to Provide for Reconciliation Pursuant to Title II of H. Con. Res. 14, Relative to CBO’s January 2025 Baseline* (July 21, 2025) (<https://www.cbo.gov/publication/61570>) (\$1.1 trillion spending reduction, enacted legislation); Joint Committee on Taxation, *Estimated Revenue Effects Relative To The Present Law Baseline Of The Tax Provisions In “Title VII – Finance” Of The Substitute Legislation As Passed By The Senate To Provide For Reconciliation Of The Fiscal Year 2025 Budget* (July 1, 2025) (<https://www.jct.gov/publications/2025/jcx-35-25/>) (\$4.5 trillion revenue reduction, current law baseline).

scheduled 2026 expiration. Under this approach, the \$3.8 trillion cost of the extension was excluded from the law's budget calculations. This analysis uses the same approach for measuring the law's tax provisions because the extension of the 2017 tax cuts does not change how much families will owe in taxes compared to prior years. This allows the analysis to focus on the policies in the budget reconciliation law that increase or decrease the costs faced by families in the average congressional district.

The new tax cuts in the legislation primarily benefit the wealthiest families. According to the Joint Committee on Taxation:

- Households earning over \$1 million per year will receive \$131.6 billion in tax cuts from 2027 to 2033, which is 30% of the law's new tax benefits.
- Households earning over \$2 million per year—the top 0.1%—will receive \$78.3 billion over the same period, representing 18% of the new tax benefits. The average tax savings for these households will be over \$100,000 in 2027.
- The bottom 20% of families will receive an average annual tax *increase* of \$229 from 2027 to 2033.<sup>2</sup>

The spending cuts in the legislation will adversely affect tens of millions of Americans and many businesses. Over ten years, the law will cut nearly \$1 trillion from Medicaid, the healthcare program that covers 83 million Americans, including 28 million children, 11 million disabled Americans, and 8 million seniors.<sup>3</sup> Two-thirds of Medicaid's total spending pays for health care for children, the elderly, and the disabled, and the program covers 41% of all births and over 60% of nursing home residents.<sup>4</sup>

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<sup>2</sup> Joint Committee on Taxation, *Distribution Of The Estimated Revenue Effects Relative To The Current Policy Baseline Of The Tax Provisions In Public Law 119-21* (July 29, 2025) (<https://www.jct.gov/publications/2025/jcx-36-25/>). For more detail about these calculations, see the report's methodology.

<sup>3</sup> Congressional Budget Office, *Estimated Budgetary Effects of Public Law 119-21, to Provide for Reconciliation Pursuant to Title II of H. Con. Res. 14, Relative to CBO's January 2025 Baseline* (July 21, 2025) (<https://www.cbo.gov/publication/61570>) (Medicaid cuts are sum total of spending and revenue changes in Title VII, Subtitle B, Chapter 1); KFF, *Medicaid Expansion Enrollment* (June 2024) (<https://www.kff.org/medicaid/state-indicator/medicaid-expansion-enrollment/?currentTimeframe=0&sortModel=%7B%22colId%22:%22Location%22,%22sort%22:%22asc%22%7D>) (total Medicaid enrollment in 2024); KFF, *Congressional District Interactive Map: Medicaid Enrollment by Eligibility Group* (March 11, 2025) (<https://www.kff.org/medicaid/issue-brief/congressional-district-interactive-map-medicaid-enrollment-by-eligibility-group/>) (Medicaid enrollment by eligibility group in 2024).

<sup>4</sup> MACPAC, *MACStats*, Exhibit 21 (December 2024) ([https://www.macpac.gov/wp-content/uploads/2024/12/MACSTATS\\_Dec2024\\_WEB-508.pdf](https://www.macpac.gov/wp-content/uploads/2024/12/MACSTATS_Dec2024_WEB-508.pdf)) (FY22 % spending for children, the elderly, and the disabled); KFF, *5 Key Facts About Medicaid and Pregnancy* (May 29, 2025) (<https://www.kff.org/medicaid/issue-brief/5-key-facts-about-medicaid-and-pregnancy/>) (2023 % of births covered); KFF, *5 Key Facts About Nursing Facilities and Medicaid* (May 28, 2025) (<https://www.kff.org/medicaid/issue-brief/5-key-facts-about-nursing-facilities-and-medicaid/>) (FY24 % of nursing home residents covered).

Over the same period, the budget law will cut \$187 billion from the Supplemental Nutrition Assistance Program (SNAP), which provides food to over 42 million Americans.<sup>5</sup>

The legislation will affect other aspects of family budgets that are not included in the estimates in this analysis. For example, the legislation cuts federal support for higher education by \$320 billion and limits eligibility for health insurance under the Affordable Care Act (ACA), which will reduce premium tax credits by \$217 billion.<sup>6</sup> It reduces support for clean energy by \$543 billion, which will cause electricity prices to rise,<sup>7</sup> and allows the enhanced ACA premium tax credits to expire after 2025, taking away \$350 billion in financial support that makes coverage more affordable for millions of working- and middle-class families.<sup>8</sup> Including these provisions would increase the estimated costs for families.

The distributional effects of the budget law differ from previous budget laws. Over the last four decades, major tax cut bills passed during the Reagan, George W. Bush, and first Trump Administration provided substantially larger benefits to higher-income households than lower-income households, but did not make any income group worse off.<sup>9</sup> Unlike these past tax cuts, however, the 2025 budget law finances tax cuts for the wealthy through spending reductions that will harm lower-income households.<sup>10</sup>

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<sup>5</sup> Congressional Budget Office, *Estimated Budgetary Effects of Public Law 119-21, to Provide for Reconciliation Pursuant to Title II of H. Con. Res. 14, Relative to CBO's January 2025 Baseline* (July 21, 2025) (<https://www.cbo.gov/publication/61570>) (SNAP cuts are sum of spending changes in Title I, Subtitle A); U.S. Department of Agriculture, *Supplemental Nutrition Assistance Program* (<https://fns-prod.azureedge.us/sites/default/files/resource-files/snap-4fymonthly-7.pdf>) (FY2025 enrollment as of July 11, 2025).

<sup>6</sup> Congressional Budget Office, *Estimated Budgetary Effects of Public Law 119-21, to Provide for Reconciliation Pursuant to Title II of H. Con. Res. 14, Relative to CBO's January 2025 Baseline* (July 21, 2025) (<https://www.cbo.gov/publication/61570>) (federal support for higher education is sum of spending changes in Title VIII, Subtitles A-F; support for Affordable Care Act coverage is sum of outlay and revenues changes in Title VII, Subtitle B, Chapter 3, Subchapters A-C).

<sup>7</sup> Congressional Budget Office, *Estimated Budgetary Effects of Public Law 119-21, to Provide for Reconciliation Pursuant to Title II of H. Con. Res. 14, Relative to CBO's January 2025 Baseline* (July 21, 2025) (<https://www.cbo.gov/publication/61570>) (clean energy subsidy changes are the sum of spending and revenues changes for Title VII, Subtitle A, Chapter 5, Subchapter A); Rhodium Group, *What Passage of the "One Big Beautiful Bill" Means for US Energy and the Economy* (July 11, 2025) (<https://rhg.com/research/assessing-the-impacts-of-the-final-one-big-beautiful-bill/>) (estimated increase in electricity costs).

<sup>8</sup> Congressional Budget Office, *Letter to Senators Chuck Schumer, Bernie Sanders, Jeff Merkley and Ron Wyden* (September 18, 2025) (<https://www.cbo.gov/system/files/2025-09/61734-Health.pdf>).

<sup>9</sup> Co-Equal, *Tax Cuts: Comparing Rhetoric with Reality* (June 2025) (<https://www.co-equal.org/legislative-retrospectives/tax-cuts-comparing-rhetoric-with-reality>).

<sup>10</sup> New York Times, *Trump's Big Bill Would Be More Regressive Than Any Major Law in Decades* (June 12, 2025) (<https://www.nytimes.com/interactive/2025/06/12/upshot/gop-megabill-distribution-poor-rich.html>).

## Trump Administration Tariffs

Including the extension of the 2017 tax cuts, the budget law is projected to increase the national debt by at least \$3.4 trillion over the next decade.<sup>11</sup> President Trump has stated that his tariff policies, which economists say will be paid by businesses and passed on to American consumers, are designed to offset some of these costs.

At the start of his second term, President Trump met with House Republicans at their annual issues conference to describe his economic policy, stating: “instead of taxing our citizens to enrich foreign nations, we should be tariffing and taxing foreign nations to enrich our citizens. ... Under the American first economic model, as tariffs on other countries, go up, taxes on American workers and businesses will come down.”<sup>12</sup> He later added, “the money is so great coming in from tariffs that I’ll be able to reduce taxes.”<sup>13</sup>

Treasury Secretary Scott Bessent has echoed President Trump repeatedly. As he explained in April, “What President Trump is referring to is the ability for tariff revenue to give income tax relief, and I think there's a very good chance we will see this in the upcoming tax bill.”<sup>14</sup>

The administration’s tariff policies have changed frequently since February 2025. At the end of the Biden Administration, the average U.S. tariff rate was 2.4%.<sup>15</sup> Starting in February, President Trump has announced new tariffs, rate changes, exemptions, and temporary pauses, sometimes reversing course within days. On February 1, 2025, he announced 25% tariffs on Canada and Mexico and a 10% tariff on China, and on February 10, he increased tariffs on steel and aluminum to 25%. In March, he announced a 25% tariff on imported automobiles and increased tariffs on China to 20%.<sup>16</sup> On April 2, which President Trump called “Liberation Day,” he announced a 10% tariff on all imported goods and higher tariffs on 57 major trading

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<sup>11</sup> Congressional Budget Office, *Estimated Budgetary Effects of Public Law 119-21, to Provide for Reconciliation Pursuant to Title II of H. Con. Res. 14, Relative to CBO’s January 2025 Baseline* (July 21, 2025) (<https://www.cbo.gov/publication/61570>).

<sup>12</sup> Roll Call, *Speech: Donald Trump Addresses the House GOP Issues Conference in Miami* (January 27, 2025) (<https://rollcall.com/factbase/trump/transcript/donald-trump-speech-house-gop-conference-miami-january-27-2025/>).

<sup>13</sup> Fox News, *Trump Says Income Tax Cuts, and Perhaps Elimination, Coming Due to Tariffs* (April 28, 2025) (<https://www.foxnews.com/politics/trump-says-income-tax-cuts-perhaps-elimination-coming-due-tariffs>).

<sup>14</sup> Bloomberg, *Tariff Revenue Could Provide Tax Relief, Bessent Says* (April 29, 2025) (<https://www.bloomberg.com/news/videos/2025-04-29/tariff-revenue-could-provide-tax-relief-bessent-says-video>).

<sup>15</sup> Yale Budget Lab, *State of U.S. Tariffs: September 26* (September 26, 2025) (<https://budgetlab.yale.edu/research/state-us-tariffs-september-26-2025>).

<sup>16</sup> Reuters, *Major Developments in Trump’s Trade War* (updated on September 29, 2025) (<https://www.reuters.com/business/autos-transportation/how-trumps-chaotic-trade-war-has-evolved-2025-05-12/>).

partners, including a 34% tariff on Chinese imports.<sup>17</sup> If those tariffs had gone into effect, the average U.S. tariff rate would have increased to 22.4%, the highest since 1909.<sup>18</sup>

On April 9, President Trump delayed the Liberation Day tariffs for 90 days, instead extending the 10% tariff on all imports, except those from China, which would be subject to a higher 145% tariff.<sup>19</sup> On May 12, he reduced the tariffs on China to 30%, and on May 30, he announced that steel and aluminum tariffs would double to 50%.<sup>20</sup> This resulted in an average U.S. tariff rate of 15.6%, which is comparable to the Smoot-Hawley tariffs that worsened and prolonged the Great Depression.<sup>21</sup>

In a series of actions in July, President Trump announced additional tariffs that would go into effect on August 1 for countries that did not reach trade deals with the United States before then.<sup>22</sup> The United States reached agreements with Japan, the European Union, and South Korea setting a 15% tariff rate for these countries, and President Trump granted Mexico a 90-

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<sup>17</sup> The White House, *Regulating Imports with a Reciprocal Tariff to Rectify Trade Practices that Contribute to Large and Persistent Annual United States Goods Trade Deficits* (April 2, 2025) (<https://www.whitehouse.gov/presidential-actions/2025/04/regulating-imports-with-a-reciprocal-tariff-to-rectify-trade-practices-that-contribute-to-large-and-persistent-annual-united-states-goods-trade-deficits/>) (Sec. 2 would impose 10% tariff on all imported goods and Annex I of the order proposed higher tariffs on 57 countries).

<sup>18</sup> Yale Budget Lab, *Where We Stand: The Fiscal, Economic, and Distributional Effects of All U.S. Tariffs Enacted in 2025 Through April 2* (April 2, 2025) (<https://budgetlab.yale.edu/research/where-we-stand-fiscal-economic-and-distributional-effects-all-us-tariffs-enacted-2025-through-april>) (2024 and April 2<sup>nd</sup> tariff rates, estimated).

<sup>19</sup> Reuters, *Trump Announces 90-day Pause on Tariffs* (April 9, 2025) (<https://www.reuters.com/world/trump-announces-90-day-pause-tariffs-2025-04-09/>); Reuters, *Trump Trade War with China Revives Recession, Bear Market Fears* (<https://www.reuters.com/world/trump-u-turns-tariffs-turns-trade-war-heat-china-2025-04-10/>) (145% China tariff rate is a combination of separate 125% and 20% tariffs).

<sup>20</sup> Reuters, *Major Developments in Trump's Trade War* (updated on September 29, 2025) (<https://www.reuters.com/business/autos-transportation/how-trumps-chaotic-trade-war-has-evolved-2025-05-12/>); China Briefing, *Breaking Down the US-China Trade Tariffs: What's in Effect Now?* (September 30, 2025) (<https://www.china-briefing.com/news/us-china-tariff-rates-2025/>) (30% China tariff rate combination of separate 10% and 20% tariffs); CNN, *Trump Doubles Steel Tariffs to 50% in 'Major Announcement'* (May 31, 2025) (<https://www.cnn.com/2025/05/30/business/trump-announces-50-percent-steel-tariff>).

<sup>21</sup> Yale Budget Lab, *State of U.S. Tariffs: June 1, 2025* (updated June 6, 2025) (<https://budgetlab.yale.edu/research/state-us-tariffs-june-1-2025>); CNBC, *U.S. Tariff Rates Under Trump Will Be Higher than the Smoot-Hawley Levels from Great Depression Era* (April 3, 2025) (<https://www.cnbc.com/2025/04/03/us-tariff-rates-under-trump-will-be-higher-than-the-smoot-hawley-levels-from-great-depression-era.html>).

<sup>22</sup> Reuters, *Trump Intensifies Trade War with Threat of 30% Tariffs on EU, Mexico* (July 13, 2025) (<https://www.reuters.com/business/trump-announces-30-tariffs-eu-2025-07-12/>).

day extension.<sup>23</sup> The proposed hikes on tariffs for Brazil, India, and other countries took effect on August 1.<sup>24</sup>

In August and September, the President has continued modifying previous tariffs and announcing a new range of tariffs, including:

- a 40% “free speech” tariff on Brazilian products,<sup>25</sup>
- an expansion of steel and aluminum tariffs,<sup>26</sup>
- a 25% tariff on medium and heavy-duty trucks,<sup>27</sup>
- a 10% tariff on softwood lumber and 25% tariffs on cabinets and finished wood products,<sup>28</sup> and
- a 100% tariff on brand-name pharmaceuticals.<sup>29</sup>

He also threatened a “massive increase” of tariffs on Chinese imports.<sup>30</sup>

To estimate the impacts of the Trump Administration tariff policies on American families, this analysis uses the estimates from the Yale Budget Lab of the impacts of the President’s tariffs

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<sup>23</sup> Reuters, *Trump Strikes Tariff Deal with Japan, Auto Stocks Surge* (July 23, 2025) (<https://www.reuters.com/business/trump-strikes-tariff-deal-with-japan-auto-stocks-surge-2025-07-23/>); Reuters, *US and EU Avert Trade War with 15% Tariff Deal* (July 28, 2025) (<https://www.reuters.com/business/us-eu-avert-trade-war-with-15-tariff-deal-2025-07-28/>); Reuters, *Trump Says US Will Set 15% Tariff on South Korean Imports Under New Deal* (July 31, 2025) (<https://www.reuters.com/world/asia-pacific/trump-says-us-will-set-15-tariff-south-korean-imports-under-new-deal-2025-07-31/>); National Public Radio, *Trump Announces 90-Day Extension of Prior Trade Deal With Mexico* (July 31, 2025) (<https://www.npr.org/2025/07/31/g-s1-80414/trump-mexico-trade-deal-delay>).

<sup>24</sup> New York Times, *A Timeline of Trump’s On-Again, Off-Again Tariffs* (updated July 31, 2025) (<https://www.nytimes.com/2025/03/13/business/economy/trump-tariff-timeline.html>).

<sup>25</sup> Executive Office of the President, *Addressing Threats to the United States by the Government of Brazil* (August 5, 2025) (<https://www.federalregister.gov/documents/2025/08/05/2025-14896/addressing-threats-to-the-united-states-by-the-government-of-brazil>).

<sup>26</sup> U.S. Department of Commerce, *Adoption and Procedures of the Section 232 Steel and Aluminum Tariff Inclusions Process* (August 19, 2025) (<https://www.federalregister.gov/documents/2025/08/19/2025-15819/adoption-and-procedures-of-the-section-232-steel-and-aluminum-tariff-inclusions-process>).

<sup>27</sup> Reuters, *Trump Imposing New 25% Large Truck Tariff on Nov. 1* (October 7, 2025) (<https://www.reuters.com/business/autos-transportation/trump-says-25-tariff-medium-heavy-duty-trucks-start-nov-1-2025-10-06/>).

<sup>28</sup> The White House, *Adjusting Imports of Timber, Lumber, and Their Derivative Products into the United States* (September 29, 2025) (<https://www.whitehouse.gov/presidential-actions/2025/09/adjusting-imports-of-timber-lumber-and-their-derivative-products-into-the-united-states/>).

<sup>29</sup> These tariffs have been delayed to November 1 and their estimated effects are included in this analysis. See, Stat News, *Trump Administration Backs Off 100% Pharma Tariffs Threatened to Start Oct. 1* (October 1, 2025) (<https://www.statnews.com/2025/10/01/trumps-delays-pharmaceutical-tariffs-continues-pressure-lower-prices/>).

<sup>30</sup> CNBC, *Trump Threatens ‘Massive’ Tariff Hike on China Over Rare Earths Dispute* (October 10, 2025) (<https://www.cnbc.com/2025/10/10/trump-china-tariffs-rare-earths.html>).



that were in effect or announced as of September 26, 2025, when the average tariff rate was 17.9%.<sup>31</sup>

## Findings

The combined effects of the budget law and Trump Administration tariffs will harm the vast majority of families in every congressional district. Under these policies, **293,900** families in the average district, which is **99%** of all families, will be made worse off.

While some adversely affected families may have small reductions in their income taxes under the Trump budget bill, the benefits of any tax reductions will be outweighed by the extra costs imposed by the Trump tariffs and the reductions in federal spending on health care and food assistance. For families harmed by these policies, the average net income loss is **\$1,960 annually**.

In contrast, the wealthiest households nationally gain the most. Households earning over \$1 million per year receive **\$131.6 billion** in new tax cuts from 2027 to 2033. Taxpayers in the top 0.1% of income, who are earning over \$2 million per year, will receive an average tax cut of **\$102,100** in 2027.<sup>32</sup>

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<sup>31</sup> Yale Budget Lab, *State of U.S. Tariffs: September 26, 2025* (September 26, 2025) (<https://budgetlab.yale.edu/research/state-us-tariffs-september-26-2025>).

<sup>32</sup> Joint Committee on Taxation, *Distribution Of The Estimated Revenue Effects Relative To The Current Policy Baseline Of The Tax Provisions In Public Law 119-21* (July 29, 2025) (<https://www.jct.gov/publications/2025/jcx-36-25/>).