

Tax Relief for Whom? Race, Methods, and the 2025 Tax Law

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Abstract

The distribution of “middle-class tax relief” cannot be inferred from the name Congress gives a provision. It depends on who can pass the provision’s economic and administrative gateways, which empirical research shows are often distributed unequally by race. This Article reviews that literature through the 2025 Big Beautiful Bill (BBB), which made permanent or modified seventeen Tax Cuts and Jobs Act (TCJA) provisions affecting individuals and added five new provisions. Because the BBB is new and federal tax returns do not identify taxpayers by race, direct post-enactment evidence remains limited. The Article therefore uses seven years of TCJA experience as a bridge, synthesizing more than one hundred empirical works, government estimates, and original calculations using the 2025 Current Population Survey Annual Social and Economic Supplement. It also compares the methods researchers use to connect race to tax units, including microsimulation, statistical matching and reweighting, TAXSIM, regression and decomposition, and administrative and geographic data. Across provisions, benefits promoted for workers and families often require positive income-tax liability, savings, ownership, inheritance, itemization, employer-provided benefits, or credit. Those conditions never mention race, but they are unequally distributed. The evidence does not support the same conclusion for every provision, and related economic disparities cannot substitute for a direct tax estimate. The Article identifies what is known, separates inference from proof, and sets out a research agenda for measuring the new law.

I. Introduction

A tax benefit can exist in the Internal Revenue Code and remain beyond the reach of the people it is said to help. A deduction cannot reduce an income-tax bill that is already zero. A savings incentive requires money available to save. A homeowner benefit presupposes homeownership, and an exclusion for employer-provided benefits presupposes the right kind of job. None of those conditions expressly mentions race. Each nevertheless operates in a society in which income, wealth, ownership, credit, and workplace benefits are not equally distributed. When Congress calls a provision “tax relief,” the empirical question is who can use it, how much relief users receive, and who cannot reach that relief.

In 1996, William Whitford and I argued that the Internal Revenue Code taxed black people more harshly than white people who were otherwise comparable in age, education, marital status, children, residence, income, and work. The premise was then treated as implausible. Federal tax returns did not record race, and the statute was formally race neutral (Moran and Whitford 1996).

That people would question whether race and taxation are intertwined in America is odd given the significance of race in the United States. Whitford and I emphasized ways that the Internal Revenue Code works within legal frameworks that keep black Americans from consuming in ways it rewards. For example, the long history of segregation and redlining has suppressed black homeownership. Research on the Tax Cuts and Jobs Act (TCJA) and the One Big Beautiful Bill Act (BBB) follows a different approach. By not controlling for family size, this research shows that lower-income black taxpayers are

advantaged relative to white taxpayers because of family composition, while white families are advantaged relative to black families because of higher income (Page et al. 2026).

The missing race field did not make the question unanswerable. It made method unusually important. Researchers had to connect tax rules and tax data to information about race, income, wealth, family structure, employment, geography, homeownership, and credit. Thirty years later, that work has become a substantial and methodologically varied field. Quantitative research did more than support the field; it made the field possible.

The TCJA and the BBB provide an important setting in which to assess that work. The TCJA reduced individual and corporate rates; eliminated, created, or changed major deductions, credits, and exemptions; altered multinational taxation; and increased projected deficits (Congressional Budget Office 2018). Subsequent race-and-tax scholarship concluded that its aggregate benefits disproportionately favored white taxpayers (Moran 2024; Gale et al. 2025; Page et al. 2026). The BBB continued TCJA provisions that were meant to expire and cut almost a trillion dollars of medical and food assistance to pay for its tax benefits.

The BBB makes those questions more consequential. It permanently extends or modifies seventeen TCJA provisions affecting individual taxpayers and creates five new individual provisions: deductions for car-loan interest, qualified tips, qualified overtime compensation, and taxpayers age sixty-five or older, together with tax-advantaged Trump accounts for children (Buffie et al. 2025). These provisions have repeatedly been presented as relief for workers and middle-class families. Their distribution depends on statutory design and on the economic circumstances taxpayers bring to the Code.

Because the BBB is new, evidence about actual claims, tax savings, behavioral responses, and long-term effects is scarce. But the inquiry does not begin with a blank page. Seven years of TCJA experience, government and survey data, microsimulation estimates, and studies of the underlying markets reveal the pathways through which benefits may flow. That evidence cannot substitute for a direct study of a new provision. It can show what is already known, what can be inferred cautiously, and what must await new data.

This Literature Review has three purposes. First, it makes the empirical race-and-tax literature accessible to readers outside the field by connecting the governing tax rules to the evidence about who can use them. Second, it compares the methods researchers employ when tax returns do not identify race and explains why apparently conflicting findings may coexist. Third, it identifies the field's boundaries and the most important questions created by the 2025 law.

The Literature Review builds on but differs from my 2024 Roosevelt Institute report. That report synthesized the then-available evidence about the TCJA's effects on black taxpayers. The present review adds the 2025 law, incorporates the empirical work published or located since that report, and makes methods a separate object of study. It asks not only what each paper concludes, but what data it uses, how race enters the analysis, what population it measures, what comparison it makes, and what its

design permits the author to claim. That comparison matters because the race-and-tax literature spans law, economics, public finance, housing, labor, education, health, disability, and wealth research. Results drawn from those disciplines are often placed beside one another even when they answer different questions.

The organizing concept is the gateway. Some provisions require positive income-tax liability; others require an asset, debt, an employer benefit, savings, a particular occupation, or successful navigation of an administrative process. The evidence shows a recurring racial pattern in access to many of those gateways. It does not establish that every tax provision disadvantages black taxpayers or that every observed racial difference is caused by discrimination. Aggregate racial disparities sometimes coexist with equal or larger benefits for black taxpayers within a particular income or ownership group. The task is to distinguish those results rather than force them into a single conclusion.

II. Evidence and Method

A. Studying race when tax returns omit it

Federal tax returns contain detailed information about income, deductions, credits, and filing status, but they do not identify taxpayers by race. Every race-specific federal tax estimate must therefore combine tax information with race information from another source or study a population in which both can be observed.

The Treasury Individual Tax Model begins with tax returns and information returns, then imputes race and ethnicity from other data. This approach closely models tax liability, but the race variable is added rather than reported on the return. Cronin, DeFilippes, and Fisher use that model to estimate the distribution of major tax expenditures by race and ethnicity (Cronin et al. 2023).

The Urban-Brookings Tax Policy Center uses statistical matching and reweighting. It creates copies of modeled tax units, assigns race and ethnicity using patterns in survey data, and adjusts weights so that the resulting population matches external demographic targets (Khitatrakun et al. 2023). This permits race-specific estimates of tax changes while retaining a detailed tax model. The result remains a model: it does not convert tax returns into observed race records.

Other researchers begin with household surveys that already record race and economic circumstances. The National Bureau of Economic Research (NBER) TAXSIM program applies federal and state tax rules to those survey records. Dawkins, for example, applies TAXSIM to Census Public Use Microdata Sample records to compare housing tax benefits among black and white homeowners (Dawkins 2024). Survey-based models observe race directly but must construct the tax return and may not capture every tax item as precisely as administrative data.

Regression and decomposition methods address a different question. They estimate how much of an observed racial difference in tax liability is associated with income, geography, ownership, debt, family

structure, or other measured characteristics. They can show that income explains much of a black-white difference without proving that the unexplained remainder was caused by discrimination (Page et al 2026). Local tax data, administrative counts, occupational studies, and implementation interviews reveal mechanisms that national tax models may miss. Official revenue estimates answer yet another question: how much a provision changes federal receipts relative to a specified baseline. They often reveal little about recipients by race or income.

These approaches are complements, not substitutes. A tax-return model may calculate liability closely but must add race. A survey observes race but simulates tax liability. A regression identifies measured contributors to a disparity. Administrative data observe actual events but may omit race, nonparticipants, or the counterfactual. A revenue score estimates cost without identifying who receives the benefit. Table 1 summarizes their principal uses and limitations.

Table 1. Principal methods used in empirical race-and-tax research

Method	Principal data	How race enters	Best suited question	Central limitation
Treasury tax model	Tax and information returns plus outside demographic data	Imputed	Distribution of modeled tax expenditures or changes	Race is not observed on the tax return.
Tax Policy Center microsimulation	Tax model statistically matched and reweighted to surveys	Assigned through matching and weights	Distribution across tax units, including nonclaimants	Results depend on matching, calibration, and behavioral assumptions.
TAXSIM with household surveys	Census, Survey of Consumer Finances, or other microdata	Observed in survey	Liability and benefits among survey households	The tax return must be constructed and may omit detail.
Regression or decomposition	Tax, survey, housing, labor, or administrative records	Observed, imputed, or geographically assigned	Association of income, location, ownership, and other factors with a racial gap	Controls do not by themselves establish causation.
Administrative or geographic analysis	Internal Revenue Service (IRS) counts, program records, local tax data, or implementation evidence	Observed, inferred, or sometimes absent	Actual claims, take-up, location, and implementation	May exclude nonusers, lack race, or lack a counterfactual.
Official revenue model	Joint Committee on Taxation (JCT), Congressional Budget Office (CBO), Treasury, or other institutional model	Usually not reported	Federal receipts relative to a policy baseline	A cost estimate does not show distribution, and model details may be undisclosed.

The methods can be compared along three dimensions: what is observed, what must be supplied, and what the resulting estimate represents. Treasury begins with highly detailed tax records but must supply race. A survey begins with reported race and household circumstances but must supply the tax return. Statistical matching supplies a relationship between two datasets that no individual record contains. Each approach therefore moves the missing-information problem rather than eliminating it. A strong study identifies the variables added by modeling, describes the calibration targets, and tests whether its conclusion changes under plausible alternative assignments or weights.

Tax units also require care. A household, family, recipient, and tax-filing unit are not interchangeable. One household may contain several tax units; a married couple may be one tax unit but two recipients of an age-based provision; a child may determine a credit claimed by an adult. Published estimates should

state both the unit whose race is recorded and the unit over which benefits are counted. Otherwise, apparently precise group shares can conceal a basic classification choice.

Uncertainty arises from more than ordinary sampling error. Survey estimates have weights and standard errors. Microsimulation depends on tax-law coding, imputation, statistical matching, take-up, and behavioral assumptions. Administrative counts may look exact while omitting nonclaimants and unsuccessful applicants. Revenue estimates embed a baseline and often conventions about behavior and macroeconomic feedback. Numerical precision in a table should not be mistaken for certainty about those design choices.

B. Comparisons that change the answer

Several distinctions are essential when interpreting this literature.

First, a study of all families answers a different question from a study limited to claimants, homeowners, borrowers, or account holders. If most black families cannot reach a provision, an average among the few who do may conceal the larger access gap.

This distinction explains why dollar estimates from sound studies can differ sharply. A benefit averaged across every family includes zeros for people who do not qualify or claim. A benefit averaged among homeowners eliminates renters before the calculation begins. A claimant-only estimate eliminates everyone who encountered or anticipated a barrier. None of those denominators is inherently wrong, but each defines a different policy question.

Second, a racial group's share of total benefits is not the same as its average benefit. White families may receive most benefits because they are more numerous and more likely to qualify, while black recipients within a high-income group receive equal or larger amounts.

Third, an aggregate racial disparity may shrink, persist, or reverse when income is held constant. That does not make either result wrong. The aggregate result describes the system's distribution across the population; the within-income result describes treatment among more similarly situated people.

The choice to control for income is substantive, not merely technical. Income can confound a comparison, but it can also be part of the pathway through which a formally neutral tax preference produces unequal aggregate benefits. A within-income model is well suited to asking whether similarly situated tax units receive different amounts. It cannot, by construction, answer how benefits are distributed across a population in which income and wealth are themselves unequal. The best studies report both questions rather than treating one denominator or one set of controls as the uniquely correct measure of equity.

Fourth, modeled eligibility, predicted tax savings, observed claims, and observed behavior are not interchangeable. A model can estimate what a provision would do under its assumptions. Only post-

enactment data can show actual take-up, reporting, and behavioral response.

Fifth, a revenue estimate is inseparable from its baseline. For BBB provisions that replaced the scheduled expiration of TCJA rules, an estimate relative to present law may point in the opposite direction from an estimate relative to continued TCJA policy.

For example, keeping a restriction that was scheduled to disappear can raise revenue relative to statutory present law even though the same enacted package loses revenue relative to continued TCJA policy. A description such as “costs” or “raises” billions is incomplete until the counterfactual is named. The baseline issue is especially important in the mortgage, state and local tax (SALT), qualified business income deduction (section 199A), and individual-rate literature.

Finally, statutory eligibility is not receipt. Information, forms, identification requirements, employer reporting, digital access, language access, documentation, and follow-through can determine who obtains a nominal benefit. Research that stops at eligibility misses those administrative gateways.

C. Three levels of evidence

This review separates three evidentiary levels. The strongest is a provision-specific race estimate: a study directly models or observes the tax rule and identifies race. The second is bridge evidence: research documents racial differences in the asset, income, job, debt, or administrative process on which the provision depends, but does not measure the tax benefit itself. The third is an evidence gap: neither a direct estimate nor a reliable empirical bridge supports a racial conclusion.

Bridge evidence is valuable when used for its proper purpose. Racial differences in homeownership help explain why a homeowner deduction may be distributed unequally. They do not calculate the deduction. Racial differences in tipped work identify a question for the new tips deduction. They do not establish its incidence. The absence of a race-specific estimate is not evidence of neutrality, but it is also not permission to treat a plausible mechanism as a measured result.

Within the strongest category, four outcomes must still be distinguished. Statutory eligibility asks who satisfies the legal rule. Modeled receipt estimates who would claim under specified assumptions. Tax savings measure the change in liability rather than the face amount of a deduction or credit. Economic incidence asks who ultimately gains after prices, wages, borrowing costs, employer behavior, and financing adjust. A study may answer one of these questions well without answering the others. For example, a larger deduction amount is not the same as a larger reduction in tax, and a larger tax reduction is not necessarily a larger net economic gain if the taxpayer first paid a discriminatory interest charge to generate it.

The categories also prevent an asymmetry that can distort policy analysis. Researchers should not demand a completed race-specific causal study before acknowledging a well-documented access mechanism, while accepting an advocacy estimate as proof that a provision benefits the middle class.

But they must describe the mechanism as a hypothesis or bridge when the tax outcome itself has not been measured. Precision about the evidence level strengthens rather than weakens the racial analysis.

D. Original Current Population Survey analysis

This Review adds one original calculation concerning the new senior deduction. It uses the Census Bureau’s 2025 Current Population Survey Annual Social and Economic Supplement (CPS ASEC), including all 160 replicate weights. Demographic information refers to the 2025 survey; income and modeled federal-tax variables refer to calendar and tax year 2024. The population consists of non-Hispanic black-alone and non-Hispanic white-alone Social Security recipient-persons age sixty-five or older. A tax unit is classified as having zero federal individual income-tax liability before refundable credits when the Census variable FEDTAX_BC equals zero at the tax-unit head.

These are the author’s estimates, not published Census estimates. They count recipient-persons rather than unique tax units, so two qualifying spouses may be counted in one joint unit. The analysis describes liability before the new deduction existed. It does not simulate eligibility, claims, phaseouts, Social Security number requirements, interactions, or race-specific dollar benefits under the enacted provision. Its narrower purpose is to measure the unequal baseline against which an additional deduction operates.

III. The TCJA Provisions Made Permanent or Modified in 2025

The seventeen provisions do not have equally mature evidence. Direct race-specific work is concentrated in a few major tax preferences. For several others, related evidence identifies a plausible gateway but no tax estimate. The remaining provisions are research gaps. Table 2 states the evidence boundary before the detailed synthesis.

Table 2. Evidence concerning the seventeen extended or modified TCJA provisions

Provision	Best available evidence	Race-and-tax implication
Home-mortgage-interest deduction	Direct Treasury, Tax Policy Center, and TAXSIM estimates	White families receive most aggregate benefits; results can differ among high-income homeowners.
Child tax credit	Race-specific simulations and observed poverty effects	Earnings, refundability, and Social Security number rules exclude children unevenly.
Section 199A pass-through deduction	Direct Treasury estimate	Benefits are highly concentrated by income and race.
State and local tax deduction	Direct geographic and itemization evidence; broader race estimates for itemized deductions	High-income, high-property-value communities receive the largest subsidies; an isolated BBB race estimate is unavailable.
Casualty-loss deduction	Bridge evidence on wealth, homeownership, insurance, and disaster recovery	Multiple ownership, documentation, loss, itemization, and liability gates may reproduce racial disparities; no direct estimate exists.
Qualified transportation fringes	General employee-benefit evidence only	Black workers have less access to employer benefits overall, but no study isolates this provision.
Miscellaneous itemized deductions	No race-specific evidence	Evidence gap; the provision is not separately analyzed here.
Overall limit on itemized deductions	Distribution of itemization by income and race	The new limit affects the highest bracket; no direct racial estimate exists.
Achieving a Better Life Experience (ABLE) provisions	Disability and income evidence	Need is greater among lower-income and black adults, while money to contribute limits account use and zero liability limits the nonrefundable Saver's Credit.
Standard deduction and personal exemptions	Race-specific tax-model synthesis	A large standard deduction can narrow income-tax differences but eliminating personal exemptions disregards family size.
Estate and gift exemption	Direct wealth and inheritance data	The enlarged exemption protects extreme wealth, which is disproportionately held by white families; no direct estimate of taxable estates by race exists.
Combat-zone designations	Military deployment studies	Occupational and deployment patterns differ, but the tax benefits have not been estimated by race.
Student-loan discharge after death or disability	Debt and administrative-burden evidence	Black borrowers face greater debt exposure, but the distribution of the exclusion is unmeasured.
Wagering-loss deduction	No usable race data	Tax Policy Center omitted the rule for lack of estimable data.

Provision	Best available evidence	Race-and-tax implication
Moving expenses	Mobility, employer-benefit, and military composition data	Available studies do not establish the direction of the tax effect by race.
Alternative minimum tax	Income-distribution evidence	The exemption and phaseout changes affect taxpayers near the top, where white tax units are overrepresented; no direct racial estimate exists.
Individual rates and inflation indexing	Aggregate TCJA models and neighborhood evidence	Models of the TCJA as a whole show a larger white share of benefits; chained indexing may burden taxpayers with less ability to substitute as prices change.

A. Ownership and wealth gateways

1. Home-mortgage-interest deduction

The home-mortgage-interest deduction has the most developed race-specific evidence. Before the TCJA, an itemizer could deduct interest on as much as \$1 million of acquisition debt and \$100,000 of home-equity debt. The TCJA reduced the acquisition-debt ceiling to \$750,000 for post-December 15, 2017, debt and suspended the deduction for home-equity debt not used to buy, build, or improve the secured home. The BBB made those restrictions permanent and restored an itemized deduction for qualified mortgage-insurance premiums (Buffie et al. 2025).

The deduction has three threshold gates: ownership, mortgage interest, and itemization. Each is less common among black families. Holtzblatt, McClelland, and Garriga estimate that only 8 percent of all families claimed the deduction under 2019 law and that almost 80 percent of benefits went to the top income quintile. About 9 percent of white families claimed it, compared with 5 percent of black families and 4 percent of Hispanic families. Averaged across all families, including nonclaimants, the annual benefit was \$199 for white families, \$88 for black families, and \$66 for Hispanic families (Holtzblatt et al. 2024).

Treasury’s tax-return model produces a similar aggregate pattern. Table 3 states both each group’s population share and its benefit share so that the comparison is explicit.

Table 3. Fiscal-year 2023 home-mortgage-interest-deduction benefits. Source: Cronin et al. (2023).

Group	Share of families	Share of annual benefits	Annual average across all families
White	67%	84%	\$213
Black	11%	4%	\$63
Hispanic	15%	7%	\$77
Other	Not reported	5%	\$103

Note: “Home-mortgage-interest deduction” is written out because the figures concern that deduction, not mortgage interest paid. The averages are annual fiscal-year 2023 tax benefits across all families, including families receiving no benefit.

The aggregate result does not describe every subgroup. Among families in the top 5 percent, black families received benefits 25 percent above the average for that income group. In the top income quintile, 84 percent of black homeowners had mortgages, compared with about 71 percent of white and Hispanic homeowners, and black mortgage holders had higher loan-to-value ratios (Holtzblatt et al. 2024). Treasury likewise found that black and Hispanic families in some upper-middle and high-income groups received benefits as large as, or larger than, white families (Cronin et al. 2023).

Dawkins reaches a related result using a different population and method. Applying TAXSIM to 2019 Census microdata, he estimates an average mortgage-interest benefit of \$344.47 for white homeowners and \$223.16 for black homeowners. Income explained most of that gap (Dawkins 2024). His averages exceed the Treasury and Tax Policy Center figures partly because his study includes homeowners rather than all families. The difference illustrates why the study population matters.

Holtzblatt and coauthors also modeled the scheduled expiration of the TCJA rules. Use of the deduction would have more than doubled in each racial group, principally because the standard deduction would have fallen, but racial gaps would have remained (Holtzblatt et al. 2024). That exercise estimates a package of expiring rules; it does not isolate the \$750,000 acquisition-debt ceiling.

Other evidence helps explain the access gap. In 2022, 74 percent of white families owned homes, compared with 45 percent of black families; in 2019, 47 percent of white families had mortgages, compared with 28 percent of black families (Boddupalli et al. 2024). Replacing a deduction with a credit would change the rate effect but would not, by itself, close an ownership gap. Property assessment and lending practices also matter because they shape property taxes, interest, and equity before the tax return is filed (Avenancio-León and Howard 2022; Fields et al. 2023).

The effect of the permanent \$750,000 debt ceiling must also be stated precisely. A lower ceiling can be especially costly to homeowners with large mortgages, and high-income black homeowners are more likely than comparable white homeowners to carry substantial mortgage debt. But debt dependence and loan-to-value ratios do not reveal how many loans exceed the ceiling or the deduction lost because of it. The most defensible conclusion is therefore two-level: the permanent TCJA structure is likely to preserve

the broad aggregate white advantage documented under 2019 law, while some high-income black homeowners receive relatively large benefits because they depend more heavily on mortgage debt. No study has isolated the ceiling's racial effect or estimated the BBB mortgage provisions themselves by race.

Official BBB estimates do not fill that gap. The Congressional Budget Office (CBO) concludes that, relative to scheduled TCJA expiration, permanent standard-deduction and mortgage restrictions raise the effective marginal tax rate on new owner-occupied housing and reduce the incentive for residential investment (Congressional Budget Office 2026). The Joint Committee on Taxation (JCT) estimates that the qualified-residence-interest provision raises \$39.532 billion over fiscal years 2025–2034 relative to a baseline in which the temporary TCJA mortgage rules expired (Joint Committee on Taxation 2025). Tax Foundation estimates likewise show far fewer itemizers than under expiration but more itemizers than under simple permanence of the \$10,000 SALT cap (Muresianu et al. 2025). These are important estimates of housing incentives, revenue, and filing behavior. None distributes the BBB mortgage provision by race.

2. State and local taxes and itemization

The state and local tax (SALT) deduction has the same itemization gateway. The TCJA capped deductions at \$10,000 per return. For 2025 through 2029, the BBB generally raises the cap to \$40,000, indexes it by 1 percent annually, and phases it down for high-income taxpayers, before returning it to \$10,000 in 2030 (Buffie et al. 2025).

The empirical studies answer related but different questions. Locality-level Internal Revenue Service (IRS) data show that the uncapped subsidy was concentrated in high-property-value, high-itemization, low-poverty communities: Johnson reports an average subsidy of \$2,008 per resident in Weston, Massachusetts, and \$11 in Washington Parish, Louisiana (Johnson 2026). National and state IRS data show that the TCJA's larger standard deduction and SALT cap helped reduce the itemization rate from about 30 percent to 7.5 percent, although those data cannot measure deductions or gifts by nonitemizers (Husock and McMahon 2024). Tax Foundation modeling projects that the temporary \$40,000 cap increases the number of itemizers and their compliance costs relative to simple permanence of the \$10,000 cap (Muresianu et al. 2025). JCT's large revenue estimate points in the opposite direction only because its present-law baseline assumed that the TCJA cap would expire (Joint Committee on Taxation 2025).

None of these studies isolates the BBB SALT provision by race. Broader Treasury and Tax Policy Center estimates show that white families receive disproportionate benefits from itemized and homeowner deductions, reflecting income, homeownership, property value, and itemization (Cronin et al. 2023; Khitatrakun et al. 2023; Boddupalli et al. 2024). The evidence supports a distributional mechanism, not a provision-specific racial estimate.

The distinction between direct and synthesized evidence is useful here. Johnson observes where the pre-TCJA subsidy went. Husock and McMahon observe changes in reported itemization and charitable deductions. Muresianu and coauthors model compliance and filing under alternative laws. JCT estimates receipts. Boddupalli and coauthors synthesize race-specific estimates for itemized deductions as a group. Collapsing these sources into a single “SALT study” would obscure their different populations, outcomes, and limitations. Taken together, they show concentration and a plausible racial mechanism while leaving the BBB’s racial incidence unanswered.

The new overall limitation on itemized deductions is even narrower. It reduces the value of deductions for returns in the 37-percent bracket so that each dollar can save no more than 35 cents. That new cap raises revenue from some top-bracket itemizers. Separately, the BBB does not restore the former Pease limitation, a broader reduction of itemized deductions at high incomes. The burden of the new 35-cent cap and the benefit of permanent Pease repeal are distinct. No study estimates either by race. Because both operate near the top, where white tax units are overrepresented, income distribution supplies a research hypothesis rather than a direct racial result.

3. Section 199A and privately held businesses

The race connection to section 199A is direct and large. The provision allows many owners of pass-through businesses to deduct as much as 20 percent of qualified business income. Its value requires positive business income and grows with qualifying income and the taxpayer’s marginal rate. The BBB made it permanent, widened phaseout ranges, and created a \$400 minimum deduction for some materially participating taxpayers with at least \$1,000 of qualified business income (Buffie et al. 2025).

The familiar comparison between a 21-percent corporate rate and a 37-percent individual rate is incomplete. A corporation may also generate shareholder-level tax when it distributes dividends, while section 199A can reduce the top effective federal rate on qualifying pass-through income from 37 percent to 29.6 percent. Under simplified assumptions, the TCJA left a 36.8-percent combined corporate-and-shareholder rate on a fully distributed qualified dividend and a 29.6-percent rate on pass-through income receiving the full deduction. Section 199A therefore did more than create parity (Patel 2025).

The benefit is heavily concentrated. In 2022, taxpayers with adjusted gross income above \$1 million filed 2.4 percent of claims but received 44 percent of deduction dollars (Keightley 2024). JCT estimated that permanence and enhancement would reduce federal revenue by \$736.5 billion over fiscal years 2025 through 2034 relative to expiration (Joint Committee on Taxation 2025).

Treasury estimates that white families were 67 percent of families but received 90 percent of the fiscal-year 2023 section 199A tax benefit. Black families were 11 percent of families and received 2 percent. The average across all families was \$410 for white families and \$49 for black families (Cronin et al. 2023).

Higher-income families are more likely to have qualified business income, white families are overrepresented in higher brackets, and privately held business ownership is more common among white families. Within individual income deciles, however, Treasury did not find statistically significant racial differences in the percentage of families receiving the deduction. The aggregate gap arises principally from the unequal distribution of income and business ownership. Making the provision permanent preserves that racial distribution unless ownership and income patterns change.

Those gateways are not simply differences in taste for business ownership or saving. Research traces present gaps in wealth, property, access to capital, and business formation to law and public policy, racial violence, and exclusion from appreciating neighborhoods and markets (Cook 2014; Albright et al. 2021; Akbar et al. 2025; Derenoncourt et al. 2024). Section 199A does not create those conditions, but it converts qualifying income and ownership produced within them into a permanent federal tax preference.

That last qualification changes the characterization, not the aggregate result. Treasury's within-decile finding does not show that the deduction is racially balanced across the population. It shows that, within the model's income groups, race does not add a statistically detectable difference to the percentage of families receiving the deduction. The law still conditions its largest benefits on business ownership, qualifying profit, and high marginal rates, and those gateways produce the observed 90-to-2 distribution. A complete account should report both the within-income finding and the population distribution rather than use either to cancel the other.

4. Estate and gift tax

The BBB also permanently enlarges the TCJA estate and gift tax exemption. Beginning in 2026, the exemption is \$15 million per person, or potentially \$30 million for a couple, indexed for inflation. Relative to scheduled expiration, JCT estimates a \$211.725 billion ten-year revenue loss (Joint Committee on Taxation 2025). The provision applies only to extreme wealth: in 2019, 2,129 estates—0.07 percent of deaths—owed estate tax, and estates worth at least \$50 million paid 59 percent of it (Gravelle 2025).

In early 2026, white households were 63.75 percent of households but held 82.87 percent of wealth. Black and Hispanic households together held 5.70 percent. White households were also substantially more likely to receive an inheritance or large gift (Board of Governors of the Federal Reserve System 2026a; Samms and Lipman 2025). Those wealth and transfer data identify the gateway but do not directly identify taxable estates by race. They make a disproportionate white benefit highly plausible. They also show that the provision primarily protects a tiny group at the top of the wealth distribution, not white families generally.

The income-tax treatment of inherited appreciation magnifies the stakes. Basis generally steps up at death, eliminating income tax on appreciation that occurred during the decedent's life. Unrealized gains account for a substantial share of large estates, so the estate tax may be the only federal tax that

reaches that income (Gravelle et al. 2025). Claims that a large exemption is needed to protect family farms should also be kept in proportion: using the TCJA exemption then in effect, the Department of Agriculture modeled only eighty-nine estates of principal farm operators as owing federal estate tax in 2023, approximately 0.2 percent (Gravelle 2025). Those facts reinforce that the BBB provision is an extreme-wealth preference rather than broadly distributed family relief.

B. Liability, refundability, family size, and rates

1. Child tax credit

The child tax credit shows how earnings, refundability, and identification rules determine access to a nominal family benefit. Before the TCJA, the maximum credit was \$1,000 per child and the refundable portion phased in with earnings. The TCJA doubled the maximum, created a \$1,400 refundable maximum indexed for inflation, required a qualifying child to have a Social Security number, and raised the income levels at which the credit phases out. The American Rescue Plan Act temporarily made the credit fully refundable and expanded it for 2021. The BBB largely made the TCJA structure permanent, raised the maximum to \$2,200 for 2025, indexed it, and required work-authorized Social Security numbers for the qualifying child and for the claimant or either spouse on a joint return (Buffie et al. 2025).

The distinction between the maximum credit and the credit a family can actually receive is central. Families with little or no earnings cannot receive the full refundable amount, while families with no positive income-tax liability cannot use the nonrefundable portion. In 2025, a married couple with two children needed approximately \$41,500 of income to qualify for the full credit. Collyer and coauthors estimate that more than 19 million children under age seventeen were ineligible for the full credit because their family income was too low and that black and Hispanic children were disproportionately represented among them (Collyer et al. 2025). Earlier analyses likewise found that the fully refundable 2021 credit produced a historic reduction in child poverty, with especially large effects for black and Hispanic children (Burns et al. 2022).

The group-specific estimates make the earnings gateway concrete: 45 percent of black children and 39 percent of Latino children were in families with income too low to receive the full credit (Collyer et al. 2025). The identification gateway is separate. Requiring work-authorized Social Security numbers for claimants and qualifying children is estimated to deny the credit to between two million and three million U.S.-citizen and permanent-resident children, especially U.S.-born children whose parents are unauthorized immigrants (Collyer et al. 2025). An empirical analysis should not combine loss from low earnings with loss from identification rules; they are different mechanisms and call for different reforms.

The racial mechanism is not a race classification in the statute. It is the choice to condition the full benefit on earnings and liability in a population with unequal income and employment. The Social

Security number rules add a separate administrative and immigration-status gateway. The BBB's larger nominal maximum therefore does not undo the unequal access embedded in the TCJA structure.

The 2021 credit supplies an observed counterpoint rather than a purely hypothetical reform. Full refundability allowed families with little or no income-tax liability to receive the same per-child amount as families above the earnings threshold. Census attributed a 46-percent decline in supplemental child poverty from 2020 to 2021 in substantial part to that expansion (Burns et al. 2022). The contrast does not isolate race from income, family structure, employment, or immigration status, but it shows that refundability is a design choice with measurable distributional consequences.

2. Standard deduction, personal exemptions, and individual rates

The BBB permanently eliminates personal exemptions and retains the TCJA's larger standard deduction. The standard deduction reduces taxable income without itemization and can narrow some aggregate income-tax differences. Its weakness is family size: unlike personal exemptions, it does not grow with each dependent. A large family can therefore have the same standard deduction as a small family filing in the same status (Boddupalli et al. 2024).

The larger standard deduction also reduced itemization to roughly 10 percent of returns. That change limits deductions historically concentrated among affluent homeowners and can narrow racial disparities. But the BBB simultaneously made permanent lower individual rates whose dollar value rises with taxable income. Aggregate TCJA models find that white tax units received more of the individual income-tax benefits because they are overrepresented at the top (Gale et al. 2025).

The permanent switch from the Consumer Price Index for All Urban Consumers (CPI-U) to chained CPI creates a less visible effect. Chained CPI assumes that consumers substitute toward cheaper alternatives as relative prices change. For 2026, the single-filer 10-percent bracket ends at \$12,400; applying the pre-TCJA CPI-U indexing method to the 2017 threshold produces an endpoint of approximately \$12,725 (Internal Revenue Service 2016, 2025b; U.S. Bureau of Labor Statistics 2026). The 10-percent rate itself did not fall, and an estimated 83 million tax units had a top federal rate of 10 percent or less in 2025 (Tax Policy Center 2025). Taxpayers with less ability to find substitutes therefore bear a burden that the index assumes away. That concern has a racial dimension because middle-income black families are more likely than low-income white families to live in high-poverty, poorly resourced neighborhoods with fewer retail alternatives (Reardon et al. 2015; Turner and Greene n.d.). This is bridge evidence about the substitution mechanism, not a race-specific estimate of chained indexing.

The distinction between a rate and a bracket is also important. Crossing a bracket threshold taxes only the next dollar at the higher marginal rate; it does not subject all income to that rate. Rate-cut estimates should therefore model the full return, credits, and filing unit rather than assign the statutory marginal-rate change to all income. Because the dollar gain from a lower rate grows with taxable income, an

aggregate race estimate must also state whether it describes the share of total benefits, the average among all tax units, or the gain among tax units actually affected.

The alternative minimum tax (AMT) presents a narrower high-income question. The BBB makes the TCJA's larger exemptions permanent, which generally reduces AMT exposure relative to expiration. It also resets the 2026 phaseout thresholds below their 2025 levels and doubles the rate at which the exemption disappears, changes that keep more affected high-income taxpayers in the AMT than simple extension would. No study has estimated the combined changes by race. White tax units are overrepresented near the top, but the evidence does not show different treatment of black and white taxpayers with the same income and tax preferences. A race-linked AMT simulation is required.

C. Disability, employment, debt, and administration

1. Achieving a Better Life Experience (ABLE) accounts

ABLE accounts permit qualifying people with disabilities to save for disability expenses with tax-free growth and qualified distributions. The TCJA temporarily allowed employed beneficiaries to contribute more, permitted certain 529-to-ABLE rollovers, and extended the nonrefundable Saver's Credit to eligible contributions. The BBB made those rules permanent (Buffie et al. 2025).

Need and access point in different directions. Age-adjusted 2022 data show disability among 30.6 percent of non-Hispanic black adults and 27.4 percent of non-Hispanic white adults. Disability is also much more prevalent at low incomes (Centers for Disease Control and Prevention 2025; Fuller-Thomson et al. 2009). That might suggest greater need among black and lower-income people. Yet an account requires money to save, and a nonrefundable credit requires positive income-tax liability. Very low-income beneficiaries may obtain neither. The tax code therefore rewards the subset of disabled people who can contribute and use a credit rather than distributing benefits according to disability-related need. The literature establishes the conflicting gateways; it does not estimate the BBB ABLE changes by race.

Zero liability blocks use of the Saver's Credit; it does not eliminate tax-free growth or qualified withdrawals from an ABLE account. That distinction prevents an overbroad claim that low-income beneficiaries receive no tax advantage. The access problem instead has two parts: whether a beneficiary or family can fund the account, and whether the beneficiary has enough liability to use the separate nonrefundable credit. A provision-specific study should report contributions, balances, withdrawals, and Saver's Credit receipt separately by race and income.

2. Student-loan discharge after death or disability

The BBB permanently excludes qualifying federal, governmental, educational, and private-education loan discharges arising from death or total and permanent disability and adds a work-eligible Social Security

number requirement (Buffie et al. 2025). The exclusion cannot generate a refund. Its largest immediate tax benefits go to borrowers whose discharged balances would otherwise create taxable income, who are not fully protected by insolvency rules, and who have enough other income to owe tax.

Black borrowers borrow more often, receive less family assistance, carry balances longer, and default more frequently. In 2025, black adults were twice as likely as white adults to have outstanding student loans (Board of Governors of the Federal Reserve System 2026b). That evidence measures exposure to debt, not access to a qualifying discharge or the tax treatment that follows.

The tax implication is limited but important. Black borrowers may be more exposed to the underlying debt and therefore may benefit disproportionately from protection against a contingent discharge tax. Yet the distribution of the exclusion cannot be known without discharge rates, balances, insolvency, income-tax liability, loan type, and Social Security number compliance by race. The evidence supports a racial-equity rationale, not a measured racial-incidence conclusion.

3. Casualty losses

The BBB permanently limits ordinary personal casualty losses to federally or qualifying state-declared disasters and provides more generous rules for specified past federal disasters (Buffie et al. 2025). The deduction's cumulative gates are unusually demanding: property and tax basis, an uncompensated qualifying loss, documentation, declaration and adjusted-gross-income thresholds, itemization unless special treatment applies, and positive liability. A deduction is also worth more at a higher marginal rate.

Wealth, homeownership, insurance, liquidity, and disaster recovery differ by race, so those gates plausibly produce unequal access. Renters can claim qualifying losses to belongings but not to the building. Public data nevertheless do not reveal recipients by race, insurance status, wealth, or neighborhood. Disaster disparities illuminate the setting in which the deduction operates; they do not establish the deduction's causal or distributional effect.

The deduction's design can also make equal dollar losses produce unequal tax benefits. A taxpayer must first absorb statutory floors, and the remaining deduction is worth more at a higher marginal rate. Taxpayers with records, professional help, liquidity to wait for reimbursement, and property with tax basis are better positioned to document a claim. The BBB's special treatment for specified past disasters can relax the ordinary adjusted-gross-income and itemization gates, but it does not produce public data about recipients. The research need is therefore concrete: link disaster designation, property and insurance records, income, race, claiming, and tax savings rather than infer tax relief from disaster exposure alone.

4. Employer and military provisions

The BBB makes permanent the loss of the bicycle-commuting exclusion and modifies inflation adjustments for other qualified transportation fringes. No study isolates those tax provisions by race. General evidence shows less access among black workers to tax-preferred retirement and health benefits, but industry, occupation, employer size, income, and part-time work contribute to the observed differences (Boddupalli et al. 2024; Cronin et al. 2023; Hersch and White-Means 1993). That literature identifies an employer-benefit research question; it does not establish the distribution of parking, transit, or bicycle benefits.

The BBB also retains moving-expense relief for members of the Armed Forces and extends it to members of the intelligence community, while adding combat-zone treatment for specified countries. Studies show racial differences in military occupation and deployment, but their direction varies by conflict and outcome (Armey et al. 2021; Carter et al. 2017). Mobility data and military composition do not establish who receives these tax benefits. They should be analyzed together as employment-based evidence gaps rather than as stand-alone findings.

D. Provisions that remain evidence gaps

No reliable race-specific conclusion can presently be drawn for miscellaneous itemized deductions, the wagering-loss limitation, or several smaller rules. Tax Policy Center omitted the wagering rule from its 2026 race analysis because it lacked data to estimate affected tax units (Tax Policy Center 2026). That omission is informative about the data boundary, not about the provision's neutrality. The proper treatment in a literature review is to identify these provisions briefly, explain the missing variables, and avoid replacing absent evidence with speculation.

IV. The Five New Provisions

The BBB describes five new provisions as relief for workers and middle-class families. None has a completed provision-specific race study. The available evidence is therefore strongest when it identifies the statutory gateway, the relevant pre-enactment disparity, and the data needed to test the resulting hypothesis.

For each provision, five stages should be kept separate: legal eligibility, practical access, the amount reported or contributed, the reduction in tax, and the ultimate economic value. Early government announcements generally count elections, accounts, filers, or deduction amounts. They do not necessarily count completed claims, tax savings, or net gains. Revenue scores answer how receipts change relative to a baseline, not which racial group receives the reduction. These distinctions are especially important when the only post-enactment evidence comes from the first filing or enrollment period.

A. Car-loan interest

From 2025 through 2028, taxpayers may deduct as much as \$10,000 of interest on a post-2024 loan used to buy a qualifying personal-use vehicle. Original use of the vehicle must begin with the taxpayer; it must be finally assembled in the United States, weigh under 14,000 pounds, and secure the loan, and lease interest does not qualify. The deduction phases out above \$100,000 of modified adjusted gross income, or \$200,000 on a joint return (Buffie et al. 2025). JCT's present-law score for the near-final Senate provision estimates a \$30.631 billion revenue loss over 2025–2034 (Joint Committee on Taxation 2025).

Independent ten-year scores cluster near that amount: Tax Foundation estimates \$28.8 billion, and the Committee for a Responsible Federal Budget estimates approximately \$31 billion as enacted (Muresianu et al. 2025; Gale et al. 2026). Their proximity is informative about projected receipts, but it cannot validate a racial conclusion. None reports qualifying new-vehicle purchases, interest paid, claims, or tax savings by race.

The provision has at least four distributional gates: purchase of a new rather than used vehicle, use of debt, interest paid, and positive taxable income. If lower-income purchasers buy used vehicles more often or borrow less for new vehicles, eligibility and deductible interest will be lower. Because black households are disproportionately represented in the lower half of the income distribution, those conditions support a testable hypothesis of lower aggregate benefits. The available evidence does not itself establish the purchasing pattern or the tax result.

Auto-lending evidence adds a paradox. Strong studies find that black borrowers, on average, pay higher interest rates or discretionary dealer markups than similarly situated white borrowers after accounting for creditworthiness and loan characteristics (Butler et al. 2023; Cohen 2012; Ozturk et al. 2023). Higher interest could create a larger deduction among otherwise comparable eligible borrowers. That would not mean the tax code overcomes the lending disadvantage: the borrower first pays more interest and recovers only a fraction through a deduction. Nor does it establish that black borrowers obtain more tax savings overall, because the result also depends on vehicle eligibility, loan balance, marginal rate, phaseout, and liability. A valid study must link each of those variables to race and actual claims.

B. Qualified tips

The tips deduction provides temporary income-tax relief to a narrow set of taxpaying tipped workers, not a general exemption for tips. From 2025 through 2028, an eligible taxpayer may deduct as much as \$25,000 of qualified tip income. The deduction is available in addition to the standard deduction, phases out above \$150,000 of modified adjusted gross income (\$300,000 on a joint return), requires a work-authorized Social Security number, and is unavailable to married taxpayers filing separately. Tips remain subject to Social Security and Medicare taxes (Buffie et al. 2025).

JCT's present-law score for the near-final Senate provision and independent estimates of the enacted law place the ten-year revenue loss near \$31–\$32 billion (Joint Committee on Taxation 2025; Gale

et al. 2026; Muresianu et al. 2025). Tax Policy Center estimates that only 3 percent of tax units receive a benefit in 2026, with an average gain of \$1,370 among recipients and the largest percentage gains in the middle 60 percent of the income distribution (Gale et al. 2026). The distinction between a deduction and tax savings matters: Treasury's report of an average claimed deduction above \$7,000 does not mean an average \$7,000 reduction in tax (U.S. Department of the Treasury 2026a).

The principal gateway is positive income-tax liability. More than one-third of tipped workers owed no federal income tax before credits in the pre-enactment evidence summarized by Fulton. Those workers may continue to owe payroll tax while receiving no income-tax benefit from an additional deduction. Black workers were 11.3 percent of the tipped workforce and 12.3 percent of the overall workforce in the same evidence, and studies report lower tips for black taxi drivers and restaurant servers (Fulton 2025). Slight underrepresentation in tipped work and lower tip income can both reduce the eligible amount available to deduct.

These findings concern the labor market before enactment, not the deduction. They do not link race, eligible reported tips, liability, filing status, and actual claims. Early interviews also reveal confusion about withholding, automatic gratuities, state conformity, cash-tip reporting, and employer coding, but the sample is not representative (Sikes and Collins 2026). A complete analysis must therefore measure not only eligibility but also reporting, understanding, employer compliance, and receipt.

The early numbers illustrate the measurement problem. Treasury reported more than 7.5 million filers claiming average deductions above \$7,000, while Tax Policy Center estimated an average tax gain of \$1,370 among recipients (U.S. Department of the Treasury 2026a; Gale et al. 2026). Those figures are not competing estimates of the same quantity: one is a deduction from income and the other is a reduction in tax. A racial study that reports only deduction amounts could therefore exaggerate both the value of the provision and differences between groups whose marginal rates differ.

C. Qualified overtime compensation

The BBB created a temporary deduction of up to \$12,500, or \$25,000 on a joint return, for the overtime premium required by section 7 of the Fair Labor Standards Act. It does not deduct the worker's regular pay for those hours. The deduction phases out at the same income levels as the tips provision, requires a work-authorized Social Security number and separate information reporting, and leaves the compensation subject to payroll tax (Buffie et al. 2025).

The revenue estimates are less settled than for tips or car interest. Relative to its present-law baseline, JCT estimated an approximately \$89.6 billion ten-year loss for the near-final Senate provision, while Tax Foundation estimated \$145.9 billion for 2025–2034; Tax Policy Center reported approximately \$90 billion for the temporary law and \$227 billion if it were made permanent (Joint Committee on Taxation 2025; Muresianu et al. 2025; Gale et al. 2026). Differences in legal version, baseline, take-up,

compensation responses, and permanence can account for part of the range. The variation is a warning against presenting a single score as an observed cost or a distributional estimate.

No national study establishes that black workers are denied legally required overtime pay more often than white workers. A three-city descriptive study of low-wage workers reported a lower overtime-violation rate for black workers and found job and employer characteristics more important than race (Bernhardt et al. 2009). Studies of municipal, transit, and nursing workplaces show how occupation, scheduling, and access to short-notice shifts could be tested, but they concern sex or extra-role work rather than a national black-white estimate of legally qualifying overtime (An et al. 2024; Bolotnyy and Emanuel 2022; City of Los Angeles 2020; Estrada et al. 2026).

Those studies provide a method for future race research, not a present racial conclusion. The tax benefit depends on legal coverage, overtime opportunities, hours accepted, premium compensation reported, income-tax liability, and claiming. If black workers receive less qualifying overtime compensation because of occupation, scheduling, or access, they will also have less to deduct. The magnitude and even the national direction remain unknown.

D. Senior deduction and original CPS estimates

From 2025 through 2028, the BBB provides an additional deduction of as much as \$6,000 for each taxpayer age sixty-five or older. A qualifying couple may claim \$12,000 on a joint return. The deduction phases out at 6 percent of modified adjusted gross income above \$75,000 for an unmarried taxpayer or \$150,000 on a joint return. It requires a work-authorized Social Security number and is available to itemizers and nonitemizers (Buffie et al. 2025).

The racial implication begins with liability. A deduction cannot reduce an income-tax bill already at zero, and about half of Social Security recipients owe no federal income tax (Gale et al. 2026). The CPS analysis reported here measures that baseline.

Table 4 covers non-Hispanic black-alone and non-Hispanic white-alone Social Security recipient-persons age sixty-five or older who were in tax units for which the Census model estimated zero 2024 federal individual income-tax liability before refundable credits. “Share of the zero-liability group” asks who makes up that entire group. “Within-race zero-liability rate” asks what percentage of each racial group is in a zero-liability unit.

Table 4. Senior Social Security recipients in tax units with zero modeled federal income-tax liability before refundable credits

Race or ethnicity	Estimated recipient-persons in zero-liability units	Share of zero-liability group	Within-race zero-liability rate
Non-Hispanic black alone	3.264 million (95% CI: 3.129–3.399)	12.72% (12.20%–13.25%)	70.36% (68.15%–72.57%)
Non-Hispanic white alone	17.525 million (95% CI: 17.052–17.998)	68.31% (67.48%–69.15%)	46.84% (45.60%–48.08%)

Source: Author’s calculations using the U.S. Census Bureau 2025 CPS ASEC and its 160 replicate weights. The black-white difference in within-race rates is 23.52 percentage points (95% CI: 21.10–25.93). CI means confidence interval.

White recipients make up most of the zero-liability group because there are many more white senior recipients overall. Within each race, however, a black recipient is much more likely to be in a zero-liability tax unit: 70.36 percent, compared with 46.84 percent of white recipients. That baseline leaves less room for an additional deduction to help black recipients.[1]

The limits are as important as the estimate. Census modeled the tax variable; it did not observe an IRS return. The sample covers Social Security recipients, not every person eligible for the deduction. The unit of estimation is the recipient-person, so two spouses may appear in one joint tax unit. Most important, the tax year is 2024, before the deduction existed. The analysis does not simulate eligibility, claiming, phaseouts, Social Security number requirements, interactions, or dollar benefits. It identifies a racial difference in baseline liability; it does not estimate the provision’s enacted racial distribution.

E. Trump accounts

Trump accounts combine a universal-looking enrollment mechanism with benefits that depend heavily on contributions and time. Accounts may only be created for eligible children before age eighteen, contributions begin in 2026, and distributions are barred before eighteen. The federal pilot contributes \$1,000 for eligible children born from 2025 through 2028. Ordinary annual contributions are generally capped at \$5,000; qualifying employer contributions of up to \$2,500 are excludable from employee income but count toward that cap. Earnings are tax deferred, and taxable distributions generally receive the ordinary-income treatment applicable to traditional individual retirement accounts (IRAs) and may face an additional tax unless an exception applies (Buffie et al. 2025).

The contribution channel determines both access and tax treatment. The pilot contribution and qualifying class-wide government or charitable contributions fall outside the ordinary annual cap and do not create basis. Employer contributions receive an exclusion but use part of the ordinary cap. Private contributions by a child, family member, or other person use the remaining cap and create basis. Those categories matter because two accounts with the same balance may contain different amounts that will be taxable on distribution. They also reveal why account ownership is an incomplete equity measure:

public seed money, an employer contribution, and sustained private deposits are economically different subsidies.

The process is not entirely automatic. IRS instructions call for an election on Form 4547, authentication, and activation by an authorized person (Internal Revenue Service 2025a). Reported enrollment counts use varying labels—accounts, families, children, or elections—and do not disclose one reconciled denominator. Nor does enrollment measure value. A seed-only account and an account receiving maximum contributions each count as one child.

That warning is already relevant to observed implementation. By late July, Treasury reported seven million enrolled children and said that 86 percent came from families with income below \$200,000 (Bessent 2026). The threshold encompasses much of the income distribution and says nothing about wealth, race, contribution source, activation, or balance. The figures show substantial early participation; they do not show equal access or equal value.

No study estimates Trump accounts by race. The principal gateway is the ability of parents, relatives, or employers to contribute and leave funds invested. Wealthier families can contribute more, tolerate market risk, and delay withdrawals; lower-wealth families cannot. The contrast with baby bonds is therefore important. Baby-bond proposals would establish federally supported accounts for children with the goal of giving disadvantaged young adults resources to build wealth. Trump accounts supply a \$1,000 pilot contribution for a limited birth cohort and then rely substantially on private and employer contributions. Existing racial wealth and employer-benefit gaps make unequal balances plausible even if initial enrollment is broad.

Tax treatment adds complexity. Unlike a 529 plan, which can distribute earnings tax free for qualified education, a Trump account generally offers deferral followed by ordinary-income treatment. A young recipient's taxable distribution can also interact with the Kiddie Tax. A race-and-tax study must therefore follow the full path: election, authentication, activation, contribution source and amount, investment return, withdrawal timing, applicable tax, and ultimate value. Enrollment alone cannot answer who benefits.

Investment design creates an additional outcome to measure. Initial contributions are invested in a broad U.S. stock-market fund, and public materials do not promise a guaranteed return or an automatic shift toward less volatile assets as age eighteen approaches (U.S. Department of the Treasury 2026b). Market exposure can generate substantial growth, but a decline shortly before a permitted withdrawal can also reduce the amount available. Families able to leave the account untouched can wait through a downturn; families that need funds cannot. Balance and withdrawal data should therefore be evaluated with contribution histories and market timing, not treated as a pure measure of saving behavior.

F. Synthesis

The five new provisions repeat the older gateways in new forms. Car interest requires a qualifying asset and debt. Tips and overtime require the right compensation, reporting, and liability. The senior deduction requires liability that many intended beneficiaries lack. Trump accounts require private or employer contributions for their largest gains. None of those observations is a completed racial-incidence estimate. Together they specify the variables that a serious estimate must contain.

V. What the “Individual Tax Provisions” Frame Leaves Out

The racial distribution of the BBB cannot be understood by studying tax cuts in isolation from the reductions used to finance them. Medicaid, Affordable Care Act coverage, and nutrition assistance serve lower-income households in which black people are disproportionately represented. The law’s health and nutrition reductions therefore belong near the beginning of a whole-law distributional account, even though they are not individual income-tax provisions.

The TCJA had already reduced the individual-mandate penalty to zero, and federal budget estimates expected the change to reduce insurance enrollment and subsidy costs (Congressional Budget Office 2018). The American Rescue Plan Act later increased marketplace assistance through 2025, but the BBB did not extend it. Federal agencies reported 1.19 million fewer marketplace enrollees in 2026 than in 2025 (Nelson et al. 2026). Black adults were already more likely than white adults to be uninsured and less likely to hold jobs with tax-free health insurance; black marketplace enrollment had increased sharply after the enhanced assistance began (Hill et al. 2026; Waldrop 2025).

That sequence shows why a tax expenditure cannot be evaluated apart from its financing and surrounding program rules. Reducing the mandate penalty saved federal money because fewer people were expected to enroll and receive subsidies. Enhanced premium assistance then increased affordability and black marketplace participation; black enrollment rose 95 percent from 2020 to 2023 (Waldrop 2025). Allowing that assistance to expire and imposing new enrollment barriers can reverse a benefit without appearing in a table limited to the law’s new individual deductions.

The BBB also reduces federal support for Medicaid and imposes work-reporting, renewal, verification, and eligibility requirements. Those rules can remove substantively eligible people who fail to complete procedures, particularly workers with unstable hours, health limitations, or caregiving obligations (Marr et al. 2025; Shurtz 2025). Gale and coauthors estimate approximately \$1.1 trillion in federal health-care reductions over ten years and cite CBO’s estimate of ten million more uninsured people by 2034 (Gale et al. 2026). The law separately reduces Supplemental Nutrition Assistance Program funding; estimates identify approximately \$186 billion in reductions and three million people losing food assistance (Coffey and Hahn 2025). These outcomes are not speculative tax incidence. They are central components of the law’s distribution.

Debt is another part of the financing frame. Syntheses of conventional estimates place the ten-year deficit increase at roughly \$3.7 trillion to \$5.1 trillion, depending on the baseline and treatment of temporary provisions (Gale et al. 2026). Higher public borrowing can reduce national saving, increase

interest costs, and crowd out private investment over time. Illustrative exercises assigning that debt equally across tax units or in proportion to income are not enacted taxes, but they demonstrate that a distributional table of immediate tax cuts cannot by itself show who is better off after financing.

Two related tax preferences repeat gateways already identified. The BBB expands tax-free 529-plan uses and the amount available for K–12 expenses. The benefit depends on private savings, and black families face lower wealth and less access to financial planning and banking (Hanson 2023; Malkus et al. 2018). The law also makes employer-paid student-loan assistance permanent. Black graduates are more likely to have student debt, but black workers are less likely to receive valuable employer benefits (Kristal et al. 2018; Paulsen and Cuyler 2026; Hersch and White-Means 1993). In both cases, the people with the greatest need may be least able to reach the tax preference.

The statutory details make the contrast sharper. The 529 amendment raises the annual K–12 limit from \$10,000 to \$20,000 and expands qualified expenses, but an exclusion for account earnings has little value to a family unable to save. Employer educational assistance can exclude student-loan payments within a combined \$5,250 annual limit, now permanent and inflation-adjusted beginning in 2027; relative to scheduled expiration, JCT estimates an \$11.238 billion ten-year revenue loss (Buffie et al. 2025; Joint Committee on Taxation 2025). Tax Policy Center omitted the employer-payment provision from its race model because the necessary affected-tax-unit data were unavailable (Tax Policy Center 2026). Need for debt relief and access to a participating employer must therefore be measured separately.

Finally, the label “individual” obscures the need to study corporate and international provisions by race. From 1960 to 2025, the corporate-income-tax share of federal receipts fell from 23.2 percent to 8.6 percent. The individual-income-tax share rose from 44.0 percent to 50.7 percent, and social-insurance and retirement receipts, principally payroll taxes, rose from 15.9 percent to 33.4 percent (Office of Management and Budget 2026). Receipt shares do not establish ultimate economic incidence. They do show why a research agenda cannot segregate business-side tax reductions from the taxes and program reductions borne by individuals.

A race-specific corporate-tax analysis must follow several channels at once. Changes in after-tax profits may reach shareholders through dividends, capital gains, and retained earnings; they may reach workers through wages, hiring, and bargaining; they may reach consumers through prices; and they may affect communities through the location of investment and the public services financed by federal revenue. The racial distribution can differ across those channels and over time. A shareholder-incidence estimate may show an immediate wealth effect while missing employment or place-based effects, just as a wage model may omit gains accruing to owners.

The data strategy should match that complexity. Survey of Consumer Finances and Distributional Financial Accounts data can describe ownership; tax models can allocate modeled business-tax changes; linked employer-worker data can test wage and employment responses; consumer and establishment data can examine prices and investment by place. Each approach must state how race is observed or imputed, how corporate and pass-through ownership are valued, what share of a tax change

is assigned to capital or labor, what time horizon is used, and how foreign ownership is treated. Program reductions and debt service should then be added rather than treated as external to the tax analysis. Without those steps, a shift in receipt shares is a reason to investigate racial incidence, not an estimate of it.

VI. Research Agenda and Conclusion

The next stage of race-and-tax research should move from indirect evidence and early administrative counts to provision-specific estimates of the BBB's operation. Each new provision requires a different linked dataset or simulation.

For the tips deduction, researchers must connect race and ethnicity to eligible reported tips, filing status, income-tax liability, actual claims, payroll tax, and tax savings. For overtime, they must distinguish legal coverage, access to overtime opportunities, hours worked, premium compensation reported by employers, and the deduction received. Car-loan research must connect vehicle eligibility, purchase price, loan terms, lender and dealer practices, interest paid, liability, and claims. Trump-account research must distinguish election, authentication, activation, contribution sources, balances, investment outcomes, withdrawals, and taxes; enrollment alone is inadequate. The senior provision requires a direct simulation of the enacted deduction and, when available, analysis of claims rather than inference from pre-enactment liability.

The same principle applies to provisions that remain unstudied. Qualified transportation benefits require employee, employer, commuting, and tax data. Casualty-loss research requires race, property, basis, insurance, disaster designation, itemization, liability, and timing. The student-loan exclusion requires discharged balances, disability status, insolvency, income, liability, and application outcomes. Military provisions require tax benefits linked to occupation, deployment, and race. For AMT, wagering losses, moving expenses, and itemized-deduction limits, the first contribution may simply be a credible estimate of affected tax units by race.

Future studies should follow the path from statutory eligibility to ultimate value. That path includes awareness, attempted claims, identity authentication, digital and language access, employer participation, documentation, completion, receipt, and economic capture. Researchers should report people who do not claim as well as those who do. A study confined to account holders, homeowners, or successful claimants can describe allocation within the gateway while missing the larger inequality in access to it.

Methodological transparency is equally important. Researchers should identify whether race is observed, imputed, matched, or assigned geographically; define the tax unit and study population; distinguish group benefit shares from averages and recipient-only estimates; state whether a result is modeled or observed; name the policy baseline; report uncertainty; and explain which behavioral responses are assumed. When a disparity disappears after controlling for income, the study should not erase the aggregate distribution that the tax system actually produces. When an aggregate disparity appears, the

study should not describe it as unequal treatment among otherwise identical taxpayers unless the design establishes that result.

The literature also needs a wider frame. Corporate and international tax rules affect individuals through ownership, wages, prices, public revenue, and program financing. Tax reductions should be evaluated together with Medicaid, health-insurance, nutrition, and other benefit changes. A provision-by-provision estimate is necessary, but it is not sufficient to describe the distribution of the law as a whole.

Thirty years ago, empirical race-and-tax scholarship confronted a threshold objection: how could a statute that never says “black” or “white” produce racially unequal results when tax returns do not identify race? The literature has answered the first part of that objection and developed tools for addressing the second. Formally neutral rules can reproduce inequality when they reward income, wealth, ownership, credit, savings, employment benefits, or administrative capacity that are distributed unequally.

That conclusion is not a license to presume the result of every provision. The mortgage-interest evidence shows a large aggregate white advantage and relatively large benefits among some high-income black homeowners. Section 199A shows an extreme aggregate disparity that is largely associated with income and business ownership. The senior analysis identifies an unequal baseline but does not simulate the enacted deduction. For many other provisions, the honest answer is that no direct estimate exists.

The proper test of “tax relief” is therefore empirical. Who can reach the provision? Who cannot? What is it worth to recipients? What does it cost? What procedures determine receipt? What other benefits were reduced to finance it? And who ultimately benefits? The 2025 law supplies a large research agenda. The field now has the methods to pursue it without turning either formal neutrality or an evidence gap into an answer.

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Data availability: The data used in the original calculation are publicly available in the U.S. Census Bureau's 2025 CPS ASEC public-use files (U.S. Census Bureau 2025). Variables, weights, and the replication procedure are reported in footnote 1.

Code availability: No analysis code is archived with this submission; the complete replication procedure is reported in footnote 1.

Author contributions: Beverly I. Moran conceived the article, conducted the literature review and data analysis, and drafted and revised the manuscript.

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Footnotes

1. The calculation is reproducible from the Census Bureau's March 2025 CPS ASEC public-use comma-separated values (CSV) file. A senior Social Security recipient has A_AGE >= 65 and SS_YN = 1; non-Hispanic black-alone status is defined by PEHSPNON = 2 and PRDTRACE = 2; non-Hispanic white-alone status is defined by PEHSPNON = 2 and PRDTRACE = 1. Records sharing TAX_ID constitute a modeled tax unit, and zero liability means FEDTAX_BC = 0 at the tax-unit head. Point estimates use PWWGT0. The person file is joined to the replicate-weight file with PH_SEQ/H_SEQ and PPPOS, and every estimate is recalculated with PWWGT1 through PWWGT160. Replicate variance equals (4/160) times the sum of squared differences between each replicate estimate and the full-sample estimate; confidence intervals use 1.96 replicate standard errors. The source file used for these calculations has SHA-256
318845a2b5e0034eb2973898de1738f4df0025727de38499e7669cb9c0deef0b