

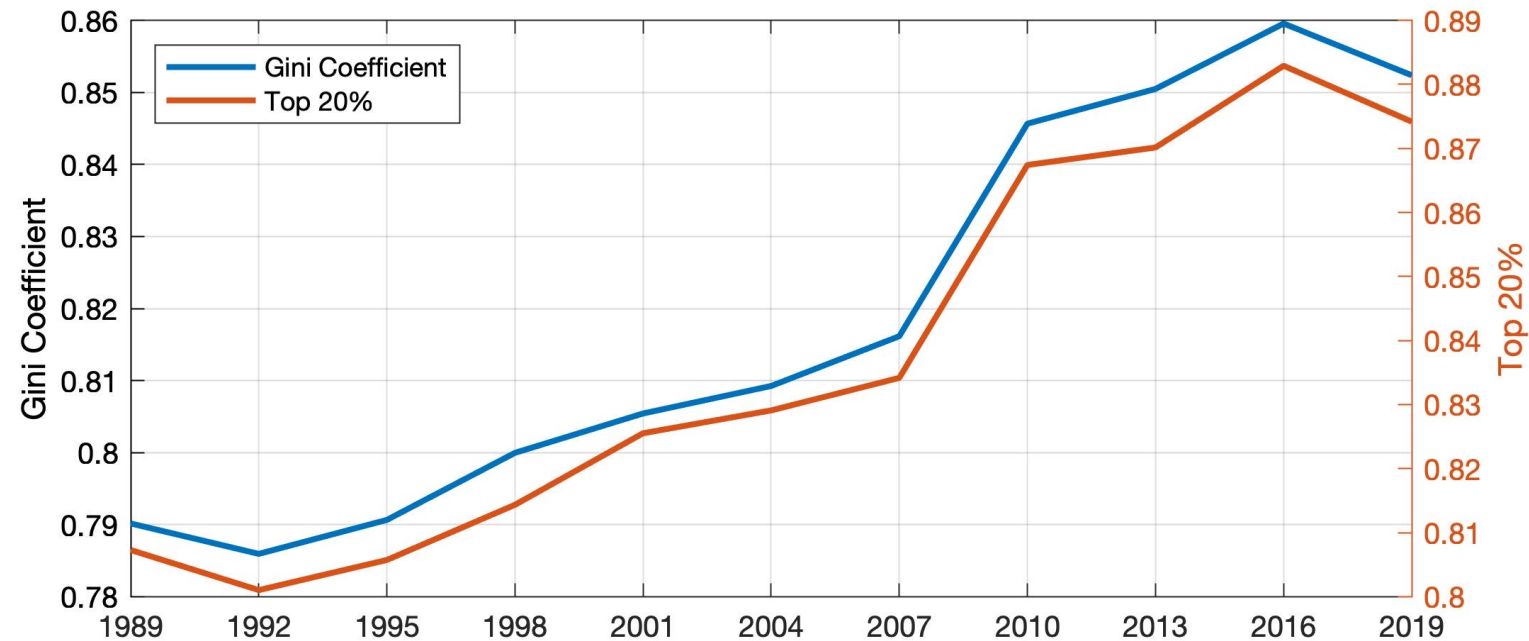
# Did the TCJA Reduce Wealth Inequality?

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RICE UNIVERSITY'S  
**BAKER**  
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FOR PUBLIC POLICY

# Wealth Inequality in the U.S. (SCF)



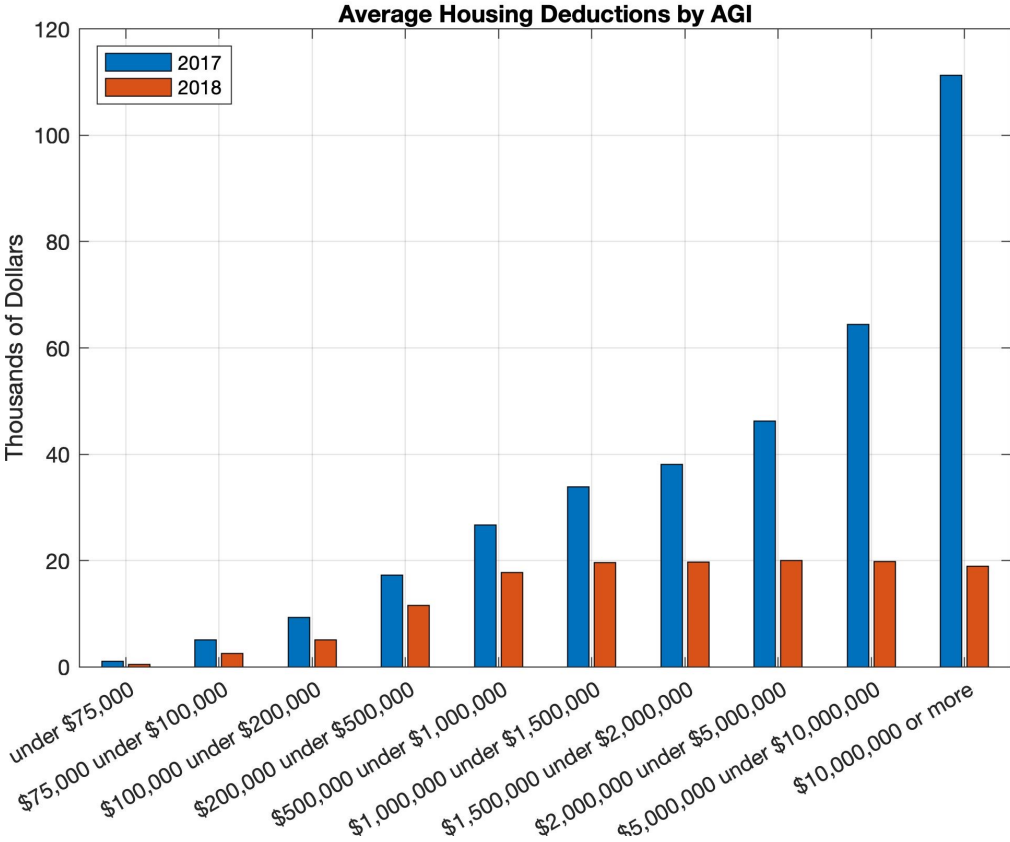
# Possible Causes

- Possibility #1: Booming economy
- Possibility #2: Policy outcome

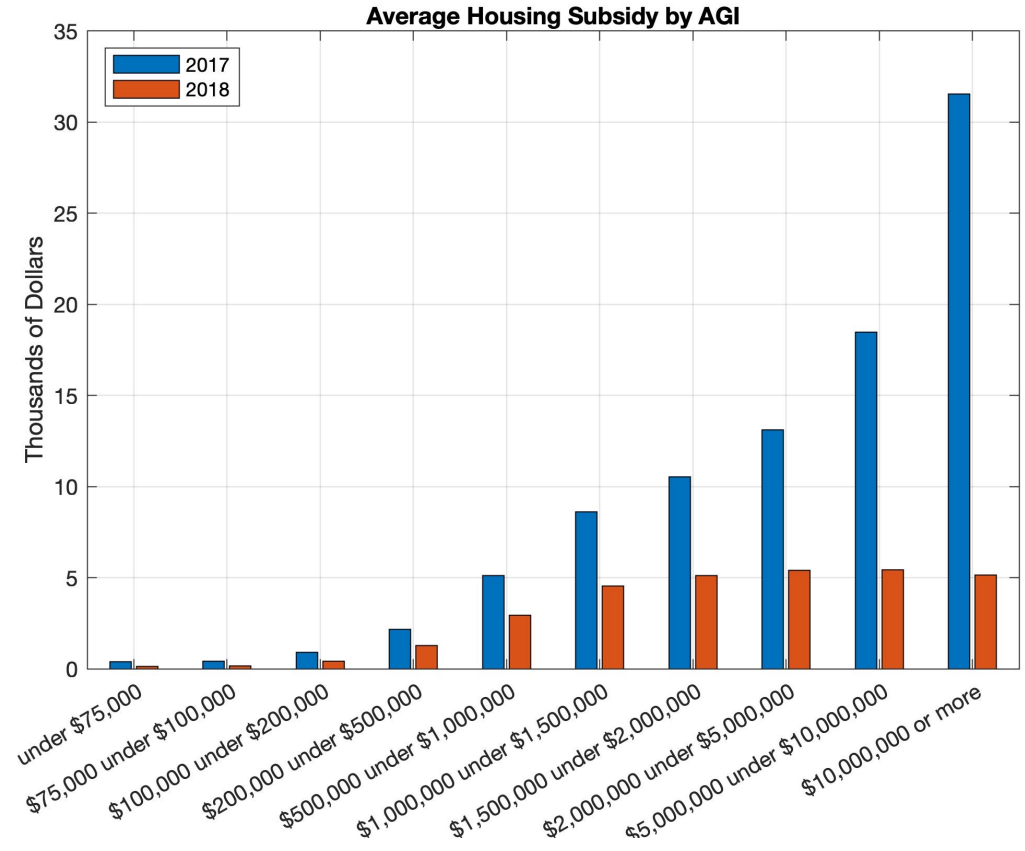
# TCJA Impact: Housing Subsidies

- Capped SALT at \$10,000 (property and real estate components)
- Reduced MID cap
- Expanded standard deduction

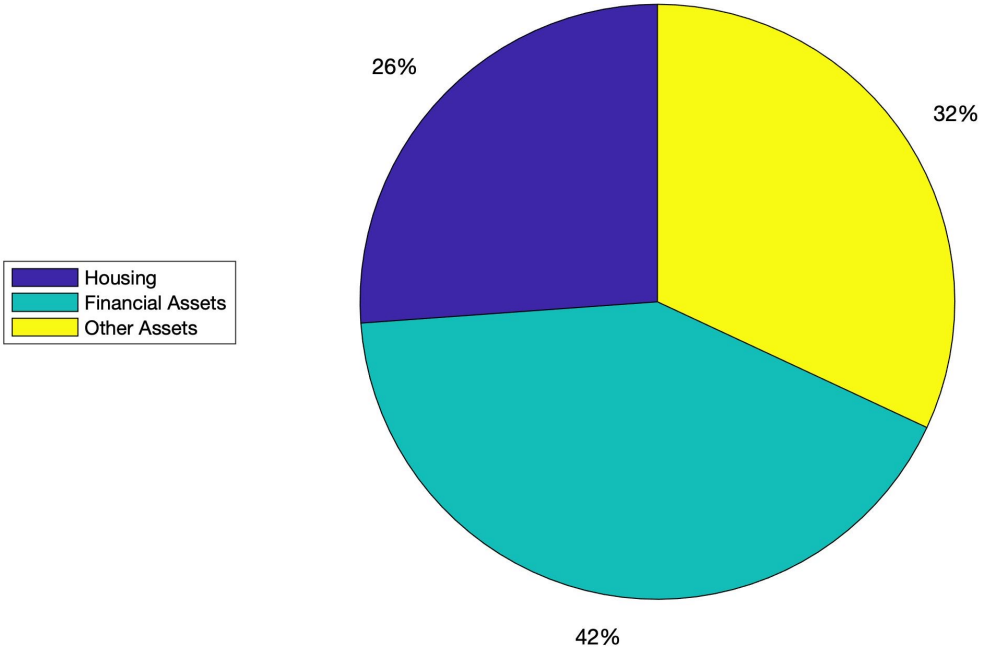
# Avg. Housing Deduction (IRS): 2017 vs 2018



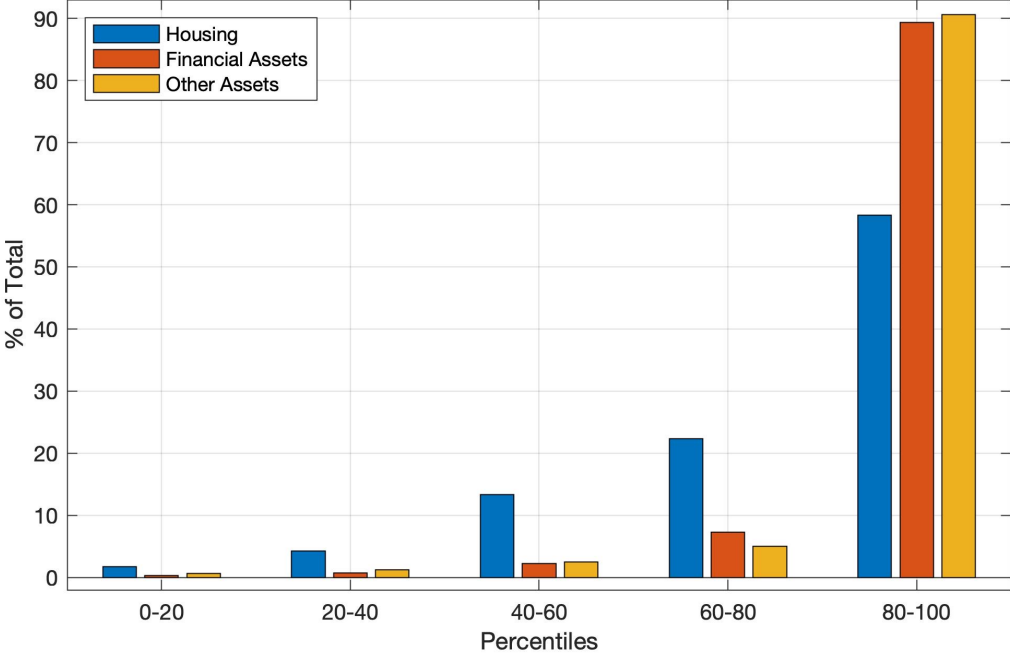
# Avg. Housing Subsidy: 2017 vs 2018



# Aggregate Asset Composition



# Assets by Quintile

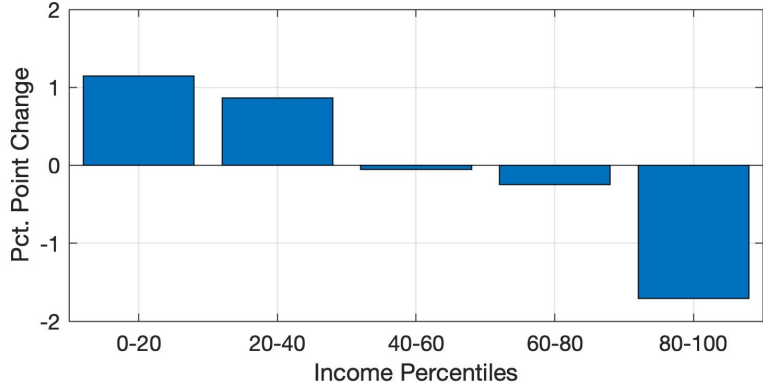
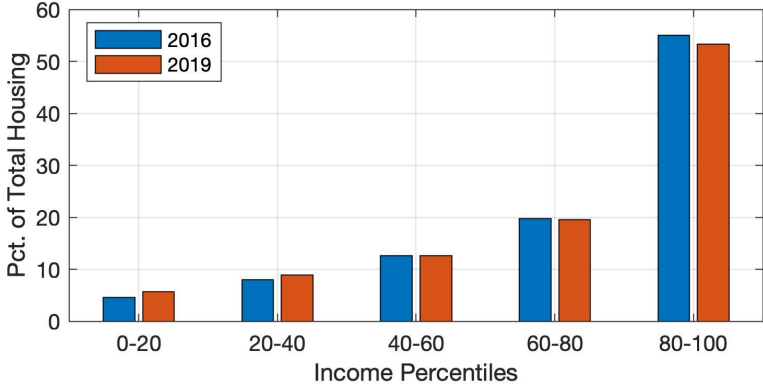




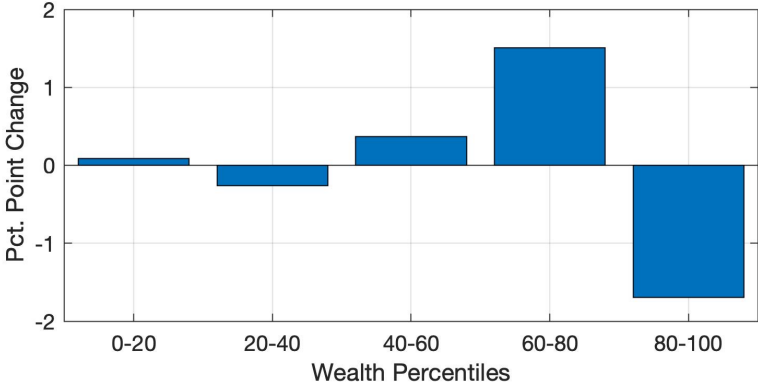
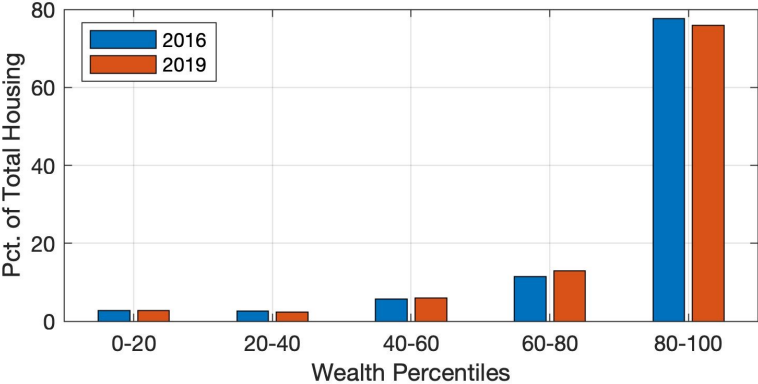
# Theory

- TCJA reduced regressive housing subsidies
- Home valuations of higher income/wealth households should decline  
(relatively)

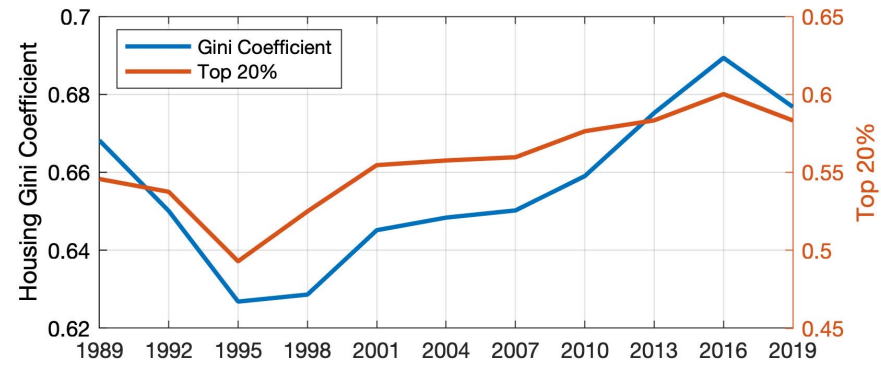
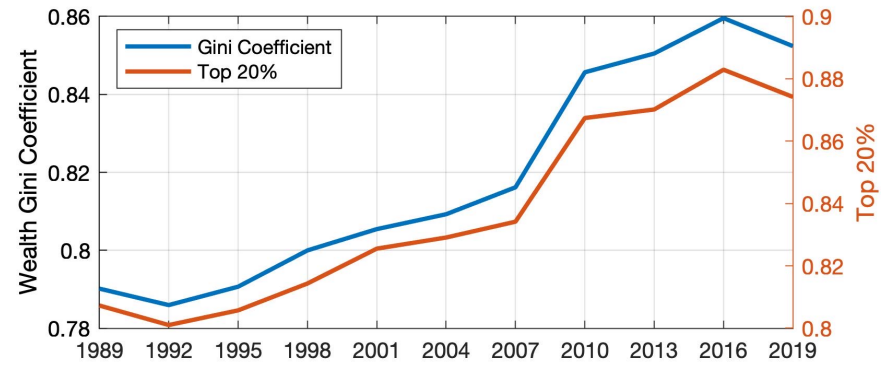
# Home Values by Income, 2016 vs 2019



# Home Values by Wealth, 2016 vs 2019



# Wealth and Housing Inequality



# Further Evidence

- Tong (2021): SALT cap reduced growth rate of home prices by nearly 1 ppt if:
  - High SALT counties
  - High valued homes

# Conclusion

- Limiting housing deductions likely reduced wealth inequality.
- More research on tax policy and wealth inequality.

*Thank you!*