The One Big Beautiful Bill: Legislation for Historic Prosperity and Deficit Reduction

The Council of Economic Advisers

June 2025

Executive Summary

On May 22, 2025, the House of Representatives passed H.R.1, the One Big Beautiful Bill (OBBB) Act to avert a $4 trillion tax hike from the expiration of the 2017 Tax Cuts and Jobs Act (TCJA) and to deliver additional pro-growth and pro-worker tax cuts in line with those promised by President Trump. On June 16, 2025, the Senate Finance Committee released OBBB text that demonstrated a similar commitment to building upon the legacy of the TCJA, including by making permanent pro-investment provisions like full expensing for equipment, full expensing for research and development (R&D), and the Opportunity Zone incentives. In this paper, the Council of Economic Advisers (CEA) analyzes the economic and fiscal impact of the OBBB alongside President Trump's other economic priorities, evaluating outcomes compared to TCJA expiration.

Relative to the CEA report released in May 2025 on the effect of President Trump's proposed tax cuts, this paper uses an updated set of tax provisions based on the latest Senate text and also incorporates the fiscal consequences of the OBBB, showing how it impacts the trajectory of deficits and debt relative to GDP.

The tax provisions examined in detail by this paper include:

- Permanent extension of lower tax rates for small businesses from the TCJA, including the section 199A deduction for pass-through income;
- Permanent full expensing for equipment;
- Permanent full expensing for research and development (R&D);
- Temporary full expensing for new factories;
- Permanent extension of individual tax relief from the TCJA coupled with temporary enhancements;
- Temporary no income tax on overtime, no income tax on tips, and tax relief for seniors; and
- Permanent extension and enhancement of Opportunity Zones (OZ) incentives in distressed areas.

The CEA estimates the following economic effects of the OBBB in the first four years of implementation:

- 7.3 to 10.2 percent higher inflation-adjusted (real) investment;
- 4.6 to 4.9 percent higher level of real GDP (about 1.1 to 1.2 percent higher average growth per year);
- $4,000 to $7,200 higher annual real wages per worker;
- $7,600 to $10,900 higher annual after-tax take-home pay for a typical family with two children;
- 6.9 to 7.2 million full-time equivalent (FTE) jobs protected and created.

The CEA finds the following additional economic and fiscal impacts over the ten-year budget window:

- $100+ billion of investment, 1+ million jobs, and hundreds of thousands of new homes to support workforce growth in Opportunity Zone communities, especially in rural areas;
- $2.1 to $2.3 trillion in offsetting deficit reduction due to higher growth from the OBBB tax provisions;
- $1.3 to $3.7 trillion in additional offsetting deficit reduction from higher growth unleashed by OBBB-enhanced deregulation and energy policies;
- $8.5 to $11.1 trillion in total offsetting deficit reduction from Trump economic policies anchored by the OBBB, including discretionary spending reductions and tariff revenue;
- Debt falls as a share of GDP to 94 percent in 2034 under Trump economic policies anchored by the OBBB instead of rising to 117 percent if the TCJA expires (displayed in figure 1).

One Big Beautiful Bill Macroeconomic and Fiscal Impacts: All Tax Provisions
(Effects Shown for Each Row are Cumulative. All Quantities are Inflation-Adjusted)

	Investment		Level of GDP		Annual Wage and Take-Home Pay		10-Year Revenue Boost from Growth
	4-Year	10-Year	Year 4	Year 10	Year 4	Year 10	
1. Low small business tax rates	1.5 to 3.2%	1.5 to 3.2%	0.1 to 0.2%	0.2 to 0.4%	$2,376 to $3,988	$2,449 to $4,144	$77.8B to $167.0B
2. +Full equipment expensing	3.2 to 5.3%	3.2 to 5.3%	0.3 to 0.4%	0.5 to 0.8%	$3,103 to $5,522	$3,288 to $5,809	$198.8B to $309.9B
3. +Full R&D expensing	4.2 to 6.4%	4.2 to 6.4%	0.3 to 0.5%	0.6 to 0.9%	$3,482 to $6,279	$3,703 to $6,608	$251.1B to $371.9B
4. +Full factory expensing (4-year)	7.3 to 10.2%	5.4 to 7.9%	0.5 to 0.7%	0.7 to 1.0%	$3,992 to $7,162	$3,803 to $6,730	$316.3B to $452.1B
Total (+tax relief for households)	7.3 to 10.2%	5.4 to 7.9%	4.6 to 4.9%	2.4 to 2.7%	$7,592 to $10,902	$5,503 to $9,070	$1.750T to $1.904T

Notes: Take-home pay in the last row is after-tax earnings for a median-income household with an overtime worker and two children. Excluding the no tax on overtime from this calculation reduces the 4-year estimate for take-home pay to a range of $6,332 to $9,502. Not included in this table is the $1,300 average benefit from no tax on tips or the additional $490 to $670 average tax relief per senior from the enhanced senior deduction.

The One Big Beautiful Bill accomplishes several important macroeconomic objectives:
- It prevents a $4 trillion tax hike from harming workers, small businesses, families, and communities.
- It lays the foundation for surging investment and growth that will boost take-home pay and usher in a blue-collar boom, much as the TCJA helped unleash record prosperity for left-behind Americans.
- It enhances the effectiveness of the entire Trump economic agenda given the interconnectedness of each of its pillars. Tax relief provides resources and incentives for Americans to invest, work, and produce. Deregulation removes barriers that act as a hidden tax on productivity and output. Energy dominance powers the industrial base. Reciprocal trade improves market access for U.S. goods and levels the playing field for America's workers. The OBBB anchors each piece of the Trump agenda.

Deficit Reduction Impact of Economic Growth and Other Revenues and Savings from Trump Economic Policies

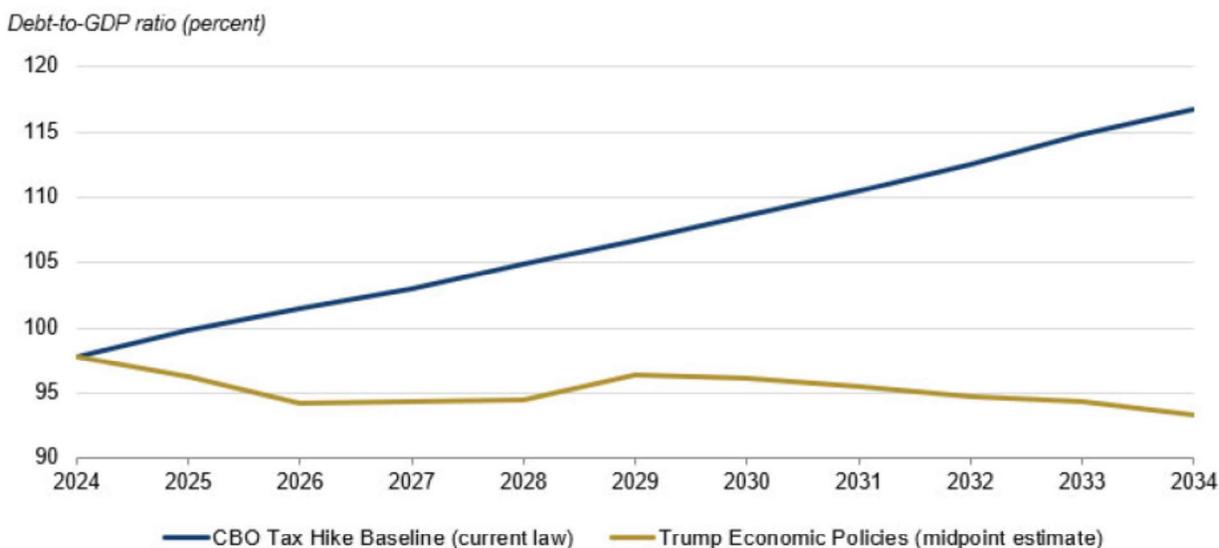|	Primary Deficit Decline	Interest Savings	Total Deficit Decline
Growth from OBBB tax provisions	$1.750 to $1.904 trillion	$352 to $376 billion	$2.102 to $2.280 trillion
Growth from Trump deregulatory and energy policies	$1.180 to $3.336 trillion	$147 to $413 billion	$1.327 to $3.749 trillion
Discretionary spending reductions	$1.558 trillion	$260 billion	$1.818 trillion
Tariff revenue	$2.797 trillion	$485 billion	$3.282 trillion
Total deficit reduction from growth, cuts, and tariffs	$7.285 to 9.595 trillion	$1.244 to $1.534 trillion	$8.529 to $11.129 trillion

Notes: CEA calculations using CBO projections for average interest rates on debt held by the public. Tariff revenue and discretionary spending cut estimates are provided by the White House Office of Management and Budget (OMB June 7 memo).

The One Big Beautiful Bill puts America's finances on a healthier trajectory:
- The Congressional Budget Office (CBO) scores the bill using a baseline that assumes the expiration of the TCJA and sub-2 percent real economic growth rates over the next decade. The CEA arrives at more robust growth estimates under the Trump Administration's policies that help reduce deficits.
- The CEA finds that Trump policies produce offsetting deficit reduction from higher revenues, lower spending, and interest savings that total $8.5 to $11.1 trillion relative to the CBO conventional score.
- The combination of lower deficits and higher growth bend the debt-to-GDP trajectory downward.
- Failure to pass the OBBB will weaken the tax base, and if a recession ensues from TCJA expiration, deficits will increase from higher unemployment insurance and other social safety net spending.

Figure 1. Debt-to-GDP Ratio, 2025-2034

Debt-to-GDP ratio (percent)

Legend: CBO Tax Hike Baseline (current law) — Trump Economic Policies (midpoint estimate)

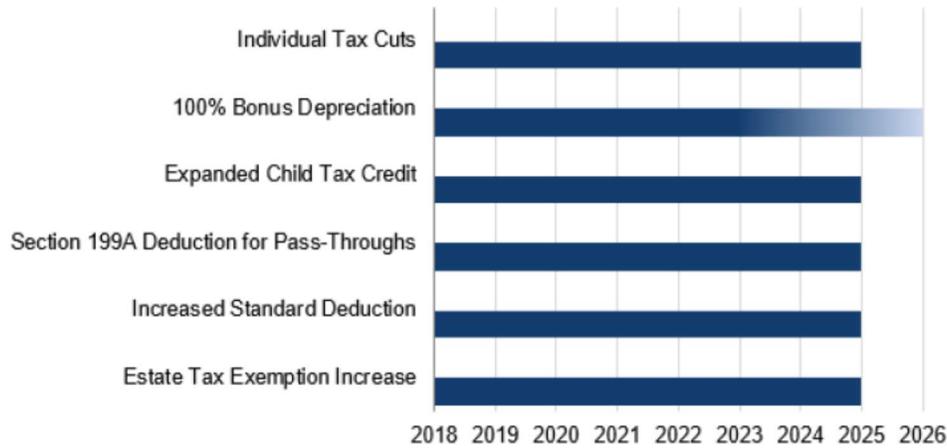Source: Congressional Budget Office; Office of Management and Budget; CEA Calculations.

The analysis is organized as follows: first, the CEA assesses the business and investment tax cuts, studying their economic impact on real investment, GDP, and wages along with any resulting impact of economic growth on revenues. Next, the CEA examines the effects of making tax relief from the TCJA permanent and delivering additional tax relief to workers and families. After that analysis, the CEA presents evidence on the impact of Opportunity Zones, which the OBBB makes permanent and strengthens. Lastly, the CEA estimates the effects of Trump economic policies anchored by the OBBB on America's fiscal trajectory.

The Successful Economic and Fiscal Record of the TCJA

After years of a slow and weak economic recovery from the 2007-09 financial crisis exacerbated by poorly conceived fiscal policies of the Obama Administration, President Trump and Congress passed the TCJA to rejuvenate private sector-driven growth. To achieve this objective, the TCJA enacted broad-based tax cuts for households and businesses that unleashed investment and higher GDP. Everyday Americans benefited from better and more abundant employment opportunities, higher wages, and increased after-tax take-home pay. The business tax cuts included lower tax rates for corporations and pass-through businesses, immediate full expensing for equipment investment, and a 20 percent deduction for pass-through income. The TCJA shifted from a worldwide toward a territorial tax system to encourage repatriation by U.S. firms of their foreign profits and implemented a pro-growth and significant cut in the corporate tax rate, which prior to the TCJA had been the highest among OECD countries. Although the TCJA made permanent a number of provisions, including a number of these corporate tax changes, several important elements of the TCJA are slated to expire at the end of 2025, as shown in figure 2.

## Figure 2. Key Expiring Provisions of the Tax Cuts and Jobs Act

Individual Tax Cuts

100% Bonus Depreciation

Expanded Child Tax Credit

Section 199A Deduction for Pass-Throughs

Increased Standard Deduction

Estate Tax Exemption Increase

2018 2019 2020 2021 2022 2023 2024 2025 2026

Source: Public Law 115-97

Higher Economic Growth, Lower Unemployment, and the Trump Blue-Collar Boom

Anchored by the TCJA, the economic policies of the first Trump Administration yielded higher economic growth and lower unemployment rates than projected by the CBO in January 2017 and by the Federal Open Market Committee (FOMC) in December 2016, as displayed in figure 3. The policy-induced expansion of economic supply also helped keep inflation low and stable near the Federal Reserve's 2 percent target.
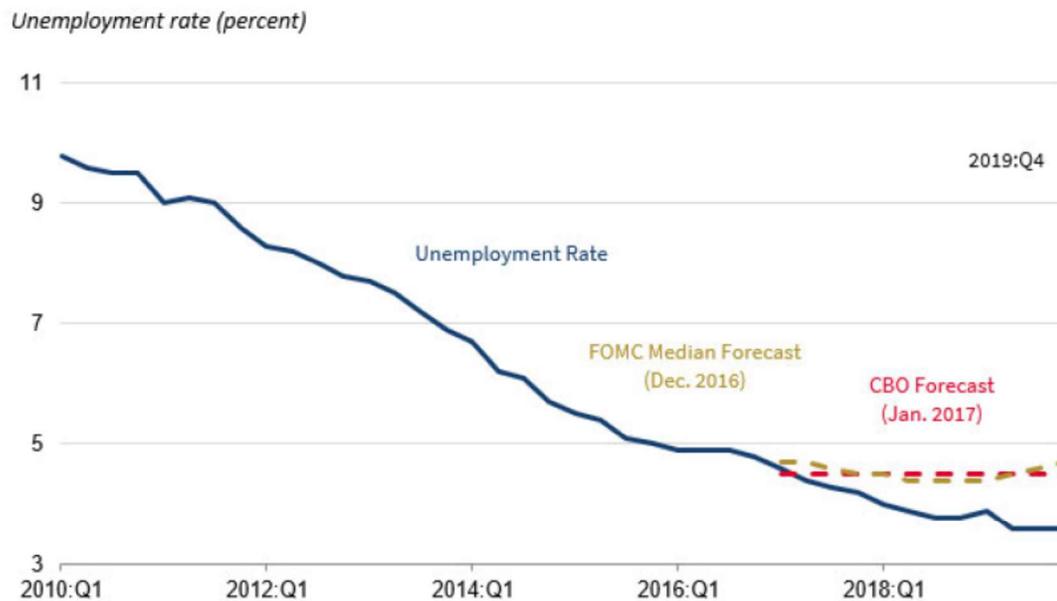
Figure 3-1. The U.S. Economy Outperformed Forecasts: Real GDP

2017 dollars (trillions)

2019:Q4

Actual

CBO Forecast
(Jan. 2017)

FOMC Forecast
(Dec. 2016)
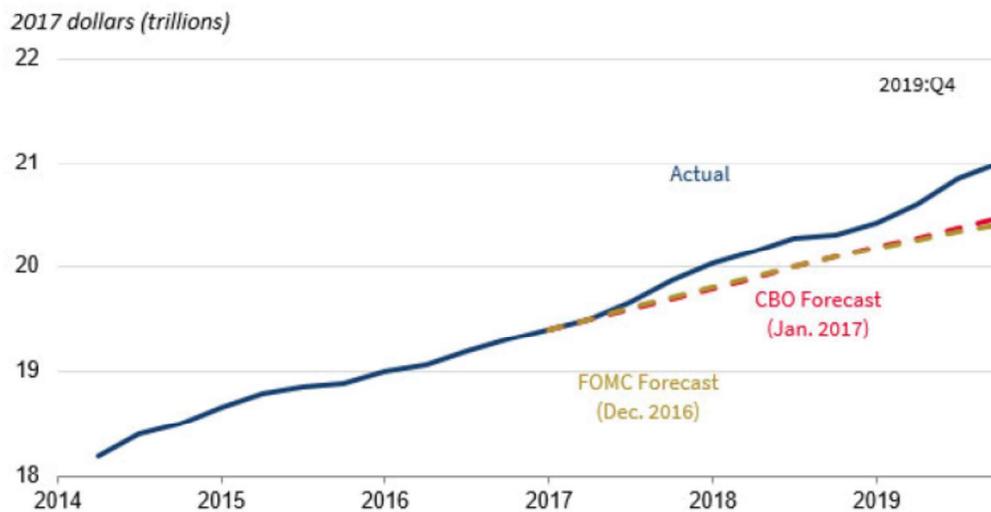
Sources: Bureau of Economic Analysis, Federal Reserve Board Federal Open Market Committee, Congressional Budget Office.

Figure 3-2. The U.S. Economy Outperformed Forecasts: Unemployment

Unemployment rate (percent)

Sources: Bureau of Labor Statistics; Federal Reserve Board of Governors; Congressional Budget Office.

The strong macroeconomic performance during the pre-pandemic period translated into record prosperity for workers and households. Highlights of this prosperity include:

- **Overall real worker earnings grew nearly twice as fast** from January 2017 to February 2020 relative to the period from July 2009 to December 2016 during the Obama Administration.

- **Workers at the bottom benefited most:** After experiencing near-zero growth in the prior period, surging real earnings for the bottom 10 percent grew over twice as fast as for the top 10 percent.

- **Income for the typical family rose by the highest level on record:** Real income jumped by a historic $6,400 in the year following TCJA, the highest yearly growth on record.

- **Poverty reached record lows:** The historically strong economy lifted nearly 7 million people out of poverty through 2019—the largest 3-year decline to start any presidency since the War on Poverty began in 1964.

The TCJA was also fiscally sound, despite some claims to the contrary. Soon after passage of the TCJA, the CBO forecasted that growth in real tax revenues from 2018 to 2024 would be $1.1 trillion lower than without the TCJA. However, the *actual* revenue gap ended up only half that large—and temporary. By 2024, inflation-adjusted revenues closed the gap with the CBO projections as real GDP grew in response to the improved economic environment created by the TCJA. Whereas the CBO projection for 2024 revenues had the TCJA not been enacted assumed an increase in revenue as a share of GDP, the economy under the TCJA achieved the same level of revenue in 2024 through higher GDP growth and stable revenues as a share of GDP. Revenue as a share of GDP was 17.1 percent in 2024, just as it was in 2017 before the TCJA.

Effects of the Small Business and Investment Tax Cuts

Methodological Overview

The CEA's May 2025 analysis found that President Trump's tax proposals would boost investment, GDP, wages, and take-home pay. The CEA follows the same approach in this paper to quantify the impact of the business and investment provisions in the OBBB on economic outcomes. As detailed in the methodological appendix, the CEA estimates the reduction in the user cost of capital from the tax proposals and calculates the resulting response of investment and GDP, taking into account the difference between permanent and temporary provisions. From a bird's eye perspective, lower tax rates and more generous expensing both lower the user cost of capital, driving up investment and GDP over time. These same forces lead to stronger labor demand, which raises wages. As an extension to the May report, this paper also quantifies the 10-year deficit reduction (via higher revenues) from the increased growth implied by the CEA's economic analysis.

Low Tax Rates for Main Street Businesses

The CEA first studies the effect of extending the low tax rates for businesses that are set to expire, which include the individual rate cuts applicable to pass-through business owners, the 20 percent deduction for pass-through income (section 199A), and the current tax rates for global intangible low-taxed income (GILTI) and foreign-derived intangible income (FDII).[1] Allowing these provisions to expire and the resulting reversion of rates to higher levels would create significant disincentives for economic activity.

The CEA finds that, compared to TCJA expiration, these OBBB provisions permanently raise investment by 1.5 to 3.2 percent, boost real GDP by 0.1 to 0.2 percent during the first four years and by 0.2 to 0.4 percent in the 10-year budget window, and raise real wages by about $2,400 to $4,100, as shown in the table below. The economic growth from these provisions alone generates about $78 to $167 billion in revenue to offset any conventional cost estimate that ignores macroeconomic feedback from higher growth.

One Big Beautiful Bill Macroeconomic and Fiscal Impacts: Lower Tax Rates for Small Businesses							
	Investment		Level of GDP		Annual Wage		10-Year Revenue Boost from Growth
	4-Year	10-Year	Year 4	Year 10	Year 4	Year 10	
Low small business tax rates	1.5 to 3.2%	1.5 to 3.2%	0.1 to 0.2%	0.2 to 0.4%	$2,376 to $3,988	$2,449 to $4,144	$77.8B to $167.0B

Expensing Provisions to Incentivize Investment

The CEA also analyzes the permanent full expensing of equipment investment and full expensing of R&D incorporated in the proposed Senate Finance Committee bill released on June 16, 2025. In addition, both the House and Senate bill incorporate a four-year provision for full expensing for new factories. In each of these cases, full expensing reduces up-front costs and frees up cash flow to enable businesses to make critical investments in expanding capacity and driving innovation. Workers ultimately benefit from the resulting higher productivity and stronger labor demand driven by these additional investments.

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[1] While the Senate draft provides for a small increase in the FDII and GILTI tax rates, it makes favorable changes to the calculation of this income that offset the slightly higher tax rates.

The CEA finds that the permanent full expensing of equipment and R&D boosts investment permanently by 2.7 to 3.2 percent, with GDP initially climbing by 0.2 to 0.3 percent during the first four years, ultimately ending up 0.4 to 0.5 percent higher at the end of the 10-year budget window. During the first four years, these provisions cause wages to rise by about $1,100 to $2,300, with the wage effect growing to a range of about $1,250 to $2,500 after 10 years. Higher economic growth from these expensing provisions generates $173 to $205 billion of higher revenues to offset in part their direct revenue loss.

Temporary factory expensing leads to an investment surge of 3.1 to 3.8 percent during the first four years, adding another 0.1 to 0.2 percent to GDP and raising wages by about $500 to $900, with the wage effect fading over time after expiration of the provision. The 10-year revenue boost from the economic growth induced by this provision comes out to about $65 to $80 billion.

One Big Beautiful Bill Macroeconomic and Fiscal Impacts: Full Expensing Provisions							
	Investment		Level of GDP		Annual Wage		10-Year Revenue Boost from Growth
	4-Year	*10-Year*	*Year 4*	*Year 10*	*Year 4*	*Year 10*	
Permanent full equipment and R&D expensing	2.7 to 3.2%	2.7 to 3.2%	0.2 to 0.3%	0.4 to 0.5%	$1,106 to $2,291	$1,254 to $2,464	$173.3B to $204.9B
Temporary full factory expensing	3.1 to 3.8%	1.2 to 1.5%	0.1 to 0.2%	0.1%	$510 to $883	$100 to $123	$65.2B to $80.2B

Effects of the OBBB's Direct Tax Cuts for Workers and Families

Methodological Overview

As displayed earlier in figure 2, several provisions from the TCJA that currently benefit workers and families are set to expire, including lower marginal tax rates for all taxpayers, the larger standard deduction, and the doubling of the child tax credit from $1,000 to $2,000. The OBBB extends and strengthens the larger child tax credit and standard deduction while also providing new relief in the form of no income tax on overtime, no income tax on tips, and tax relief for seniors who are often reliant on fixed-income streams.

The CEA quantifies the economic impact of these measures by following the same methodology from its May 2025 report. Specifically, the CEA's analysis takes into account the permanent increase in GDP owing to stronger labor supply along with the short-run demand-side boost to GDP from households raising their consumption in response to higher take-home pay.[2,3]

Permanence and Strengthening of Tax Relief from the TCJA

Extending the low rates and the larger standard deduction from the TCJA increases the incentive to work, which boosts labor supply and permanently raises GDP. In addition to preventing the standard deduction from reverting to pre-TCJA levels, the OBBB raises the standard deduction between 2025 and 2026 by a further $1,000 for single filers and $2,000 for married filing jointly. Rather than letting the child tax credit

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[2] The effect of lower marginal tax rates on pass-through business investment incentives is accounted for above in the section "Low Tax Rates for Main Street Businesses."

[3] The higher take-home pay from certain provisions is informed by the Joint Committee on Taxation (JCT) revenue estimates of the OBBB Act as passed by the House of Representatives.

get cut in half from $2,000 to its pre-TCJA value of $1,000, the OBBB increases the child tax credit even further. The House version raises it to $2,500 per child for four years. The Senate Committee Finance bill opts for a smaller but permanent increase and indexes it to inflation, bringing the child tax credit to $2,200 per child in 2026. Importantly, both versions of the OBBB maintain earned income requirements for the refundable portion of the child tax credit, which strengthens the incentive for households to have at least one gainfully employed worker.

The CEA finds that, relative to TCJA expiration, these provisions raise the level of real GDP by 3.9 percent over the first four years, permanently boosting take-home pay by about $2,340 for a typical family with two children.[4] In the long run, real GDP is 1.7 percent higher because of these provisions. The economic growth induced by these provisions generates about $1.38 trillion in higher revenues that offset any direct foregone revenue from the federal government reducing the tax burden.

No Tax on Tips, No Tax on Overtime, and Tax Relief for Seniors

As part of his commitment to help vulnerable and aspiring Americans struggling from the previous four years of historic inflation, President Trump promised no tax on overtime, no tax on tips, and tax relief for seniors. Both the House and Senate versions of the OBBB enact these provisions over a four-year period.[5]

Currently, an overtime worker pays taxes both on his or her base pay and the premium from working overtime. The OBBB eliminates the income tax on the overtime premium for most overtime workers. The CEA finds that this change will cause overtime workers to increase their overtime hours by 4.7 percent, leading to a 0.2 percent increase in aggregate labor supply while the provision is in effect. The CEA estimates that the average overtime worker will receive a tax cut of between $1,260 and $1,400 per year.

To estimate the impact of no tax on tips, the CEA uses the JCT revenue estimate of tip exemption from the Senate version of the OBBB and the number of tipped workers according to the Statistics of Income W-2 tabulations. Based on these sources, the CEA finds that no tax on tips will increase average take-home pay for tipped workers by $1,300 per year.

Both the House and Senate also include a generous bonus deduction for seniors ($4,000 in the House bill; $6,000 in the Senate Finance version) that will prove especially valuable to financially vulnerable seniors, many of whom face high costs of living and healthcare expenses as they age. Using the JCT revenue score for the Senate version of this provision and estimates from the Department of the Treasury provided to the CEA on the number of qualifying seniors who would likely benefit from the provision, the CEA finds that the bonus senior deduction will increase the average take-home pay for each qualifying senior by about $670 per year. Between the enhanced standard deduction, the bonus senior deduction, and other tax relief, the average senior will face zero tax liability on the amount of income they derive from Social Security.

The provisions for no tax on overtime, no tax on tips, and senior tax relief, along with President Trump's promise to not tax auto loan interest, boost GDP by 0.3 to 0.4 percent while they are in effect. The growth that they generate yields $54 to $73 billion in higher revenue to offset the direct revenue losses attributable to these provisions.

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[4] The CEA macroeconomic and fiscal analysis uses the Senate OBBB version of the enhanced child tax credit.
[5] The CEA macroeconomic and fiscal analysis uses the Senate OBBB version along with President Trump's no tax on auto loan interest.

| One Big Beautiful Bill Macroeconomic and Fiscal Impacts: Household Tax Relief					
	Level of GDP		Typical Boost to Annual Take-Home Pay		10-Year Revenue Boost from Growth
	Year 4	Year 10	Year 4	Year 10	
Permanent household tax relief	3.3 to 3.8%	1.7%	$2,340	$2,340	$1.380T
Temporary no tax on overtime and tips and senior tax relief	0.3%	0%	$1,260 to $1,400 overtime; $1,300 tips; $670 per senior	$0	$54.5B to $72.6B
All OBBB household tax relief	3.6 to 4.2%	1.7%	Up to $3,600 to $3,740*	$1,700	$1.434T to $1.452T

Take-home pay is for a median-income household with two children. *Includes permanent household tax relief plus no tax on overtime. In general, total tax relief depends on each household's work situation.

Permanence and Enhancement of Opportunity Zones Incentives

Recent studies have found that the first round of Opportunity Zones directed $89 billion of urgently needed investment into distressed communities, created over one million jobs, and led to the construction of over 300,000 new housing units that would not otherwise have been built. To build upon this successful legacy, both the House and Senate extend and enhance Opportunity Zones. In addition to extending Opportunity Zones, the House bill allows non-capital gains income to be invested in Opportunity Zones, allowing more Americans to participate in the rebuilding of America. The Senate bill also strengthens Opportunity Zones by making the incentives permanent. Both versions of the bill provide enhanced incentives for rural areas to ensure an even more robust flow of investment. To the extent that rural areas have less onerous regulatory barriers to business formation and the development of new housing supply, Opportunity Zones are likely to play an even more meaningful role in addressing problems like the housing affordability crisis by helping to reverse the shortfall in new housing construction that has emerged over the past 15 years, shown in figure 4.

Figure 4. Average Housing Starts per Million People, 1983-2024

Annual housing starts (per million people)

Housing Starts — Average Starts, 1983-2007
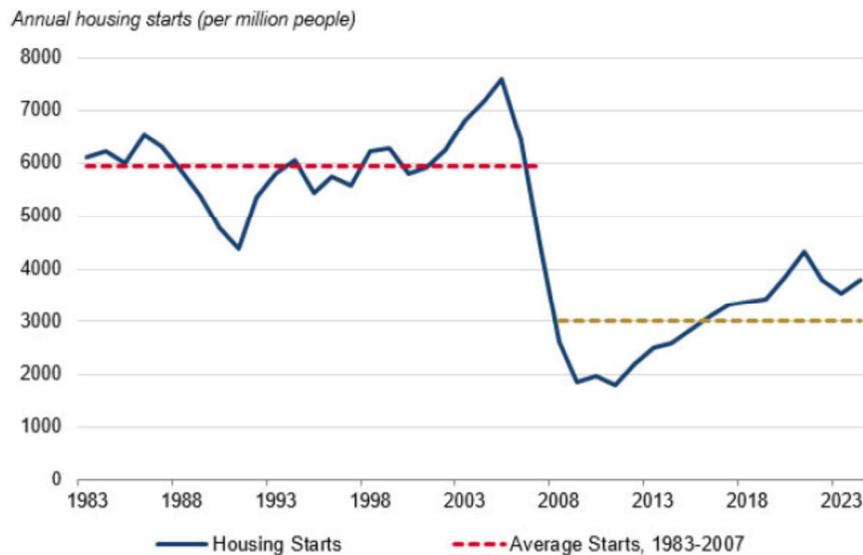
Source: Census Bureau, CEA Calculations.

Summarizing the Economic Impact of All OBBB Tax Provisions

The CEA finds that the package of tax provisions in the OBBB will, taken as a whole, raise investment by 7.3 to 10.2 percent over the next four years and by 5.4 to 7.9 percent during the 10-year budget window. This investment will increase the level of real GDP by 4.6 to 4.9 percent during the next four years (about 1.1 to 1.2 percent higher average growth per year) and by 2.4 to 2.7 percent through the 10-year budget window. The CEA estimates that real take-home pay for a median-income family with two children will increase by up to about $7,600 to $10,900, driven both by higher wages and less tax taken out of Americans' paychecks by the federal government. Americans of all backgrounds benefit from these tax provisions. In addition, struggling and previously left-behind communities will benefit from the surge of investment, jobs, and housing supply enabled by the permanent extension of Opportunity Zones.

Summary of Economic Impact from the OBBB Tax Provisions							
Investment		Level of GDP		Annual Take-Home Pay (Year 4)	Impact in Opportunity Zones		
4-Year	10-Year	Year 4	Year 10		Investment	Added Jobs	New Homes
7.3 to 10.2%	5.4 to 7.9%	4.6 to 4.9%	2.4 to 2.7%	$7,592 to $10,902*	$100+ billion	1+ million	At least 300k

*Take-home pay for a median-income family with an overtime worker and two children.

A Deeper Dive into the Fiscal Impact of Trump Economic Policies Anchored by the OBBB

As the previous estimates make clear, the OBBB will establish a strong foundation for economic prosperity by increasing investment, raising GDP, and boosting resources for American families in the form of higher wages and a lower tax burden. However, the prospects for continued economic prosperity and low taxes depend critically on the fiscal trajectory of the United States. Prior to COVID-19, federal debt held by the public as a share of GDP was under 80 percent. Since then, this ratio has climbed to nearly 100 percent, and the CBO projects that under its baseline assumptions of sub-2 percent economic growth and a $4 trillion tax hike from the expiration of the TCJA that debt-to-GDP will rise to 117 percent in 2034. In this section, the CEA projects America's fiscal trajectory under alternative scenarios that incorporate the OBBB and related Trump economic policies.

Methodology

The CEA first builds a model that reproduces the CBO's 10-year budget forecast, taking as given the path of interest rates, GDP, non-interest outlays, and revenues. The CEA model replicates the CBO's projection that, under current law (the CBO tax hike baseline), total 10-year deficits are over $21.1 trillion, federal debt held by the public is over $49 trillion in 2034, and debt as a share of GDP reaches 117 percent. To further test the model, the CEA inputs the path of revenues and non-interest outlays from the CBO's conventional score for the House version of the OBBB. The CEA model reproduces the CBO's projection (which ignores macroeconomic feedback from higher growth) that debt as a share of GDP rises to 124 percent because of $2.416 trillion in higher primary deficits and $540 billion in higher interest.[6]

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[6] The CBO arrived at a very similar estimate of $551 billion for interest payments.

As of the writing of this report, the CBO has not released an estimate of how the Senate version of the OBBB impacts outlays. Thus, for outlays, the CEA relies on the CBO score for the House bill, whereas for revenues, the CEA utilizes the JCT score for the Senate bill. Because the CEA assesses the OBBB both from a current law and a current policy baseline, the CEA also utilizes an unpublished JCT score that estimates the revenue impact of extending the TCJA to convert between the two baselines.

To account for macroeconomic feedback, the CEA replaces the GDP path from the CBO tax hike baseline with the path of GDP from the CEA's policy analysis and calculates revenues under the assumption that higher GDP growth does not alter the post-policy path of revenue as a share of GDP from that implied by the conventional score. In other words, if a conventional revenue score finds that a policy reduces revenue as a share of GDP, then any higher GDP growth will produce higher revenues holding constant the new *ratio* of revenue relative to GDP from the conventional score.[7]

The Impact of the OBBB and Related Trump Economic Policies on Deficits and Debt Relative to GDP

Relative to the CBO's current law tax hike baseline, the Senate version of the OBBB reduces revenues by $4.201 trillion.[8] Relative to a current policy baseline that preserves the current tax code, the OBBB reduces revenues by a much lesser $442 billion. The first bar in figure 5-1 shows the revenue score relative to the CBO's tax hike baseline, while the first bar in figure 5-2 uses the current policy baseline. As a matter of proper interpretation, it is important to recognize that under the CBO current law baseline, revenue as a share of GDP is projected to rise above current and historic levels (from 17.1 percent to 18.2 percent by 2034). Thus, the CBO scores any policy that prevents or moderates such an *increase* as revenue *reducing*.

Figure 5-1. Primary Deficit Impact of Trump Economic Policies (Relative to CBO Current Law Tax Hike Baseline)

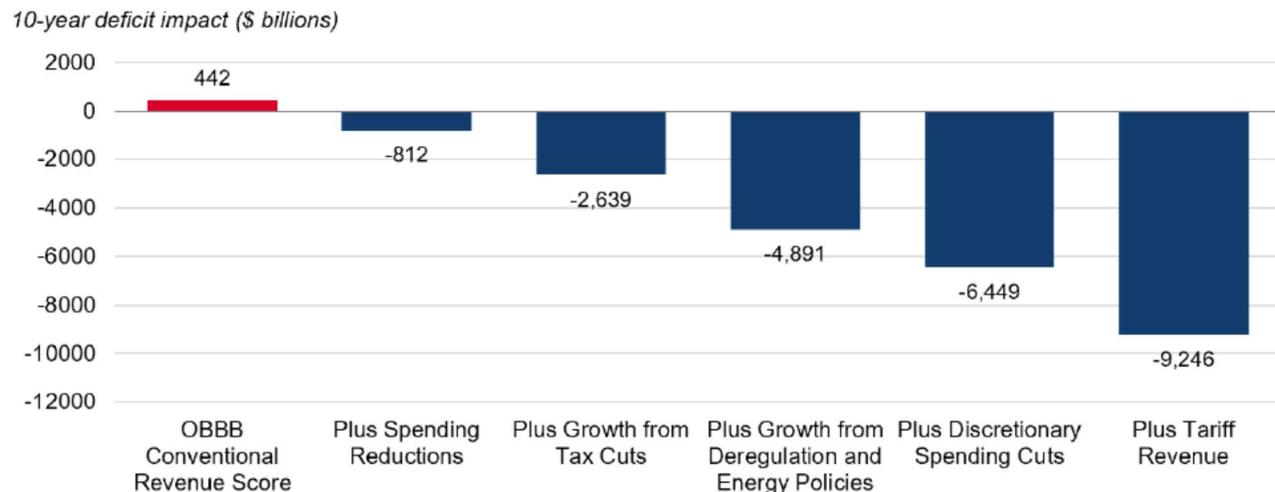*10-year deficit impact ($ billions)*
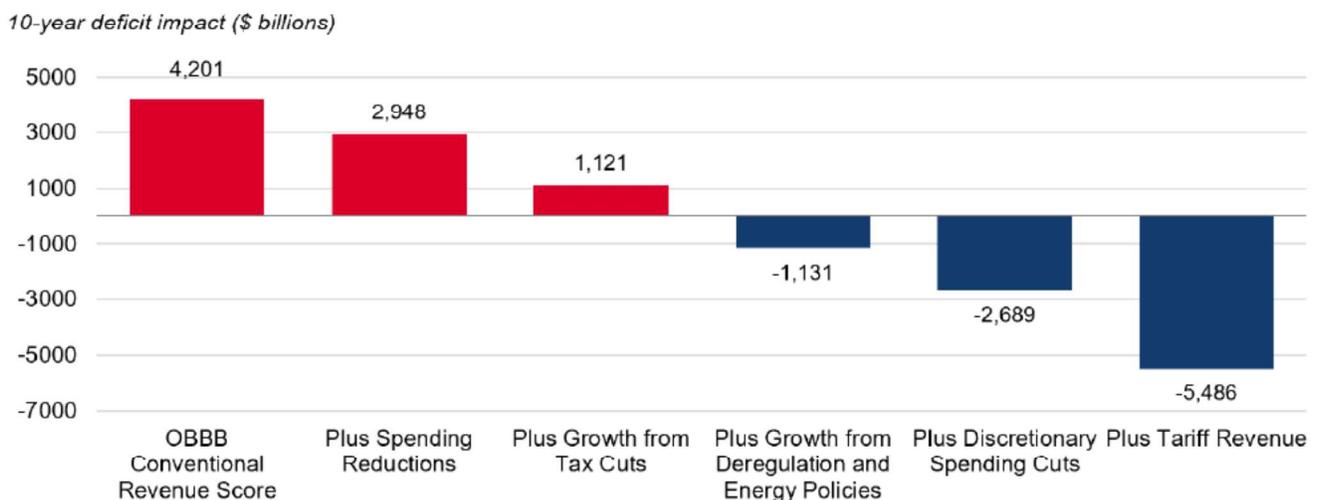
Note: Positive numbers indicate higher deficits relative to the CBO tax hike baseline. Negative numbers indicate deficit reduction.
Sources: Congressional Budget Office; Office of Management and Budget; CEA calculations using midpoint growth estimates.

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[7] As a test of this assumption, row (3) of table 2-4 of the latest Analytical Perspectives gives a rule of thumb for estimating the revenue impact of a one percentage point decline in the annual economic growth rate that lasts for 10 years, finding it to be -$3.45 trillion over the 2025-34 period. The CEA's model implies -$3.53 trillion if the tax base is current law and -$3.34 trillion if the tax base is the House OBBB.

[8] The sum of the $441.5 billion JCT current policy score of the Senate OBBB and the $3.76 trillion current law score for extending the TCJA.

Figure 5-2. Primary Deficit Impact of Trump Economic Policies (Relative to Current Policy Baseline)

10-year deficit impact ($ billions)

Note: Positive numbers indicate higher deficits relative to the current policy baseline. Negative numbers indicate deficit reduction.
Sources: Congressional Budget Office; Office of Managment and Budget; CEA calculations using midpoint growth estimates.

As scored by the CBO, the OBBB lowers non-interest outlays by $1.254 trillion over 2025-2034. Netting the change in outlays against the change in revenues produces an overall conventional OBBB score of $2.948 trillion of higher primary deficits over the budget window relative to the CBO current law tax hike baseline. However, relative to current policy, the OBBB *reduces* primary deficits by $812 billion over 10 years before including revenue feedback from higher growth. The second bar in figures 5-1 and 5-2 shows these scores.

The third bar in each figure updates the OBBB score to account for the $1.750 to $1.904 trillion in primary deficit reduction from higher economic growth induced by the OBBB tax provisions. Adjusting by the midpoint of these estimates causes the OBBB to only increase 10-year primary deficits by $1.121 trillion relative to the CBO tax hike baseline, and the OBBB *reduces* primary deficits by $2.639 trillion using the current policy baseline. Augmenting the growth from the OBBB tax provisions, a recent CEA analysis finds that the deregulatory policies of the Trump Administration, elements of which depend on or are enhanced by the OBBB, add another 0.3 to 0.8 percentage points to annual real economic growth. Energy policies apart from deregulation add another 3 to 12 basis points of annual real economic growth. Faster economic growth from all of these sources combined reduces primary deficits by $1.131 trillion relative to the CBO tax hike baseline and by $4.891 trillion relative to the current policy baseline (using the midpoint of growth).

In a June 7 report, the White House Office of Management and Budget (OMB) provides estimates related to other elements of the Trump economic agenda, including over $1.558 trillion in discretionary spending cuts and $2.8 trillion in tariff revenue over the period from 2025 to 2034. Accounting for the reduced spending raises the primary deficit savings to $2.689 trillion relative to the CBO tax hike baseline and $6.449 trillion relative to the current policy baseline. Lastly, including tariff revenue, the CEA calculates that the suite of Trump economic policies analyzed in this paper reduces primary deficits by $5.486 trillion relative to the CBO's baseline and by $9.246 trillion relative to the current policy baseline.
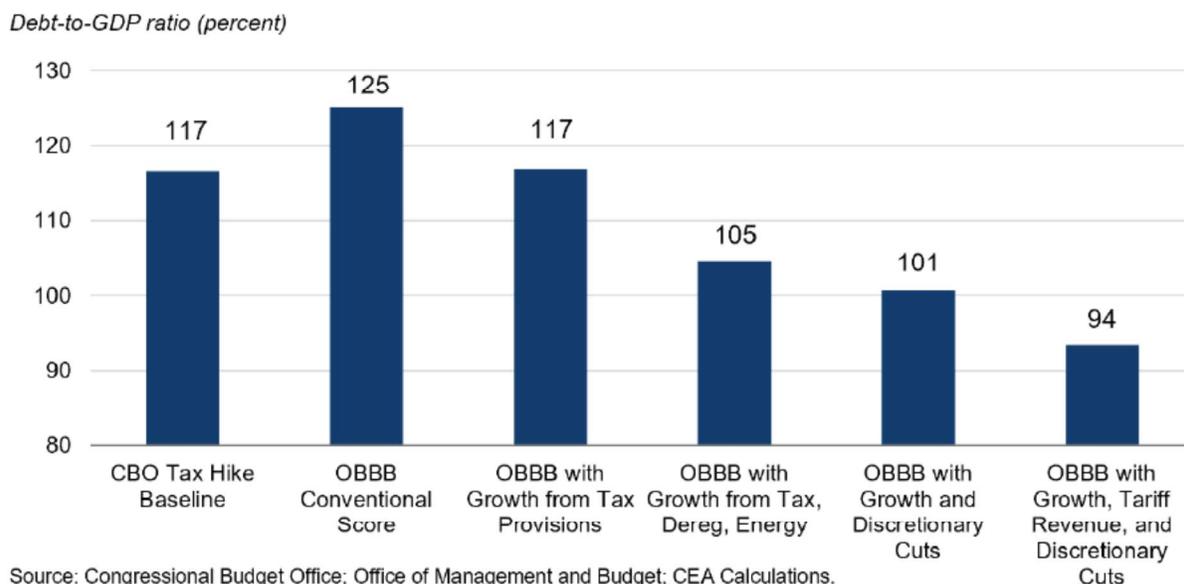
An alternative way to evaluate the fiscal implications of Trump economic policies is by quantifying their impact on the stock of debt relative to GDP (the debt-to-GDP ratio), which offers several advantages over focusing on changes in primary deficits. First, the debt-to-GDP ratio is easier to interpret than changes in primary deficits relative to some reference point. Second, the debt-to-GDP ratio takes into account the compounding effect of interest expenses. Third, the debt-to-GDP ratio, in conjunction with the interest rate, is a better barometer for the burden that a country faces in making payments on the debt.

The CBO projects, under its baseline for sub-2 percent economic growth and the expiration of the TCJA, that the debt-to-GDP ratio will reach 117 percent in 2034. The (CEA-adjusted) conventional score for the OBBB would take this ratio even higher to 125 percent in 2034, ignoring any increase in economic growth. After accounting for economic growth from the OBBB tax provisions, the CEA finds that debt-to-GDP is once again 117 percent—the same as the CBO tax hike baseline. The CBO's baseline deserves an important caveat, however, because it does not include the impact of higher unemployment insurance payments and other social safety net spending from the recession that could ensue from the expiration of the TCJA.

The CEA projects that incorporating the additional growth from Trump deregulatory and energy policies, which in many cases depend on or are enhanced by the OBBB, causes debt-to-GDP to be 105 percent in 2034—considerably lower than debt-to-GDP under the CBO tax hike baseline. Taking into account the discretionary spending reductions results in an even lower debt-to-GDP ratio of 101 percent in 2034. Lastly, tariff revenue drives the debt-to-GDP ratio to 94 percent in 2034 under the midpoint scenario for economic growth under Trump economic policies. As a sensitivity test, if real economic growth averages only 2.5 percent over the 10-year budget window, debt-to-GDP under the OBBB without accounting for the discretionary spending cuts or tariff revenues is 113 percent in 2034, which is lower than the CBO's tax hike baseline forecast of 117 percent. Including the discretionary spending cuts and tariff revenues causes debt-to-GDP to be 101 percent in 2034 under this alternative scenario. This analysis shows that, even under more conservative assumptions, the Trump economic agenda successfully halts the rising burden of debt.

Figure 6. Debt-to-GDP in 2034

Debt-to-GDP ratio (percent)

Source: Congressional Budget Office; Office of Management and Budget; CEA Calculations.

Conclusions

Just as the TCJA did after 2017, the OBBB paves the way for another period of historic economic prosperity for Americans of all backgrounds. The OBBB contains all of the ingredients to unleash another Trump blue collar boom to help working Americans recover the purchasing power they lost over the prior four years to the inflation exacerbated by the prior administration and make greater strides toward achieving their economic aspirations. The CEA finds that the OBBB will cause investment to surge, GDP to rise, and paychecks to fatten as Americans receive higher wages and keep more of the money that they earned. Left-behind Americans and overlooked communities will experience a new era of rising fortunes as the overall economic environment improves and as private-sector driven growth unleashed by policies in the OBBB spreads to every corner of America. Critically, the CEA estimates that the OBBB and the broader Trump economic policies that it supports will bend the trajectory of debt downward, simultaneously strengthening the foundations of America's financial stability and creating fiscal space to enable America to solve current and future challenges. With the OBBB, America is poised to enter a new golden age of improved prosperity and fiscal responsibility.

SUPPLEMENTAL METHODOLOGICAL APPENDIX

Estimating the Investment and GDP Response

The CEA employs a user cost of capital (UCC) approach to estimate the effects on investment and GDP of the business tax provisions in the OBBB. The first step involves calculating how much less costly it is for corporations and pass-through businesses to invest in equipment, structures, and intellectual property under the OBBB compared to if the business tax provisions in the TCJA expire. Second, the CEA computes the relative increase in investment and GDP from keeping the UCC low instead of allowing capital costs to revert to a more expensive level.

A key input to these calculations is the user-cost elasticity of investment (or UCC elasticity), which measures how much investment changes in response to a given change in the cost of capital. The CEA's report from April 2025 goes into detail regarding empirical estimates of this elasticity from the academic literature, but for the purposes of this paper, the CEA uses an elasticity of -1, which means that a 1 percent increase in the cost of capital translates to a 1 percent drop in business investment. An elasticity of -1 is in line with Cummins and Hassett ([1992](#)) and Caballero, Engel, and Haltiwanger ([1995](#)). Dwenger ([2014](#)) notes that many empirical papers on this topic from recent decades have produced findings statistically indistinguishable from this elasticity value.

The CEA's methodology explicitly takes into account the temporary nature of factory expensing in evaluating the UCC by using a generalized UCC formula from Auerbach and Hassett ([1992](#)). This formula captures the fact that a temporary expensing provision causes a stronger incentive for up-front investment to occur before the provisions expire. The CEA's methodology also accounts for adjustment costs that effectively lead to firms smoothing their capital expenditures over time.

The CEA calibrates other model inputs using existing data as follows:

- The share of investment attributable to C-corporations and pass-through businesses is derived from IRS annual data on the level of depreciable assets by business form.
- Investment, capital, and income by category of capital asset (equipment, structures, intellectual property, and rental residential) is available from BLS Multifactor Productivity tables.
- Depreciation rates by category of capital investment are estimated using the aforementioned data.
- The effective tax rates on pass-through businesses if the TCJA is allowed to expire and if it is fully renewed are determined as follows:
  - To obtain a lower-bound estimate, the CEA relies on calculations from Goodman, White, and Whitten ([2025](#)) on the average effective tax rate for pass-through businesses and the increase that would be associated with expiration of Section 199A. The CEA adds 2.0 percentage points for the expiration of the lower individual rates and 4.3 percentage points for the average state tax rate. This yields an effective tax rate of 27.4 percent if all provisions are extended and 33.3 percent if all provisions expire.
  - To obtain an upper-bound estimate, the CEA assumes all pass-through businesses are in the top bracket and benefit fully from the Section 199A deduction. The CEA adds 4.3 percentage points for the average state tax rate. This yields an effective tax rate of 33.0 percent if all provisions are extended and 43.9 percent if all provisions expire.

- To estimate the effects of FDII and GILTI on the effective tax rate faced by corporations, the CEA observes from the most recent data that FDII is 10.0 percent of total corporate income pre-FDII and GILTI deduction ($301B divided by $3,004B), and GILTI is 19.1 percent ($574B divided by $3,004B). One must then calculate a weighted-average impact on the effective tax rate from keeping the FDII and GILTI rates low, which results in a 0.8 percentage point lower effective corporate tax rate.
- The depreciation allowances pertaining to each category of capital asset are determined as follows:
  - The net present value of depreciation allowances in the case of TCJA non-renewal is obtained from Tax Foundation calculations.
  - Full expensing of equipment corresponds to a depreciation allowance of 1 for equipment.
  - Full expensing of factories corresponds to a depreciation allowance of 1 for structures investment in the manufacturing sector. To obtain an average NPV depreciation allowance for structures, it is necessary to take a weighted average of 1 and the allowance for the rest of structures investment, with the share of structures investment by sector as the weights.
  - Full expensing of R&D corresponds to a depreciation allowance of 1 for R&D. Because R&D investment is a subset of Intellectual Property Products (IPP) investment, a similar adjustment as above is required to obtain an overall NPV depreciation allowance for IPP.
- The share of capital income associated with each asset category is obtained from BLS Multifactor Productivity tables. This provides information on the effects on GDP of additional capital in each asset category.

With these inputs, the CEA calculates the user cost of capital by category of capital asset assuming passage of the OBBB along with the resulting change in investment by category using the UCC elasticity. Lastly, the CEA calculates the resulting capital stock and GDP dynamics utilizing the aforementioned income shares by category of capital.

Estimating the Impact on Worker Wages

Higher investment leads to a larger capital stock, which makes workers more productive and increases the demand for labor. The intensified competition to hire workers, in turn, bids up real wages. To quantify the relative boost to wages from the OBBB's extension of low business tax rates from the TCJA, the CEA uses an elasticity of wages to changes in the taxation of business pass-through income of -0.115 from Risch (2024), given that these low tax rates apply to pass-through businesses. The overall wage impact comes from multiplying this elasticity by the percent change in the effective tax rate on pass-through income and the share of average income from wages and salaries (0.78) for a worker with average household income of $109,160 in 2023. As in the case of investment and GDP above, the CEA uses two separate measures of the percent change in the effective tax rate on pass-throughs:

- To obtain a lower-bound estimate, the CEA relies on calculations from Goodman, White, and Whitten (2025) on the average effective tax rate for pass-through businesses and the increase that would be associated with expiration of Section 199A. The CEA adds 2.0 percentage points for the expiration of the lower individual rates and 4.3 percentage points for the average state tax rate. This yields an effective tax rate of 27.4 percent if all provisions are extended and 33.3 percent if all provisions expire.
- To obtain an upper-bound estimate, the CEA assumes all pass-through businesses are in the top bracket and experience the full benefit of the Section 199A deduction. The CEA adds 4.3

percentage points for the average state tax rate. This yields an effective tax rate of 33.0 percent if all provisions are extended and 43.9 percent if all provisions expire.

In this report, the CEA additionally takes into account the wage response to the further reduction of effective tax rates coming about from the proposed expensing provisions. The changes in effective tax rates from the expensing provisions can be estimated using BEA data on the total amount of investment in each category for each of the specific assets (equipment, R&D, factories). Combining this data with data on total business income allows calculating the effective tax rate faced by businesses under different expensing scenarios.

Because Risch (2024) considers the effects of a permanent policy change on wages, rather than considering temporary provisions, we need to adapt the methodology slightly to estimate short-run effects of temporary provisions. In particular, using our methodology in the previous section, we can estimate the differential between GDP effects for a policy in the long-run when it is permanent and GDP effects for that policy in the short run (4 years) when it is temporary or permanent. We then assume a constant labor share and compute the implied differential in the short-run wage, adding this number to the Risch estimate to obtain an estimate for the total short-run wage effects of a policy. In practice, this leads to a downward adjustment to wage effects in the short run for permanent policies and an upward adjustment to wage effects in the short run for temporary ones. This is because temporary policies lead to greater boosts to GDP in the short-run (though smaller effects in the long-run) relative to permanent policies.

It is worth noting that these expensing provisions have impacts on the effective tax rate for C-corporations in addition to pass-through businesses. Thus, to compute the total effect on worker income, the CEA also uses the elasticity of worker income to the C-corporate tax rate. There is a range of empirical estimates of this elasticity in the literature. Following the approach taken by the CEA in 2017 in estimating the impacts of TCJA passage, the CEA in this report uses an elasticity of -0.17 for the lower-bound estimate and -0.43 for the upper-bound. The former number is from Azémar and Hubbard (2015), and the latter number is from Felix (2007).

Estimating Short-Run and Long-Run Employment Effects

The CEA accounts for the fact that labor income taxes influence labor supply along two key dimensions: *the extensive margin*, referring to the decision of whether or not to participate in the labor force, and the *intensive margin*, referring to the number of hours worked conditional on participation. When labor income taxes fall, they increase the after-tax wage, making hours spent not earning income relatively less attractive and leading individuals to either join the labor force (extensive margin) or raise their effort or hours worked (intensive margin). These margins of adjustment are well-established in the labor supply literature (e.g., Rosen 1976; Pencavel 1986).

In modeling proposed tax changes, it is essential to account for both margins. For example, a labor income tax cut might bring non-participants into the labor force while also increasing the labor supply of those already employed. Conversely, a tax hike could reduce employment and hours worked simultaneously. To capture the total behavioral response, the CEA follows Chetty, Guren, Manoli, and Weber (2011), who recommend a composite elasticity estimate of 0.75, which incorporates both the extensive (elasticity of

0.25) and intensive margins (elasticity of 0.5) and reflects empirically grounded, policy-relevant labor supply responses.

The CEA estimates the behavioral response to a tax increase by combining the labor supply elasticity with the change in the after-tax wage for individuals in each income bracket. A filer will increase labor supply in response to a tax decrease by an amount that depends on the current marginal tax rate. Because the extension of the TCJA involves bracket-specific continuations in marginal tax rates, the CEA computes a weighted average labor supply response, where the weights reflect the number of tax filers in each bracket.

Using this method, the CEA finds that the lower marginal rate schedule in the OBBB relative to expiration of the TCJA boosts aggregate labor supply by 2.4 percent (0.8 percent extensive margin, and 1.6 percent intensive margin). Based on the latest labor force and average weekly hours data from April 2025 (a labor force of about 171 million individuals and average weekly hours of 34.3), the labor supply boost gives a gain of 1.4 million jobs from the extensive margin, 2.8 million full-time equivalent jobs from the intensive margin (based on hours increasing by 0.55 per week per worker), and 1.7 percent higher GDP (based on labor comprising 70 percent of national income).

To evaluate the additional labor supply boost from not taxing overtime, the CEA utilizes data from the American Community Survey from 2021 to 2023. The CEA restricts attention to prime-age (25 to 55 years old) individuals who worked more than 40 hours per week who qualify for overtime based on not being exempt under the Fair Labor Standards Act. The CEA estimates that about 62 percent of workers are eligible for overtime (101.7 million workers out of a total worker pool of 164 million). The average pay for these overtime workers is $72,574. Thus, many overtime workers are likely to be in the 22 percent marginal tax bracket. Ending the tax on the overtime premium raises the effective wage for an additional hour of overtime by 9.4 percent.[9] The CEA takes a conservative approach by assuming that workers only respond along the intensive margin from not taxing the overtime premium, i.e., the CEA assumes the overtime tax cut does not induce anybody currently out of the labor force to enter and work overtime. Multiplying the intensive margin elasticity of 0.5 by the 9.4 percent rise in the effective overtime wage implies that the supply of overtime hours increases by 4.7 percent. With overtime-*eligible* workers currently working 2.56 hours of overtime each week (an average that includes the many eligible workers who do not actually work any overtime), the 4.7 percent increase in the supply of overtime hours amounts to just over a 0.2 percent increase in aggregate labor supply.

By averting a $4 trillion tax hike that may prove recessionary, the tax package has additional short-run job-saving benefits. To quantify the additive short-run effect, the CEA uses Okun's law to estimate the employment impact of the positive short-run GDP effects associated with the forces boosting labor demand and then adds in the employment response associated with the positive shift in labor supply. Using this methodology, the CEA finds that the set of tax proposals saves or creates 6.6 to 7.4 million FTE jobs in the short run relative to if the TCJA expires.

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[9] The precise calculation is (1-0.22+0.5)/((1-0.22)*1.5))-1, where the numerator is the marginal after-income-tax dollar of base wages plus the untaxed premium, and the denominator is the marginal after-income-tax dollar of base and overtime wages without the tax cut.

Estimating the Take-Home Benefit of No Tax on Tips, No Tax on Overtime, and Tax Relief for Seniors

The first method that the CEA uses to calculate the average tax cut from not subjecting the overtime premium to income taxation is to multiply the average overtime worker's base wage by 0.5 (the overtime premium), their marginal tax rate, and annual overtime hours. Among eligible workers who actually work overtime, the American Community Survey (ACS) reports that their usual number of overtime hours per week is 12.67. As a data check, the CEA calculates that the unconditional number of overtime hours in the manufacturing sector from this data source is 6.9, which is 4 hours higher than the 2.9 hours reported by the Bureau of Labor Statistics using establishment data. Thus, the CEA applies a "correction factor" to the 12.67 hours for those who actually work overtime, reducing the number by 4 hours to 8.67. This implies the average overtime worker saves 0.5*28.16*0.22*8.67*52 = $1,397 per year, or about $1,400, where $28.16 is the average base hourly wage (ZipRecruiter, 2025).

The second method the CEA uses is to take the JCT score for the no tax on overtime provision in the OBBB for fiscal year 2027, which is $25.58 billion, and divide that value by the number of people working overtime in a year. Of the 101.7 million overtime-eligible workers, the American Community Survey indicates that only about 20 percent of them regularly work overtime. Thus, according to this alternative method, the average overtime worker saves $25.58/(0.1017*0.2) = $1,258, or about $1,260.

For the no tax on tips, the CEA uses aggregate statistics from the IRS Statistics of Income W-2 file and the JCT tip exemption revenue score to estimate the effect of exempting tips from income taxation on take-home pay. Specifically, the W-2 file reports that approximately 6 million workers received tip income and the JCT estimates that the revenue effect of the tip exemption is $7.8 billion per year (average of 2027 and 2028 annual revenue estimates). Using these figures, the CEA estimates an approximate $1,300 increase in annual take-home pay per worker.

For the new bonus deduction for seniors, the CEA uses unpublished estimates from the Department of the Treasury of the number of eligible individuals age 65 and older who would benefit from the new senior bonus deduction and the JCT senior bonus deduction revenue score from the Senate version of the OBBB to estimate the effect of the new $6,000 senior bonus deduction on take-home pay. The Department of the Treasury estimates that approximately 33.9 million seniors would benefit from the senior bonus deduction. The JCT estimates that the revenue effect of the senior bonus deduction is $22.8 billion per year (the average of 2027 and 2028 annual revenue estimates). Using these figures, the CEA estimates an increase of about $670 in annual take-home pay per senior.

Estimating the Short-Run GDP Boost from Higher Consumer Spending

The previous sections discuss the methodology for estimating the impact of the tax cuts in the tax package on long run potential GDP through the supply-side forces of higher investment and labor. In the short run, the tax cuts also boost GDP by unleashing a virtuous cycle of greater private sector demand. This cycle begins with households increasing their consumption in response to higher long-run take-home pay, an effect that ranges from $0.75 to $1 of higher consumption for every dollar of higher long-run income, consistent with Friedman (1957)'s permanent income hypothesis and Carroll (2009). The initial consumer spending surge directly boosts GDP, and the cycle continues as the increase in consumer spending

prompts firms to increase hiring and wages, which further raises household income and consumption, creating an indirect multiplier effect.

Because the fiscal multiplier effect fades over time, the CEA analysis focuses on the early part of the budget window. To determine the size of the "first round" consumption effect in the multiplier cycle, the CEA uses a modified version of the JCT's current law estimate of the House version of the OBBB to find the average tax relief individuals can expect to receive in FY2027 and FY2028. This relief comes from the extension and enhancement of the individual provisions of the TCJA in addition to President Trump's signature promises of no tax on tips, no tax on overtime, the senior bonus deduction, and no tax on auto loan interest. To determine the amount of enhanced TCJA relief, the CEA takes the total from subtitle A minus the scores for President Trump's signature promises, net of the revenue-raising impact of the cap on the state and local deduction. The CEA then replaces the House scores for the enhanced child tax credit and enhanced standard deduction with the corresponding Senate scores (the sum of the current policy Senate OBBB score and an unpublished current law JCT score for extending the TCJA). This calculation results in an average of $427 billion in relief in FY2027 and FY2028, amounting to about 1.3 percent of GDP.

To assess the indirect multiplier effects, a crucial parameter is the marginal propensity to consume (MPC) out of short-lived income shocks. The CEA's April report provides an in-depth discussion of the recent macroeconomics literature that estimates the size of this MPC, but for purposes of this analysis, the CEA uses an annual MPC of 0.4, which is consistent with evidence documented by Auclert, Rognlie, and Straub (2024); Kaplan, Moll, and Violante (2018); Kaplan and Violante (2022); Kaplan, Violante, and Weidner (2014), and Carroll, Slacalek, Tokuoka, and White (2017).

The CEA then calculates the amount of additional tax relief from the President's promises of no tax on tips, no tax on overtime, the senior bonus deduction, and no tax on auto loan interest using the JCT score for the Senate bill, yielding an estimate of $64 billion, or about 0.2 percent of GDP. However, the CEA uses smaller estimates for the "first-round" consumption effect in the multiplier cycle because the temporary nature of these provisions means that the higher income is not permanent. At the low end, the CEA uses the MPC of 0.4 for the initial consumption impulse, and at the upper end, the CEA uses 0.75, given that the increased take-home pay does not satisfy the usual economic definition of a short-lived income shock either given the multi-year duration. If anything, the MPC choices for the $64 billion are likely to be conservative, given that MPCs rise with age and are higher for lower-income workers, such as workers who rely on tips.

Using the JCT estimate and the MPCs discussed above, the CEA finds that the OBBB adds 2.2 percent to short-run GDP from extending and enhancing the individual provisions from the TCJA and another 0.1 to 0.2 percent from no tax on overtime, no tax on tips, and the larger senior deduction. The CEA assumes that the duration of the short-run demand-side response is three years, after which point it fully dissipates.

Recent Evidence on the Positive Impact of Opportunity Zones

The extension and enhancement of Opportunity Zones in the One Big Beautiful Bill is a recognition of their success in transforming distressed communities across America. In the short period of time following the passage of TCJA, and despite the disruption of COVID-19, $89 billion of equity investment has flowed into communities designated as Opportunity Zones. The total investment figure may be much larger when one considers leverage from debt financing added to projects.

In one prominent study, Arefeva, Davis, Ghent, and Park (2024) measure a 3 to 4.5 percentage point employment boost in Opportunity Zone communities relative to non-Opportunity Zone communities with otherwise similar characteristics, translating to a total gain in jobs of over one million. Another recent study by Glasner, Ozimek, and Lettieri (2025) finds that Opportunity Zones nearly doubled the total amount of new housing added to low-income communities between 2019 and 2024, leading to the construction of over 300,000 new homes that otherwise would not have been built.

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