FY 2025 Budget Resolution will Deliver Permanent Tax Relief, Spur Economic Growth and Restore Fiscal Order

The Fiscal Year (FY) 2025 Budget Resolution lays the groundwork to make permanent and build on the 2017 Trump Tax Cuts, ensuring American families can keep more of their hard-earned money and stop financing Washington's spending problem.

The Senate Finance Committee instructions unlock the ability for Congress to prevent a more-than $4 trillion tax hike on American families and businesses, provide certainty and predictability by making the Trump Tax Cuts permanent, and deliver additional middle-class tax relief.

The FY 2025 Budget Resolution lays the groundwork for legislation that:

Prevents a more-than $4 trillion tax hike on American families and businesses.

- **The Trump tax cuts:**
  - Reduced taxes for Americans of all income levels.
  - Middle-class families received largest proportional benefits of the cuts.
  - The average middle-income family received a tax cut of $2,000.
  - Made the tax code more progressive: highest-income earners have paid a greater share of income taxes than they did before the Trump Tax Cuts
  - Created a new deduction to provide tax relief to small businesses.
- **The economic result:**
  - In just over two years after enactment, the U.S. added 4.7 million new jobs.
  - The unemployment rate fell dramatically to 3.5 percent—the lowest in 50 years.
  - Median household income reached an all-time high of $68,703 in 2019, a 6.8 percent increase over 2018.
  - Domestic investment increased by 20 percent.
  - Companies that had announced plans to relocate abroad either rescinded those plans or came back to the U.S.
- **If the tax cuts expire:**
  - More-than $4 trillion tax hike on individuals and businesses
  - More than $2.6T tax hike on households earning less than $400,000 per year
  - Average family of four making $80,000 would see a more-than $1,700 tax increase.
  - Tens of millions of families will see their Child Tax Credit cut in half to $1,000
  - The standard deduction—which 90 percent of taxpayers claim—would be cut in half.
  - Owners of over 20 million small businesses would be hit with a $600 billion tax hike, with tax rates up to 43.4 percent.
  - The U.S. would suffer economic damage in the form of 6 million job losses, $540 billion in lost wages, and $1.1 trillion in U.S. GDP.

Permanently extends the tax cuts, maximizing economic growth.

- Permanent tax policies promote stability and lead to more pronounced economic effects than temporary ones. Making the Trump Tax Cuts permanent would provide businesses the certainty and stability they need to make the long-term investments that drive growth, accelerate productivity and increase prosperity across all segments of the economy.
- The Council of Economic Advisers projects that making the Trump Tax Cuts permanent—combined with other Trump Administration pro-growth policies—will yield an average growth of at least 3 percent per year over the next 10 years, resulting in more than $4 trillion in additional revenue during that period.
- Making the Tax Cuts and Jobs Act (TCJA) permanent would increase long-run GDP by 1.1 percent ($500 billion) and increase after-tax income for all income levels.
- A September 2024 report estimated that a permanent extension of the small-business tax deduction would create 1.2 million jobs annually over the first ten years, growing to 2.4 million in the long run.

Utilizes a current policy baseline—the best path for permanence.

- **A current policy baseline more accurately reflects reality.** Maintaining existing tax rates and preventing a $4 trillion tax hike is not the same as $4 trillion in deficit spending. Utilizing a current policy baseline would not increase the deficit.
- **The Congressional Budget Office (CBO) baseline is not strictly based on current law—it is a hybrid system, and extensively uses both current law and current policy.** CBO incorporates a hybrid of assumptions into its baseline, which treats spending programs more favorably than tax policies. Under the most recent CBO baseline, there is $2.5 trillion in spending automatically extended over the next 10 years under a current *policy* baseline, while preventing tax hikes are scored as increasing the deficit under a current *law* baseline.
- **A current policy baseline has been used for tax policy before.** In 2013, the Obama White House and Congress extended existing tax policy, arguing that a "current policy baseline to be the appropriate reference point, since it measures changes relative to the status quo, rather than the mix of expiring provisions and policy changes that would likely never be implemented."
- **A current policy baseline does not prevent Congress from cutting spending.** As the Wall Street Journal notes, "Washington's deliberately opaque budget rules haven't checked spending, and both parties have found ways to game the system with gimmicks. Using the current policy baseline to extend current tax law is in the best interests of the country to avoid a giant tax increase, and Republicans can rightly defend it."

Prevents the American people from continuing to finance Washington's spending problem.

- Washington has a spending problem, not a revenue problem.
- Revenue to GDP ratio has stayed consistent within its 50-year average, at about 17 percent.
- Post-Trump Tax Cuts revenues far exceeded congressional scorekeepers' projections, coming in $1 trillion higher. When accounting for increased payroll tax revenues, that number increases to $1.5 trillion or higher.
- Congress must begin the process of restoring fiscal sanity by achieving deficit reduction and spending cuts—not the largest tax hike in our country's history—are the best way to achieve that goal.