

# Weekly Economic Snapshot

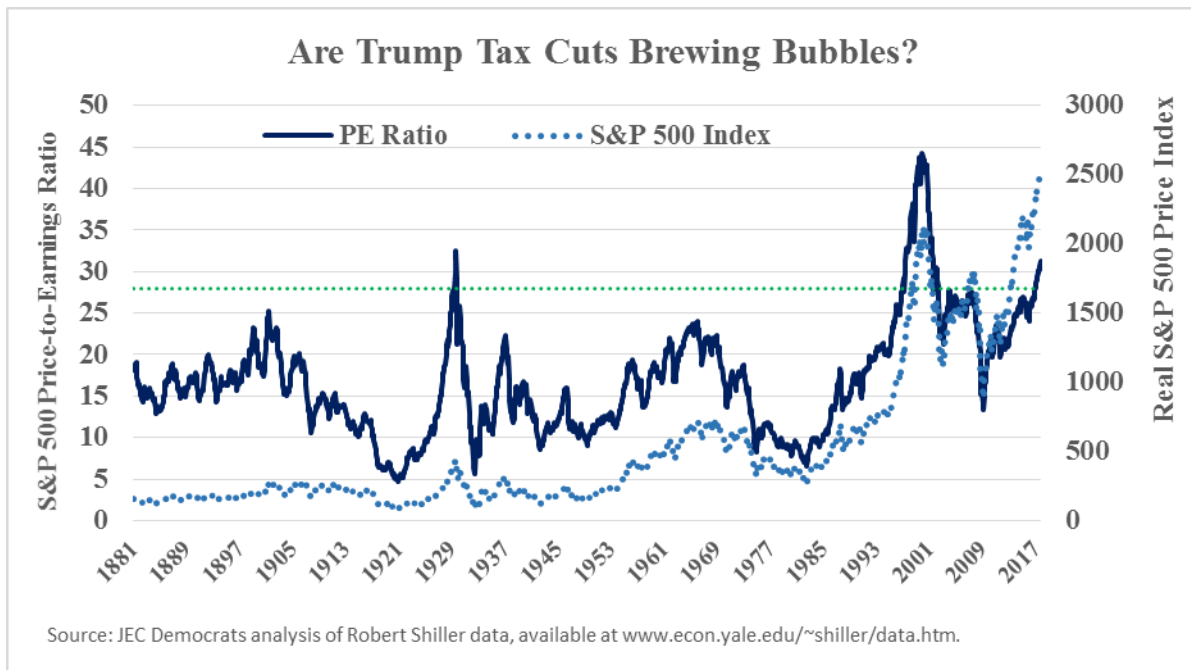
October 16, 2017

Joint Economic Committee Democratic Staff

## Economic Facts for This Week: Tax Edition

- President Trump and Congressional Republicans' tax proposal will [increase taxes on 7.7 million working families](#) by an average of nearly \$800—which could pay for roughly two months of health insurance premiums in most states.
- The Republican tax proposal also threatens to eliminate the state and local tax deduction (SALT) for more than 40 million households. Depending on one's state of residence, the plan would mean an average tax hike of [\\$840 to nearly \\$3,700 per year, per household](#).
- [Cutting the top pass-through tax rate](#) to 25 percent would overwhelmingly benefit the already wealthiest among us: millionaires would capture 79 percent of the benefit, while the 400 richest households would see a tax cut averaging roughly \$5.5 million each.
- An analysis of Fortune 500 companies that earned a profit each year from 2008 to 2015 finds that these corporations paid an [effective federal income tax rate of 21.2 percent](#)—well below the statutory rate of 35 percent. Eighteen corporations paid **zero** federal income taxes in this time; 48 paid less than 10 percent. Altogether, Fortune 500 companies are avoiding up to \$767 billion in taxes on profits stashed in [offshore tax havens](#).

## Chart of the Week:



Despite the President's and Republican Congress's failure so far to deliver on their agenda, expectations of policy changes and big tax cuts for top earners and big business have pushed the U.S. stock market to highs now verging into bubble territory. The price-to-earnings ratio, or PE, provides a measure of investors' expectations of future corporate profits. Stock valuations relative to corporate earnings in S&P 500 companies have never risen above 28 without a sharp and severe stock market correction lurking around the corner. Only three times in U.S. history has the PE risen above 28: (1) on the eve of the Great Depression, (2) on the eve of the Dot-Com bubble bursting, and most recently (3) when Donald Trump took office.

Passing any semblance of a bill that allows corporations to bring back those [\\$2.6 trillion in profits](#) stashed in foreign tax havens at tax holiday rates will make the stock overvaluation problem worse. With a wave of corporate share buybacks and dividend payments, and tax windfalls for the one percent who already [own 94 percent of shares](#), Republican tax cuts will help funnel trillions more dollars into a stock market where prices are already approaching an historical tipping point.

## ICYMI

- Early [Medicaid expansion](#) under the Affordable Care Act significantly improved households' financial situations to such an extent as to curb the use of payday lending by **11 percent per month**. Early Medicaid expansion is also associated with fewer individuals taking out payday loans, lower levels of payday loan debt, and—in separate research—[declines in violent and property crime rates](#).
- The [U.S. Acid Rain Program](#), which, like the Clean Power Plan, regulates toxic emissions from coal-fired electricity generation, reduced mortality rates by 5 percent for people living within 100 miles of a power plant between 1995 and 2005. Increased productivity associated with improved health added \$134 billion to \$164 billion to our economy over this time.
- Deployment of [wind and solar power generation](#) between 2007 and 2015 delivered as much as \$113 billion in economic benefits from improved air quality while preventing as many as 12,700 premature deaths.

## Coming This Week

- *Friday 10:00am*: State Employment and Unemployment for September 2017 - <https://www.bls.gov/bls/news-release/laus.htm>