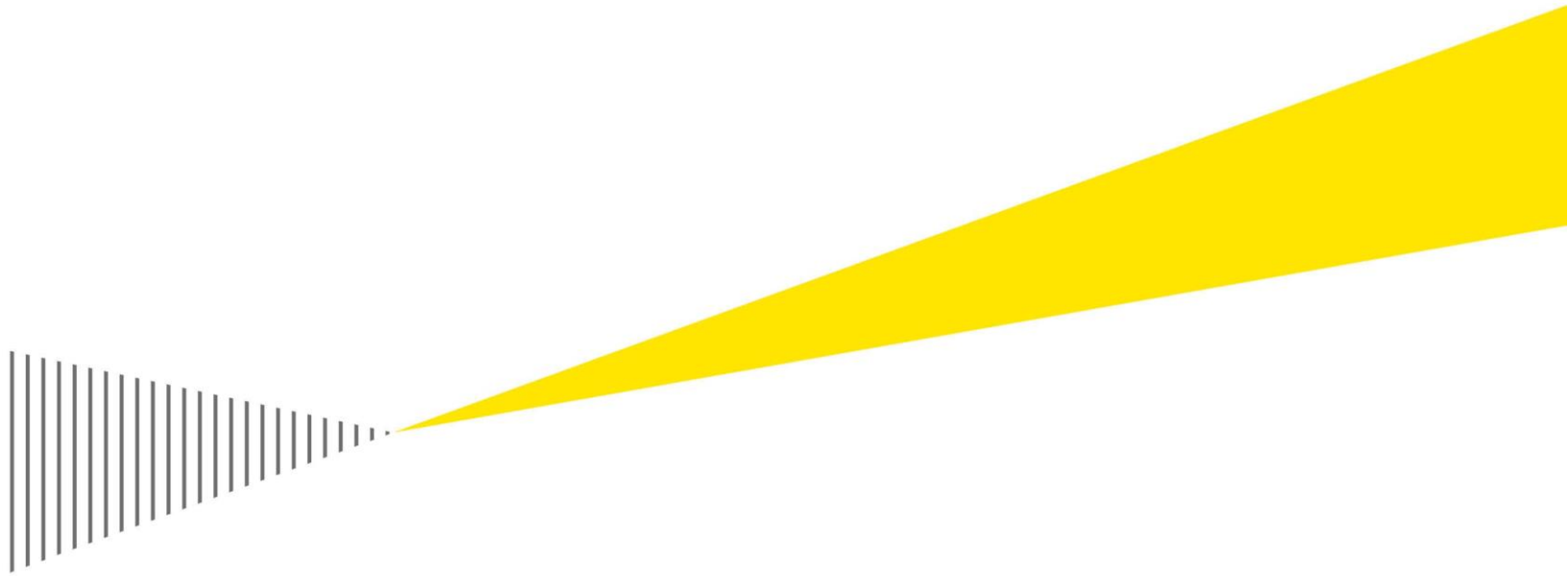
Macroeconomic impacts of permanently extending the Section 199A deduction on small businesses

Prepared on behalf of the National Federation of Independent Business (NFIB)

September 2024



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Executive summary

This report estimates the macroeconomic impacts of permanently extending the Section 199A deduction on small businesses relative to the current-law baseline. The EY Macroeconomic Model is used to estimate the macroeconomic impacts.

Background

Pass-through businesses – which include sole proprietorships, partnerships, and S corporations – are generally not subject to entity-level income tax. The entity's income, deductions, credits, and losses are generally passed through to the individual tax returns of the business owners, where they are taxed at the individual's income tax rate. The top individual income tax rate is currently 37%.

Section 199A of the Internal Revenue Code provides a 20% deduction for pass-through income, subject to limitations.[i] The Section 199A deduction is part of the Tax Cut and Jobs Act (TCJA), which was enacted in December 2017. The Section 199A deduction, which went into effect in 2018, is set to expire at the end of 2025.[ii]

Small businesses (i.e., those with fewer than 500 employees) comprise over 99% of all businesses in the United States.[iii] There are approximately 34.3 million small businesses in the United States and more than 96% of these businesses (33.0 million) are small pass-through businesses.[iv] These 33 million small pass-through businesses employ more than 68 million workers.

Key results

Permanently extending the Section 199A deduction is estimated to have the following US economic impacts (relative to the size of the 2024 US economy and only for small businesses):

Job equivalents:[v] A significant portion of the effects of permanently extending the Section 199A deduction would benefit US workers through increased labor productivity, wages, and employment. The tax change is estimated to increase US job equivalents at small businesses by approximately:

- 1.2 million jobs, on average, in each of the first ten years; and

[i] Owners of certain agricultural or horticultural cooperatives, publicly traded partnerships (PTPs), and real estate investment trusts (REITs) are also eligible for this deduction.
[ii] For more details see, EY Tax Alert, "Final Section 199A regulations and other guidance provide welcome guidance, leave questions unanswered and raise new issues", January 2019.
[iii] The Small Business Administration (SBA) defines small businesses as those businesses that employ fewer than 500 employees. For more details see: US Small Business Administration Office of Advocacy, *Frequently Asked Questions About Small Business*, March 2023 https://advocacy.sba.gov/wp-content/uploads/2023/03/Frequently-Asked-Questions-About-Small-Business-March-2023-508c.pdf.
[iv] The majority of businesses in the United States are nonemployers but these businesses average less than 4% of US sales and receipts. Most nonemployers are self-employed individuals operating unincorporated businesses. A nonemployer business may or may not be the owner's principal source of income. See the US Census Bureau's Nonemployer Statistics (NES) program for additional information.
[v] Job equivalents summarize the impact of both the increase in hours worked and increased after-tax labor income. Specifically, job equivalents are calculated as the total change in after-tax labor income divided by baseline average after-tax labor income per job.

- growing over time to 2.4 million jobs each year thereafter.

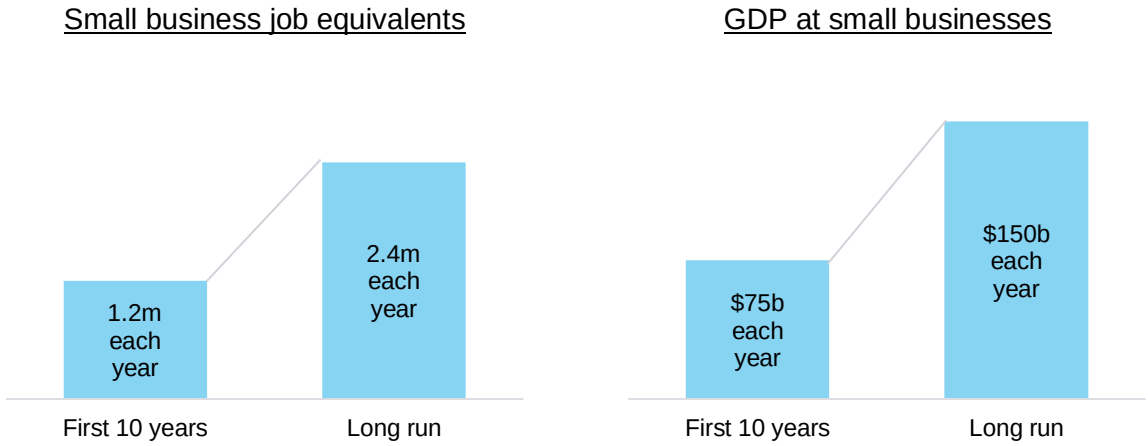
Gross domestic product. Permanently extending the Section 199A deduction is estimated to increase US GDP at small businesses by:

- $75 billion annually, on average, over the first 10 years; and
- growing over time to $150 billion annually in each year thereafter.

Note that because tax and spending policies must ultimately be funded (e.g., tax cuts must ultimately be paid for), it is not possible to separate entirely the impact of a given tax decrease from the impact of how it is funded. Revenue reductions in this analysis must eventually be paid for in some way and how the revenue reduction is paid for can affect the estimated impacts. Typical sources of funding in analyses like this have included temporary deficit increases, government spending or transfer decreases, tax increases, or a combination thereof. This analysis assumes that the revenue reduction is funded by a decrease in government transfers, a standard assumption for macroeconomic analysis of tax changes. Also note that the EY Macroeconomic Model includes tax-induced shifting between sectors, including between the corporate and pass-through sectors.

Figure E-1. Macroeconomic impacts of permanently extending the Section 199A deduction on small businesses

Change in level relative to the current-law baseline



Note: Job-equivalent impacts are defined as the change in after-tax labor income divided by baseline average after-tax labor income per job. While GDP in each year is additive, job equivalents are not (i.e., they are the same jobs each year). Note that the EY Macroeconomic Model includes shifting between the corporate and pass-through sectors. Because (1) there is shifting of economic activity from the corporate sector to the pass-through sector, and (2) the pass-through sector has a higher concentration of small businesses than the corporate sector, the macroeconomic impact on small businesses is larger than the macroeconomic impact on the overall US economy. Permanently extending the Section 199A deduction, for example, is estimated to increase overall US GDP by only $50 billion, on average, annually over the 10-year budget window whereas for small businesses only it is estimated to increase US GDP by $75 billion, on average, annually over the 10-year budget window. See the appendix for more detail. Figures are rounded.
Source: EY analysis.

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Macroeconomic impacts of permanently extending the Section 199A deduction on small businesses

I. Introduction

Pass-through businesses – which include sole proprietorships, partnerships, and S corporations – are generally not subject to entity-level income tax. The entity's income, deductions, credits, and losses are generally passed through to the individual tax returns of the business owners, where they are taxed at the individual's income tax rate. The top individual income tax rate is currently 37%.

Section 199A of the Internal Revenue Code provides a 20% deduction for pass-through income, subject to limitations.[1] The Section 199A deduction is part of the Tax Cut and Jobs Act (TCJA), which was enacted in December 2017. The Section 199A deduction, which went into effect in 2018, is set to expire at the end of 2025.[2]

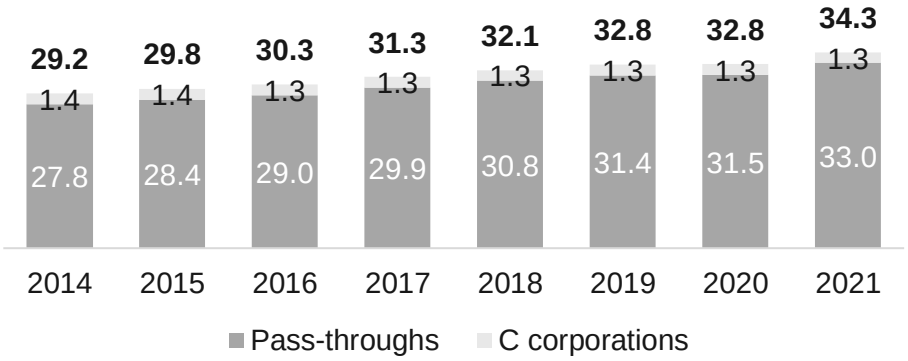
This report estimates the macroeconomic impacts of permanently extending the Section 199A deduction on small businesses relative to the current-law baseline. The EY Macroeconomic Model is used to estimate the macroeconomic impacts.

Small businesses

Small businesses (i.e., those with fewer than 500 employees) comprise over 99% of all businesses in the United States.[3] There are approximately 34.3 million small businesses in the United States and more than 96% of these businesses (33.0 million) are small pass-through businesses.[4] These small pass-through businesses benefit from the Section 199A deduction and employ more than 68 million workers.[5] Figure 1 displays the growth in the number of small pass-through businesses in the United States from 2014 to 2021 (most recent data available). The total number of small pass-through businesses increased from 27.8 million in 2014 to 33.0 million in 2021, representing an increase of 19%.

Figure 1. Number of small businesses

Millions of businesses

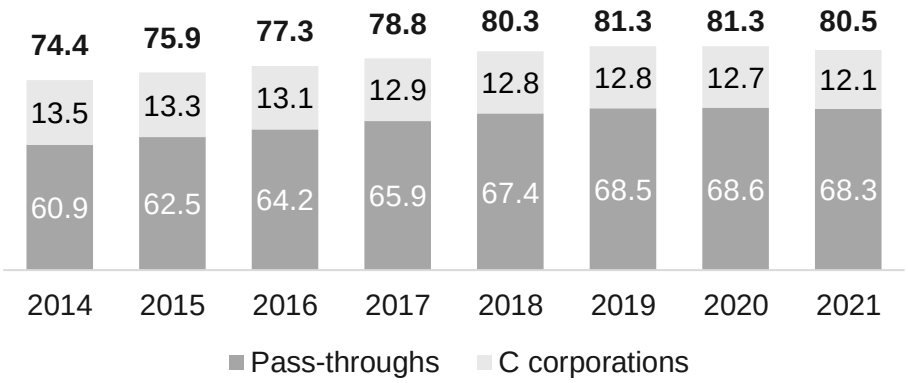


Note: Small businesses comprise all firms, both pass-throughs and C corporations, with fewer than 500 employees. Nonemployers (i.e., businesses without any employees, but an owner) are treated as one business with one employee. Figures are rounded.
Source: US Census Bureau.

As displayed in Figure 2, the number of workers employed by small pass-through businesses increased from 60.9 million in 2014 to 68.3 million in 2021, or by 12%.

Figure 2. Number of workers at small businesses

Millions of workers



Note: Small businesses comprise all firms, both pass-throughs and C corporations, with fewer than 500 employees. Nonemployers (i.e., businesses without any employees, but an owner) are treated as one business with one employee. Figures are rounded.
Source: US Census Bureau.

Section 199A deduction

The TCJA, enacted by Congress in December 2017, included significant changes to business taxation including lowering the corporate income tax rate to 21% and changes to the taxation of foreign source income. The TCJA also included a new deduction for pass-through businesses for 20% of Qualified Business Income (QBI) for individuals, estates, and trusts with pass-through business income (i.e., Section 199A). The computation of QBI, as well as other items needed to calculate the deduction are determined at the operating business level, but the deduction is taken by the owner of a sole-proprietorship, partner of a partnership, or shareholder of an S corporation (hereinafter referred to as the "business owner"). The Section 199A deduction sunsets at the end of 2025 along with most of the individual income tax provisions enacted under the TCJA.

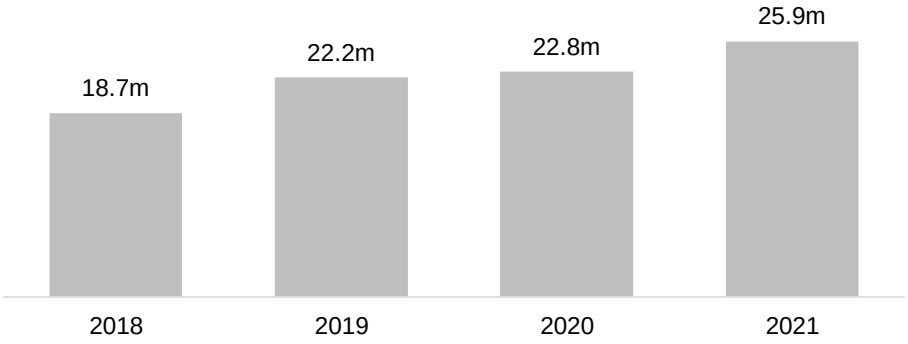
The Section 199A deduction cannot exceed 20% of a business owner's taxable income, excluding net capital gains. Additionally, the Section 199A deduction has other limitations to determine the maximum deduction allowed. If the business owner has taxable income below a threshold ($383,900 in 2024 for a joint filer) then the business owner can generally claim the full amount of the Section 199A deduction. If the business owner's taxable income exceeds this threshold, then the Section 199A deduction can be limited by the specified service trade or business (SSTB) limitation and the wage and property limitation. These limitations phase in as taxable income increases (fully phased in at $483,900 for a joint filer in 2024).

The SSTB limitation reduces (and, once fully phased in, eliminates) the Section 199A deduction for certain service-intensive business income. Service-intensive businesses include health, law, accounting, actuarial science, performing arts, consulting, athletics, financial services, investing and investment management, trading or dealing in certain assets, or any trade or business where the principal asset is the reputation or skill of one or more of its employees or owners.

The wage and property limitation caps the maximum Section 199A deduction at the greater of (1) 50% of the business owner's W-2 wages for the business or (2) 25% of those wages plus 2.5% of the business owner's share of the unadjusted basis of tangible capital assets placed in service in the past 10 years.[6]

As displayed in Figure 3, the number of tax returns claiming the Section 199A deduction grew from 18.7 million in 2018 to 25.9 million in 2021.

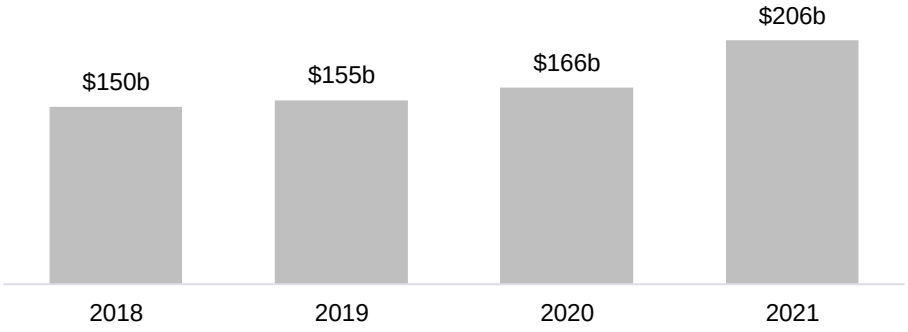
Figure 3. Number of returns claiming the Section 199A deduction



Note: Figures are rounded.
Source: Internal Revenue Service.

As displayed in Figure 4, the amount of Section 199A deduction claimed increased from $150 billion in 2018 to $206 billion in 2021.

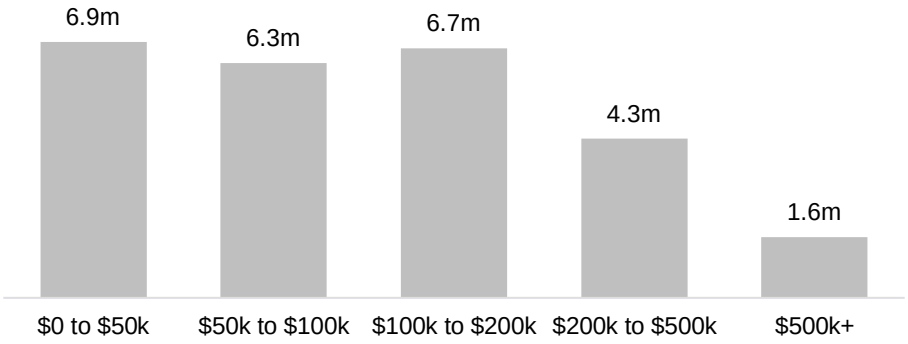
Figure 4. Amount of Section 199A deduction



Note: Figures are rounded.
Source: Internal Revenue Service.

As displayed in Figure 5, 20.0 million (77%) of the 25.9 million tax returns claiming the Section 199A deduction have less than $200,000 of adjusted gross income and 13.3 million (51%) have less than $100,00 of adjusted gross income.[7]

Figure 5. Number of returns claiming the Section 199A deduction, by adjusted gross income (2021)



Note: Bars sum to 25.9 million tax returns. Figures are rounded.
Source: Internal Revenue Service.

II. Macroeconomic impacts on small businesses

This report estimates the macroeconomic impacts of permanently extending the Section 199A deduction on small businesses relative to the current-law baseline. The EY Macroeconomic Model is used to estimate the macroeconomic impacts.

The Section 199A deduction reduces capital and labor taxes. Specifically, by lowering the tax burden on investment, the Section 199A deduction decreases the cost of capital, encourages investment, and results in more capital formation in the United States. With more capital available per worker, labor productivity rises. This ultimately increases the real wages of workers, gross domestic product (GDP), and Americans' standard of living. In addition to lowering the cost of capital, the Section 199A deduction also increases the after-tax return of labor for self-employed workers.[8] Reducing taxes on labor increases the after-tax return to work, which can be expected to increase the number of workers and/or the number of hours they work.

EY Macroeconomic Model

The economic impacts are estimated using the EY Macroeconomic Model, an overlapping generations model similar to models used by the Joint Committee on Taxation (JCT), Congressional Budget Office (CBO), and US Department of the Treasury to analyze changes in tax policy.

The EY Macroeconomic Model includes a detailed modeling of industries and inter-industry linkages. Businesses choose the optimal mix of capital and labor based on relative prices and industry-specific characteristics. Each industry has a different relative size of capital, labor, and intermediate inputs associated with its output. The model also includes a corporate and pass-through sector for each industry.

The model is designed to include key economic decisions of businesses and households affected by tax policy, as well as major features of the US economy. The after-tax returns from work and savings are incorporated into business and household decisions on how much to produce, save, and work. The model also includes tax-induced shifting between sectors, including the corporate and pass-through sectors. A description of the EY Macroeconomic Model can be found in Appendix A.

Source of funding

Because tax and spending policies must ultimately be funded (e.g., tax cuts must ultimately be paid for), it is not possible to separate entirely the impact of a given tax decrease from the impact of how it is funded. Revenue reductions in this analysis must eventually be paid for in some way and how the revenue reduction is paid for can affect the estimated impacts. Typical sources of funding in analyses like this have included temporary deficit increases, government spending or transfer decreases, tax increases, or a combination thereof. This analysis assumes that the revenue reduction is funded by a decrease in government transfers, a standard assumption for macroeconomic analysis of tax changes.[9] Government transfer programs are assumed not to boost private sector productivity or private sector output but could have other policy objectives (e.g., redistribution).

Macroeconomic estimates

Permanently extending the Section 199A deduction is estimated to have the following US economic impacts (relative to the size of the 2024 US economy and only for small businesses):

Job equivalents: A significant portion of the effects of permanently extending the Section 199A deduction would benefit US workers through increased labor productivity, wages, and employment. The tax change is estimated to increase US job equivalents at small businesses by approximately:[10]

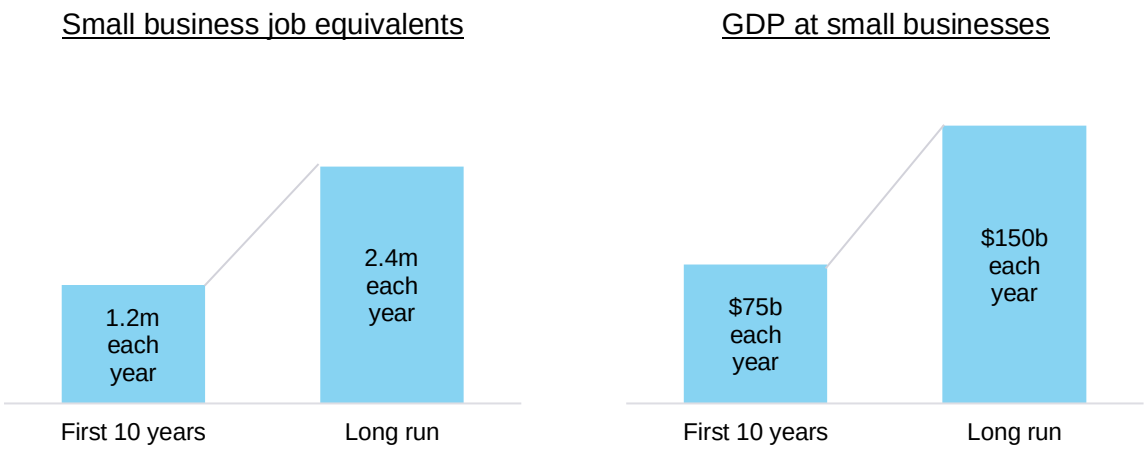
- 1.2 million jobs, on average, in each of the first ten years; and
- growing over time to 2.4 million jobs each year thereafter.

Gross domestic product. Permanently extending the Section 199A deduction is estimated to increase US GDP at small businesses by:

- $75 billion annually, on average, over the first 10 years; and
- growing over time to $150 billion annually in each year thereafter.

Figure 6. Macroeconomic impacts of permanently extending the Section 199A deduction on small businesses

Change in level relative to the current-law baseline



Note: Job-equivalent impacts are defined as the change in after-tax labor income divided by baseline average after-tax labor income per job. While GDP in each year is additive, job equivalents are not (i.e., they are the same jobs each year). Note that the EY Macroeconomic Model includes shifting between the corporate and pass-through sectors. Because (1) there is shifting of economic activity from the corporate sector to the pass-through sector, and (2) the pass-through sector has a higher concentration of small businesses than the corporate sector, the macroeconomic impact on small businesses is larger than the macroeconomic impact on the overall US economy. Permanently extending the Section 199A deduction, for example, is estimated to increase overall US GDP by only $50 billion, on average, annually over the 10-year budget window whereas for small businesses only it is estimated to increase US GDP by $75 billion, on average, annually over the 10-year budget window. See the appendix for more detail. Figures are rounded.
Source: EY analysis.

More detailed results can be seen in Appendix A.

III. Macroeconomic impacts on small businesses, by state

The change in US job equivalents and GDP supported by the permanent extension of the Section 199A deduction by state (plus the District of Columbia) at small businesses over the first 10 years is displayed in Table 1. The states estimated to have the largest impacts are: California (141,000 jobs), Texas (104,000 jobs), Florida (86,000 jobs), New York (71,000 jobs), and Pennsylvania (51,000 jobs).

Table 1. Macroeconomic impacts of permanently extending the Section 199A deduction on small businesses each year for the first 10 years, by state

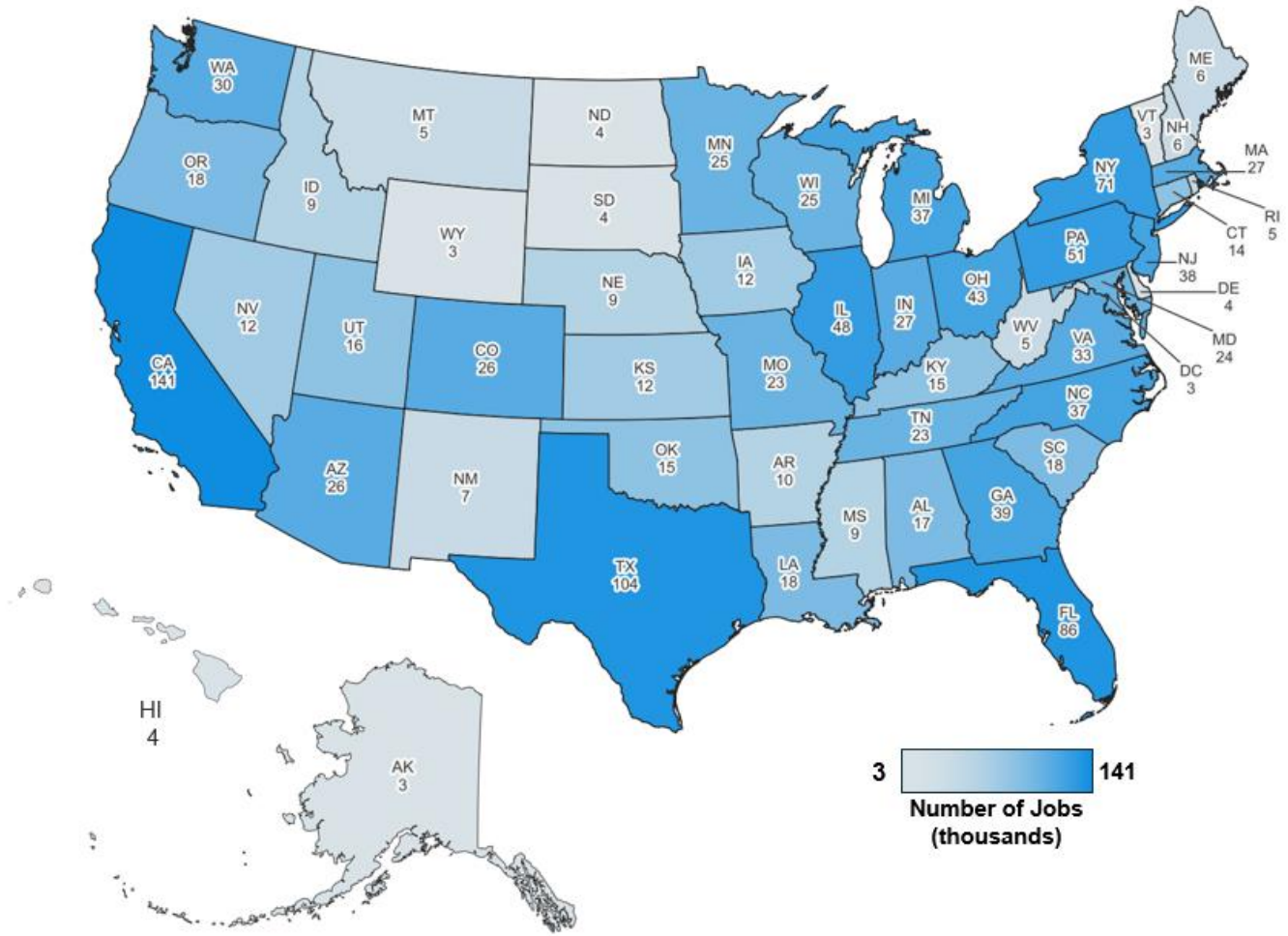
Dollars in millions

	Job equivalents	GDP		Job equivalents	GDP
Alabama	17,000	$841	Montana	5,000	$244
Alaska	3,000	$175	Nebraska	9,000	$414
Arizona	26,000	$1,407	Nevada	12,000	$659
Arkansas	10,000	$440	New Hampshire	6,000	$345
California	141,000	$9,782	New Jersey	38,000	$2,342
Colorado	26,000	$1,619	New Mexico	7,000	$308
Connecticut	14,000	$887	New York	71,000	$6,093
Delaware	4,000	$233	North Carolina	37,000	$1,822
DC	3,000	$298	North Dakota	4,000	$226
Florida	86,000	$4,628	Ohio	43,000	$2,160
Georgia	39,000	$2,012	Oklahoma	15,000	$707
Hawaii	4,000	$210	Oregon	18,000	$986
Idaho	9,000	$397	Pennsylvania	51,000	$2,786
Illinois	48,000	$3,177	Rhode Island	5,000	$250
Indiana	27,000	$1,353	South Carolina	18,000	$838
Iowa	12,000	$562	South Dakota	4,000	$197
Kansas	12,000	$568	Tennessee	23,000	$1,164
Kentucky	15,000	$646	Texas	104,000	$6,054
Louisiana	18,000	$940	Utah	16,000	$816
Maine	6,000	$305	Vermont	3,000	$142
Maryland	24,000	$1,490	Virginia	33,000	$1,906
Massachusetts	27,000	$2,009	Washington	30,000	$1,859
Michigan	37,000	$1,919	West Virginia	5,000	$203
Minnesota	25,000	$1,427	Wisconsin	25,000	$1,266
Mississippi	9,000	$362	Wyoming	3,000	$169
Missouri	23,000	$1,121			

Note: Job-equivalent impacts are defined as the change in after-tax labor income divided by baseline average after-tax labor income per job. Estimates are for the first 10 years scaled to the size of the US economy in 2024 and estimated relative to the current-law baseline. Figures are rounded.
Source: EY analysis.

Figure 7. Macroeconomic impacts of permanently extending the Section 199A deduction on small businesses, change in job equivalents each year for the first 10 years by state

Thousands of jobs



Note: Job-equivalent impacts are defined as the change in after-tax labor income divided by baseline average after-tax labor income per job. Estimates are for the first 10 years scaled to the size of the US economy in 2024 and estimated relative to the current-law baseline. Figures are rounded.
Source: EY analysis.

The long-run change in US job equivalents and GDP supported by the permanent extension of the Section 199A deduction by state (plus the District of Columbia) at small businesses is displayed in Table 2. The states estimated to have the largest impacts are: California (274,000 jobs), Texas (201,000 jobs), Florida (166,000 jobs), New York (138,000 jobs), and Pennsylvania (99,000 jobs).

Table 2. Macroeconomic impacts of permanently extending the Section 199A deduction on small businesses each year after 2035, by state

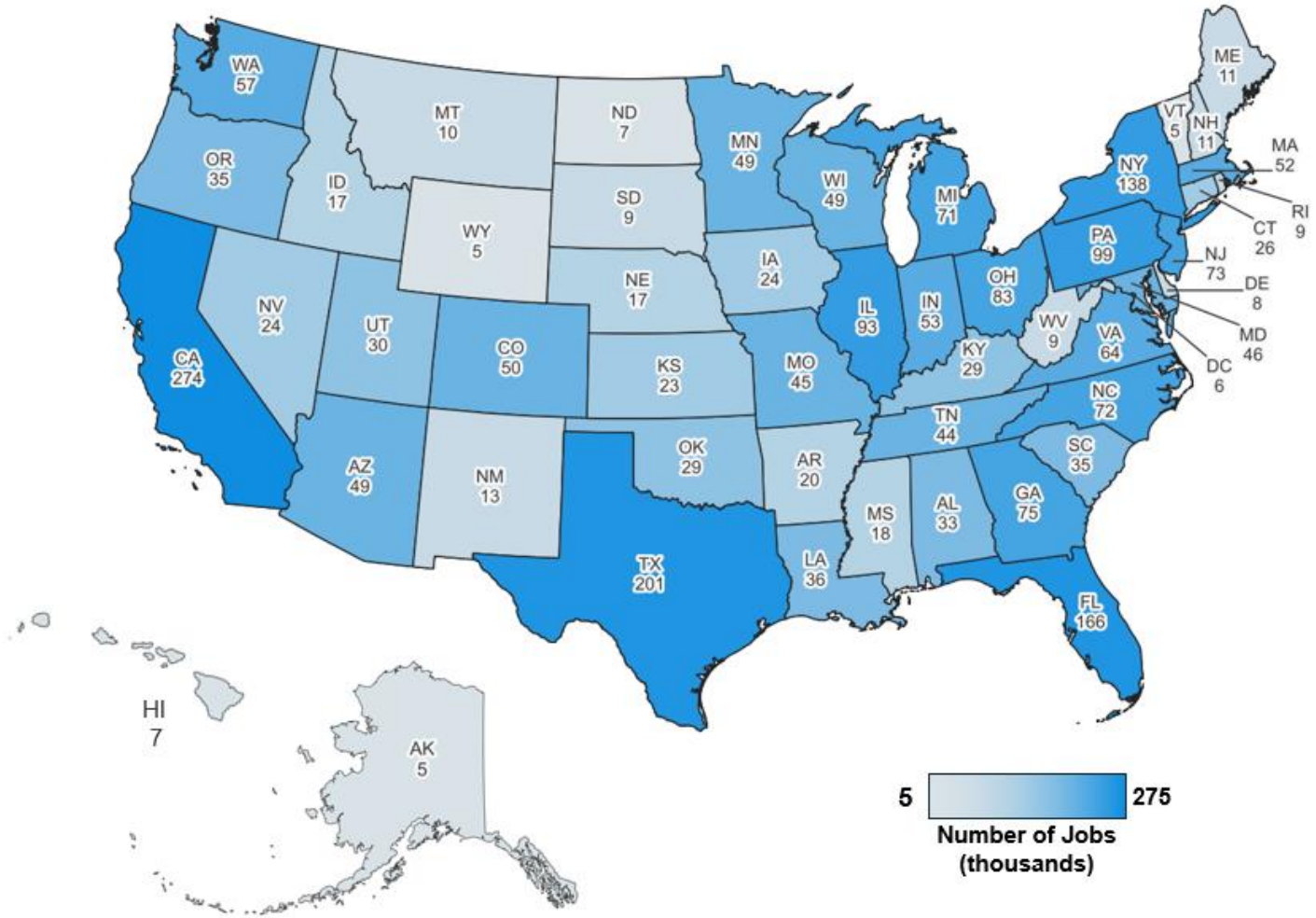
Dollars in millions

	Job equivalents	GDP		Job equivalents	GDP
Alabama	33,000	$1,735	Montana	10,000	$503
Alaska	5,000	$360	Nebraska	17,000	$855
Arizona	49,000	$2,904	Nevada	24,000	$1,361
Arkansas	20,000	$909	New Hampshire	11,000	$712
California	274,000	$20,197	New Jersey	73,000	$4,835
Colorado	50,000	$3,342	New Mexico	13,000	$636
Connecticut	26,000	$1,832	New York	138,000	$12,580
Delaware	8,000	$482	North Carolina	72,000	$3,762
DC	6,000	$615	North Dakota	7,000	$467
Florida	166,000	$9,554	Ohio	83,000	$4,461
Georgia	75,000	$4,155	Oklahoma	29,000	$1,459
Hawaii	7,000	$433	Oregon	35,000	$2,037
Idaho	17,000	$820	Pennsylvania	99,000	$5,753
Illinois	93,000	$6,558	Rhode Island	9,000	$515
Indiana	53,000	$2,793	South Carolina	35,000	$1,730
Iowa	24,000	$1,161	South Dakota	9,000	$407
Kansas	23,000	$1,174	Tennessee	44,000	$2,404
Kentucky	29,000	$1,334	Texas	201,000	$12,500
Louisiana	36,000	$1,940	Utah	30,000	$1,685
Maine	11,000	$629	Vermont	5,000	$293
Maryland	46,000	$3,077	Virginia	64,000	$3,935
Massachusetts	52,000	$4,149	Washington	57,000	$3,838
Michigan	71,000	$3,961	West Virginia	9,000	$419
Minnesota	49,000	$2,945	Wisconsin	49,000	$2,614
Mississippi	18,000	$747	Wyoming	5,000	$350
Missouri	45,000	$2,315			

Note: Job-equivalent impacts are defined as the change in after-tax labor income divided by baseline average after-tax labor income per job. Estimates are long-run results scaled to the size of the US economy in 2024 and estimated relative to the current-law baseline. Figures are rounded.
Source: EY analysis.

Figure 8. Macroeconomic impacts of permanently extending the Section 199A deduction on small businesses, change in job equivalents each year after 2035 by state

Thousands of jobs



Note: Job-equivalent impacts are defined as the change in after-tax labor income divided by baseline average after-tax labor income per job. Estimates are long-run results scaled to the size of the US economy in 2024 and estimated relative to the current-law baseline. Figures are rounded.
Source: EY analysis.

IV. Caveats and limitations

Any modeling effort is only an approximate depiction of the economic forces it seeks to represent, and the economic models developed for this analysis are no exception. Although various limitations and caveats might be listed, several are particularly noteworthy:

- **Estimated macroeconomic impacts are based on a stylized depiction of the US economy.** The economic models used for this analysis are, by their very nature, stylized depictions of the US economy. As such, they cannot capture all of the detail of the US economy, the existing US tax system, or the tax policy change.

- **Estimates are limited by available public information.** The analysis relies on information reported by government agencies (primarily the Bureau of Economic Analysis, Internal Revenue Service, and JCT). The analysis did not attempt to verify or validate this information using sources other than those described in this report.

- **Macroeconomic estimates are sensitive to how a policy change is funded.** Because tax and spending policies must ultimately be funded (e.g., tax cuts must ultimately be paid for), it is not possible to separate entirely the impact of a given tax decrease from the impact of how it is funded. Revenue reductions in this analysis must eventually be paid for in some way and how the revenue reduction is paid for can affect the estimated impacts. Typical sources of funding in analyses like this have included temporary deficit increases, government spending or transfer decreases, tax increases, or a combination thereof. This analysis assumes that the revenue reduction is funded by a decrease in government transfers, a standard assumption for macroeconomic analysis of tax changes.[11] Government transfer programs are assumed not to boost private sector productivity or private sector output but could have other policy objectives (e.g., redistribution).

- **Full employment model.** The EY Macroeconomic Model, like many general equilibrium models, focuses on the longer-term incentive effects of policy changes. It also assumes that all resources throughout the economy are fully employed; that is, there is no slackness in the economy (i.e., a full employment assumption with no involuntary unemployment). Any increase in labor supply is a voluntary response to a change in income or the return to labor that makes households choose to substitute between consumption and leisure. To provide a high-level measure of the potential employment impacts, a job equivalents measure has been included in this analysis' results. Job equivalent impacts are defined as the change in total after-tax labor income divided by the baseline average after-tax labor income per job.

- **Estimated macroeconomic impacts limited by calibration.** This model is calibrated to represent the US economy and then forecast forward. However, because any particular year may reflect unique events and also may not represent the economy in the future, no particular baseline year is completely generalizable.

- **Industries are assumed to be responsive to normal returns on investment.** The industries comprising the United States economy in the EY Macroeconomic Model are assumed to be responsive to the normal returns on investment. This contrasts to industries that earn economic profits and thereby have an increased sensitivity to statutory tax rates relative to marginal effective tax rates.

- **The definition of small business used in this report follows the definition from the Small Business Administration.** This analysis assumes that small businesses are those with fewer than 500 employees. Defining small businesses differently could produce different results than those obtained in this analysis.
- **Estimates depend on the assumed policy baseline.** This analysis estimates the macroeconomic impacts of permanently extending the Section 199A deduction on small businesses relative to the current-law baseline. Assuming a different policy baseline could result in different estimates than those produced by this analysis.

Appendix A. EY Macroeconomic Model

The EY Macroeconomic Model used for this analysis is similar to those used by the CBO, JCT, and US Treasury Department. In this model, changes in tax policy affect the incentives to work, save and invest, and to allocate capital and labor among competing uses. Representative individuals and firms incorporate the after-tax return from work, savings, and investment, into their decisions on how much to produce, save, and work.

The general equilibrium methodology accounts for changes in equilibrium prices in factor (i.e., capital and labor) and goods markets and simultaneously accounts for the behavioral responses of individuals and businesses to changes in taxation (or other policies). Behavioral changes are estimated in an overlapping generations (OLG) framework, whereby representative individuals with perfect foresight incorporate changes in current and future prices when deciding how much to consume and save in each period of their lives.

High-level description of model's structure

Production

Firm production is modeled with the constant elasticity of substitution (CES) functional form, in which firms choose the optimal level of capital and labor subject to the gross-of-tax cost of capital and gross-of-tax wage. The model includes industry-specific detail through use of differing costs of capital, factor intensities, and production function scale parameters. Such a specification accounts for differential use of capital and labor between industries as well as distortions in factor prices introduced by the tax system. The cost of capital measure models the extent to which the tax code discriminates by asset type, organizational form, and source of finance.

The industry detail included in this model corresponds approximately with three-digit North American Industry Classification System (NAICS) codes and is calibrated to a stylized version of the US economy. Each of 36 industries has a corporate and pass-through sector except for owner-occupied housing and government production. Because industry outputs are typically a combination of value added (i.e., the capital and labor of an industry) and the finished production of other industries (i.e., intermediate inputs), each industry's output is modeled as a fixed proportion of an industry's value added and intermediate inputs to capture inter-industry linkages. These industry outputs are then bundled together into consumption goods that consumers purchase.

Consumption

Consumer behavior is modeled through use of an OLG framework that includes 55 generational cohorts (representing adults aged 21 to 75). Thus, in any one year, the model includes a representative individual optimizing lifetime consumption and savings decisions for each cohort aged 21 through 75 (i.e., 55 representative individuals) with perfect foresight. The model also distinguishes between two types of representative individuals: those that have access to capital markets (savers) and those that do not (non-savers or rule-of-thumb agents).

Non-savers and savers face different optimization problems over different time horizons. Each period non-savers must choose the amount of labor they supply and the amount of goods they

consume. Savers face the same tradeoffs in a given period, but they must also balance consumption today with the choice of investing in capital or bonds. The model assumes 50% of US households are permanently non-savers and 50% are permanently savers across all age cohorts.

The utility of representative individuals is modeled as a CES function, allocating a composite commodity consisting of consumption goods and leisure over their lifetimes. Representative individuals optimize their lifetime utility through their decisions of how much to consume, save, and work in each period subject to their preferences, access to capital markets, and the after-tax returns from work and savings in each period. Representative individuals respond to the after-tax return to labor, as well as their overall income levels, in determining how much to work and thereby earn income that is used to purchase consumption goods or to consume leisure by not working. In this model the endowment of human capital changes with age — growing early in life and declining later in life — following the estimate of Altig et al. (2001).[12]

Government

The model includes a simple characterization of both federal and state and local governments. Government spending is assumed to be used for either: (1) transfer payments to representative individuals, or (2) the provision of public goods. Transfer payments are assumed to be either Social Security payments or other transfer payments. Social Security payments are calculated in the model based on the 35 years in which a representative individual earns the most labor income. Other transfer payments are distributed on a per capita basis. Public goods are assumed to be provided by the government in fixed quantities through the purchase of industry outputs as specified in a Leontief function.

Government spending in the model can be financed by collecting taxes or borrowing. Borrowing, however, cannot continue indefinitely in this model. Eventually, the debt-to-GDP ratio must stabilize so that the government's fiscal policy is sustainable. The model allows government transfers, government provision of public goods, or government tax policy to be used to achieve a selected debt-to-GDP ratio after a selected number of years. This selected debt-to-GDP ratio could be, for example, the initial debt-to-GDP ratio or the debt-to-GDP ratio a selected number of years after policy enactment.

Modeling the United States as a large open economy

The model is an open economy model that includes both capital and trade flows between the United States and the rest of the world. International capital flows are modeled through the constant portfolio elasticity approach of Gravelle and Smetters (2006).[13] This approach assumes that international capital flows are responsive to the difference in after-tax rates of return in the United States and the rest of the world through a constant portfolio elasticity expression. Trade is modeled through use of the Armington assumption, wherein products made in the United States versus the rest of the world are imperfect substitutes.

Table A-1. Key model parameters

Intertemporal substitution elasticity	0.4
Intratemporal substitution elasticity	0.6
Leisure share of time endowment	0.4
International capital flow elasticity	3.0
Capital-labor substitution elasticity	0.8
Adjustment costs	2.0

Source: Key model parameters are generally from Joint Committee on Taxation, *Macroeconomic Analysis of the Conference Agreement for H.R. 1, The 'Tax Cuts and Jobs Act,'* December 22, 2017 (JCX-69-17) and Jane Gravelle and Kent Smetters, "Does the Open Economy Assumption Really Mean that Labor Bears the Burden of a Capital Income Tax?" *Advances in Economic Analysis and Policy,* 6(1) (2006): Article 3.

Table A-2. Macroeconomic impacts of permanently extending the Section 199A deduction on the overall US economy

	First ten years	Long run
GDP	0.2%	0.3%
Consumption	-0.2%	0.4%
Investment	1.7%	0.7%
After-tax wage rate	0.3%	0.8%
Labor supply	0.2%	0.2%
Private capital	0.1%	0.7%
Economy-wide results (scaled to 2024 US economy)		
GDP	$50b	$100b
Job equivalents	800,000	1,500,000
*Small businesses only (scaled to 2024 US economy)**		
GDP	$75b	$150b
Job equivalents	1,200,000	2,400,000

*The EY Macroeconomic Model includes shifting between the corporate and pass-through sectors. Because (1) there is shifting of economic activity from the corporate sector to the pass-through sector and (2) the pass-through sector has a higher concentration of small businesses than the corporate sector, the macroeconomic impact on small businesses is larger than the macroeconomic impact on the overall US economy. Permanently extending the Section 199A deduction, for example, is estimated to increase overall US GDP by only $50 billion, on average, annually over the 10-year budget window whereas for small businesses only it is estimated to increase US GDP by $75 billion, on average, annually over the 10-year budget window.

Note: Job-equivalent impacts are defined as the change in after-tax labor income divided by baseline average after-tax labor income per job. Changes are relative to 2024 US economy. Long run denotes when the economy has fully adjusted to policy change; generally, 2/3 to 3/4 of this adjustment occurs within 10 years.

Source: EY analysis.

Endnotes

[1] Owners of certain agricultural or horticultural cooperatives, publicly traded partnerships (PTPs), and real estate investment trusts (REITs) are also eligible for this deduction.

[2] For more details see, EY Tax Alert, "Final Section 199A regulations and other guidance provide welcome guidance, leave questions unanswered and raise new issues", January 2019 https://taxnews.ey.com/news/2019-0218-final-section-199a-regulations-and-other-guidance-provide-welcome-guidance-leave-questions-unanswered-and-raise-new-issues.

[3] The Small Business Administration (SBA) defines small businesses as those businesses that employ fewer than 500 employees. For more details see: US Small Business Administration Office of Advocacy, *Frequently Asked Questions About Small Business*, March 2023 https://advocacy.sba.gov/wp-content/uploads/2023/03/Frequently-Asked-Questions-About-Small-Business-March-2023-508c.pdf.

[4] The majority of businesses in the United States are nonemployers but these businesses average less than 4% of US sales and receipts. Most nonemployers are self-employed individuals operating unincorporated businesses. A nonemployer business may or may not be the owner's principal source of income. See the US Census Bureau's Nonemployer Statistics (NES) program for additional information. Total small businesses includes the following legal forms of organization: C corporations, S corporations, partnerships, and sole proprietorships.

[5] These are 2021 data (most recent available) from the US Census Bureau's Statistics of US Businesses (SUSB) and Nonemployer Statistics (NES). The numbers presented follow the definitions of those data. Note that partnerships, a type of pass-through business, include corporate-owned partnerships.

[6] Specifically, Section 199A generally allows non-corporate taxpayers to deduct the combined qualified business income (CQBI) amount. Subject to certain limitations and netting rules, the CQBI amount is the sum of (i) 20% of qualified business income from each "qualified trade or business" (QTB) conducted by a partnership, S corporation, and/or sole proprietorship, (ii) 20% of qualified REIT dividends, and (iii) 20% of qualified publicly traded partnership income. The taxpayer's deduction cannot be greater than 20% of the taxpayer's taxable income, less net capital gain. For higher-income individuals, Section 199A limits amount of deductible qualified business income from a trade or business based on the W-2 wages paid by the trade or business, and, in certain cases, the unadjusted basis immediately after acquisition of qualified property used in the trade or business (the wage and property limitation). It also excludes "specified service trades or businesses" from the definition of a QTB. For more details see, EY Tax Alert, "Final Section 199A regulations and other guidance provide welcome guidance, leave questions unanswered and raise new issues", January 2019 https://taxnews.ey.com/news/2019-0218-final-section-199a-regulations-and-other-guidance-provide-welcome-guidance-leave-questions-unanswered-and-raise-new-issues; Internal Revenue Service, Instructions for Form 8995-A (2023), irs.gov, accessed July 2024, https://www.irs.gov/instructions/i8995a; and Internal Revenue Service, *Tax Cuts and Jobs Act, Provision 11011 Section 199A - Qualified Business Income Deduction FAQs*, irs.gov, July 2024 https://www.irs.gov/newsroom/tax-cuts-and-jobs-act-provision-11011-section-199a-qualified-business-income-deduction-faqs.

[7] The distribution differs, however, when examining the amount of Section 199A deduction. Specifically, $56 billion (27%) of the $206 billion of Section 199A deduction is claimed on tax returns with less than $200,000 of adjusted gross income and $26 billion (13%) of Section 199A deduction is claimed on tax returns with less than $100,000 of adjusted gross income.

[8] Pass-through income can reflect either returns to capital or labor. It is difficult to determine how much of pass-through profits represent returns to capital invested by the business owner or returns from the owners' labor. For example, if an entrepreneur starts a new manufacturing business as a pass-through and earns a profit, it is difficult to estimate how much of the business profit is attributable to the investment in machines and facilities (capital) versus the expertise and skills of the entrepreneur (labor). Some research suggests that approximately 75% of pass-through income can be considered as labor income. See, for example, Matthew Smith, Danny Yagan, Owen M. Zidar and Eric Zwick, "Capitalists in the Twenty-First Century", NBER Working Paper 25442, June 2019. https://www.nber.org/papers/w25442. The analysis estimates the labor share of proprietors' income using the ratio of total compensation paid to employees (wages, salaries, and supplemental benefits) to gross domestic income (GDI) excluding proprietors' income. This ratio is applied to proprietors' income and the result is considered the labor share. This follows CBO's methodology. For more details see, CBO, "How CBO Projects Income," July 2013.

[9] This is discussed, for example, in Congressional Research Service, "Dynamic Scoring for Tax Legislation: A Review of Models," 2023. For papers modeling a tax increase where changes in revenue are offset by changes in government spending (transfers or government consumption) see, for example, Rachel Moore and Brandon Pecoraro, "Quantitative analysis of a wealth tax for the United States: Exclusions and expenditures," *Journal of Macroeconomics* 78 (2023); Shinichi Nishiyama, "Fiscal Policy Effects in a Heterogeneous-Agent Overlapping-Generations Economy With an Aging Population," Congressional Budget Office, Working Paper 2013-07; and US Department of the Treasury, *A Dynamic Analysis of Permanent Extension of the President's Tax Relief*, 2006.

[10] Job equivalents summarize the impact of both the increase in hours worked and increased after-tax labor income. Specifically, job equivalents are calculated as the total change in after-tax labor income divided by baseline average after-tax labor income per job.

[11] This is discussed, for example, in Congressional Research Service, "Dynamic Scoring for Tax Legislation: A Review of Models," 2023. For papers modeling a tax increase where changes in revenue are offset by changes in government spending (transfers or government consumption) see, for example, Rachel Moore and Brandon Pecoraro, "Quantitative analysis of a wealth tax for the United States: Exclusions and expenditures," *Journal of Macroeconomics* 78 (2023); Shinichi Nishiyama, "Fiscal Policy Effects in a Heterogeneous-Agent Overlapping-Generations Economy With an Aging Population," Congressional Budget Office, Working Paper 2013-07; and US Department of the Treasury, *A Dynamic Analysis of Permanent Extension of the President's Tax Relief*, 2006.

[12] See David Altig, Alan Auerbach, Laurence Koltikoff, Kent Smetters, and Jan Walliser, (2001), "Simulating Fundamental Tax Reform in the United States," *American Economic Review,* 91(3) (June): 574-595. https://doi.org/10.1257/aer.91.3.574

[13] See Jane Gravelle and Kent Smetters, (2006), "Does the Open Economy Assumption Really Mean That Labor Bears the Burden of a Capital Income Tax?" *Advances in Economic Analysis and Policy,* 6(1) (August): 1-42. https://doi.org/10.2202/1538-0637.1548

Appendix B. Congressional district results

Table B-1. Macroeconomic impacts of permanently extending the Section 199A deduction on small businesses each year after 2035, by congressional district

Dollars in millions

State	Congressional district	Job equivalents	GDP
Alabama	01	4,998	$254
Alabama	02	4,676	$216
Alabama	03	3,584	$148
Alabama	04	4,251	$182
Alabama	05	5,008	$267
Alabama	06	5,582	$369
Alabama	07	5,216	$299
Alaska	00	5,410	$360
Arizona	01	9,975	$895
Arizona	02	4,366	$185
Arizona	03	6,616	$375
Arizona	04	7,798	$466
Arizona	05	4,032	$208
Arizona	06	4,305	$223
Arizona	07	4,594	$205
Arizona	08	4,392	$203
Arizona	09	3,327	$144
Arkansas	01	4,331	$179
Arkansas	02	6,003	$291
Arkansas	03	5,252	$257
Arkansas	04	4,391	$181
California	01	4,483	$208
California	02	6,419	$452
California	03	5,610	$345
California	04	5,367	$319
California	05	5,155	$295
California	06	4,555	$262
California	07	4,464	$248
California	08	3,063	$166
California	09	3,477	$184
California	10	4,736	$383
California	11	10,502	$1,585
California	12	6,036	$469
California	13	2,780	$141
California	14	5,595	$387
California	15	5,855	$652
California	16	6,029	$739
California	17	6,836	$637
California	18	4,496	$315
California	19	4,706	$283
California	20	3,848	$205
California	21	3,928	$199
California	22	2,961	$140
California	23	2,717	$117
California	24	6,395	$371
California	25	2,772	$131
California	26	5,490	$403
California	27	3,711	$197
California	28	5,321	$335

California	29	3,942	$242
California	30	7,325	$616
California	31	4,833	$271
California	32	6,910	$599
California	33	2,392	$108
California	34	5,031	$389
California	35	6,067	$346
California	36	9,188	$1,149
California	37	5,707	$536
California	38	5,104	$299
California	39	3,559	$177
California	40	6,534	$462
California	41	4,522	$240
California	42	4,760	$273
California	43	4,606	$279
California	44	3,616	$207
California	45	6,065	$337
California	46	6,543	$396
California	47	10,027	$1,125
California	48	4,550	$233
California	49	5,824	$411
California	50	7,845	$690
California	51	7,120	$507
California	52	2,915	$137
Colorado	01	8,735	$789
Colorado	02	8,218	$542
Colorado	03	6,603	$364
Colorado	04	4,633	$278
Colorado	05	5,258	$284
Colorado	06	6,660	$478
Colorado	07	5,735	$343
Colorado	08	4,419	$263
Connecticut	01	6,118	$362
Connecticut	02	4,146	$208
Connecticut	03	5,452	$341
Connecticut	04	5,561	$596
Connecticut	05	5,195	$325
Delaware	00	7,923	$482
District of Columbia	00	5,973	$615
Florida	01	4,912	$270
Florida	02	5,426	$263
Florida	03	5,041	$236
Florida	04	4,565	$265
Florida	05	7,317	$415
Florida	06	4,621	$209
Florida	07	5,687	$288
Florida	08	5,617	$268
Florida	09	3,565	$175
Florida	10	7,792	$520
Florida	11	4,406	$219
Florida	12	3,536	$148
Florida	13	7,014	$366
Florida	14	8,933	$643
Florida	15	4,981	$261
Florida	16	4,048	$203
Florida	17	5,851	$320
Florida	18	4,259	$188
Florida	19	8,756	$502
Florida	20	7,015	$430

Florida	21	5,995	$334
Florida	22	5,712	$308
Florida	23	8,812	$633
Florida	24	5,907	$405
Florida	25	6,155	$355
Florida	26	8,725	$481
Florida	27	7,816	$669
Florida	28	3,970	$182
Georgia	01	5,490	$240
Georgia	02	4,940	$205
Georgia	03	4,913	$215
Georgia	04	5,398	$311
Georgia	05	9,362	$851
Georgia	06	7,077	$437
Georgia	07	5,697	$346
Georgia	08	4,237	$171
Georgia	09	5,043	$232
Georgia	10	4,582	$214
Georgia	11	6,847	$448
Georgia	12	4,706	$196
Georgia	13	2,638	$125
Georgia	14	3,763	$164
Hawaii	01	4,243	$258
Hawaii	02	3,236	$174
Idaho	01	7,806	$390
Idaho	02	9,043	$431
Illinois	01	3,635	$191
Illinois	02	3,566	$181
Illinois	03	5,055	$316
Illinois	04	4,174	$314
Illinois	05	6,417	$486
Illinois	06	6,660	$444
Illinois	07	10,823	$1,547
Illinois	08	7,190	$553
Illinois	09	5,301	$343
Illinois	10	5,812	$443
Illinois	11	6,065	$393
Illinois	12	4,649	$208
Illinois	13	5,452	$276
Illinois	14	3,588	$186
Illinois	15	4,314	$186
Illinois	16	4,134	$207
Illinois	17	5,876	$287
Indiana	01	5,315	$266
Indiana	02	6,382	$321
Indiana	03	6,454	$322
Indiana	04	4,836	$223
Indiana	05	5,716	$319
Indiana	06	4,615	$221
Indiana	07	8,290	$624
Indiana	08	5,883	$260
Indiana	09	5,055	$237
Iowa	01	5,392	$244
Iowa	02	6,232	$300
Iowa	03	5,989	$343
Iowa	04	5,890	$273
Kansas	01	5,829	$265
Kansas	02	4,645	$205
Kansas	03	6,621	$432

Kansas	04	5,594	$272
Kentucky	01	4,504	$187
Kentucky	02	4,168	$171
Kentucky	03	6,770	$380
Kentucky	04	4,317	$209
Kentucky	05	3,656	$148
Kentucky	06	5,134	$238
Louisiana	01	6,125	$378
Louisiana	02	5,722	$316
Louisiana	03	6,536	$406
Louisiana	04	4,977	$252
Louisiana	05	5,404	$225
Louisiana	06	6,798	$363
Maine	01	6,083	$371
Maine	02	5,339	$257
Maryland	01	5,425	$274
Maryland	02	6,398	$456
Maryland	03	7,584	$527
Maryland	04	4,156	$241
Maryland	05	4,304	$222
Maryland	06	5,221	$292
Maryland	07	5,236	$360
Maryland	08	7,189	$705
Massachusetts	01	4,912	$259
Massachusetts	02	5,024	$291
Massachusetts	03	4,960	$320
Massachusetts	04	5,741	$408
Massachusetts	05	6,343	$555
Massachusetts	06	6,195	$461
Massachusetts	07	4,362	$455
Massachusetts	08	9,032	$1,051
Massachusetts	09	5,670	$347
Michigan	01	5,699	$280
Michigan	02	3,601	$169
Michigan	03	7,898	$453
Michigan	04	5,982	$300
Michigan	05	4,082	$184
Michigan	06	5,590	$340
Michigan	07	5,037	$271
Michigan	08	4,987	$223
Michigan	09	4,271	$201
Michigan	10	5,768	$312
Michigan	11	8,733	$659
Michigan	12	5,143	$317
Michigan	13	4,519	$252
Minnesota	01	5,540	$262
Minnesota	02	4,820	$289
Minnesota	03	7,570	$642
Minnesota	04	6,482	$394
Minnesota	05	7,748	$548
Minnesota	06	5,266	$300
Minnesota	07	5,781	$264
Minnesota	08	5,419	$247
Mississippi	01	4,596	$180
Mississippi	02	3,985	$154
Mississippi	03	4,992	$247
Mississippi	04	4,106	$166
Missouri	01	7,779	$484
Missouri	02	6,294	$372

Missouri	03	4,681	$212
Missouri	04	4,685	$191
Missouri	05	6,372	$397
Missouri	06	4,643	$210
Missouri	07	5,573	$248
Missouri	08	4,959	$200
Montana	01	5,671	$287
Montana	02	4,783	$216
Nebraska	01	5,544	$274
Nebraska	02	5,861	$362
Nebraska	03	5,268	$218
Nevada	01	5,416	$301
Nevada	02	6,832	$397
Nevada	03	7,416	$468
Nevada	04	4,330	$195
New Hampshire	01	5,793	$384
New Hampshire	02	5,526	$328
New Jersey	01	5,410	$306
New Jersey	02	5,264	$276
New Jersey	03	6,447	$398
New Jersey	04	6,374	$405
New Jersey	05	6,862	$488
New Jersey	06	6,833	$451
New Jersey	07	6,615	$436
New Jersey	08	4,286	$294
New Jersey	09	6,384	$445
New Jersey	10	4,313	$246
New Jersey	11	8,483	$676
New Jersey	12	5,977	$413
New Mexico	01	5,404	$255
New Mexico	02	3,091	$140
New Mexico	03	4,562	$241
New York	01	6,497	$629
New York	02	6,013	$384
New York	03	6,659	$567
New York	04	5,158	$368
New York	05	2,886	$169
New York	06	4,152	$259
New York	07	4,610	$366
New York	08	2,942	$157
New York	09	3,274	$187
New York	10	10,754	$1,378
New York	11	3,479	$167
New York	12	19,111	$4,067
New York	13	2,503	$172
New York	14	3,272	$225
New York	15	2,392	$153
New York	16	5,072	$462
New York	17	5,669	$384
New York	18	4,551	$246
New York	19	4,361	$227
New York	20	5,266	$344
New York	21	3,709	$189
New York	22	5,121	$302
New York	23	4,511	$239
New York	24	4,317	$220
New York	25	5,412	$358
New York	26	6,047	$362
North Carolina	01	4,370	$170

North Carolina	02	7,116	$481
North Carolina	03	4,342	$214
North Carolina	04	5,139	$294
North Carolina	05	4,900	$227
North Carolina	06	5,677	$300
North Carolina	07	5,148	$246
North Carolina	08	4,029	$184
North Carolina	09	3,574	$141
North Carolina	10	5,172	$228
North Carolina	11	5,363	$248
North Carolina	12	4,580	$223
North Carolina	13	4,493	$214
North Carolina	14	7,840	$592
North Dakota	00	7,330	$467
Ohio	01	6,943	$465
Ohio	02	4,077	$173
Ohio	03	6,930	$444
Ohio	04	5,052	$235
Ohio	05	4,865	$217
Ohio	06	5,291	$225
Ohio	07	6,610	$419
Ohio	08	5,256	$267
Ohio	09	6,145	$311
Ohio	10	5,239	$270
Ohio	11	6,350	$408
Ohio	12	4,218	$193
Ohio	13	6,427	$332
Ohio	14	5,049	$240
Ohio	15	4,780	$263
Oklahoma	01	7,108	$394
Oklahoma	02	4,226	$166
Oklahoma	03	5,692	$288
Oklahoma	04	4,866	$210
Oklahoma	05	6,751	$400
Oregon	01	7,001	$500
Oregon	02	6,130	$302
Oregon	03	5,547	$294
Oregon	04	5,660	$283
Oregon	05	4,685	$274
Oregon	06	6,271	$384
Pennsylvania	01	7,367	$453
Pennsylvania	02	4,640	$261
Pennsylvania	03	4,771	$406
Pennsylvania	04	7,401	$555
Pennsylvania	05	6,195	$445
Pennsylvania	06	6,529	$474
Pennsylvania	07	4,969	$262
Pennsylvania	08	5,200	$240
Pennsylvania	09	4,877	$224
Pennsylvania	10	6,143	$349
Pennsylvania	11	6,386	$326
Pennsylvania	12	6,498	$415
Pennsylvania	13	4,957	$205
Pennsylvania	14	5,642	$285
Pennsylvania	15	5,119	$230
Pennsylvania	16	6,187	$282
Pennsylvania	17	6,050	$342
Rhode Island	01	4,372	$261
Rhode Island	02	4,411	$254

South Carolina	01	5,038	$296
South Carolina	02	4,293	$186
South Carolina	03	3,618	$141
South Carolina	04	6,288	$322
South Carolina	05	3,799	$166
South Carolina	06	6,584	$372
South Carolina	07	5,358	$247
South Dakota	00	8,606	$407
Tennessee	01	4,522	$193
Tennessee	02	5,190	$292
Tennessee	03	5,007	$257
Tennessee	04	3,722	$175
Tennessee	05	4,371	$265
Tennessee	06	4,339	$232
Tennessee	07	6,653	$452
Tennessee	08	5,156	$286
Tennessee	09	4,877	$252
Texas	01	5,847	$308
Texas	02	5,085	$307
Texas	03	3,859	$200
Texas	04	6,118	$444
Texas	05	3,689	$148
Texas	06	4,748	$246
Texas	07	5,112	$378
Texas	08	2,925	$175
Texas	09	5,521	$272
Texas	10	5,090	$318
Texas	11	5,704	$486
Texas	12	5,372	$367
Texas	13	5,522	$277
Texas	14	4,493	$219
Texas	15	4,495	$185
Texas	16	4,789	$183
Texas	17	4,844	$235
Texas	18	7,516	$639
Texas	19	5,719	$300
Texas	20	3,631	$151
Texas	21	7,152	$397
Texas	22	4,844	$236
Texas	23	3,668	$219
Texas	24	8,310	$702
Texas	25	4,722	$233
Texas	26	4,073	$225
Texas	27	4,739	$263
Texas	28	3,656	$156
Texas	29	3,680	$200
Texas	30	5,451	$543
Texas	31	4,620	$222
Texas	32	7,776	$601
Texas	33	7,069	$450
Texas	34	3,572	$115
Texas	35	5,152	$284
Texas	36	4,839	$267
Texas	37	8,798	$728
Texas	38	9,192	$819
Utah	01	6,931	$376
Utah	02	9,133	$456
Utah	03	9,017	$573
Utah	04	5,268	$278

Vermont	00	5,311	$293
Virginia	01	5,726	$334
Virginia	02	5,636	$323
Virginia	03	5,246	$257
Virginia	04	5,562	$322
Virginia	05	5,579	$268
Virginia	06	5,642	$258
Virginia	07	3,986	$186
Virginia	08	7,252	$608
Virginia	09	4,152	$175
Virginia	10	6,055	$373
Virginia	11	9,160	$829
Washington	01	5,094	$371
Washington	02	6,617	$372
Washington	03	5,168	$294
Washington	04	4,971	$250
Washington	05	5,564	$302
Washington	06	5,509	$309
Washington	07	8,231	$828
Washington	08	3,686	$216
Washington	09	7,797	$643
Washington	10	4,697	$253
West Virginia	01	4,507	$213
West Virginia	02	4,538	$206
Wisconsin	01	5,307	$267
Wisconsin	02	6,493	$401
Wisconsin	03	5,512	$251
Wisconsin	04	5,917	$354
Wisconsin	05	7,516	$460
Wisconsin	06	6,073	$296
Wisconsin	07	5,918	$266
Wisconsin	08	6,365	$319
Wyoming	00	5,470	$350

Note: Job-equivalent impacts are defined as the change in after-tax labor income divided by baseline average after-tax labor income per job. Estimates are long-run results scaled to the size of the US economy in 2024 and estimated relative to the current-law baseline. Figures are rounded.
Source: EY analysis.