

BUDGET & TAX

# The impact of failing to extend TCJA tax cuts

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AUGUST 2024



**MOUNTAIN STATES**  
POLICY CENTER







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## Introduction

Unless Congress acts soon, taxpayers across the Mountain States will face an onslaught of new taxes next year. As of August 2024, federal lawmakers have not acted on the sunset of major federal tax relief enacted seven years ago.

The Federal Tax Cuts and Job Act (TCJA), a law passed in December of 2017 by Congress, aimed at reducing tax rates on individual and business income, as well as boosting incentives for investment.<sup>1</sup> Despite incredibly positive economic outcomes from its enactment, most of the tax law is set to expire at the end of 2025. If not renewed, taxes are projected to increase by roughly \$400 billion and have a significant impact on families and businesses in the Mountain States.<sup>2</sup>

The average tax increase in Idaho is expected to be \$2,554, in Montana \$2,599, in Washington \$4,429 and in Wyoming \$4,312.

<sup>1</sup> *What were the economic effects of the Tax Cuts and Jobs Act?*, Tax Policy Center, available at <https://www.taxpolicycenter.org/briefing-book/what-were-economic-effects-tax-cuts-and-jobs-act>

<sup>2</sup> *FAQ Tax Cuts and Jobs Act*, CATO Institute, (2024), available at <https://www.cato.org/blog/frequently-asked-questions-about-tax-cuts-jobs-act>

**KEY INFORMATION  
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*Along with widening the tax brackets, the TCJA also reduced the corporate tax rate, doubled the child tax credit to \$2,000, doubled the standard deduction, and zeroed out dependent and personal exemptions.*

**Average tax increase if TCJA expires, by state**

Idaho	Montana	Washington	Wyoming
\$2,554	\$2,599	\$4,429	\$4,312

A major component of the tax cut law was decreasing the top income tax bracket rate from 39.6% to 37%, a move specifically aimed at helping small businesses. The Tax Policy Center estimated that 80% of taxpayers received a tax cut, 15% experienced no change, and 5% paid more in 2018 than in 2017 when it was enacted.<sup>3</sup> Researchers also estimated the average taxpayer received a \$2,100 tax cut.

Along with widening the tax brackets, the TCJA also reduced the corporate tax rate, doubled the child tax credit to \$2,000, doubled the standard deduction, and zeroed out dependent and personal exemptions. In April and July of 2024, Congress attempted to pass bipartisan legislation to extend parts of the TCJA including corporate incentives and keeping the child tax credit at \$2,000, but it stalled and eventually failed in the Senate.<sup>4</sup> Senate Republicans argued that a better solution would come up in about a year, closer to the expiration of the TCJA.

**How tax brackets are impacted by TCJA**

Income	Previous Individual Tax Bracket	TCJA Individual Tax Bracket
\$0-\$23,200	10%	10%
\$23,201-\$94,300	15%	12%
\$94,301-\$201,050	25%	22%
\$201,051- \$383,900	28%	24%
\$383,901- \$487,450	33%	32%
\$487,451-\$731,200	35%	35%
\$731,201 or more	39.6%	37%

This pioneering law changed the corporate tax rate from one of the steepest in the world at 38.91% to a more moderate 25.77%.<sup>5</sup> Data shows that this cut does not just benefit corporations, but workers as well.

<sup>3</sup>Distributional analysis of the conference agreement for the TCJA, TPC Staff. (2017). Available at: [https://www.taxpolicycenter.org/sites/default/files/publication/150816/2001641\\_distributional\\_analysis\\_of\\_the\\_conference\\_agreement\\_for\\_the\\_tax\\_cuts\\_and\\_jobs\\_act\\_0.pdf](https://www.taxpolicycenter.org/sites/default/files/publication/150816/2001641_distributional_analysis_of_the_conference_agreement_for_the_tax_cuts_and_jobs_act_0.pdf)

<sup>4</sup>Senate Republicans block child tax credit expansion bill, Burns, T. The Hill, available at: <https://thehill.com/business/4805927-senate-republicans-block-child-tax-credit-bill/>

<sup>5</sup> Hello! You've Been Referred Here Because You're Wrong About the Tax Cuts and Jobs Act. National Taxpayers Union. Available at: <https://www.ntu.org/foundation/tax-page/hello-youve-been-referred-here-because-youre-wrong-about-the-tax-cuts-and-jobs-act#mostamericanstcja>

## KEY INFORMATION COLUMN

*Because of the TCJA, Melaleuca, based out of Idaho Falls, was able to provide a \$100 bonus to its 2,000 employees for every year they've worked at the company.*

Corporations generally used the extra funds for capital investment, making workers more productive and leading to raises.<sup>6</sup> It also incentivizes corporations to do business in the U.S., and not resort to cheap labor in other countries.<sup>7</sup> A study by economists from the National Bureau of Economic Research and the Treasury Department found that the TCJA corporate reforms substantially raised U.S. capital investment and boosted economic growth.

The Tax Foundation also found, “the current consensus among economists and researchers is that the corporate income tax restricts capital formation, and seriously hampers productivity growth, employment levels, wages, and economic output.”

It's not just corporations that see positive benefits, but small business owners from all over the country are urging Congress to renew the TCJA as well. Michael Ervin, founder of Coal River Coffee Company in West Virginia testified in front of Congress:

“After the passage of the Tax Cuts and Jobs Act, LLCs and other pass-through businesses like mine were able to benefit from the newly minted Small Business Deduction, also known as the 199(a) deduction. This provision has allowed me to deduct up to 20% of my business income, which has let me invest in my business, my employees, and my community.”<sup>8</sup>

This has occurred in Idaho as well.<sup>9</sup> Mother Earth Brewing Company out of Nampa, Idaho was able to almost double their production, buy new equipment, and hire new employees. They credited this to the enacting of the TCJA. Melaleuca, based out of Idaho Falls, was able to provide a \$100 bonus to its 2,000 employees for every year they've worked at the company.

CEO Frank Vandersloot commented, “we're going to be able to have quite a few substantial dollars after taxes. I suspect we're one of the largest taxpayers in the state, so we're going to have some more dollars to spread around. That money should go to the people who built the company.”

### State impact of not extending TCJA

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<sup>6</sup> *How Lowering Corporate Tax Rates Encourages Economic Growth*. Hodge, S. Tax Foundation. Available at: <https://taxfoundation.org/blog/corporate-tax-cut-economic-growth/>

<sup>7</sup> *Tax Policy and Investment in a Global Economy*. Chodorow-Reich, G., Smith, M., Zidar, O., & Zwick, E. (2023). SSRN Electronic Journal. Available at: <https://doi.org/10.2139/ssrn.462164>

<sup>8</sup> *Small business owners ask U.S. House tax writers to extend Trump-era deductions*. Murray, A. Missouri Independent. (2024, April 12). Available at: <https://missouriindependent.com/2024/04/12/small-business-owners-ask-u-s-house-tax-writers-to-extend-trump-era-deductions/>

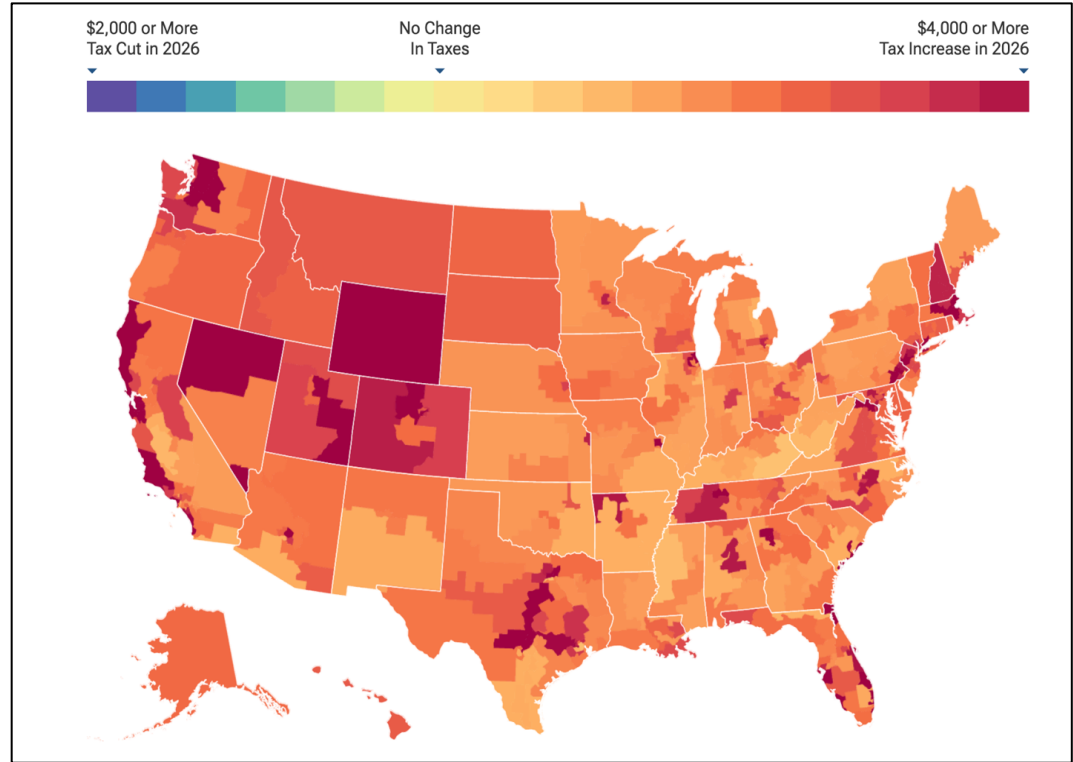
<sup>9</sup> *How the Tax Cuts and Jobs Act is Helping Idaho*. Smith, G. (2022, January 28). Americans for Tax Reform. Available at: <https://www.atr.org/how-the-tax-cuts-and-jobs-act-is-helping-idaho/>

**KEY INFORMATION  
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With this important tax cut expiring, personal income tax rates will revert to their previous higher levels. This will impact state taxes also as shown by this Tax Foundation Map of the expected tax increases if the law expires.

**Areas impacted most by expiration of TCJA**

The Tax Foundation



*As of 2022, there were 183,972 small businesses that make up 99.2% of all businesses in Idaho.*

It is estimated by the Tax Foundation that a \$2,554 tax increase per person will occur in Idaho after the TCJA expires. There are also expected to be 4,260 long-run jobs forgone. As of 2022, there were 183,972 small businesses that make up 99.2% of all businesses in Idaho.

Montana is expected to see a \$2,599 tax increase per filer, and 2,628 jobs forgone if the TCJA expires. It is estimated that in 2021, Montana had 126,219 small businesses, making up 99.3% of all businesses in the state.<sup>8</sup>

On average, Washington would see a \$4,429 tax increase if the TCJA expires in 2026. There would also be 27,810 long-run jobs forgone. As of 2022, there were 657,529 small businesses which make up 99.5% of all businesses in Washington State.<sup>7</sup>

Wyoming is expected to have the second highest tax increase per filer in the country if TCJA were to expire. It is estimated to be a \$4,312 increase per tax person, with a projected 1,900 jobs forgone. As of June 2024, Wyoming has

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73,330 small businesses making up 98.9% of all businesses and employing 64.6% of the state's workforce.

**Conclusion**

The research shows taxpayers cannot afford to have the TCJA expire. For the Mountain States, the average expected tax increase is \$3,474 per taxpayer. With Americans already feeling the effects of rampant inflation, this would put the average working-class family in a financially impossible spot.

Congress should continue to work on reducing the tax burden for employers and families. Hopefully, the House and Senate will soon agree to maintain this important tax relief that benefits all.

*For the Mountain States, the average expected tax increase is \$3,474 per taxpayer.*

**Nothing in this publication shall be construed as an attempt to aid or hinder the passage of any legislation.**

# ABOUT THE AUTHOR

Mountain States Policy Center contributor Sam Cardwell lives in Boise and is an alumnus of the University of Washington and Liberty University, obtaining a bachelor's degree in political science.

Sam has worked on multiple legislative and congressional campaigns. He has experience in the governmental sphere as a legislative intern and a session aide at the Washington State Legislature.

Sam is the author of numerous MSPC studies, including *Adopting a new income tax liability threshold*.

