Hillary Clinton's Tax Plan under the NCPA's Model of the U.S. Economy

by Pamela Villarreal

Presidential candidate Hillary Clinton's tax plan would increase public sector jobs by 49,000 in 2017, but they would come at a cost of 207,000 private sector jobs, according to an analysis by the National Center for Policy Analysis. In 2026, the public sector would gain 54,000 jobs, but 265,000 private sector jobs would be lost. *In essence, every government job created by Hillary would eventually cost nearly 5 private sector jobs.* Her plan would have other recessionary effects on the economy, such as [see the tables]:

- In the first year, real GDP would be more than half a percent less than under the Congressional Budget Office's current baseline estimate and almost 1 percent less in 2026.
- Personal income would be $47 billion less in 2017 alone; this loss would increase to $103 billion in 2026.
- Business investment would be 0.7 percent less in 2017, increasing to a more than 1 percent loss in 2026.

This analysis is based on results from the NCPA's modeling of the U.S. economy, in partnership with Dr. David Tuerck and his team at the Beacon Hill Institute in Boston, Massachusetts.

Economic Effects of the Clinton Tax Proposals

	Change relative to CBO baseline			
	2017		2026	
	'000 jobs	*%*	*'000 jobs*	*%*
Total Employment	**-159**	**-0.1**	**-211**	**-0.1**
Private Employment	-207	-0.1	-265	-0.1
Public Employment	49	1.9	54	2.1
	$ billion	*%*	*$ billion*	*%*
Real GDP ($billion)	-103	-0.6	-184	-0.9
Personal Income	-47	-0.3	-103	-0.4
Business Investment	-19	-0.7	-48	-1.1
Imports	-2	-0.1	-7	-0.2
Exports	-2	-0.1	-8	-0.2

Source: NCPA-DCGE model.

Clinton's plan would raise federal revenues $615 billion over 10 years compared to the Congressional Budget Office's baseline estimate.

- The majority of this revenue increase would come from personal income tax hikes on the rich, but Social Security payroll tax revenue over 10 years would be $47 billion less due to fewer people working.

- Hillary's plan to cut subsidies for oil and gas development would increase corporate tax revenues $43 billion over 10 years.
- However, the restraint on economic growth would result in a decrease in state and local tax revenues.

Dynamic Revenue Effects of the Clinton Tax Proposals Relative to CBO Benchmark

	Change in revenue					
	2017		**2026**		**Cumulative, 2017-26**	
	$ billion	*%*	*$ billion*	*%*	*$ billion*	*%*
Federal Revenue	54.1	1.6	70.5	1.4	**615**	1.7
Social Security Tax	-2.5	-0.2	-7.0	-0.3	**-47**	-0.3
Personal Income Tax	47.6	2.9	63.0	3.0	**548**	3.4
Corporate Income Tax	3.6	1.1	5.3	1.0	**43**	1.2
Excise Taxes	-0.1	-0.1	-0.2	-0.2	**-1**	-0.2
Estate and Gift Taxes	5.7	26.1	9.7	25.9	**75**	30.8
Trade Duties	-0.0	-0.1	-0.1	-0.2	**-1**	-0.2
Other Taxes and Fees	-0.1	-0.1	-0.3	-0.2	**-2**	-0.2
State and Local Revenue	-4.6	-0.2	-10.7	-0.3	**-78**	-0.3
Total Government Revenue	**49.5**	**0.9**	**59.8**	**0.7**	**538**	**0.8**

Source: Based on NCPA-DCGE model simulations.

While this analysis does not address Hillary Clinton's spending plan, several sources estimate that her promise of new spending on education, infrastructure and the like would cost in excess of $1 trillion over 10 years. *Our model estimates that the revenue raised by her tax plan would cover only half of new spending, resulting in further increases in the debt.*

Secretary Hillary Clinton's tax plan would alter the personal income tax in a number of ways.

- Add a surcharge of 4 percent on adjusted gross annual income above $5 million.
- Limit the value of deductions (except for contributions to charity) to no more than 28 percent of their value.
- Ensure that every taxpayer with a modified adjusted gross income of $1 million or more would pay at least 30 percent of their income in taxes (the “Buffett Rule”).
- Increase the tax rates applicable to capital gains for those in the top income tax bracket, by applying the standard tax rate to capital gains on assets held less than two years (rather than the current one year), and phasing in the preferential capital gains rates gradually so that they would only apply completely to assets held for six or more years.
- Repeal carried interest, which is a provision that allows general partners in some businesses to book most of their earnings as (low-taxed) capital gains rather than labor income.

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