PENN WHARTON
UNIVERSITY of PENNSYLVANIA
Budget Model

The 2024 Trump Campaign Policy Proposals: Budgetary, Economic and Distributional Effects

For more election analysis, check out our Election 2024 page.

Summary: We estimate that the Trump Campaign tax and spending proposals would increase primary deficits by $5.8 trillion over the next 10 years on a conventional basis and by $4.1 trillion on a dynamic basis that includes economic feedback effects. Households across all income groups benefit on a conventional basis.

Key Points

- We project that conventionally estimated tax revenue falls by $5.8 trillion over the next 10 years, producing an equivalent amount of primary deficits. Accounting for economic feedback effects, primary deficits increase by $4.1 trillion over the same period.
- While GDP increases during part of the first decade (2025 – 2034), GDP eventually falls relative to current law, falling by 0.4 percent in 2034 and by 2.1 percent in 30 years (year 2054). After initially increasing, capital investment and working hours eventually fall, leaving average wages unchanged in 2034 and lower by 1.7 percent in 2054.
- Low, middle, and high-income households in 2026 and 2034 all fare better under the campaign proposals on a conventional basis. These conventional gains and losses do not include the additional debt burden on future generations who must finance almost the entirety of the tax decreases.

Introduction

The 2024 Trump presidential campaign has endorsed several tax-related policy proposals. The Trump campaign supports extending the expiring provisions of the 2017 Tax Cuts and Jobs Act (TCJA) and recommends additional reductions in the corporate tax rate to 15 percent. In addition, the Trump campaign favors eliminating income taxes on Social Security benefits.

Like our analysis of the 2024 Harris campaign, we do not include the non-taxation of "tips" earned by service workers as originally recommended in public comments by Trump. The 10-year budget cost could vary significantly depending on the ability to reclassify current sources of income as "tips" to the mutual benefit of employers and employees. The ability to reclassify income is often a major source of revenue response in conventional tax scoring. As such, a considerable number of additional details would be needed to score this provision.

The Trump campaign has also put forward several trade policy proposals to impose new taxes on imported goods and services, including a 10 percent across-the-board tariff on all imports and much higher targeted tariffs. Key implementation details, however, are missing. While new import taxes and tariffs could raise several trillion dollars in new revenue over the next decade, they could also lead to revenue losses due to potential retaliatory actions from other governments and other economic dynamics. The implementation and interactions with Pillar 2 also remain unanswered.

Trump Campaign Proposals

The Trump Campaign proposes to permanently extend major components of the 2017 TCJA, including provisions that will expire after 2025 under current law as well as provisions that have already ended or are phasing out. The Trump campaign would then provide additional tax cuts for corporations and for elderly households receiving Social Security benefits. More specifically:

- **Extend the individual income tax provisions of TCJA.** For individuals, extending the TCJA would keep seven ordinary tax brackets with TCJA thresholds and rates. The top rate would be kept at 37 percent (versus 39.6% pre TCJA) and the exemption and exemption phaseout threshold from the Alternative Minimum Tax (AMT) would remain elevated. The standard deduction would remain roughly twice as high as before the TCJA and personal exemptions would remain eliminated. For households who itemize deductions, the cap on the Mortgage Interest Deduction would remain at $750,000 in mortgage debt and up to $10,000 of State and Local taxes could be deducted. The Child Tax Credit would remain at $2,000, the amount refundable at $1,400 (in 2017 dollars) and begin to phase out at $400,000 of income. The Other Dependent Credit, which provides a $500 nonrefundable credit for dependents that do not qualify for the CTC, would remain in effect. Married filers would be able to deduct 20 percent of the first $315,000 ($157,500 for other filers, all in 2017 dollars) in income from pass-through businesses, subject to limitations. Estate tax exemptions would remain at their higher post TCJA levels. See our recent extensive analysis of the TCJA extension for additional information.

- **Eliminate taxes on Social Security benefits.** Under current law, individuals drawing social security benefits are required to pay taxes on 50-85% of their benefits, with lower-income retirees paying taxes on a lower share than higher-income retirees. This proposal would exclude all Social Security benefits from taxable income for all individuals.

- **Extend the business tax provisions of TCJA.** Lawmakers made several changes to the tax treatment of business investment in the 2017 TCJA, creating a tax system that was more generous to businesses in the years immediately following the law's enactment but became less generous over time. Initially, businesses could immediately deduct from their taxable income 100 percent of most tangible investment costs – known as "bonus" depreciation – and 100 percent of expenditures for research and experimentation (R&E). This change was partly offset by a new limitation on deductions for interest expenses. In the years since, the bonus depreciation percentage has dropped 20 percentage points per year (falling to zero in 2027). Moreover, since 2022, businesses have been required to deduct R&E costs spread over five years instead of taking the deduction in a single year. Beginning in 2023, the limitation on interest deductions became more restrictive. The Trump campaign proposal would undo these changes, restoring and making permanent the regime that existed immediately after TCJA's enactment. See PWBM's recent extensive analysis of the TCJA extension for additional information.

- **Lower the corporate income tax rate to 15 percent.** The 2017 TCJA permanently reduced the corporate tax rate from a statutory tax rate of 35 percent of taxable income to 21 percent. This proposal would lower that rate to 15 percent.

Budgetary Effects: Conventional Estimates

Table 1 presents the annual and 10-year budgetary cost estimate for the proposed policies outlined above.[1] PWBM projects that the Trump campaign proposals would increase primary deficits by $5.8 trillion on net over the 10-year budget window from 2025 to 2034 on a conventional basis.

Table 1: Budgetary Effects of the Trump Campaign Policy Proposals

Billions of dollars

Provision	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2025 - 2034
Individual											
Extend the individual income tax provisions of TCJA	0	-311	-358	-371	-368	-374	-385	-396	-408	-419	-3,388
Eliminate taxes on Social Security benefits	-60	-104	-109	-116	-122	-129	-136	-144	-150	-156	-1,226
Subtotal: Individual	*-60*	*-415*	*-467*	*-487*	*-490*	*-503*	*-521*	*-540*	*-558*	*-575*	*-4,614*

Provision	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2025 - 2034
Business											
Extend the business tax provisions of TCJA	-74	-95	-93	-78	-61	-52	-47	-43	-40	-39	-623
Lower the corporate income tax rate to 15%	-51	-44	-50	-54	-59	-61	-64	-66	-72	-75	-595
Subtotal: Business	*-125*	*-139*	*-143*	*-132*	*-120*	*-113*	*-111*	*-109*	*-112*	*-114*	*-1,217*
Effect on primary deficit (-) or surplus (+)	***-185***	***-554***	***-610***	***-619***	***-610***	***-616***	***-632***	***-649***	***-670***	***-689***	***-5,833***
Memorandum:											
Effect on primary deficit (-) or surplus (+), with dynamic effects	*-153*	*-446*	*-484*	*-465*	*-462*	*-449*	*-429*	*-423*	*-416*	*-418*	*-4,146*

Permanently extending the expiring individual income tax provisions of TCJA would add $3.4 trillion to deficits (before interest costs) over the next ten years. Restoring the original TCJA regime for taxing business investment adds another $623 billion to increase the total cost of TCJA extension to more than $4 trillion.

The additional cost of eliminating taxes on Social Security benefits is $1.2 trillion over 10 years. The additional cost of lowering the corporate tax rate to 15 percent is $595 billion over 10 years. Both estimated costs are lower under the TCJA extensions discussed above due to various interactions. Specifically, ending the taxation of Social Security benefits is lower after TCJA extension than relative to current law because the TCJA extension already reduces the tax rate on those benefits for some households. Similarly, the cost of reducing the corporate tax rate is lower because extending TCJA's business investment provisions already reduces corporations' taxable income, which means that each percentage point of corporate income tax raises less revenue.

Economic Effects

Table 2 reports the estimated effects of the Trump campaign proposals on the economy. We project that debt increases relative to current law while key economic variables (hours worked, capital, and GDP) fall. An increase in federal debt reduces the amount of household savings and international capital flows that are available for productive investment. That effect is only partly mitigated by lower tax rates on corporate income, and it encourages more household savings and international capital flows. While GDP increases during the first part of the first decade, it falls by 0.4 percent by 2034 and by 2.1 percent within 30 years (2054). Pre-tax wages averaged across all labor income groups remain unchanged by 2034 and fall by 1.7 percent in 30 years.

Table 2: Economic Effects of the Trump Campaign Policy Proposals

Percent Change from Baseline unless otherwise indicated

	2034	**2039**	**2044**	**2049**	**2054**
Gross domestic product	-0.4	-0.5	-0.8	-1.4	-2.1
Capital stock	-0.4	-0.6	-1.1	-2.5	-4.0
Hours worked	-0.3	-0.4	-0.4	-0.6	-0.6
Average wage	0.0	-0.1	-0.4	-1.0	-1.7
Consumption	2.2	2.5	2.7	2.9	3.2
Debt held by the public	9.3	11.3	12.2	12.5	12.7

Accounting for dynamic (economic feedback) effects, PWBM estimates that the Trump campaign proposals would increase primary deficits by $4.1 trillion over 10 years (Table 1, Memorandum line).

Conventional Distributional Analysis

Table 3 reports the conventional distributional effects of the Trump campaign proposals analyzed in Tables 1 and 2. In 2026, all parts of the income distribution see increases in their income after taxes and federal spending transfers. The largest gains, measured as a percent change in income, accrue to households in the 95 – 99 income percentiles. These gains remain consistent in 2034.

Table 3: Conventional Distributional Effects of the Trump Campaign Policy Proposals

	2026		2034	
Income group	**Average income change, after taxes and transfers**	**Percent change in income, after taxes and transfers**	**Average income change, after taxes and transfers**	**Percent change in income, after taxes and transfers**
First quintile	$320	1.4%	$465	6.4%
Second quintile	$870	1.8%	$1,020	1.7%
Middle quintile	$1,740	2.1%	$2,285	2.2%
Fourth quintile	$3,970	2.8%	$5,075	2.9%
80-90%	$6,255	2.9%	$7,030	2.6%
90-95%	$9,020	2.7%	$11,080	2.7%
95-99%	$21,735	3.7%	$24,510	3.4%
99-99.9%	$47,220	2.6%	$47,515	2.1%
Top 0.1%	$376,910	2.7%	$214,935	1.6%

Unlike traditional conventional tax analysis, PWBM distributes both tax and spending proposals by income group to provide a more holistic picture. However, conventional distributional analysis does not include the higher debt burden passed to future generations who inherit a larger federal debt; nor does conventional analysis include microeconomic and macroeconomic feedback effects. These features can be incorporated using PWBM's dynamic distributional analysis, analysis that we will report at a later date.

This analysis was produced by Kody Carmody, Jonathan Huntley, Ed Murphy, Brendan Novak under the direction of Alex Arnon, Felix Reichling, and the faculty director, Kent Smetters. Mariko Paulson prepared the brief for the website.

---

1. The revenues effects in Table 1 are estimated on a conventional basis, meaning they do not incorporate all economic responses to changes in policy. In addition, estimates are presented in Table 1 on a "stacked" basis to capture interaction effects. This means that the revenue effect of any one proposal partly depends on the order in which it appears in the table. ↩