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Testimony Before the House Ways and Means Committee
Hearing on "The Need to Make Permanent the Trump Tax Cuts for Working Families"
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Thank you, Chair Smith, Ranking Member Neal, and members of the Committee.

My name is Brendan Duke, and I am Senior Director for Economic Policy at the Center for American Progress. The Center for American Progress is an independent, nonpartisan policy institute that is dedicated to improving the lives of all Americans through bold, progressive ideas, as well as strong leadership and concerted action.

I'm honored to submit this testimony about the 2017 tax law and the tax choices facing Congress this year around extending it. I will make the following points:

- The 2017 tax law was a giant tax cut for corporations and wealthy business owners. Congressional Republicans recognized the political peril of cutting taxes for businesses without cutting them for families. The result was temporary tax cuts for families that will be expiring at the end of this year combined with a permanent tax cut for corporations.

- Those temporary tax cuts are heavily tilted to the top 1 percent: the average tax cut for the top 1 percent of households ($60,300) is more than 90 times larger than that for the middle 20 percent ($660). In fact, the $60,000 average tax cut for the top 1 percent is roughly equal to the average annual after-tax income of a household in the middle 20 percent.

- The authors of the 2017 tax law justified putting hundreds of billions of dollars of tax cuts to the wealthy and corporations on the nation's credit card by saying the ensuing economic growth, investment, and wage gains would be worth it. But economic growth and business investment were flat, housing investment cratered, and the corporate tax cut's paltry wage gains went entirely to high earners. In fact, the economic benefits of the expiring individual and estate tax provisions are so small that the Congressional Budget Office projects that extending them will *shrink* the economy in the long run.

- Tax cuts aren't free, particularly when the economy is strong like it is today. Extending the 2017 tax law without raising taxes on the wealthy will raise families' costs in the long run. Any honest analysis of deficit-financed tax cuts must include an assumption of how they are paid for. Paying for the tax cuts with enormous, across-the-board taxes on imported goods like President-elect Trump has proposed would leave low- and middle-income families with a net tax increase. Relying on current or future spending cuts to pay for them would make food and health care less affordable and force families to pay more for housing, credit card debt, and student loans.

- There is no requirement that if Congress cuts middle-class taxes, it must cut rich people's taxes too. Tax cuts for high-income Americans are a policy choice. A new Treasury Department

> analysis found that letting the tax cuts for Americans making over $400,000–roughly the top 2 percent–expire would cut the cost of extending the tax cuts from $4.2 trillion to $1.8 trillion.[1] This would make the task of offsetting the cost of extending the other tax cuts far more feasible while leaving room for investments that will cut families' costs like extending the enhanced premium tax credits and improving the Earned Income and Child Tax Credits.

Members of Congress should reject any approach to the 2017 tax law that raises working- and middle-class families' costs to pay for tax cuts for the wealthy.

The main purpose of the 2017 tax law was cutting taxes for corporations, which failed to trickle down to ordinary workers

The centerpiece of the 2017 tax law was a massive cut in the corporate tax rate from 35 percent to 21 percent, which was the law's main permanent tax cut, along with changes to how multinational corporations' profits are taxed.

The first Trump administration made a series of claims about what the corporate tax cut would do for growth and ordinary workers. Treasury Secretary Stephen Mnuchin claimed that the tax package would generate so much economic growth that it would pay for itself.[2] The Trump White House's Council of Economic Advisers estimated that a cut in the corporate tax rate from 35 percent to 20 percent would lead to such a surge in investment and productivity that it would boost the pre-tax wage income of the average family by $4,000 "very conservatively."[3]

Yet, there was no noticeable overall increase in GDP or business investment growth in the years after the tax cut relative to the years before the tax cut.[4] In fact, business investment was flat while residential investment cratered–the only reason economic growth held steady after the tax cut was an increase in government spending. A surge in investment was the *entire* theory by which the corporate tax cut was supposed to trickle down to workers, but the surge was absent from aggregate economic data.

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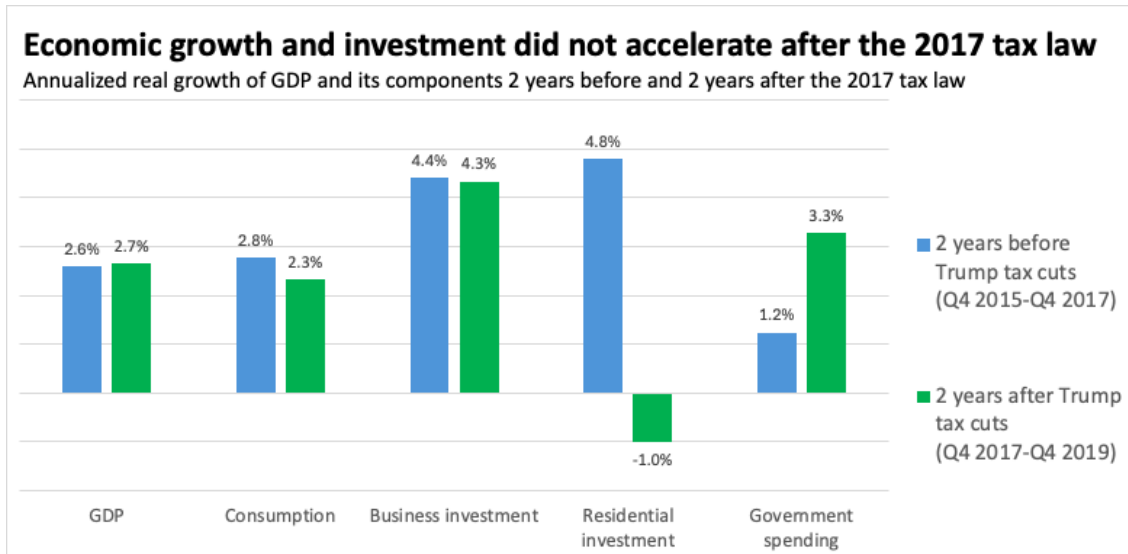
[1] Ibid.

[2] Alan Rappeport, "Ahead of Vote, Promised Treasury Analysis of Tax Bill Proves Elusive," New York Times, November 30, 2017, https://www.nytimes.com/2017/11/30/us/politics/treasury-analysis-tax-bill.html;

[3] Brooks Jackson, "Trump's Dubious $4,000 Claim," FactCheck.org, October 23, 2017, https://www.factcheck.org/2017/10/trumps-dubious-4000-claim/

[4] Jason Furman, "Prepared Testimony for the Hearing "The Disappearing Corporate Income Tax"," February 11, 2020, https://www.congress.gov/116/meeting/house/110494/witnesses/HHRG-116-WM00-Wstate-FurmanJ-20200211.pdf



Source: Center for American Progress analysis of U.S. Bureau of Economic Analysis data. Numbers differ from previous versions because of subsequent revisions to GDP data.

Mainstream projections of the effect of the law on GDP growth from the Congressional Budget Office, the Joint Committee on Taxation, Goldman Sachs, and others estimated that the law would cumulatively raise real GDP by less than 0.7 percent over the decade. This amounts to a less than 0.07 percentage point increase in the annual growth rate.[5] This is about a tenth of the increase in real GDP required for the law to pay for itself like Secretary Mnuchin claimed it would.

Careful analysis of its effects on investment have been consistent with these projections: investment at firms receiving larger tax cuts rose somewhat relative to those with smaller tax cuts, but the effects are on the low end of the academic literature and suggest the law came nowhere close to paying for itself as proponents claimed it would.[6] The analysis also does not account for the possibility that the law redirected investment from firms with smaller tax cuts to firms with larger tax cuts.

Additionally, analysis of the effect of the law on investment typically ignores its effect on housing investment. CBO projected the law would reduce housing investment since its provisions are not favorable toward housing and "residential investment is reduced throughout the entire period by crowding out."[7] Inflation-adjusted housing investment today is actually lower than it was before the law passed and *far* lower than where it would be if it had stuck to its pre-2018 trend.[8]

The overall average wage gains spurred by the corporate rate cut are exceedingly modest and, most importantly, none of them went to the bottom 90 percent of workers at firms receiving a tax cut.[9] Instead, highly paid workers and executives received all of the wage gains resulting from the corporate

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[5] For a compilation of estimates, see U.S. Congressional Budget Office, "The Budget and Economic Outlook: 2018 to 2028," April 2018, https://www.cbo.gov/system/files/2019-04/53651-outlook-2.pdf

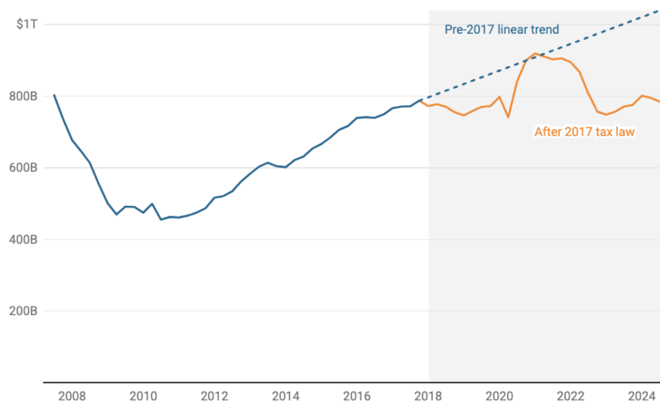
[6] Gabriel Chodorow-Reich et al, "Tax Policy and Investment in a Global Economy," July 5, 2024, https://scholar.harvard.edu/sites/scholar.harvard.edu/files/chodorow-reich/files/tcja.pdf

[7] U.S. Congressional Budget Office, "The Budget and Economic Outlook: 2018 to 2028," April 9, 2018, https://www.cbo.gov/publication/53651

[8] Federal Reserve Economic Database, "Real Private Residential Fixed Investment," https://fred.stlouisfed.org/series/PRFIC1

[9] Patrick Kennedy and others, "The Efficiency-Equity Tradeoff of the Corporate Income Tax: Evidence from the Tax Cuts and Jobs Act," March 21, 2024, https://patrick-kennedy.github.io/files/TCJA_KDLM_2024.pdf

rate cut. The wage gains were the mechanism by which a direct corporate tax cut to investors was supposed to trickle down to ordinary workers, but again the evidence shows that this did not occur.



The cut in the corporate tax rate did successfully generate a burst of stock buybacks with a record $1 trillion of buybacks announced by the end of 2018.[10] Detailed work by the International Monetary Fund found that "only about 20 percent of the incremental cash outflow post-TCJA went towards capital expenditure or R&D while the rest went towards share buybacks, dividends, and other activities."[11]

The corporate rate cut was, of course, permanent and is not up for extension this year. But the roughly $4 trillion of expiring individual and estate tax provisions that could be extended would do little for growth. A recent CBO analysis suggests that extending them would shrink the economy in the long run as the ensuing debt, deficits, and higher interest rates would overwhelm any positive effects on labor supply and investment.[12]

The Trump tax cuts provided small benefits to most families while providing enormous tax cuts to the wealthy

Given that the overall economic and wage benefits of the Trump tax cuts were paltry, the direct tax cuts and how they were distributed becomes the key question for evaluating them.

The tax cuts added to a decades-long trend of growing income inequality by giving larger tax cuts as a share of income to the top 10 percent of Americans than to other groups. The law's permanent tax provisions–a cut in the corporate tax rate coupled with raising taxes across the board by slowing the growth rate at which tax provisions are adjusted for inflation–provided essentially no benefits to households outside of the top 1 percent and even reduced the incomes of the bottom 40 percent of Americans. In particular, the change to how tax provisions are adjusted for inflation reduced the value of the Earned Income Tax Credit–the nation's second largest anti-poverty program–over time.[13]

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[10] Jane G. Gravelle and Donald J. Marples, "The Economic Effects of the 2017 Tax Revision: Preliminary Observations," Congressional Research Service, June 7, 2019, https://crsreports.congress.gov/product/pdf/R/R45736

[11] Emanuel Kopp and others, "U.S. Investment Since the Tax Cuts and Jobs Act of 2017" (Washington: International Monetary Fund, 2019), available at https://www.imf.org/en/Publications/WP/Issues/2019/05/31/U-S-46942.

[12] Congressional Budget Office, "How the Expiring Individual Income Tax Provisions in the 2017 Tax Act Affect CBO's Economic Forecast," December 2024, https://www.cbo.gov/system/files/2024-12/60986-Expiring-Provisions-2017-Tax-Act.pdf

[13] Chuck Marr, "Instead of Boosting Working-Family Tax Credit, GOP Tax Bill Erodes It Over Time," Center on Budget and Policy Priorities, May 4, 2018, https://www.cbpp.org/blog/instead-of-boosting-working-family-tax-credit-gop-tax-bill-erodes-it-over-time

The provisions that expire at the end of 2025 have been framed as the "middle-class" portion of the 2017 tax law because of increases to the Child Tax Credit and the standard deduction. But even this portion of the law is tilted to high-income Americans. Extending them would:

- Give the top 1 percent of households an average tax cut of $60,300, amounting to a 3.9 percent increase in their after-tax incomes.
- Give the middle 20 percent an average tax cut of $660, amounting to about a 1.1 percent increase in their after-tax incomes.
- Give the bottom 20 percent an average tax cut of $130, amounting to just a 0.8 percent increase in their after-tax income.[14]

These expiring provisions are tilted to high-income households for two reasons. First, high-income households fully benefit from tax cuts in the lower brackets while lower income families receive partial benefits at best. Second, other expiring provisions heavily or exclusively benefit high-income people including the pass-through deduction, the cut to the Alternative Minimum Tax (AMT) and the estate tax.

Tax cuts are not free and working families will pay the price

The 2017 tax law was a large, deficit-financed tax cut and arguments that it benefited the majority of Americans rely on the same flawed logic that would suggest eliminating all taxes would raise their incomes too. The purpose of the tax code is to raise revenue to fund the government and tax cuts today will mean tax increases or spending cuts either immediately or in later years.

Congress will face a roughly $4 trillion challenge in figuring out how to offset the cost of extending the expiring provisions of the 2017 tax law and even more if policymakers want to enact several other business tax cuts related to the law such as restoring bonus depreciation.

Taxes on imported goods

The incoming Trump administration has indicated a key way it plans to offset the cost of the tax cuts: an up to 20 percent tax on all imported goods, along with a 60 percent tax on all imported goods from China.[15] A range of think tanks, spanning left to right, have estimated that these would cost families up to $6,000 annually.[16] Each of these think tank's estimates suggest they would entirely offset the tax cut low- and middle-income families receive from extending the expiring tax cuts.[17] Several analyses show

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[14] Tax Policy Center, "T24-0037 - Make Certain Individual Income, Payroll, and Estate Tax Provisions in the 2017 Tax Act Permanent, by ECI Percentile, 2027," July 8, 2024, https://taxpolicycenter.org/model-estimates/make-certain-provisions-2017-tax-act-permanent-july-2024/t24-0037-make-certain

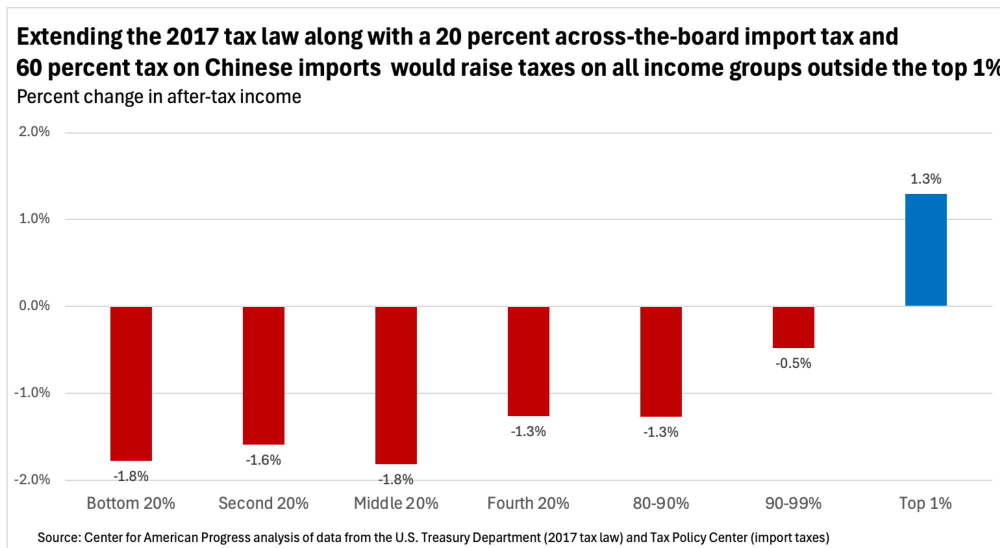
[15] Jeff Stein, "Trump, in North Carolina speech, signals openness to expanding tariff plans," The Washington Post, August 14, 2024, https://www.washingtonpost.com/politics/2024/08/14/trump-rally-speech-north-carolina-economy-jd-vance

[16] For a roundup of different estimates, see Bryan Riley, "Tarifflation" Threatens American Households," National Taxpayers Union, November 4, 2024, https://www.ntu.org/publications/detail/tarifflation-threatens-american-households.

[17] For example see Steve Wamhoff et al, "A Distributional Analysis of Donald Trump's Tax Plan," Institute for Taxation and Economic Policy, October 7, 2024, https://itep.org/a-distributional-analysis-of-donald-trumps-tax-plan-2024/

they would add to consumer prices and generate a one-time burst of inflation, adding 1 to 3 percentage points to the inflation rate.[18]

The reason taxes on imports should only be used strategically for trade objectives and not as a source of revenue is that they are one of the most regressive types of taxes.[19] For example, Treasury assumes the bottom 90 percent only pay about 20 percent of individual income taxes and about 30 percent of corporate taxes, but more than half of taxes on imported goods. The only thing more regressive than raising taxes on imported goods is using them to offset regressive tax cuts like the 2017 tax law.



The combination of extending the 2017 tax law's expiring provisions and the up to 20 percent tax on imported goods Trump has proposed (60 percent on Chinese goods) would raise taxes on the bottom 99 percent of Americans. The top 1 percent would get a net tax cut of $20,060 while the middle 20 percent would get a net tax increase of $1,100.

It is unclear whether these across-the-board import taxes would be included in tax legislation or whether the Trump administration would use executive authority to enact them. Regardless, they should be considered as part of the distribution of a tax package since congressional Republicans may claim them as a way to offset the cost of tax legislation.[20]

Spending cuts

Another way some congressional Republicans may attempt to pay for their proposed tax cuts is cutting programs low- and middle-income Americans rely on. One version of this occurred during the first

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[18] Ernie Tedeschi, "Fiscal, Macroeconomic, and Price Estimates of Tariffs Under Both Non-Retaliation and Retaliation Scenarios," The Budget Lab, October 16, 2024 https://budgetlab.yale.edu/research/fiscal-macroeconomic-and-price-estimates-tariffs-under-both-non-retaliation-and-retaliation; Mike Zaccardi, November 14, 2024, https://x.com/MikeZaccardi/status/1857103453970911470/photo/1; "Trump's Tariffs Plan would Raise Prices for Americans, Model Shows," Bloomberg, April 3, 2024, https://www.bloomberg.com/news/articles/2024-04-03/trump-60-tariff-on-china-10-elsewhere-to-raise-us-inflation-model

[19] Clausing and Lovely, 2024.

[20] Richard Rubin, "Republicans' First Tax-Cut Challenge: How Much Red Ink Can They Live With?," The Wall Street Journal, November 11, 2024, https://www.wsj.com/politics/republican-tax-cuts-congress-7b0eb428

Trump term, when House Republicans passed a bill repealing the Affordable Care Act while cutting taxes for the highest income Americans.

Now, Tesla CEO Elon Musk–the new co-head of Trump's proposed Department of Government Efficiency–is suggesting up to $2 trillion in cuts to annual government spending, which could offset the fiscal impact of a tax package.[21] Taken literally, this would cut every program in the budget on average by roughly one-third, including Medicare, Social Security, food safety inspection, cancer and stroke research, and nutrition for newborns. Protecting Medicare and Social Security would make the math more difficult for the rest of the budget, cutting all other government functions by more than half.

In particular, a tax package should not cut clean energy and manufacturing tax incentives, which are onshoring the production and labor needed for clean energy and technology deployment. These investments are critical to ensuring the continued competitiveness of American high-tech industries in the 21st century. Rolling back energy and manufacturing tax incentives would leave American firms ill-equipped to compete in the global market and would likely contribute to their decline domestically and abroad, with one report estimating that repeal would cut more than $50 billion in annual exports.[22] The incentives ensure the long-term economic strength of America's manufacturing industry in the face of rapidly intensifying global competition, especially from China. Cutting these investments would also raise families' costs: cuts to clean energy tax credit investments, for example, would spike their monthly energy bills by an average of 10 percent and states like Texas would see a 22 percent increase.[23]

Particularly perverse is the idea of cutting investments in the IRS as a way to "pay for" the tax cuts when the main effect would be higher deficits. Reversing more than a decade of disinvestment, the Inflation Reduction Act provided $80 billion to the IRS, primarily dedicated to increased enforcement of tax law. House Republican leadership, after threatening to default on the nation's debt, negotiated a $22 billion cut to this funding over two years.[24] The bulk of the IRS funding is dedicated to hiring more staff for stepped-up enforcement of existing tax law to ensure that people pay the taxes they already legally owe and the Biden Administration has focused these resources on auditing the wealthy and corporations. This funding is extremely effective and pays for itself multiple times over: The CBO estimates that every $1 cut to IRS funding will raise the deficit by $2.50; other estimates suggest that every $1 cut could increase the deficit by as much as $11.46.[25]

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[21] Tony Romm, "Musk's plan to cut $2 trillion in U.S. spending could bring economic turmoil," The Washington Post, October 29, 2024, https://www.washingtonpost.com/business/2024/10/29/elon-musk-2-trillion-budget-cuts-trump-election/

[22] Bentley Allan and Tim Sahay, "Trump's proposed clean energy retreat: US costs and global rewards" (Baltimore: Net Zero Industrial Policy Lab, 2024), available at https://static1.squarespace.com/static/64ca7e081e376c26a5319f0b/t/672c397142465d519ce5515a/1730951538390/NZIPL-PS1_Trump_Retreat.pdf.

[23] Aurora Energy Research, "Removal of Technology-Neutral Clean Energy Tax Credits Could Cost Upwards of $336 Billion In Investment, Increase Electricity Bills 10% For Consumers," January 6, 2025, https://auroraer.com/media/reform-to-clean-energy-tax-credits/

[24] Bobby Kogan and Jean Ross, "The Schumer-Johnson Budget Deal, Explained," Center for American Progress, February 6, 2024, available at https://www.americanprogress.org/article/the-schumer-johnson-budget-deal-explained/ ; Fiscal Responsibility Act of 2023, Public Law 5, 118th Cong., 1st sess. (June 3, 2023), available at https://www.congress.gov/bill/118th-congress/house-bill/3746/text.

[25] U.S. Congressional Budget Office, "CBO's Estimate of Discretionary Spending Under the Continuing Appropriations and Other Matters Act, 2025," September 6, 2024, available at https://www.cbo.gov/system/files/2024-09/CBO%27s_CR.pdf; William C. Boning and others, "A Welfare Analysis of Tax Audits Across the Income Distribution" (Washington: National Bureau of Economic Research, 2023), available at https://www.nber.org/papers/w31376.

Deficits

It is, of course, possible that the Trump administration and some congressional Republicans could find the easiest way to offset the tax cuts is not to offset them–this was the same strategy that supporters of the tax cuts employed in 2017. But there is no free lunch here: The tax cuts will likely be paid for eventually in the form of spending cuts or tax increases down the line. Even just last year, House Republicans cited rising debt as a reason to threaten defaulting on the nation's debt if their demands to cut discretionary spending were not met only a few years after enacting the Trump tax cuts.[26]

Extending the Trump tax cuts without offsets will exacerbate our long-run fiscal imbalance. The 30-year fiscal gap–the average amount of primary deficit reduction required to stabilize the debt-to-GDP ratio–is equal to 2.1 percent of GDP, which is the equivalent of $7.6 trillion over 10 years, under current law.[27] Extending the 2017 tax cuts without offsets would raise that to 3.3 percent, pushing debt above 200 percent of GDP within 30 years.[28] In other words, extending the Trump tax cuts would increase our long-run fiscal imbalance by more than 50 percent.

It is, therefore, important to focus on the long-run distribution of the tax cuts including how they may plausibly be financed. In 2018, the Tax Policy Center provided an analysis of the 2017 tax law showing that the legislation would make most Americans worse off under an "equal dollar financing" assumption where the tax cuts were assumed to be paid for with equal-sized per household tax increases or spending cuts.[29] This is a generous assumption because more than 70 percent of non-interest federal spending is aid for individuals, and that spending is very progressive.[30] Equal-dollar financing is especially appropriate for the coming tax debate: More progressive financing assumptions essentially assume Congress will undo the across-the-board cuts to income tax rates it may actively choose to extend.

Extending the Trump tax cuts with equal-dollar financing would be an enormous burden for the bottom 80 percent of Americans. The middle 20 percent of households would experience a 2.3 percent reduction in their incomes and the bottom 20 percent of households would experience an 12.2 percent drop. The top 1 percent would see their net tax cuts barely reduced.

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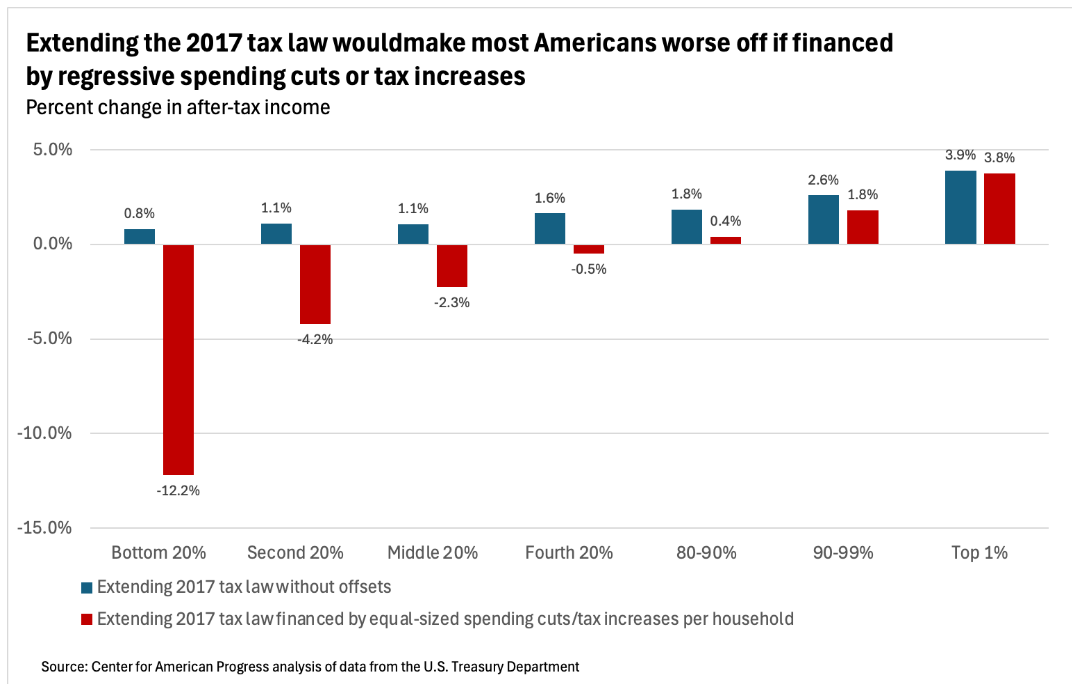
[26] Bobby Kogan's calculations from U.S. Office of Management and Budget, "Public Budget Database: Budget Authority,".

[27] Bobby Kogan and Jessica Vela, "Permanently Extending the Trump Tax Cuts Would Increase Upward Pressure on the Debt Ratio by More Than 50 Percent," Center for American Progress, June 5, 2024, https://www.americanprogress.org/article/permanently-extending-the-trump-tax-cuts-would-increase-upward-pressure-on-the-debt-ratio-by-more-than-50-percent/;

[28] Bobby Kogan and Jessica Vela, "Permanently Extending the Trump Tax Cuts Would Cost $4 Trillion Over the Next Decade," Center for American Progress, May 8, 2024, https://www.americanprogress.org/article/permanently-extending-the-trump-tax-cuts-would-cost-4-trillion-over-the-next-decade/

[29] William G. Gale, "Who Will Pay for the Tax Cuts and Jobs Act?," Tax Policy Center, January 2, 2018, https://taxpolicycenter.org/taxvox/who-will-pay-tax-cuts-and-jobs-act

[30] OMB Historical Table 3.2, OMB Historical Table 11.1



In the shorter run, the higher deficits will create their own burdens since higher government debt can also increase interest rates, which makes it less affordable to buy a home or a car, carry student loan or credit card debt, or start a business.[31] Elevated interest rates—which many consider part of the cost of living—over the past few years have been strongly unpopular among the public.[32] The effects of higher government debt on interest rates are both uncertain and modest, but the sheer scale of higher debt projections resulting from permanently extending the tax cuts means that the impact could be sizable. Policymakers should not ask middle-income Americans trying to buy their first home to shoulder the burden of financing tax cuts tilted to the wealthy.

The effect of deficits on families' cost of living and danger of cuts to programs that low- and middle-income families rely on–including Social Security and Medicare eventually–highlights why Congress must offset any tax cuts they extend in a revenue-neutral manner. This also means rejecting attempts to pretend that extending the expiring provisions has no cost, otherwise known as a "current policy baseline." This type of baseline undermines good budgetary practice and is logically inconsistent; under that type of analysis, the failure to renew the 2021 $1,400 American Rescue Plan rebate checks in 2022 amounted to a $5,600 tax increase in 2022 for a family of four. Simply changing the accounting convention does not remove the burden that extending these tax cuts will place on federal–and eventually on families'–finances.

[31] Christopher Gust and Arsenios Skaperdas, "Government Debt, Limited Foresight, and Longer-term Interest Rates" (Washington: Federal Reserve Board, 2024), available at https://www.federalreserve.gov/econres/feds/files/2024027pap.pdf.

[32] Marijn A. Bolhuis and others, "The Cost of Money is Part of the Cost of Living: New Evidence on the Consumer Sentiment Anomaly" (Cambridge, MA: National Bureau of Economic Research, 2024), available at https://www.nber.org/papers/w32163; Alberto Binetti, Francesco Nuzzi, and Stefanie Stantcheva, "People's Understanding of Inflation" (Cambridge, MA: National Bureau of Economic Research, 2024), available at https://www.nber.org/papers/w32497.

Extending tax cuts for high-income households is a choice–the wrong choice

Members of Congress may worry that, despite these substantial drawbacks, they nevertheless must extend all of the 2017 tax cuts because they want to avoid raising taxes on low- and middle-income families. The good news is that the regressivity of the original bill means that extending the tax cuts for low- and middle-income families is much less expensive than extending all of them. The Treasury Department released an analysis last week showing that a policy that allowed the tax cuts for the 2 percent of households making over $400,000 to expire would cut $2.4 trillion from the $4.2 trillion cost of extending the expiring individual and estate tax provisions.

The task of offsetting that remaining $1.8 trillion cost is achievable given that the FY2025 Biden-Harris budget contained about $5 trillion of tax increases on the wealthy and corporations such as raising the corporate tax rate to 28 percent and requiring wealthy business owners to pay Medicare taxes like their workers do. These are far better ways to offset the cost of extending the portions of the tax law that don't go to high-income households than making a trip to the grocery store more expensive through across-the-board taxes on imported goods or cutting millions of Americans' health insurance.

This also raises the question of opportunity costs: Congress can make wiser investments to bring down families' costs instead of a $2.4 trillion tax cut exclusively for households making over $400,000.

In particular, Congress should renew the Inflation Reduction Act's enhanced premium tax credits (PTCs), which increase the financial help available to people who buy health insurance on their own through the Affordable Care Act (ACA) marketplaces by making those credits more generous and expanding eligibility to even more middle-class families. The enhanced tax credits have been an enormous policy success, saving the average enrollee an estimated $700 in 2024 and nearly doubling the number of people signed up for marketplace plans in 2024 as compared with 2021.[33] A record-high 24 million people selected marketplace plans this year, with especially high enrollment in the deep South.

Additionally, that lower cost of extension would give Congress more latitude to improve the Earned Income Tax Credit for childless adults and the Child Tax Credit. The American Rescue Plan's temporary expansion of these credits represents the gold standard of how we can improve them, but last year's bipartisan compromise on the Child Tax credit shepherded by Chair Smith and passed under Speaker Johnson would have been a significant step forward, eventually lifting 500,000 children out of poverty. These children's parents work as home health aides, janitors, and construction workers–hard, important work that pays too little for them to receive the full Child Tax Credit under current policy.

What the Treasury analysis shows is that preventing tax increases on low- and middle-income families next year is *not* a reason to cut taxes for high-income households. Cutting taxes for the wealthy is a choice Congress may make this year, but it is a choice. Given that we know low- and middle-income households will pay the price regardless of how Congress and the incoming Trump administration decide to finance them–taxes on imported goods, cuts to Americans' health care, or deficits–letting the tax cuts for high-income households expire is clearly the correct choice.

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[33] Gideon Lukens and Elizabeth Zhang, "Premium Tax Credit Improvements Must Be Extended to Prevent Steep Rise in Health Care Costs" (Washington: Center on Budget and Policy Priorities, 2024), available at https://www.cbpp.org/research/health/premium-tax-credit-improvements-must-be-extended-to-prevent-steep-rise-in-health.