



OCTOBER 16, 2024

THE FISCAL IMPACT OF THE HARRIS AND TRUMP CAMPAIGN PLANS

WITH MARC GOLDWEIN



US BUDGET WATCH 2024

A project of the Committee for a Responsible Federal Budget

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What is US Budget Watch 2024?



US BUDGET WATCH 2024

A project of the Committee for a Responsible Federal Budget

US Budget Watch 2024 is a project of the nonpartisan Committee for a Responsible Federal Budget designed to educate the public on the fiscal impact of presidential candidates' proposals and platforms. Through the election, we will issue policy explainers, fact checks, budget scores, and other analyses.

By injecting an impartial, fact-based approach into the national conversation, US Budget Watch 2024 will help the public better understand the nuances of candidates' policy proposals and what they would mean for the country's economic and fiscal future.

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Major Challenges Await the Next Administration



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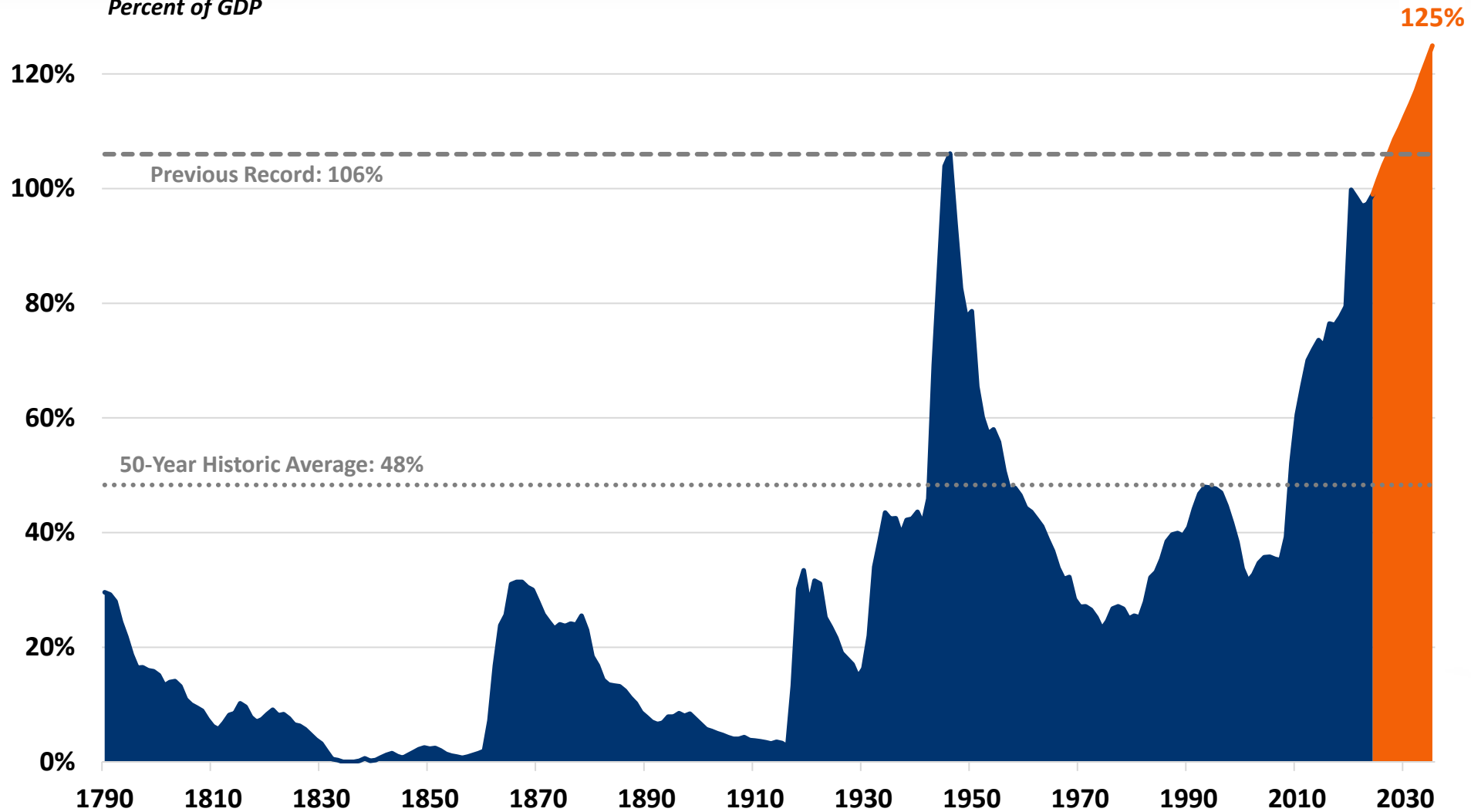
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Major Challenges Await the Next Administration

- **Record Debt Levels**
- **Growing Interest Costs**
- **Looming Trust Fund Insolvency**
- **Major Expirations and the Risk of Costly Extensions**

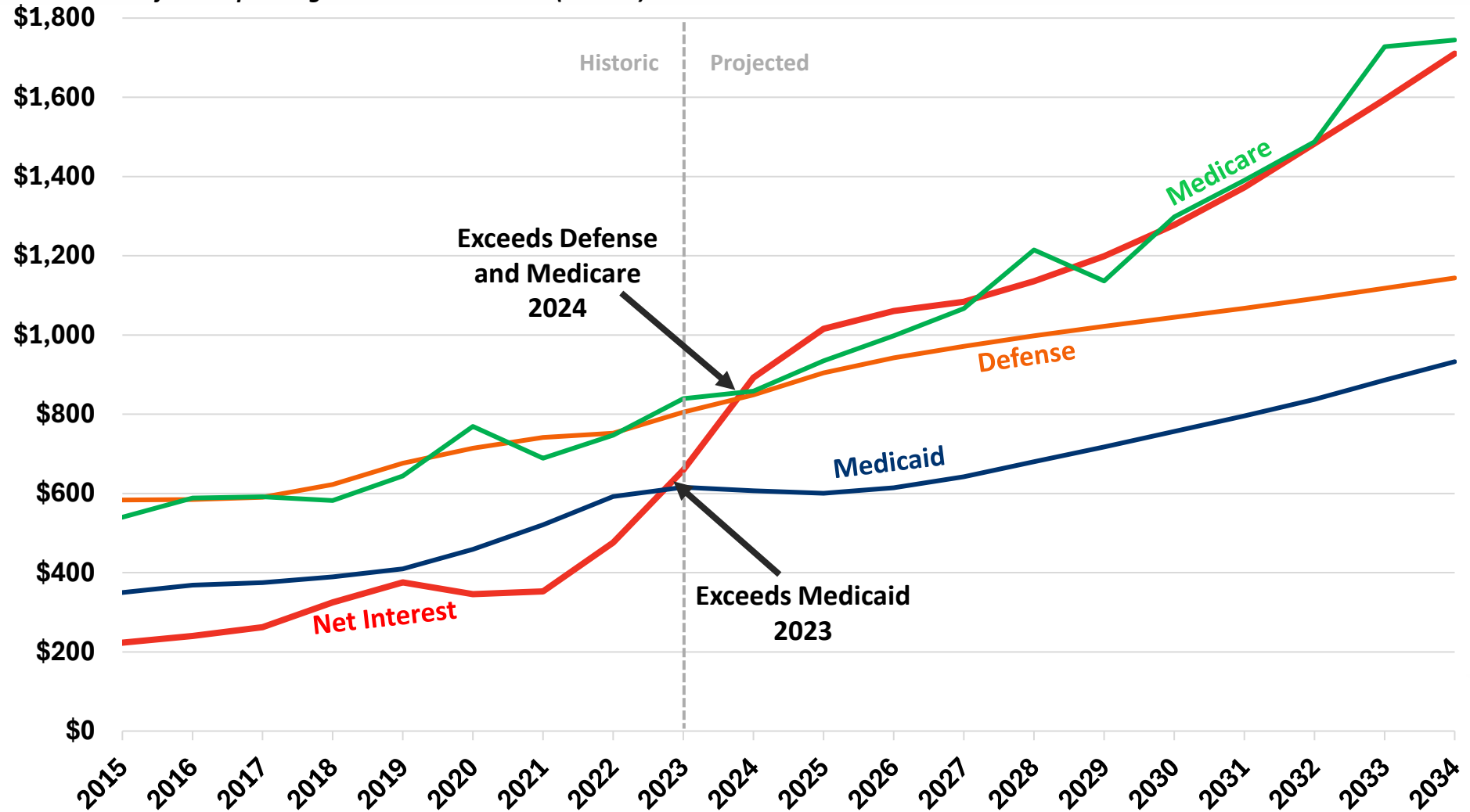
Debt Is Rising to Record Levels

Percent of GDP



...And Interest Costs Are Exploding

Projected Spending Under CBO's Baseline (Billions)



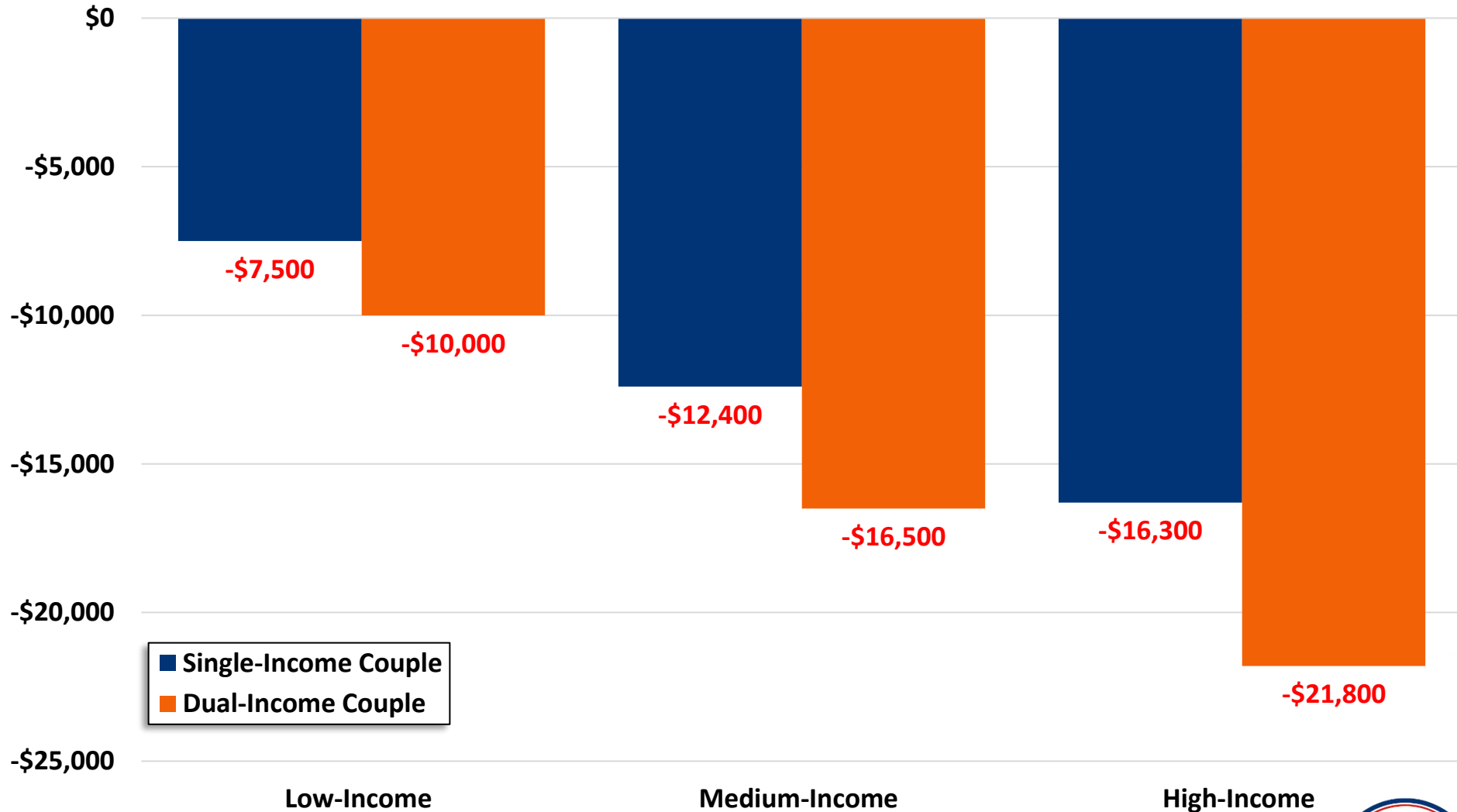
Exceeds Defense and Medicare 2024

Exceeds Medicaid 2023



Major Trust Funds Are Approaching Insolvency

Projected Benefit Cut for a Couple Retiring in 2033 (Current Dollars)



Sources: Social Security Administration and Committee for a Responsible Federal Budget
Note: Estimates are based on benefits for couples that retire at the time of trust fund depletion.

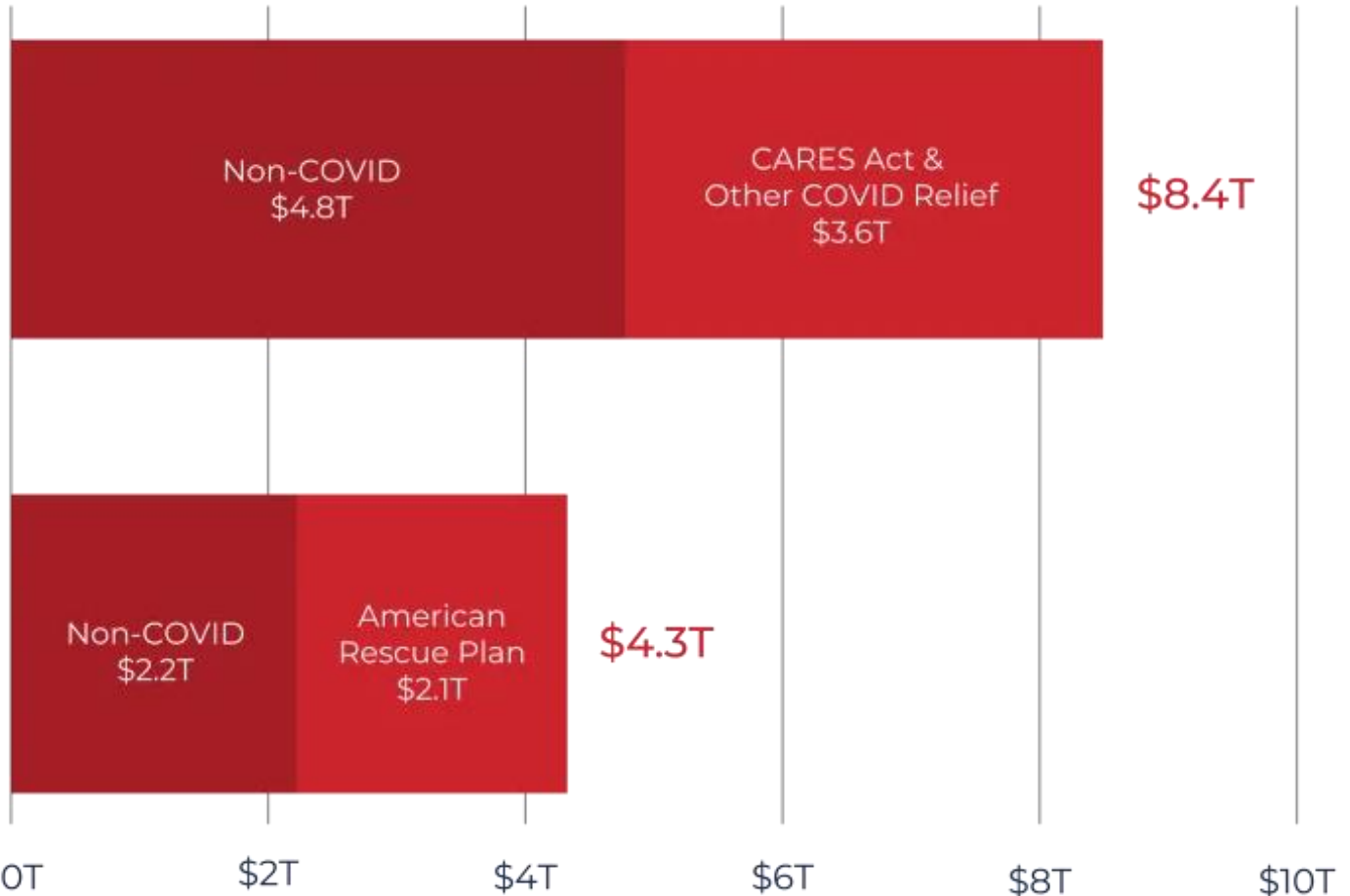
...And Dozens of Policies Will Expire in 2025

Expiring Provision	Cost of Extension (2026-2035)
Reduce individual income tax rates to 10 12 22 24 32 35 37	\$3.4 trillion
Repeal 'Pease' deduction limit and Alternative Minimum Tax for most taxpayers	\$760 billion
Replace personal and dependent exemption with doubled Child Tax Credit (\$1,000 to \$2,000) and larger standard deduction	\$300 billion
Establish 20% deduction for certain pass-through business income	\$780 billion
Expand Opportunity Zones	\$70 billion
Limit state and local tax (SALT) deduction to \$10,000 per taxpayer	-\$1.2 trillion
Limit or repeal other tax deductions	-\$210 billion
Limit deductibility of business losses against ordinary income.	-\$20 billion
Subtotal, TCJA Extensions	\$3.9 trillion
Expanded Affordable Care Act premium credits	\$360 billion
Total	\$4.3 trillion



Trump and Biden Both Added to the Debt

Net Ten-Year Debt Approved (Trillions)





HOW WOULD THE HARRIS AND TRUMP CAMPAIGN PLANS AFFECT THE BUDGET?



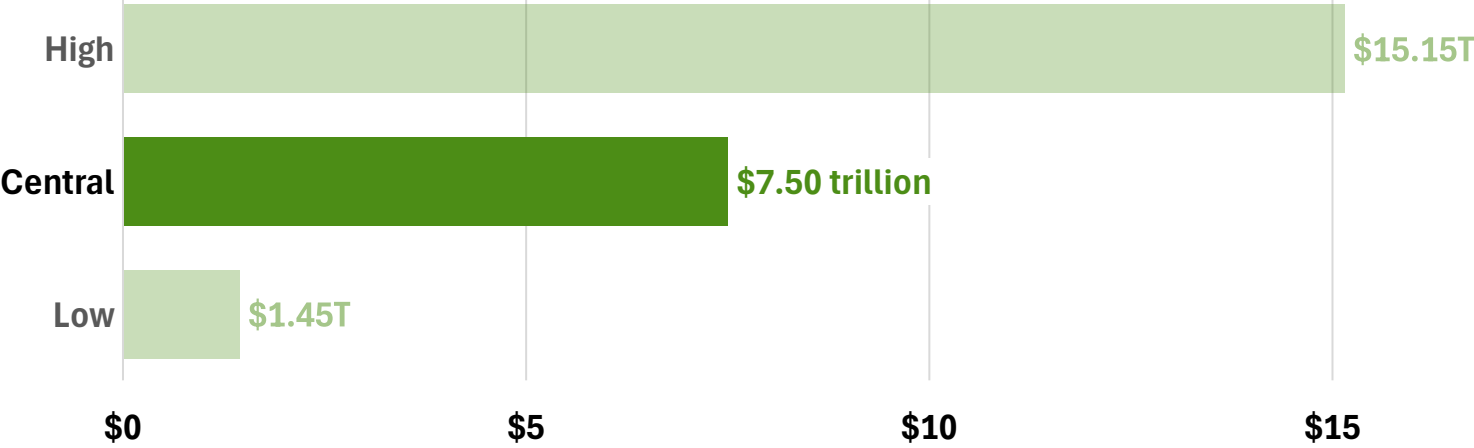
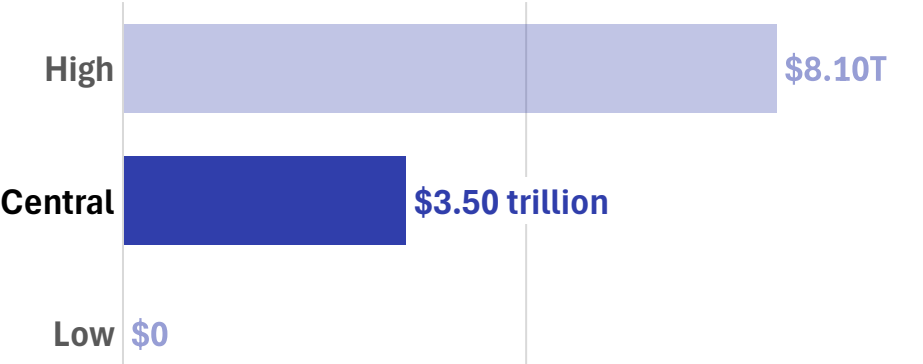
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How Much Would Trump and Harris Add to the Debt?

Trillions, FY 2026 – FY 2035



Candidate Proposals Under Our Central Estimate

Billions, FY 2026 – FY 2035

	Harris	Trump
Extend and Modify Parts of the Tax Cuts & Jobs Act (TCJA)	-\$3,000	-\$5,350
Reduce Individual Taxes and Expand Tax Breaks	-\$1,600	-\$3,600
Reduce Business Taxes and Expand Tax Breaks	-\$150	-\$200
Increase Resources for Health Care and Long-Term Care	-\$750	-\$150
Increase Defense Spending	n/a	-\$400
Support Paid Leave, Preschool, Child Care, and Education	-\$1,400	n/a
Restrict Immigration and Strengthen Border Security	-\$100	-\$350
Increase Housing-Related Spending and Tax Breaks	-\$250	-\$150
Subtotal, Deficit-Increasing Policies	-\$7,250	-\$10,200
Increase Taxes on Corporations and High-Earners	\$4,000	n/a
Increase Tariffs	n/a	\$2,700
Reduce Other Spending and Tax Breaks	\$250	\$1,000
Subtotal, Deficit-Reducing Policies	\$4,250	\$3,700
Net Interest	-\$500	-\$1,000
Total, Net Deficit Impact	-\$3,500	-\$7,500

Candidate Proposals Under Our Low and High Estimates

Billions, FY 2026 – FY 2035

	Harris		Trump	
	Low	High	Low	High
Extend and Modify Parts of the Tax Cuts & Jobs Act (TCJA)	-\$2,050	-\$3,600	-\$4,600	-\$5,950
Reduce Individual Taxes and Expand Tax Breaks	-\$1,500	-\$1,750	-\$1,800	-\$5,000
Reduce Business Taxes and Expand Tax Breaks	-\$150	-\$200	-\$150	-\$600
Increase Resources for Health Care and Long-Term Care	-\$450	-\$1,100	-\$50	-\$300
Increase Defense Spending	n/a	n/a	-\$100	-\$2,450
Support Paid Leave, Preschool, Child Care, and Education	-\$750	-\$2,350	n/a	n/a
Restrict Immigration and Strengthen Border Security	\$0	-\$200	\$0	-\$1,000
Increase Housing-Related Spending and Tax Breaks	-\$200	-\$500	-\$100	-\$350
Subtotal, Deficit-Increasing Policies	-\$5,100	-\$9,700	-\$6,800	-\$15,650
Increase Taxes on Corporations and High-Earners	\$4,850	\$2,600	n/a	n/a
Increase Tariffs	n/a	n/a	\$4,300	\$2,000
Reduce Other Spending and Tax Breaks	\$250	\$200	\$1,200	\$550
Subtotal, Deficit-Reducing Policies	\$5,100	\$2,800	\$5,500	\$2,550
Net Interest	\$0	-\$1,200	-\$150	-\$2,050
Total, Net Deficit Impact	\$0	-\$8,100	-\$1,450	-\$15,150



THE HARRIS PLAN



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Harris: Exempt Tips from Taxes/Raise the Minimum Wage

At an August 10 speech in Nevada, Vice President Harris declared, “When I am president, we will continue our fight for working families of America, including to raise the minimum wage and eliminate taxes on tips for service and hospitality workers.”

Details of the plan:

- tips would be exempt from the income tax but remain subject to the payroll tax under the proposal
- Vice President Harris would work with Congress to establish an income limit and various guardrails on the exemption of tip income from taxes
- Vice President Harris did not specify how high she would raise the minimum wage, though she has previously discussed a minimum wage of at least \$15 per hour at the state level.

Harris: Exempt Tips from Taxes/Raise the Minimum Wage

We estimate exempting tip income from federal income taxes and raising the minimum wage would increase deficits by **\$100 to \$200 billion** over ten years before accounting for changes in tipping behavior; the proposal could increase deficits more once behavioral effects are fully incorporated.

	Low	High
Estimate w/o Higher Tips	\$100 billion	\$200 billion
With 10% More Tips	\$105 billion	\$215 billion
With 50% More Tips	\$135 billion	\$265 billion
With 100% More Tips	\$170 billion	\$325 billion

Harris: Lower Costs for American Families

On August 16, Vice President Harris's campaign released elements of a first-100-days agenda that it says would "cut taxes for the middle class, reduce grocery costs, take on price gouging, lower the costs of owning and renting a home, continue to bring down the costs of prescription drugs, and relieve medical debt for millions of Americans."

The tax and spending elements of the plan include:

- Expand the Child Tax Credit
- Extend the enhanced Affordable Care Act subsidies
- Expand the Earned Income Tax Credit
- Establish a First-Time Homebuyer Tax Credit
- Further support affordable housing
- Lower prescription drug costs



Harris: Lower Costs for American Families

We estimate the policies in this plan would increase deficits by **\$1.7 trillion** over a decade. That figure would grow to **\$2.0 trillion** if temporary housing policies were made permanent.

Proposal	Deficit Impact (FY '26 - FY '35)
Expand CTC to \$3,000 or \$3,600 for young children	\$1.1 trillion
Further expand CTC to \$6,000 for newborns	\$100 billion
Extend the ACA premium tax credit expansion	\$400 billion
Expand the EITC for workers without child dependents	\$150 billion
Provide a \$25,000 first-time homebuyer credit for four years	\$100 billion
Enact additional affordable housing policies for four years	\$100 billion
Lower prescription drug costs	-\$250 billion
Total Impact of the Harris Agenda to Lower Costs for American Families	\$1.7 trillion
<i>Memo: Impact of Agenda if housing policies are made permanent</i>	<i>\$2.0 trillion</i>



Harris: Tax Capital Income

As part of her New Way Forward for Small Businesses, Vice President Kamala Harris announced her support for several policies that would increase taxes on capital income.

Vice President Harris's plan would:

- **Increase the stock buyback tax from 1 to 4 percent**
- **Increase the ordinary capital gains tax rate from 20 to 28 percent for households earning over \$1 million**
- **Establish a new billionaire minimum tax**
- **Tax capital gains at death (potentially)**



Harris: Tax Capital Income

We estimate that her plan to increase taxes on capital income would raise roughly **\$750 billion** over a decade as written, or **\$900 billion** if they include President Biden's proposal to tax capital gains at death before allowing for stepped up basis.

Proposal	Revenue Effect (FY '26 - FY '35)
Quadruple the stock buyback tax from 1% to 4%	\$150 billion
Increase ordinary capital gains and dividends taxes from 20% to 28% on households making over \$1 million	\$100 billion
Enact 25% 'minimum tax' on realized and unrealized income for high-wealth households	\$500 billion
Subtotal, Revenue from Taxing Capital Income	\$750 billion
<i>Tax capital gains at death (\$5m/\$10m exemption)</i>	<i>\$150 billion</i>
Total Revenue from Taxing Capital Income w/ Taxation at Death	\$900 billion

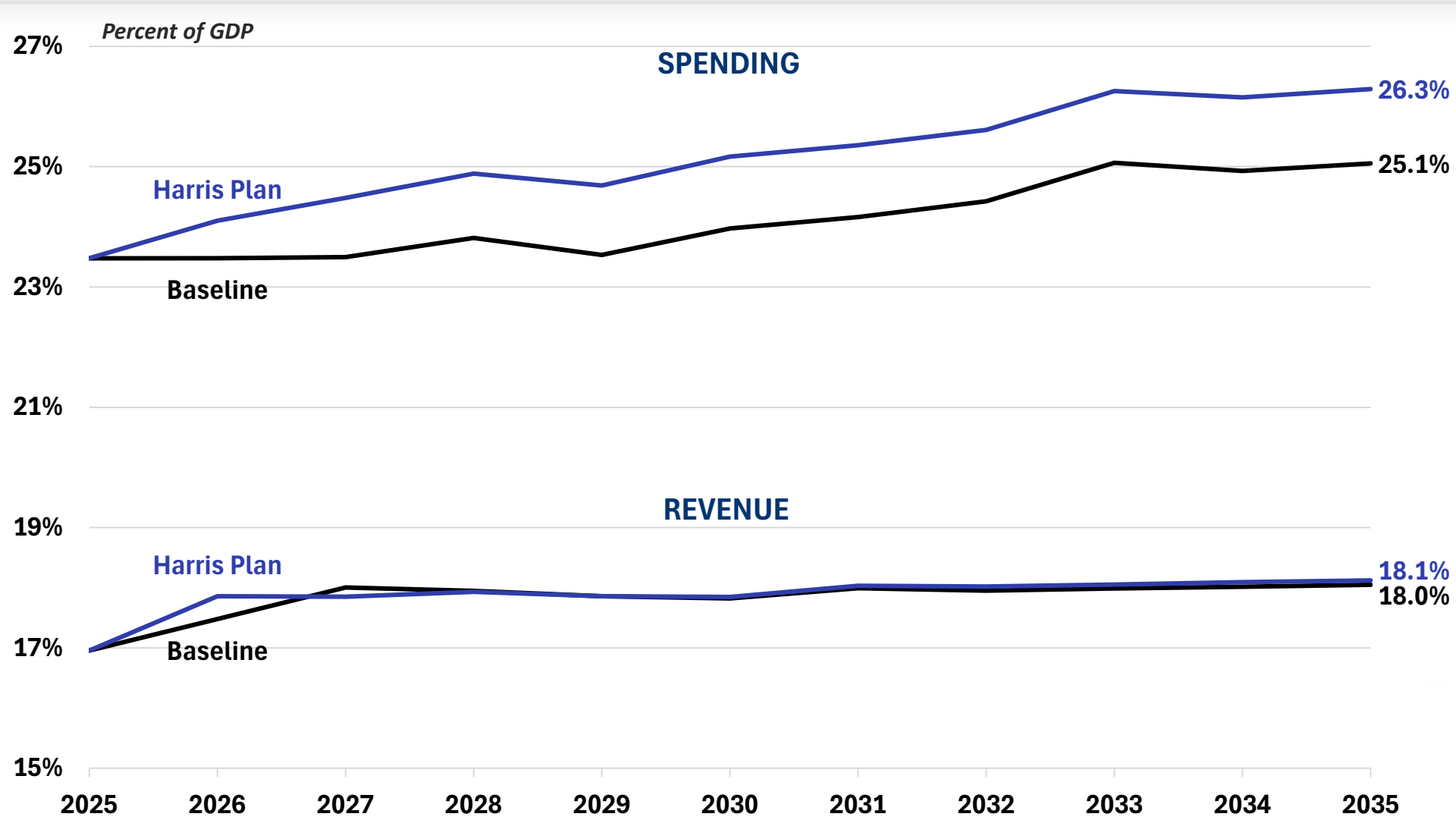


The Full Harris Plan

Billions, FY 2026 – FY 2035

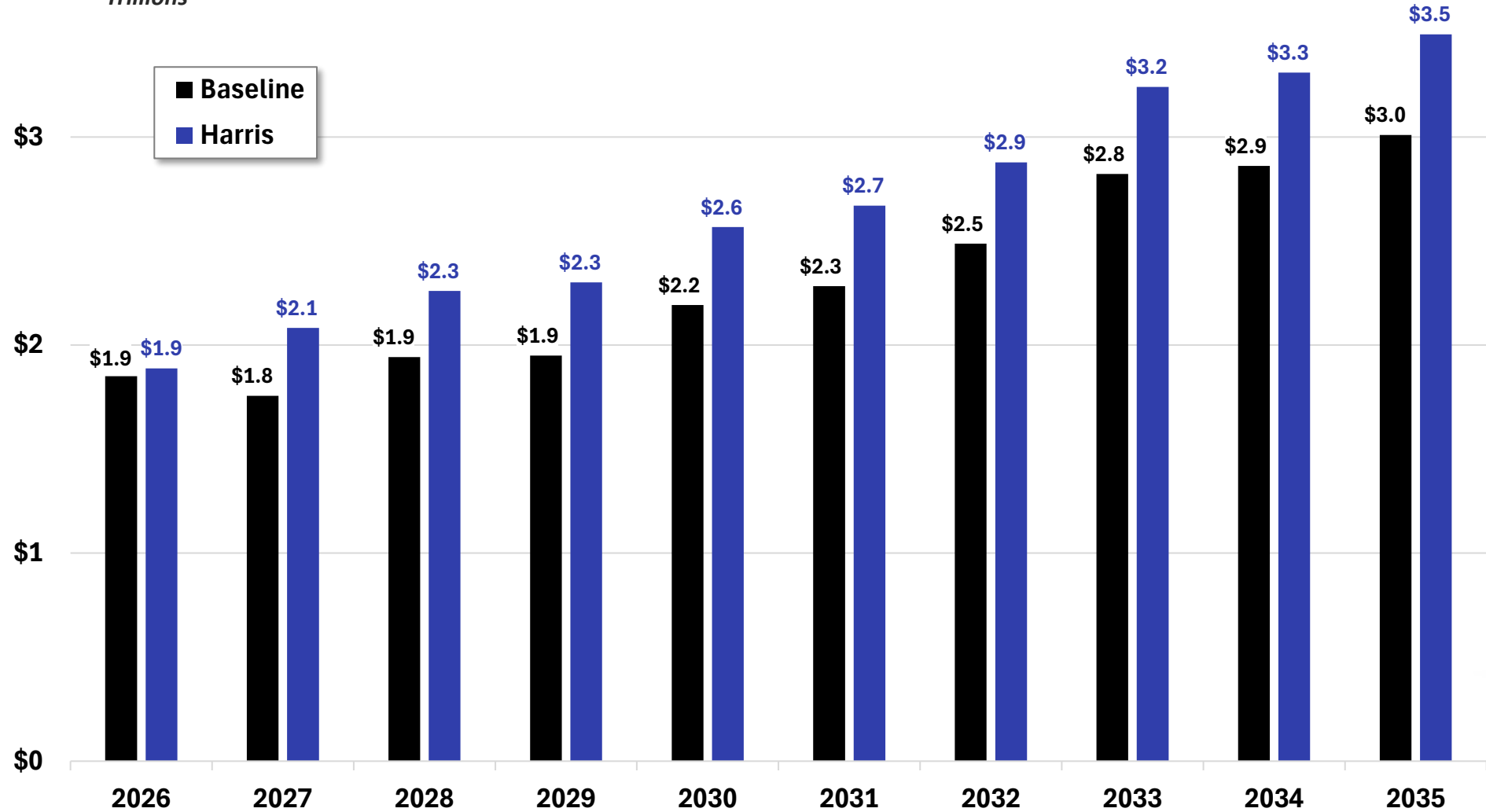
Policy Proposals	Low	Central	High
Extend the TCJA for Households Making Less than \$400k	-\$2,050	-\$3,000	-\$3,600
Expand the Child Tax Credit and Earned Income Tax Credit	-\$1,400	-\$1,400	-\$1,400
Extend and Expand the Enhanced ACA Premium Subsidies	-\$350	-\$550	-\$600
Support Affordable Housing	-\$200	-\$250	-\$500
Exempt Tips from Income Taxes and Raise the Minimum Wage	-\$100	-\$200	-\$350
Improve Border Security	\$0	-\$100	-\$200
Support Manufacturing, Research, and Small Businesses	-\$150	-\$150	-\$200
Expand Access and Funding for Pre-K and Child Care	-\$400	-\$700	-\$950
Establish National Paid Family and Medical Leave	-\$200	-\$350	-\$700
Support Affordable and Quality Education	-\$150	-\$350	-\$700
Increase Long-Term Care Funding and Support Family Caregivers	-\$100	-\$200	-\$500
Subtotal, Tax Cuts and Spending Increases	-\$5,100	-\$7,250	-\$9,700
Increase the Corporate Tax Rate from 21% to 28%	\$1,350	\$900	\$750
Increase Taxes on Capital Income	\$900	\$850	\$700
Increase NIIT/Medicare Taxes	\$800	\$800	\$600
Reform International Tax Rules	\$650	\$550	\$550
Reduce Prescription Drug Costs	\$250	\$250	\$200
Other Revenues from the President's Budget, Including a Higher Book Minimum Tax, IRS Funding, and Compensation Deductibility Limits	\$1,150	\$900	\$0
Subtotal, Revenue Increases and Spending Reductions	\$5,100	\$4,250	\$2,800
Net Interest	\$0	-\$500	-\$1,200
Total, Net Deficit Impact	\$0	-\$3,500	-\$8,100

Spending and Revenue Under Harris's Plan



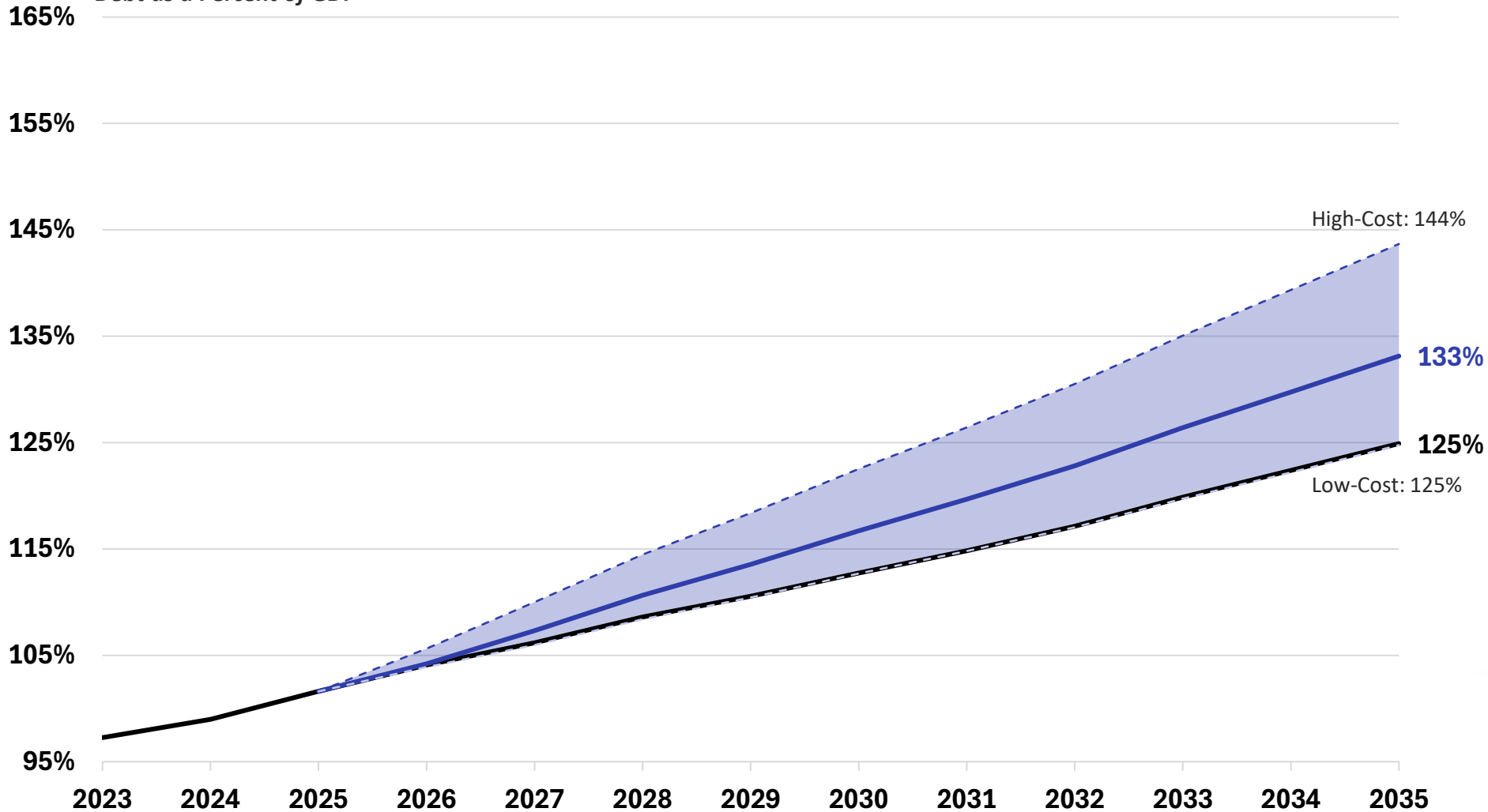
Deficits Under Harris's Plan

Trillions



Debt Under Harris's Plan

Debt as a Percent of GDP



High-Cost: 144%

133%

125%

Low-Cost: 125%





THE TRUMP PLAN



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Trump: End Taxes on Social Security Benefits

In July, former President Donald Trump suggested **eliminating** the partial income taxation of Social Security benefits

- Under current law, seniors that earn less than \$25,000 per year (\$32,000 for married couples) of “combined income” pay no taxes on Social Security retirement benefits.
- Above that amount, 50 percent of Social Security benefits are subject to income tax, with the revenue going toward the Social Security retirement trust fund.
- For seniors earning combined income above \$34,000 per year (\$44,000 for married couples), an additional 35 percent of benefits are taxable, with this revenue going toward the Medicare HI trust fund.
- This year, taxation of benefits is projected to raise about \$94 billion.



Trump: End Taxes on Social Security Benefits

Without a replacement source of revenue, we estimate repealing taxation of benefits for seniors would:

- Increase deficits by **\$1.6 trillion to \$1.8 trillion** through 2035
- Increase Social Security's 75-year shortfall by **25 percent** – or **0.9 percent of payroll**
- Nearly **triple** the Medicare HI 75-year shortfall, increasing it by **0.6 percent of payroll**
- Advance the insolvency date of Social Security's retirement trust fund by **more than one year**
- Advance the insolvency date of the Medicare HI trust fund by **six years**

	Ten-Year Revenue Impact (CBO)	Ten-Year Revenue Impact (Trustees)	Effect on 75-Year Actuarial Balance	New Insolvency Date
Social Security Revenue	-\$950 billion	-\$1.05 trillion	-0.9% of payroll	2032 (-1 year)
Medicare HI Revenue	-\$650 billion	-\$750 billion	-0.6% of payroll	2030 (-6 years)
Total	-\$1.6 trillion	-\$1.8 trillion	N/A*	N/A

Trump: End Taxes on Overtime

In September, During remarks at a rally in Arizona, President Trump stated that he would “end all taxes on overtime.”

President Trump’s plan would:

- Exempt overtime pay from both income and payroll taxes, based on comments from Republican vice-presidential nominee Senator JD Vance (R-OH)
- Incorporate guardrails to direct the tax break toward hourly and non-exempt salaried (similar to laws in Austria, France, and Belgium), based on discussions with campaign staff.



Trump: End Taxes on Overtime

	<u>Salaried Employee</u>	<u>Hourly Employee</u>
Base Hourly Pay	N/A (salaried)	\$40 / hour
Hours Worked Per Week	50 hours	50 hours
Weekly Base Pay	\$2,200 / week (salaried)	40 x \$40 = \$1,600 / week
Overtime Pay	None	10 x (1.5 x \$40) = \$600 / week
Annual Income	\$110,000	\$2,200 x 50 weeks = \$110,000
Tax Rate	25%	25%
Income Subject to Tax	\$110,000	\$80,000
Taxes Owed	25% x \$110,000 = \$27,500	25% x \$80,000 = \$20,000
	Take Home Pay = \$82,500 Taxes Paid = \$27,500	Take Home Pay = \$90,000 Taxes Paid = \$20,000

Note: Example is illustrative and not indicative of actual tax rate. Actual tax rates would differ for both employees, especially because the hourly employee would see a lower average tax rate due to overtime pay being exempt.



Trump: End Taxes on Overtime

We very roughly modelled several possible approaches to limit the tax break by occupation, income, and hours. Under these illustrative scenarios, no taxes on overtime would reduce revenue by **\$250 billion to \$1.4 trillion** on a static basis and **by \$1 to \$5 trillion** in the extreme case that all workers eligible for the tax cut switched to hourly.

Proposal	Static	Extreme Behavioral
No guardrails: All workers eligible for overtime and tax cut	\$1.7 trillion	~\$6 trillion
Tax cut limited to FLSA-eligible jobs	\$1.4 trillion	~\$5 trillion
Tax cut limited to FLSA-eligible jobs below \$150k	~\$1.3 trillion	~\$3 trillion
Tax cut limited to 20 hours per month and FLSA-eligible	~\$500 billion	~\$2 trillion
Tax cut limited to 10 hours per month and FLSA-eligible	~\$250 billion	~\$1 trillion

Trump: Impose New Tariffs/Increase Existing Tariffs

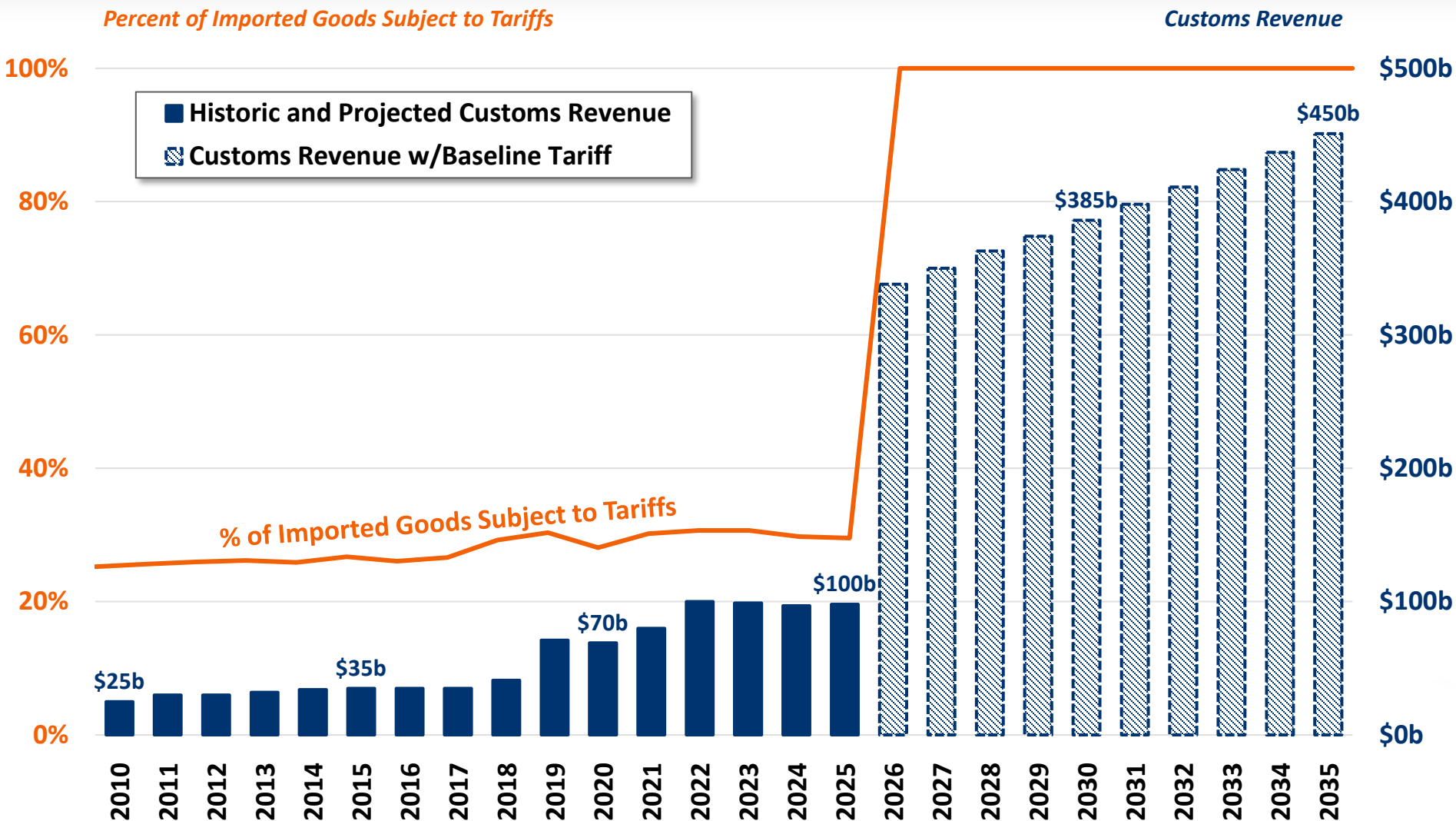
In the 2024 GOP Platform and at several points throughout the campaign, President Trump has proposed imposing new tariffs or increasing existing tariffs

Tariffs proposed by President Trump include:

- A 10% to 20% baseline tariff on all imports
- A 60% tariff on Chinese imports
- Reciprocal tariffs on imports from countries that impose high tariffs on US goods
- A 100% tariff on cars made in Mexico
- A 100% tariff on imports from countries that move away from trading in US dollars
- 50% to 200% tariffs on other imports



Trump: Impose New Tariffs/Increase Existing Tariffs



Sources: Congressional Budget Office, Census Bureau, Bureau of Economic Analysis, United States International Trade Commission, Tax Foundation, Committee for a Responsible Federal Budget

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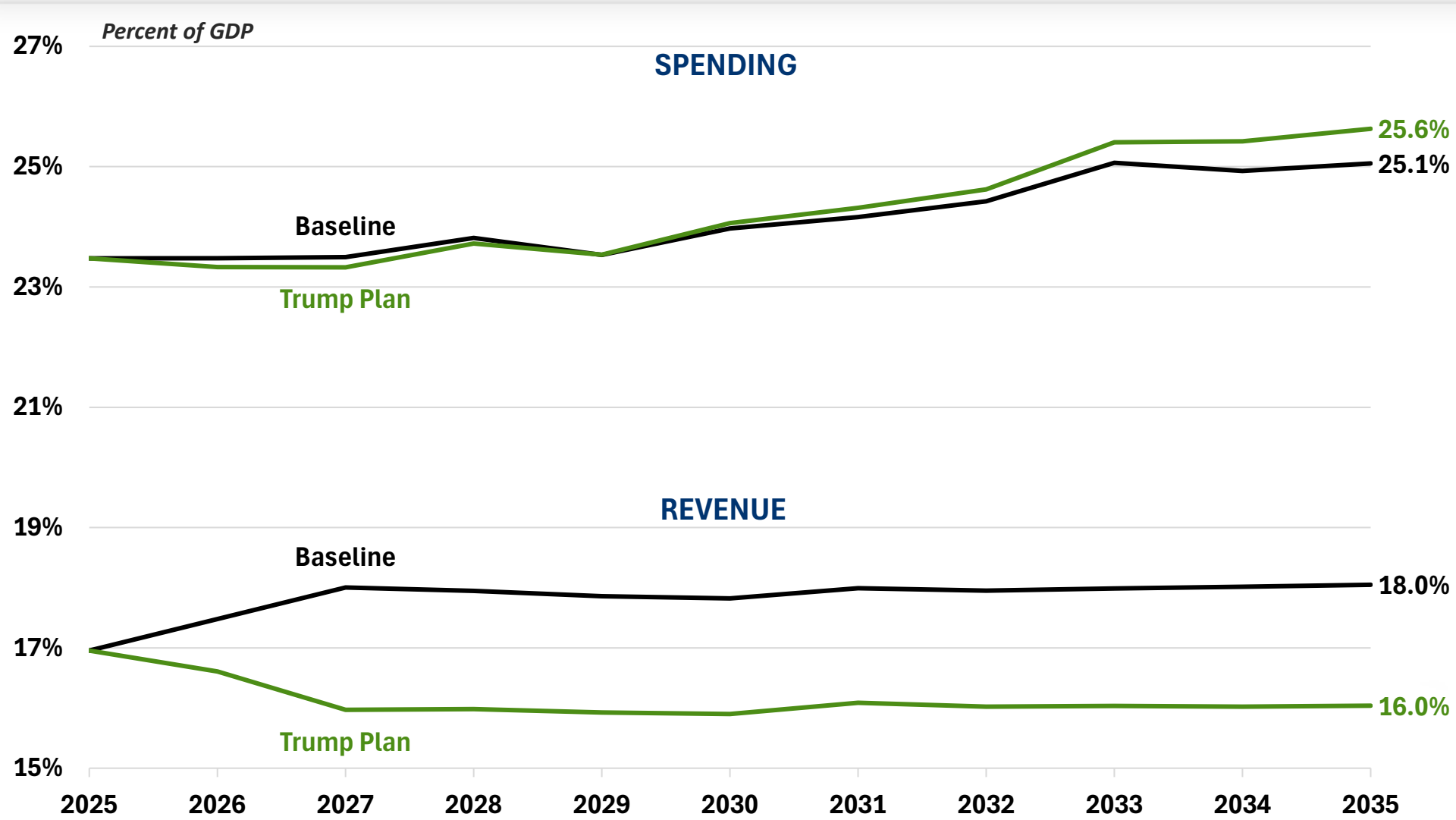


The Full Trump Plan

Billions, FY 2026 – FY 2035

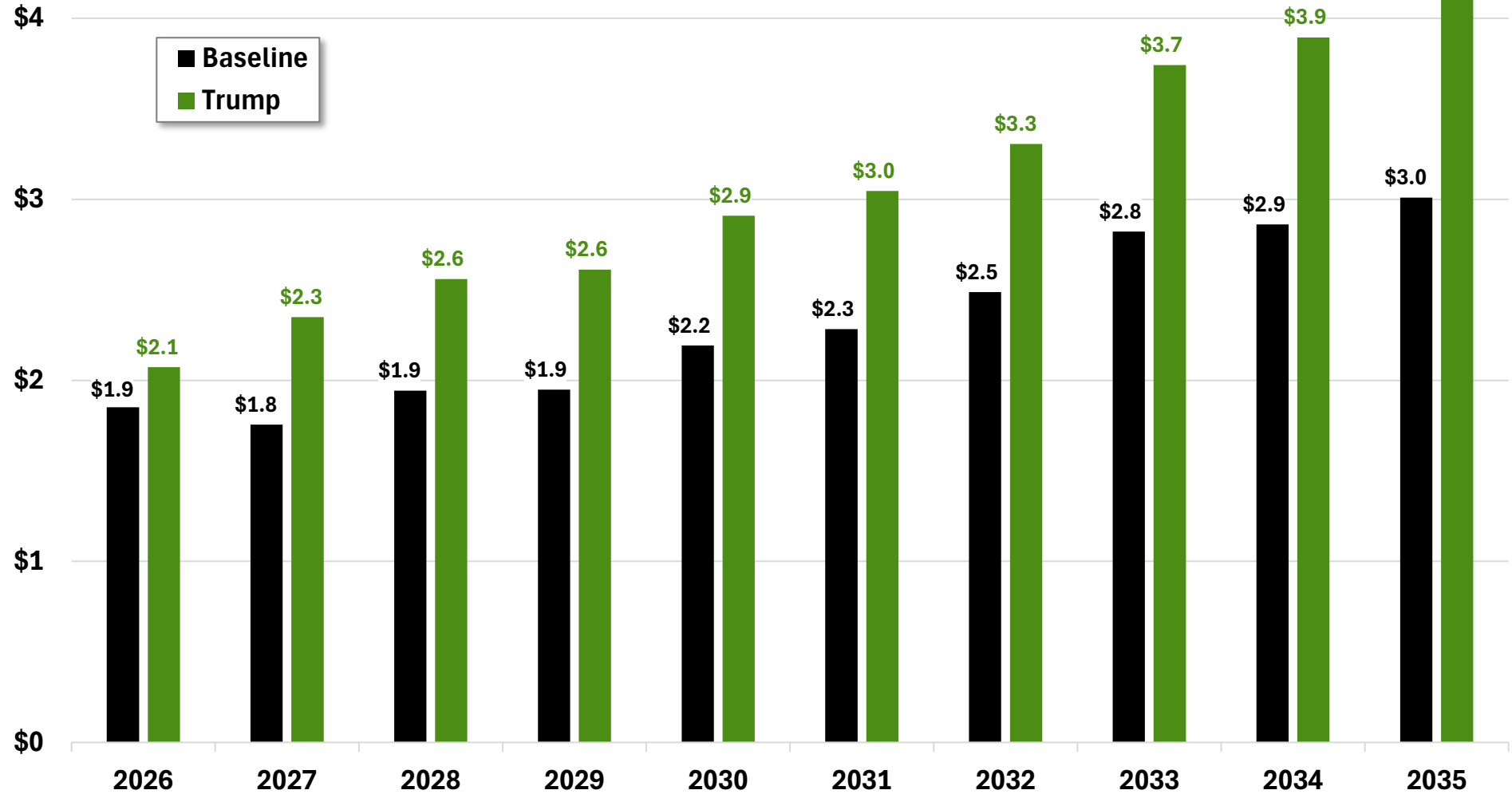
Policy Proposals	Low	Central	High
Extend and Modify the Tax Cuts & Jobs Act (TCJA)	-\$4,600	-\$5,350	-\$5,950
Exempt Overtime Income from Taxes	-\$500	-\$2,000	-\$3,000
End Taxation of Social Security Benefits	-\$1,200	-\$1,300	-\$1,450
Lower the Corporate Tax Rate to 15% for Domestic Manufacturers	-\$150	-\$200	-\$600
Exempt Tip Income from Taxes	-\$100	-\$300	-\$550
Strengthen and Modernize the Military	-\$100	-\$400	-\$2,450
Secure the Border and Deport Unauthorized Immigrants	\$0	-\$350	-\$1,000
Enact Housing Reforms, Including Credits for First-Time Homebuyers	-\$100	-\$150	-\$350
Boost Support for Health Care, Long-Term Care, and Caregiving	-\$50	-\$150	-\$300
Subtotal, Tax Cuts and Spending Increases	-\$6,800	-\$10,200	-\$15,650
Establish a Universal Baseline Tariff and Additional Tariffs	\$4,300	\$2,700	\$2,000
Reverse Current Energy/Environment Policies and Expand Production	\$750	\$700	\$550
Reduce Waste, Fraud, and Abuse	\$250	\$100	\$0
End the Department of Education and Support School Choice	\$200	\$200	\$0
Subtotal, Revenue Increases and Spending Reductions	\$5,500	\$3,700	\$2,550
Net Interest	-\$150	-\$1,000	-\$2,050
Total, Net Deficit Impact	-\$1,450	-\$7,500	-\$15,150

Spending and Revenue Under Trump's Plan

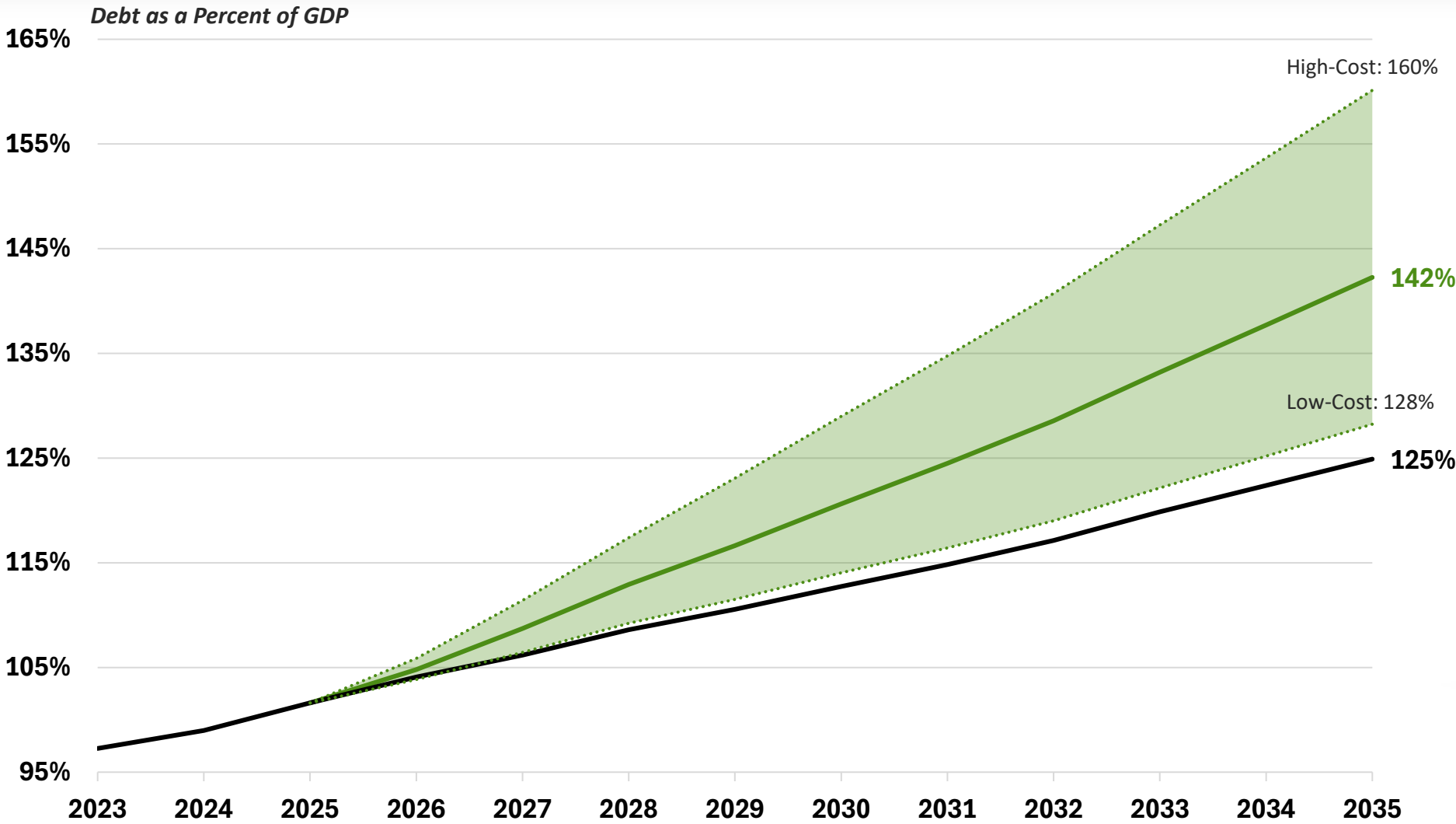


Deficits Under Trump's Plan

Trillions



Debt Under Trump's Plan



High-Cost: 160%

Low-Cost: 128%

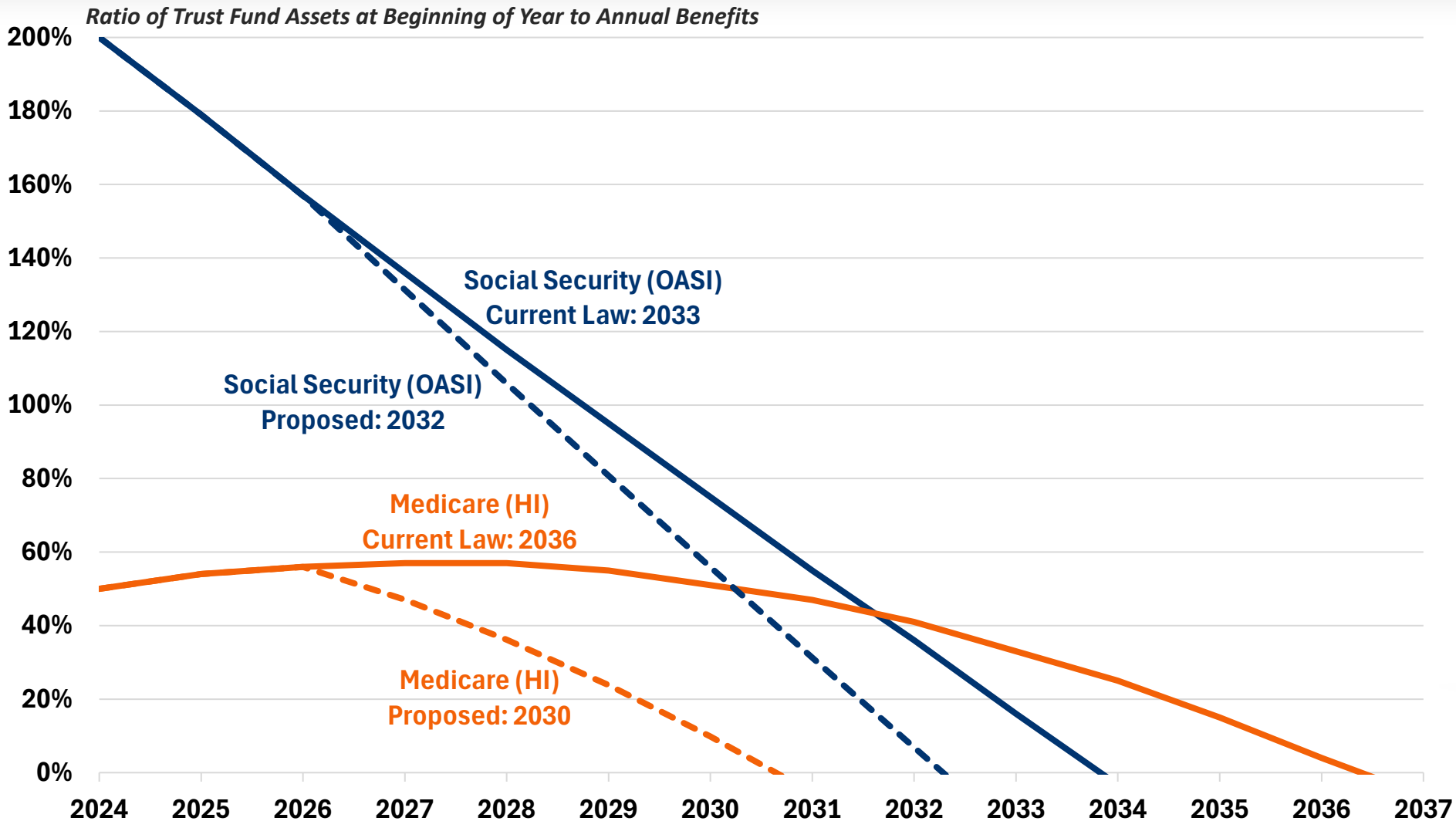
142%

125%



Sources: Committee for a Responsible Federal Budget, Congressional Budget Office

Trust Funds w/o Taxes on Social Security Benefits



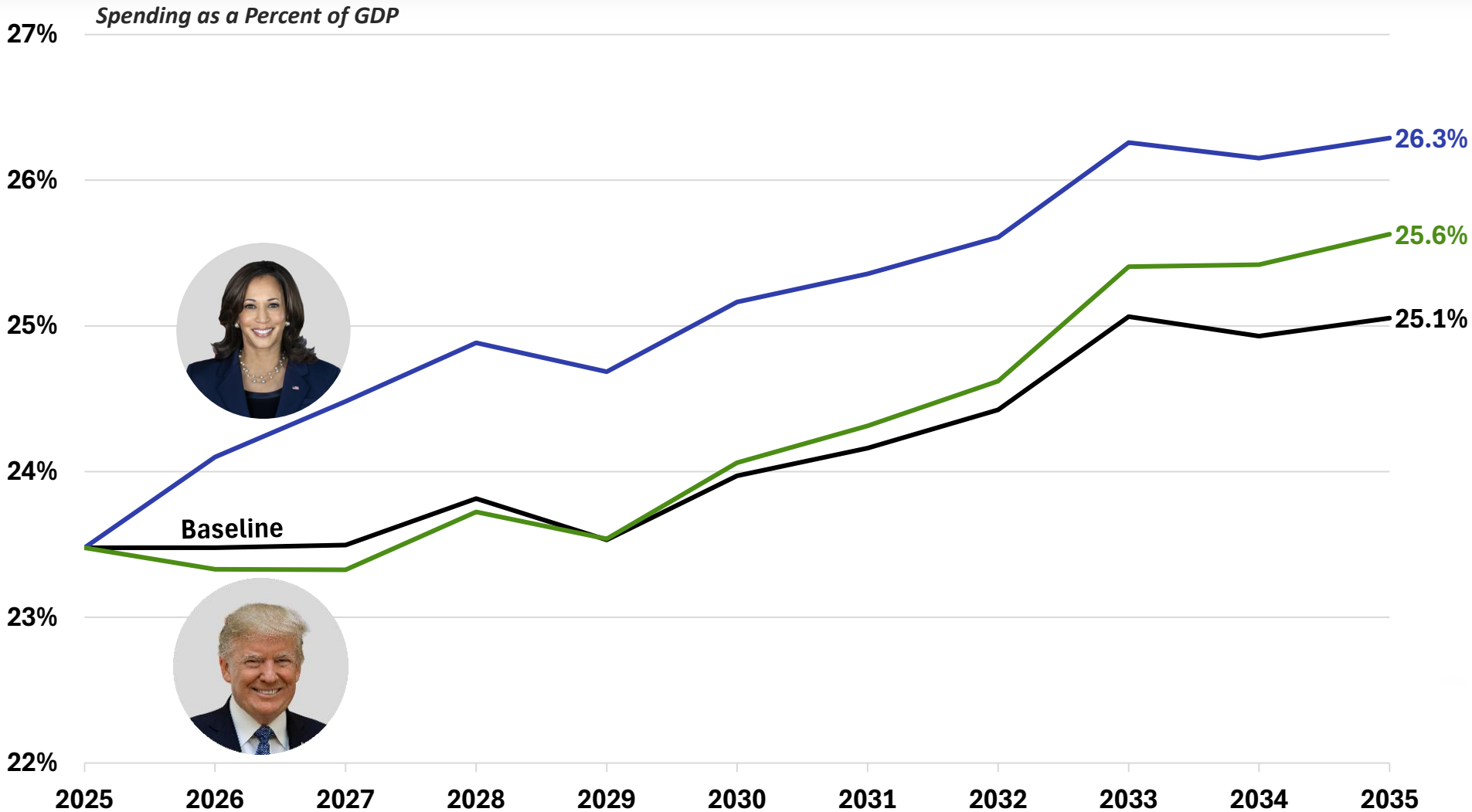
Sources: CRFB estimates based on Social Security Trustees and Medicare Trustees data.

Comparing the Candidates (Central Estimate)

Billions, FY 2026 – FY 2035

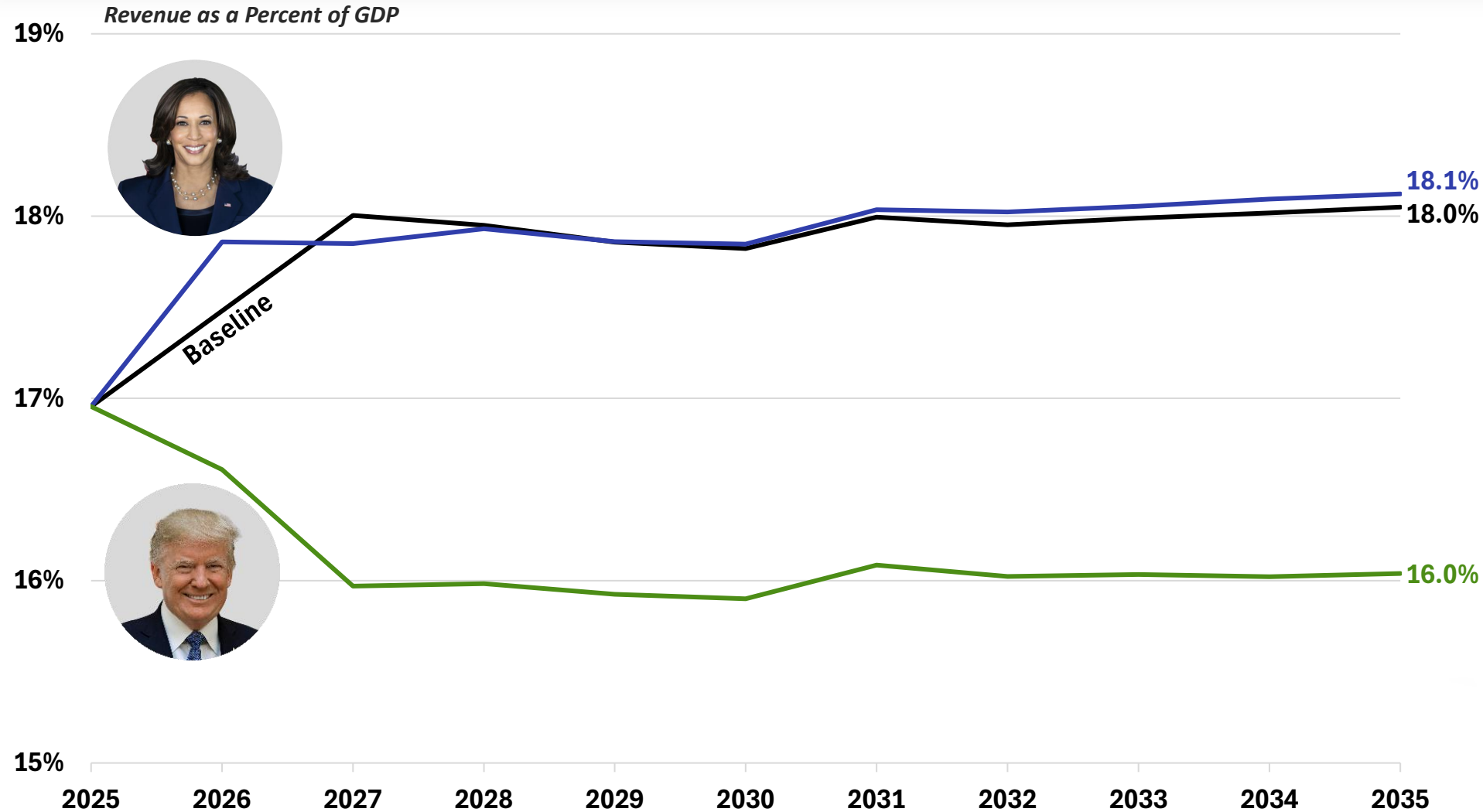
	Harris	Trump
Extend and Modify Parts of the Tax Cuts & Jobs Act (TCJA)	-\$3,000	-\$5,350
Reduce Individual Taxes and Expand Tax Breaks	-\$1,600	-\$3,600
Reduce Business Taxes and Expand Tax Breaks	-\$150	-\$200
Increase Resources for Health Care and Long-Term Care	-\$750	-\$150
Increase Defense Spending	n/a	-\$400
Support Paid Leave, Preschool, Child Care, and Education	-\$1,400	n/a
Restrict Immigration and Strengthen Border Security	-\$100	-\$350
Increase Housing-Related Spending and Tax Breaks	-\$250	-\$150
Subtotal, Deficit-Increasing Policies	-\$7,250	-\$10,200
Increase Taxes on Corporations and High-Earners	\$4,000	n/a
Increase Tariffs	n/a	\$2,700
Reduce Other Spending and Tax Breaks	\$250	\$1,000
Subtotal, Deficit-Reducing Policies	\$4,250	\$3,700
Net Interest	-\$500	-\$1,000
Total, Net Deficit Impact	-\$3,500	-\$7,500

Spending Under Candidate Proposals

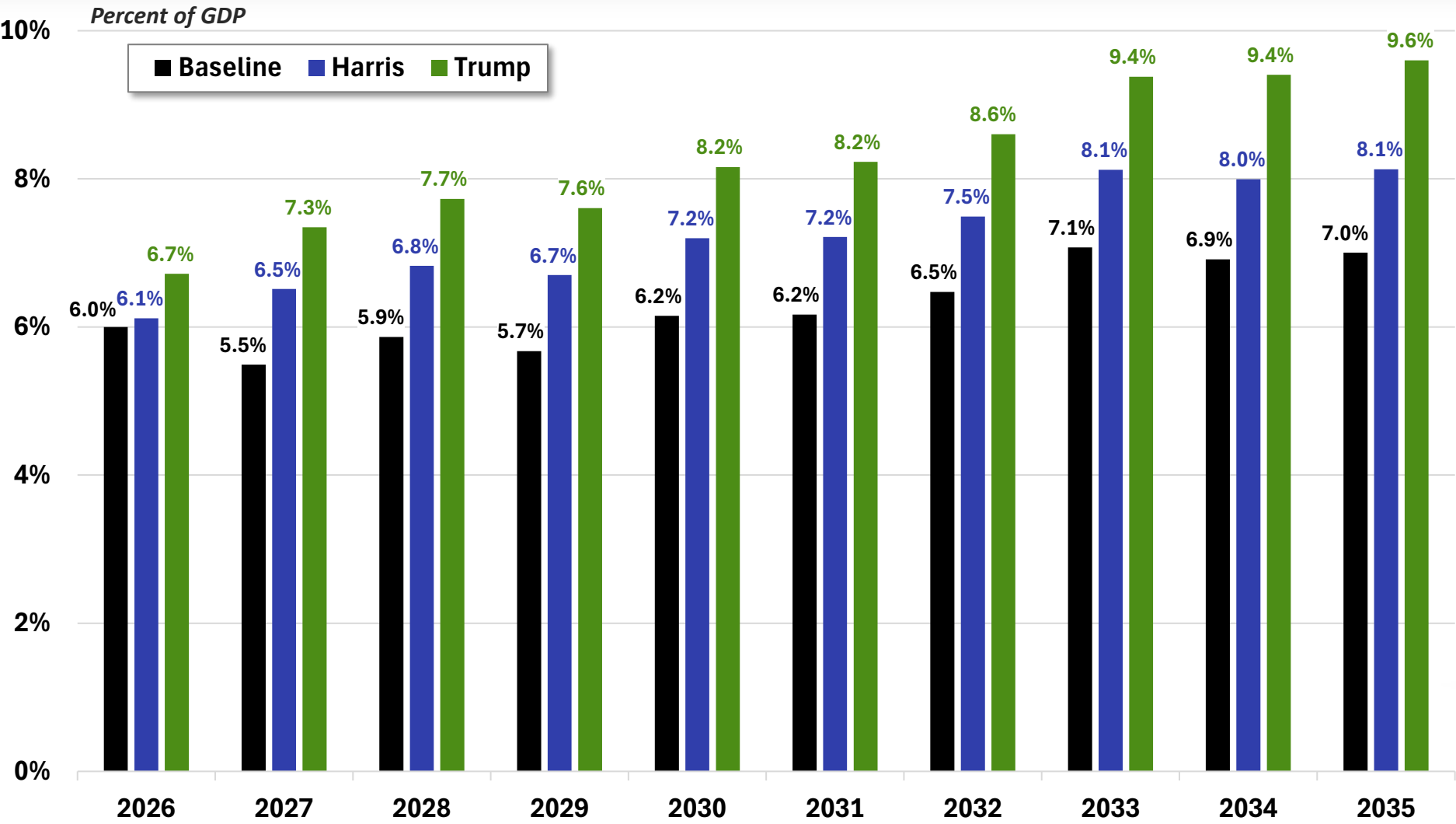


Revenue Under Candidate Proposals

Revenue as a Percent of GDP

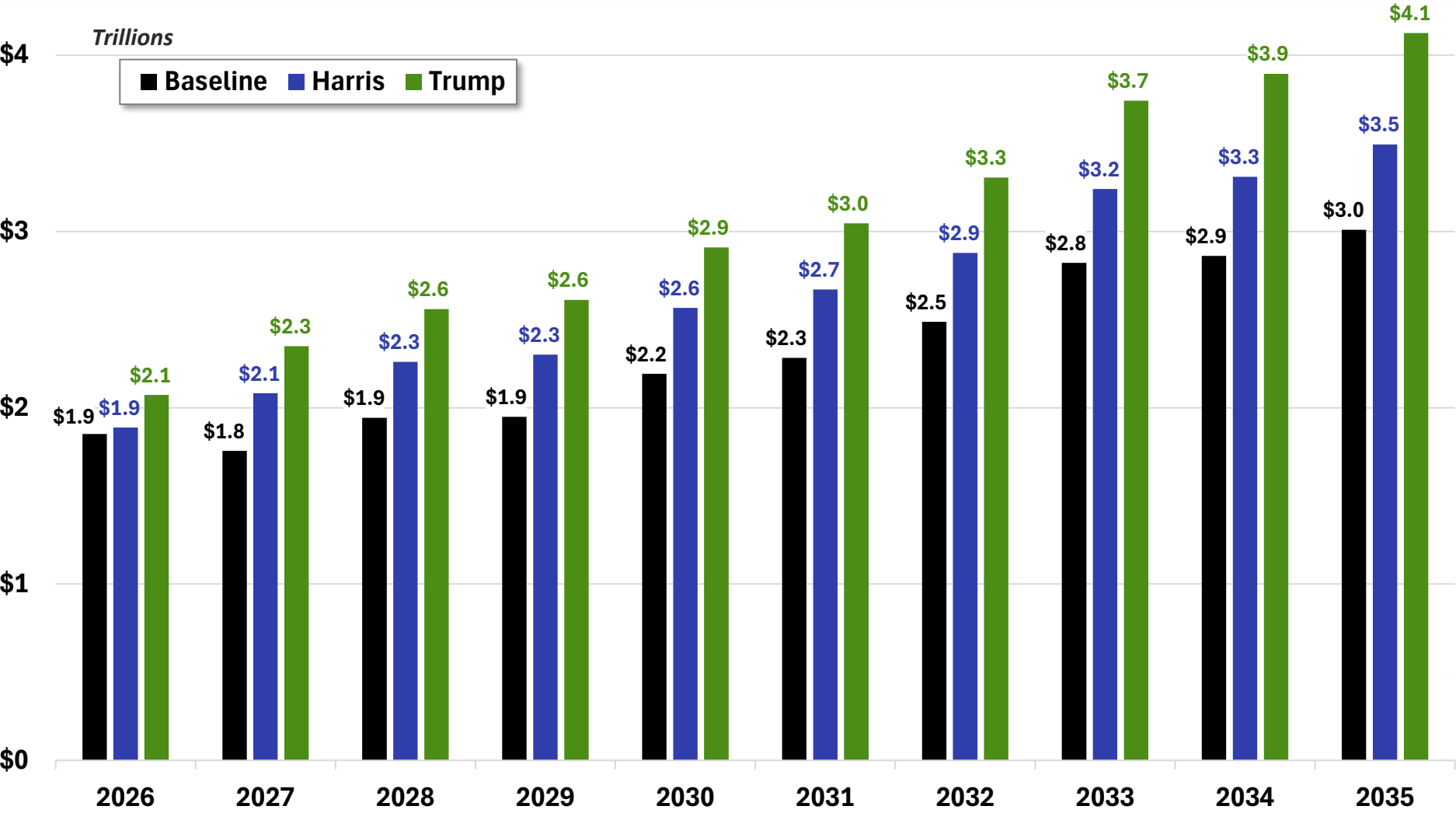


Deficits Under Candidate Plans



Sources: Committee for a Responsible Federal Budget, Congressional Budget Office

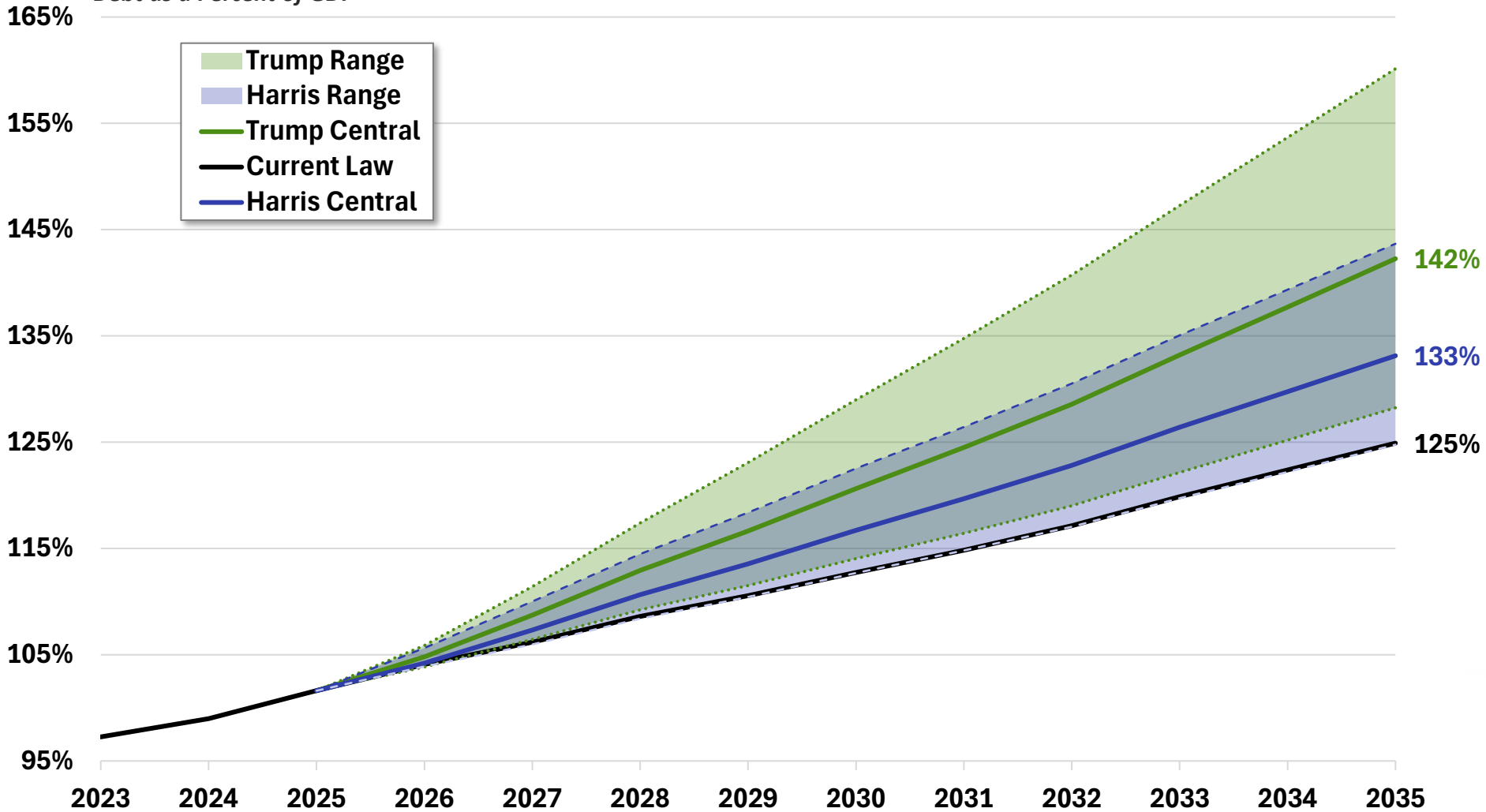
Deficits Under Candidate Plans



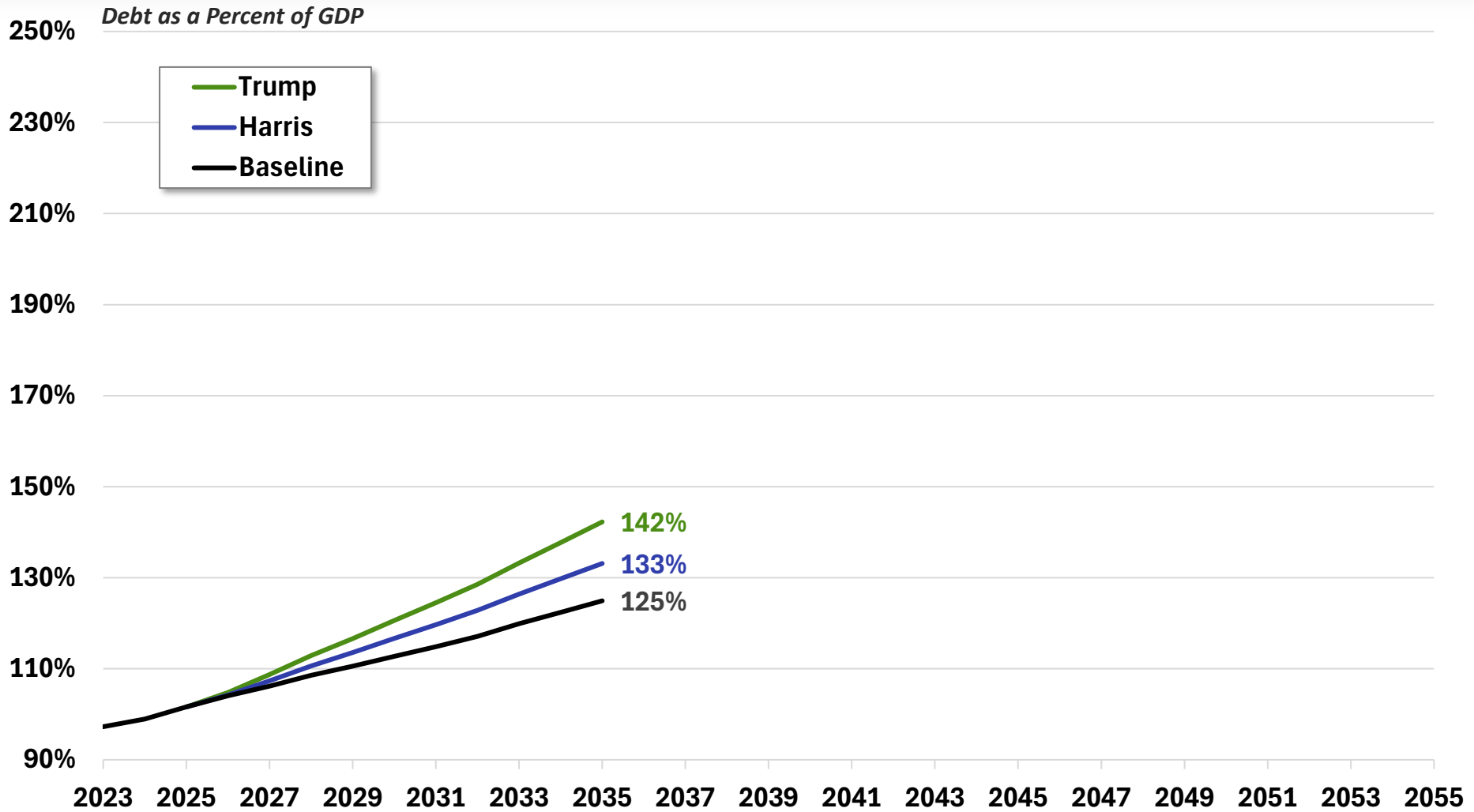
Sources: Committee for a Responsible Federal Budget, Congressional Budget Office

Debt Under Candidate Proposals

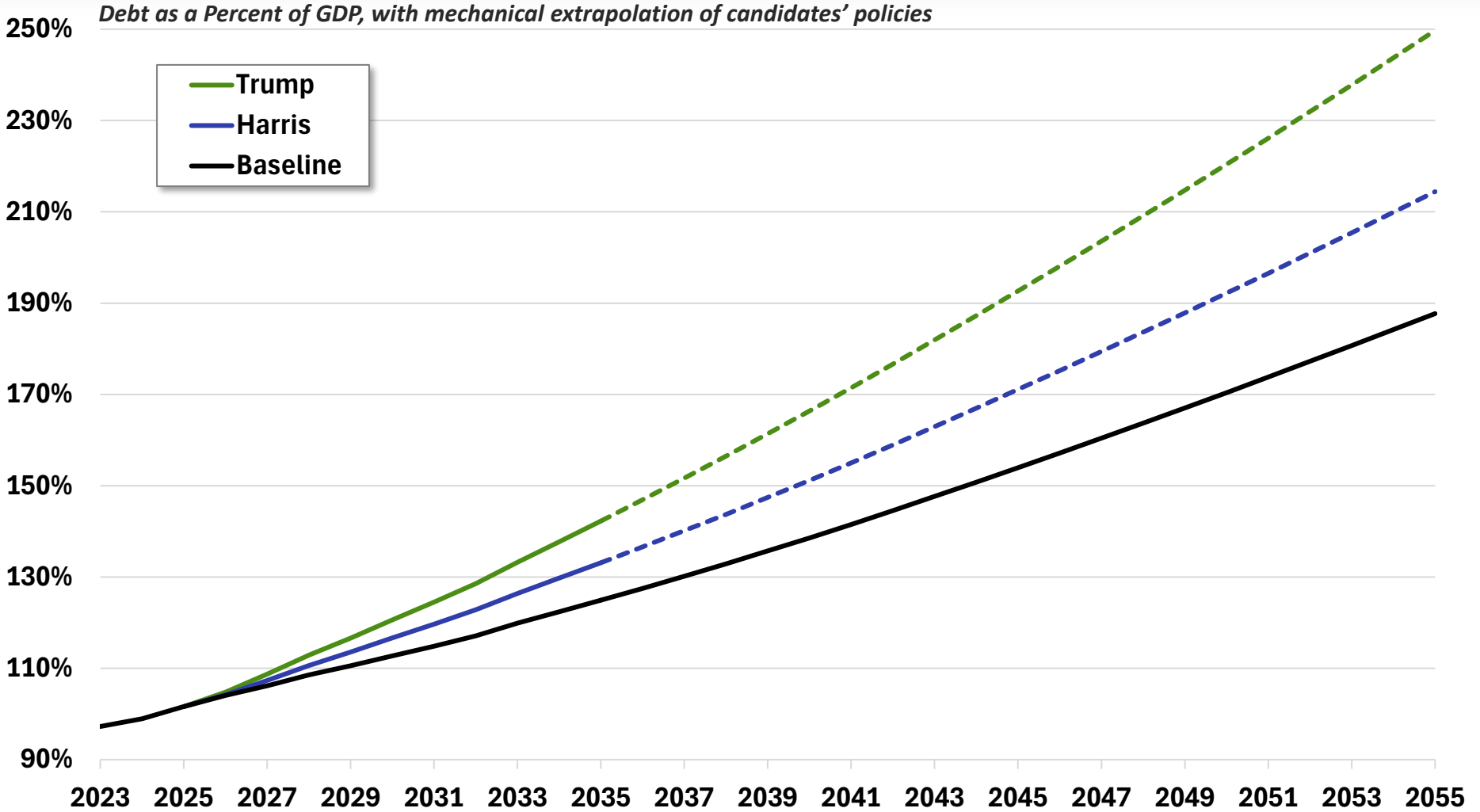
Debt as a Percent of GDP



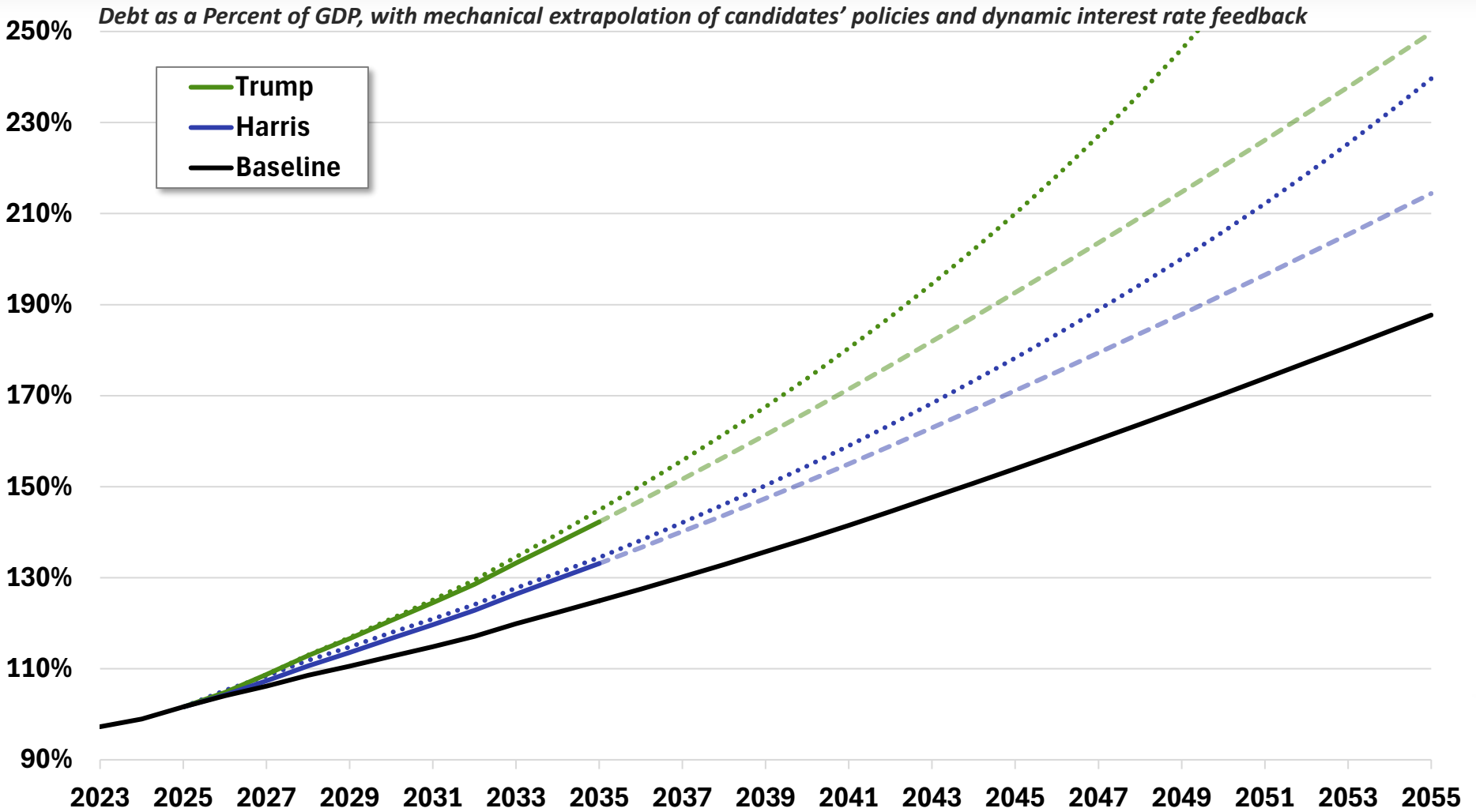
ILLUSTRATIVE Long-Term Debt Impact (Central Estimate)



ILLUSTRATIVE Long-Term Debt Impact (Central Estimate)



ILLUSTRATIVE Long-Term Debt Impact (Central Estimate)



Sources: Committee for a Responsible Federal Budget, Congressional Budget Office

Where to Learn More



US BUDGET WATCH 2024

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Throughout the 2024 presidential election cycle, US Budget Watch 2024 will bring information and accountability to the campaign by analyzing candidates' proposals, fact-checking their claims, and scoring the fiscal cost of their agendas.

By injecting an impartial, fact-based approach into the national conversation, US Budget Watch 2024 will help voters better understand the nuances of the candidates' policy proposals and what they would mean for the country's economic and fiscal future.

You can find more US Budget Watch 2024 content at

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