

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

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Inequality in America has been [growing for decades](#), stymying our national potential and contributing to the growing political rift in the country. According to [estimates](#) by the Institute on Taxation and Economic Policy, the Tax Cuts and Jobs Act introduced in the House of Representatives would disproportionately benefit the richest 1 percent of Americans.

The ITEP estimates reveal that nationwide, the richest 1 percent of earners would receive a 31 percent share of the tax cuts in 2018 – and by 2027, the richest 1 percent would receive a 48 percent share, leaving the remaining 99 percent to share roughly half the tax benefits.

What the ITEP estimates cannot reveal is the lost potential in federal investment represented by this reallocation of resources to the 1 percent. The House 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?

As Congress considers a tax plan that would bestow an estimated \$72 billion in tax cuts on the richest 1 percent in 2018 alone, it's worth clarifying what tax cuts for the 1 percent means 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 \$72 billion in tax cuts in 2018 under the Trump plan. That money is enough to cover individual health insurance premiums for more than 12.6 million adults. Or, that \$72 billion could cover Pell grants for 12.3 million low-income, and often first generation, college students. Or, that same \$72 billion could create 689,900 jobs through infrastructure investment.

WHAT COULD TAX CUTS FOR THE RICHEST 1 PERCENT PAY FOR?

Tax Cuts for the Richest 1%: 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
<b>United States</b>	<b>\$2,004,400</b>	<b>\$ 48,580</b>	<b>\$72,781,300,000</b>	<b>\$5,760.00</b>	<b>12,635,642</b>	<b>12,294,139</b>	<b>689,968</b>
Alabama	\$1,436,700	\$ 40,990	\$948,600,000	\$6,547.92	144,870	160,236	8,993
Alaska	\$1,310,800	\$ 66,100	\$232,500,000	\$8,172.00	28,451	39,274	2,204
Arizona	\$1,399,600	\$ 44,520	\$1,348,400,000	\$5,649.36	238,682	227,770	12,783
Arkansas	\$1,277,700	\$ 31,020	\$422,500,000	\$4,539.00	93,082	71,368	4,005
California	\$2,659,200	\$ 19,300	\$3,289,900,000	\$4,128.00	796,972	555,726	31,188
Colorado	\$1,733,500	\$ 54,300	\$1,471,000,000	\$4,956.00	296,812	248,480	13,945
Connecticut	\$3,536,500	\$ 53,480	\$934,300,000	\$7,152.00	130,635	157,821	8,857
Delaware	\$1,795,200	\$ 33,750	\$164,700,000	\$7,089.36	23,232	27,821	1,561
District of Columbia	\$3,215,700	\$ 72,560	\$260,600,000	\$3,888.00	67,027	44,020	2,470
Florida	\$3,045,100	\$ 97,050	\$10,174,600,000	\$5,308.92	1,916,510	1,718,682	96,455
Georgia	\$2,002,000	\$ 56,330	\$2,602,400,000	\$5,052.72	515,049	439,595	24,671
Hawaii	\$1,358,200	\$ 29,120	\$205,000,000	\$5,472.72	37,459	34,628	1,943
Idaho	\$1,462,600	\$ 40,970	\$316,500,000	\$5,556.00	56,965	53,463	3,000
Illinois	\$2,777,800	\$ 55,890	\$3,232,100,000	\$4,931.28	655,428	545,963	30,640
Indiana	\$1,572,700	\$ 39,840	\$1,238,900,000	\$4,397.76	281,712	209,274	11,745
Iowa	\$1,212,900	\$ 36,100	\$535,200,000	\$7,872.12	67,987	90,405	5,074
Kansas	\$1,786,300	\$ 55,460	\$733,600,000	\$6,846.60	107,148	123,919	6,955
Kentucky	\$1,257,900	\$ 28,510	\$582,200,000	\$4,759.80	122,316	98,345	5,519
Louisiana	\$1,178,700	\$ 44,560	\$929,000,000	\$5,938.92	156,426	156,926	8,807
Maine	\$1,254,900	\$ 22,180	\$149,500,000	\$6,161.40	24,264	25,253	1,417
Maryland	\$1,826,200	\$ 47,060	\$1,375,900,000	\$5,472.00	251,444	232,416	13,044
Massachusetts	\$2,938,800	\$ 75,870	\$2,618,700,000	\$3,600.00	727,417	442,348	24,825
Michigan	\$1,591,200	\$ 52,820	\$2,479,600,000	\$3,983.04	622,540	418,851	23,507
Minnesota	\$2,563,200	\$ 37,740	\$1,001,500,000	\$3,924.00	255,224	169,172	9,494
Mississippi	\$1,159,300	\$ 29,230	\$398,300,000	\$6,610.56	60,252	67,280	3,776
Missouri	\$1,627,200	\$ 41,870	\$1,221,400,000	\$5,575.08	219,082	206,318	11,579
Montana	\$1,657,700	\$ 46,190	\$247,900,000	\$6,041.16	41,035	41,875	2,350
Nebraska	\$1,539,900	\$ 36,580	\$324,600,000	\$8,124.12	39,955	54,831	3,077
Nevada	\$2,798,700	\$ 101,940	\$1,351,500,000	\$4,606.68	293,378	228,294	12,812
New Hampshire	\$1,686,600	\$ 46,510	\$309,000,000	\$5,695.92	54,249	52,196	2,929
New Jersey	\$3,142,200	\$ 22,790	\$955,300,000	\$5,016.00	190,451	161,368	9,056
New Mexico	\$1,197,100	\$ 30,250	\$272,500,000	\$4,816.32	56,578	46,030	2,583
New York	\$3,114,500	\$ 19,610	\$1,878,400,000	\$6,120.00	306,928	317,297	17,807
North Carolina	\$1,643,400	\$ 38,530	\$1,864,400,000	\$8,001.84	232,996	314,932	17,675
North Dakota	\$1,431,500	\$ 59,320	\$213,300,000	\$3,575.88	59,650	36,030	2,022
Ohio	\$1,572,700	\$ 38,870	\$2,231,400,000	\$4,840.20	461,014	376,926	21,154
Oklahoma	\$1,218,000	\$ 40,790	\$692,300,000	\$6,088.44	113,707	116,943	6,563
Oregon	\$1,835,400	\$ 32,050	\$667,000,000	\$4,560.00	146,272	112,669	6,323
Pennsylvania	\$1,837,500	\$ 46,000	\$2,919,100,000	\$7,626.60	382,752	493,091	27,673
Rhode Island	\$1,673,500	\$ 35,500	\$188,300,000	\$3,732.00	50,456	31,807	1,785
South Carolina	\$1,159,000	\$ 39,440	\$928,000,000	\$5,990.40	154,915	156,757	8,797
South Dakota	\$1,663,900	\$ 88,260	\$392,900,000	\$5,437.80	72,253	66,368	3,725
Tennessee	\$1,776,900	\$ 43,820	\$1,373,200,000	\$7,212.72	190,386	231,959	13,018
Texas	\$1,833,500	\$ 74,300	\$9,130,400,000	\$4,791.72	1,905,454	1,542,297	86,556
Utah	\$1,575,300	\$ 57,970	\$720,600,000	\$6,208.20	116,072	121,723	6,831
Vermont	\$1,173,500	\$ 28,840	\$90,200,000	\$6,060.00	14,884	15,236	855
Virginia	\$1,666,200	\$ 54,920	\$2,238,200,000	\$5,491.32	407,589	378,074	21,218
Washington	\$2,031,700	\$ 80,240	\$2,907,400,000	\$4,068.00	714,700	491,115	27,562
West Virginia	\$737,800	\$ 18,830	\$167,100,000	\$6,877.92	24,295	28,226	1,584
Wisconsin	\$1,800,200	\$ 51,180	\$1,431,100,000	\$6,812.28	210,077	241,740	13,567
Wyoming	\$2,322,400	\$ 101,950	\$282,100,000	\$9,556.80	29,518	47,652	2,674

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

## 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](#) from the Institute on Taxation and Economic Policy Microsimulation Tax Model for the Tax Cuts and Jobs Act introduced on November 2, 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.