Appendix

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Notes on income measures and estimates of regressivity

Our estimates for Figure 1 in the report's main text and for Tables A1 and A2 below come from two well-regarded sources: the Tax Policy Center and Yale Budget Lab. Both provide us with estimates of the effects of tax changes on households grouped by income quintiles, as well as on households in the top 5 percent and top 1 percent of the income distribution. The Yale Budget Lab, uniquely, also provides estimates of the effects of the spending changes in the One Big Beautiful Bill Act on these same income groups.

We should note that different sources and analyses sometimes employ different concepts of income. The Tax Policy Center, for instance, has used several different income measures over the past few decades. The center's analysis of the 2001 Economic Growth and Tax Relief Reconciliation Act ranks households based on Adjusted Gross Income, or AGI, an income identifier often seen on tax returns. (AGI usually involves income from all sources reported on tax returns minus certain adjustments, also known as "above-the-line deductions.") By contrast, the center's more recent analyses of the 2017 Tax Cuts and Jobs Act, as well as of the tax components of the current One Big Beautiful Bill Act, use a concept called expanded cash income, which is equal to "cash income plus 1) tax-exempt employee and employer contributions to health insurance and other fringe benefits, 2) employer contributions to tax-preferred retirement accounts, 3) income earned within retirement accounts, and 4) food stamps." The Yale Budget Lab, on the other hand, uses Adjusted Gross Income for its analysis of both the tax provisions and the spending provisions of the One Big Beautiful Bill Act.

Differences in income concepts and updates in methodology could result in somewhat different results across analyses. Still, the estimates we use for the two most regressive tax and budget packages of at least the past 40 years—the Bush tax cuts of 2001 and the current Republican bill—both use AGI. We should also note that our main results are similar if, instead of using the Yale Budget Lab's estimates of the distributional impact of the tax provisions of the current bill, we substitute in the Tax Policy Center's estimates, despite the different income concepts used. (The Tax Policy Center has not analyzed the spending provisions of the bill.)

As noted in the text, our main measure of regressivity is an intuitive one: the absolute difference between average percentage changes in income at the lower end of the income distribution (the bottom quintile) and the top end. We produce three version of this measure, which vary in the reference group at the top: the top quintile, top 5 percent, and top 1 percent. The first is a broader measure of regressivity, while the second and third, focused on how concentrated the gains are at the very top, are particularly useful for analyzing extremely skewed effects, such as those created by the 2001, 2017, and 2025 tax changes. Other similar regressivity measures—for example, the ratio of income changes at the top versus changes at the bottom or the share of total income changes received by different income groups—are difficult to interpret or compare when some

income groups experience negative income changes, as is the case with the One Big Beautiful Bill Act.

We should note that the regressivity in the One Big Beautiful Bill Act applies to the entire income distribution. For example, even when we focus on the second and third income quintiles—groups that are less reliant on the programs that would be cut by the bill—our measure of regressivity is historically high. For example, the absolute difference in average income changes between the top quintile and second quintile is 3.9 percentage points— considerably larger than the same measure for the Bush tax cuts (0.8 percentage points) or for the 2017 Trump tax cuts (1.7 percentage points). Indeed, the second quintile actually loses a small amount of income as a result of the current House-passed bill, whereas the other two tax laws modestly improved that group's standing. Similarly, the difference between the top quintile and middle quintile—the core of the middle class—is steeper under the One Big Beautiful Bill Act (1.5 percentage points) than under the Bush tax cuts (0.9 percentage points) or the 2017 Tax Cuts and Jobs Act (1.3 percentage points). In other words, this is not a bill that just hurts the poor and aids the rich; it is regressive across the board. (See Tables A1 and A2 below.)

Table A1 (See Figure 1 in report)

Regressivity of the Economic Growth and Tax Relief Reconciliation Act, Tax Cuts and Jobs Act, and House-passed One Big Beautiful Bill Act

Average percentage changes in after-tax-and-transfer income under three tax laws, by quintile, top 5 percent, and top 1 percent, as well as absolute differences between various income groups

| | EGTRRA | TCJA | OBBBA |
|--|--------|------|-------|
| | 2001 | 2017 | 2025 |
| Lowest quintile | 0.5 | 0.4 | -3.8 |
| Second quintile | 2.4 | 1.2 | -0.1 |
| Middle quintile | 2.3 | 1.6 | 2.2 |
| Fourth quintile | 1.9 | 1.9 | 2.8 |
| Top quintile | 3.2 | 2.9 | 3.7 |
| | | | |
| Top 5 percent | 4.8 | 3.7 | 4.2 |
| Top 1 percent | 7.7 | 3.4 | 4.0 |
| | | | |
| Absolute difference between top 20 percent and | | | |
| bottom 20 percent | 2.6 | 2.5 | 7.5 |
| Absolute difference between top 5 percent and | | | |
| bottom 20 percent | 4.3 | 3.3 | 8.0 |
| Absolute difference between top 1 percent and | | | |
| bottom 20 percent | 7.2 | 3.0 | 7.8 |

Sources: <u>Tax Policy Center</u> (EGTRRA 2001), <u>Tax Policy Center</u> (TCJA 2017), <u>Yale Budget</u> <u>Lab</u> (OBBBA 20225). **Notes:** EGTRRA estimates are for 2010, as many of the cuts phased in over several years. TCJA estimates are for 2018. OBBBA estimates are for 2027, at which point most Medicaid and SNAP cuts will have been phased in, though there are still ongoing debates about the phase-in timeline.

Table A2

Regressivity of the Economic Growth and Tax Relief Reconciliation Act, Tax Cuts and Jobs Act, and Housepassed One Big Beautiful Bill Act

Percent change in after-tax income under two prior tax laws and under the One Big Beautiful Bill Act as passed by the U.S. House

| | | | 2025 OBBRA: | 2025 | 2025 |
|-----------------------------|------------|------------|----------------|------------|------------|
| | 2001 | 2017 | tax + | OBBBA: | OBBBA: |
| | EGTRRA | TCJA | spend | tax only | tax only |
| | (2010)* | (2018)* | (2027)* | (2027) | (2026) |
| Lowest quintile | 0.5 | 0.4 | -3.8 | 0.5 | 0.8 |
| Second quintile | 2.4 | 1.2 | -0.1 | 1.8 | 1.7 |
| Middle quintile | 2.3 | 1.6 | 2.2 | 2.9 | 2.4 |
| Fourth quintile | 1.9 | 1.9 | 2.8 | 3.1 | 2.7 |
| Top quintile | 3.2 | 2.9 | 3.7 | 3.7 | 3.4 |
| | | | | | |
| Top 5 percent | 4.8 | 3.7 | 4.2 | 4.2 | 3.9 |
| Top 1 percent | 7.7 | 3.4 | 4.0 | 4.0 | 3.7 |
| | | | | | |
| Absolute difference between | | | | | |
| top 20 percent and bottom | | | | | |
| 20 percent | 2.7 | 2.5 | 7.5 | 3.2 | 2.6 |
| Absolute difference between | | | | | |
| top 5 percent and bottom | | | | | |
| 20 percent | 4.3 | 3.3 | 8.0 | 3.7 | 3.1 |
| Absolute difference between | | | | | |
| top 1 percent and bottom | | | | | |
| 20 percent | 7.2 | 3.0 | 7.8 | 3.5 | 2.9 |
| Income measure | AGI | Expanded | AGI | AGI | Expanded |
| | | cash | | | cash |
| | | income | | | income |
| Source | Tax Policy | Tax Policy | Yale | Yale | Tax Policy |
| | Center | Center | Budget Lab | Budget Lab | Center |

Notes: * Included in main text.

We conducted one additional analysis to examine the across-the-board regressivity of the One Big Beautiful Bill Act, the results of which can be found in Figure A1 below. Using estimates for the Bush tax cuts, the 2017 Trump tax cuts, and the current House-passed bill, we regressed the average percent change in after-tax-and-transfer income for each quintile on the quintile number. The coefficients thus show how these average income changes increase (or decrease) as one moves from lower to higher income quintiles, with a larger coefficient indicating greater regressivity. For comparison, the coefficient would be zero on a distributionally neutral piece of legislation and negative for a progressive one. Using this measure, we can see that the estimated coefficient for the One Big Beautiful Bill Act is more than 3 times as large as the coefficients for the 2001 Economic Growth and Tax Relief Reconciliation Act and the 2017 Tax Cuts and Jobs Act.

Figure A1

Republican budget proposal is much more regressive than previous GOP tax laws

Regression estimates using changes in after-tax-and-transfer income of different income quintiles



Notes: Coefficients represent the estimated difference in percent change of after-tax-and-transfer income resulting from moving from one quintile to the next higher one. Larger coefficients under this measure mean that the piece of legislation is more regressive. See Table A2 for sources: <u>Tax</u> <u>Policy Center</u> (EGTRRA 2001), <u>Tax Policy Center</u> (TCJA 2017), <u>Yale Budget Lab</u> (OBBBA 2025).