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Impact of Obama Tax Increase: National, State, and Congressional District Levels

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The macroeconomic model presented in “Obama Tax Hikes: The Economic and Fiscal Effects”¹ makes predictions at the national level. Converting the model’s predictions to state and congressional district levels requires supplemental analysis. Because of the statistical assumptions involved, the exact state and district numbers may vary slightly from the reported estimates.

The most basic assumption is that the Obama tax plan’s economic impact would be spread across states and districts the same way that economic activity is distributed today, with no change in the current distribution. For example, if one state employs 6 percent of the nation’s workforce, we would expect that state to absorb 6 percent of the nation’s job losses caused by the Obama plan. Similarly, if one congressional district pays 2 percent of the nation’s income taxes, we would expect that 2 percent of Obama’s tax increase would be paid by that district.

The actual fractions of the nation’s economic activity occurring in each state and district come from a variety of sources. For income taxes paid, we used the most recent dataset released by the IRS, which breaks down tax information from the year 2007 by zip code. We then link zip codes to congressional districts and produce estimates of taxes

paid by district. Real disposable income (income minus taxes) is calculated the same way and then expressed as an average per household. Employment by state and congressional district comes directly from the 2000 Census. We will use the 2010 data on district employment when it becomes available next year.

To present our findings, we generated bar charts showing the projected annual effect of Obama’s tax plan on total personal income taxes, per household disposable income, and total employment, each on the national, state, and district levels. In addition, we generated state maps with color-coded congressional districts showing the average annual change in employment from 2011 to 2020. Each district within a state is given one of four distinct shades of reddish brown, with the darkest color indicating the most job losses and the lightest color showing the least. The range of job losses represented by each shade is the same for each map, making state-to-state comparisons possible.²

—Jason Richwine is Senior Policy Analyst in the Center for Data Analysis, and John Fleming is Senior Data Graphics Editor at The Heritage Foundation.

2. See *ibid.* on the right side of the page for these graphics.

1. William W. Beach, Rea S. Hederman, Jr., John L. Ligon, Guinevere Nell, and Karen A. Campbell, “Obama Tax Hikes: The Economic and Fiscal Effects,” Heritage Foundation Center for Data Analysis Report No. 10-07, September 20, 2010, at <http://www.heritage.org/Research/Reports/2010/09/Obama-Tax-Hikes-The-Economic-and-Fiscal-Effects>.

This paper, in its entirety, can be found at:
<http://report.heritage.org/wm3033>

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