NATIONAL PRIORITIES PROJECT

What Else Could the Proposed Senate Tax Cuts for the Richest 1 Percent Buy? A 50-State Perspective

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According to estimates by the Institute on Taxation and Economic Policy, the tax plan reported out of the Senate Finance Committee on November 16 would disproportionately benefit the richest 1 percent of Americans, and would substantially increase the deficit.

The ITEP estimates reveal that nationwide, the richest 1 percent of earners, with an average annual income of more than $2 million, would receive an average tax cut of $37,070 in 2019.

What the ITEP estimates cannot reveal is the lost potential in federal investment represented by this reallocation of resources to the 1 percent. The bill is designed to increase the deficit by no more than $1.5 trillion over ten years – the equivalent of about a year of federal discretionary spending.

The loss of revenue will trigger other choices, as decision makers in Congress either accede to a higher than customary level of national debt, or face political pressures to drastically reduce spending on federal programs and services. Pressure to cut spending could result in losses to popular federal programs ranging from education to health care and infrastructure, and more.

There is little certainty about what programs might be most affected, or how deep the resulting cuts could go, although recent budget proposals provide some likely scenarios. Meanwhile, basic facts remain murky for a public trying to understand what this tax plan means: how much can $1 billion buy?

The Senate bill would bestow an estimated $56.9 billion in tax cuts on the richest 1 percent in 2019. What else could that money buy for residents of each state? We look at what alternative budget choices might be, comparing the aggregate estimated tax cut for the richest 1 percent in each state to alternative budget choices on health care, higher education and infrastructure.

For example: in the United States, the richest one percent – with average incomes of $2 million – will collectively get $56 billion in tax cuts in 2019 under the Senate plan. That money is enough to cover individual health insurance premiums for more than 9.8 million adults. Or, that $56 billion could cover Pell grants for 9.6 million low-income, and often first generation, college students. Or, that same $56 billion could create 539,700 jobs through infrastructure investment.

Senate Tax Cuts for the Richest 1% in 2019: What else could they pay for?							
	Average Income of Richest 1%	Average Tax Cut for Richest 1%	Cumulative Tax Cut for Richest 1%	Annual Individual Health Insurance Premium*	# Health Insurance Premiums*	# Pell Grants ($5,920 each)	# Infrastructure Jobs
United States	**$2,023,900**	**$ 37,070**	**$56,933,100,000**	**$5,760.00**	**9,884,219**	**9,617,078**	**539,727**
Alabama	$1,458,500	$ 40,410	$953,000,000	$6,547.92	145,542	160,980	9,034
Alaska	$1,282,900	$ 55,710	$198,700,000	$8,172.00	24,315	33,564	1,884
Arizona	$1,412,300	$ 38,930	$1,219,000,000	$5,649.36	215,777	205,912	11,556
Arkansas	$1,272,000	$ 29,650	$425,100,000	$4,539.00	93,655	71,807	4,030
California	$2,721,500	$ 1,490	$258,200,000	$4,128.00	62,548	43,615	2,448
Colorado	$1,753,900	$ 45,010	$1,242,600,000	$4,956.00	250,726	209,899	11,780
Connecticut	$3,600,500	$ 30,030	$527,600,000	$7,152.00	73,770	89,122	5,002
Delaware	$1,815,800	$ 30,190	$149,500,000	$7,089.36	21,088	25,253	1,417
District of Columbia	$3,261,600	$ 43,460	$159,700,000	$3,888.00	41,075	26,976	1,514
Florida	$3,076,700	$ 75,240	$8,147,100,000	$5,308.92	1,534,606	1,376,199	77,235
Georgia	$2,055,400	$ 49,150	$2,313,400,000	$5,052.72	457,852	390,777	21,931
Hawaii	$1,397,500	$ 25,350	$180,200,000	$5,472.72	32,927	30,439	1,708
Idaho	$1,493,800	$ 34,120	$264,800,000	$5,556.00	47,660	44,730	2,510
Illinois	$2,822,600	$ 40,220	$2,350,800,000	$4,931.28	476,712	397,095	22,286
Indiana	$1,616,600	$ 38,640	$1,212,500,000	$4,397.76	275,709	204,814	11,495
Iowa	$1,223,700	$ 32,200	$483,400,000	$7,872.12	61,407	81,655	4,583
Kansas	$1,815,900	$ 46,580	$621,600,000	$6,846.60	90,790	105,000	5,893
Kentucky	$1,274,800	$ 28,960	$597,400,000	$4,759.80	125,509	100,912	5,663
Louisiana	$1,184,000	$ 43,150	$908,900,000	$5,938.92	153,041	153,530	8,616
Maine	$1,273,100	$ 25,410	$175,700,000	$6,161.40	28,516	29,679	1,666
Maryland	$1,874,700	$ 35,000	$1,029,600,000	$5,472.00	188,158	173,919	9,761
Massachusetts	$3,010,400	$ 51,210	$1,789,300,000	$3,600.00	497,028	302,247	16,963
Michigan	$1,636,000	$ 46,100	$2,179,500,000	$3,983.04	547,195	368,159	20,662
Minnesota	$2,598,200	$ 27,030	$727,200,000	$3,924.00	185,321	122,838	6,894
Mississippi	$1,187,000	$ 25,200	$346,300,000	$6,610.56	52,386	58,497	3,283
Missouri	$1,661,700	$ 35,230	$1,040,800,000	$5,575.08	186,688	175,811	9,867
Montana	$1,661,100	$ 33,760	$184,500,000	$6,041.16	30,540	31,166	1,749
Nebraska	$1,560,400	$ 39,050	$350,300,000	$8,124.12	43,119	59,172	3,321
Nevada	$2,762,400	$ 79,810	$1,142,300,000	$4,606.68	247,966	192,956	10,829
New Hampshire	$1,720,400	$ 44,200	$300,700,000	$5,695.92	52,792	50,794	2,851
New Jersey	$3,207,000	$ 7,470	$315,900,000	$5,016.00	62,978	53,361	2,995
New Mexico	$1,212,700	$ 28,470	$257,500,000	$4,816.32	53,464	43,497	2,441
New York	$3,161,300	-$2,860	-$275,400,000	$6,120.00	*	*	*
North Carolina	$1,674,300	$ 35,000	$1,725,700,000	$8,001.84	215,663	291,503	16,360
North Dakota	$1,397,700	$ 41,060	$148,800,000	$3,575.88	41,612	25,135	1,411
Ohio	$1,602,700	$ 34,080	$1,977,100,000	$4,840.20	408,475	333,970	18,743
Oklahoma	$1,213,900	$ 38,480	$652,700,000	$6,088.44	107,203	110,253	6,188
Oregon	$1,858,200	$ 23,490	$503,500,000	$4,560.00	110,417	85,051	4,773
Pennsylvania	$1,865,300	$ 42,210	$2,709,100,000	$7,626.60	355,217	457,618	25,682
Rhode Island	$1,691,800	$ 31,110	$168,400,000	$3,732.00	45,123	28,446	1,596
South Carolina	$1,190,800	$ 41,200	$978,800,000	$5,990.40	163,395	165,338	9,279
South Dakota	$1,655,200	$ 63,020	$285,200,000	$5,437.80	52,448	48,176	2,704
Tennessee	$1,808,300	$ 44,940	$1,430,600,000	$7,212.72	198,344	241,655	13,562
Texas	$1,832,600	$ 64,430	$8,105,800,000	$4,791.72	1,691,626	1,369,223	76,843
Utah	$1,607,600	$ 54,980	$705,500,000	$6,208.20	113,640	119,172	6,688
Vermont	$1,166,800	$ 25,920	$85,300,000	$6,060.00	14,076	14,409	809
Virginia	$1,699,100	$ 46,580	$1,923,700,000	$5,491.32	350,316	324,949	18,237
Washington	$2,094,000	$ 71,890	$2,610,100,000	$4,068.00	641,618	440,895	24,744
West Virginia	$742,600	$ 22,950	$204,200,000	$6,877.92	29,689	34,493	1,936
Wisconsin	$1,835,200	$ 39,120	$1,104,600,000	$6,812.28	162,148	186,588	10,472
Wyoming	$2,252,400	$ 78,890	$219,600,000	$9,556.80	22,978	37,095	2,082

Sources: Institute on Taxation and Economic Policy; Healthcare.gov; Kaiser Family Foundation; Dept. of Education; Feyrer & Sacerdote (Dartmouth/ NBER)

*Note: In New York alone, the richest 1 percent can expect an average tax increase of $2,860 under the Senate plan. We did not calculate the equivalent in health care, Pell grants, or infrastructure jobs.

Methods & Data Sources

For the cumulative and average tax cuts to the richest 1 percent in each state, as well as the average income of the richest 1 percent in each state, we relied on estimates for 2019 effects from the Institute on Taxation and Economic Policy Microsimulation Tax Model for the tax bill referred out of Senate committee on November 16, 2017.

Health premiums

For health insurance premium costs in the individual marketplace, we relied primarily on 2018 premium data registered by insurance providers with healthcare.gov. The premium cost for our calculations was the cost of the second-least expensive Silver plan in the most populous county in each state, for a single 40-year-old adult.

Because healthcare.gov data only covers states in the federal marketplace, we also used data from the Kaiser Family Foundation's 2018 premium calculator for the United States and for states with their own marketplaces (California, Colorado, Connecticut, District of Columbia, Idaho, Maryland, Massachusetts, Minnesota, New York, Rhode Island, Vermont, and Washington). We used the unsubsidized premium for the second-lowest cost Silver plan for a single, 40-year-old nonsmoker in each state's most populous county.

Pell grants

The maximum Pell grant award for the 2017-2018 school year is $5,920. Our calculations represent the number of maximum awards that could be covered.

Infrastructure Jobs

The number of infrastructure jobs created by a federal investment depends on many factors: the specific type of infrastructure, the location, the likelihood that the infrastructure would be built without a federal investment, and more.

For the purposes of these calculations, we reviewed various estimates of the cost per infrastructure job created, ranging from roughly $36,000 per job created (Feyrer & Sacerdote, 2011) for investment through the Department of Transportation, to $92,136 per job created by government investment under ARRA (Council of Economic Advisors, 2009), among others.

For these calculations, we use an estimate from Feyrer & Sacerdote (Dartmouth/ NBER, 2011) of $105,485 per job created by federal investments through the Department of Transportation, Department of Energy, and the Environmental Protection Agency. Since the cost per job is high compared to other estimates, our estimates of job creation may be low. Also, in reality job creation costs are likely to vary by state. The Feyrer & Sacerdote approach means the reported job effects represent direct, indirect and induced effects – that is, employment in construction and related industries directly resulting from federal investment, but also the resulting boost to the local economy as the initial investment passes through to existing local businesses and their employees.