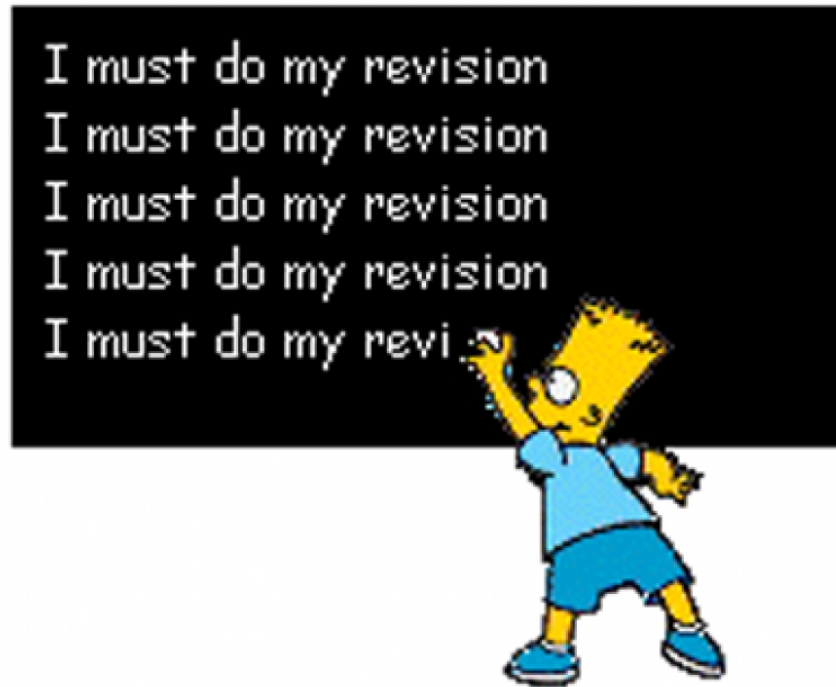


# *All Forecasts Are Subject to Revision*



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# Pre-Tax Cuts Act Forecasts

- ❖ The world is in sync: WEO 2018 outlook is 3.7% real GDP growth, with 188 out of 193 countries & territories (97%) growing.
- ❖ U.S. & Va. growth accelerated in 2017, expected to accelerate more in 2018 then slow.
  - But with Va. growth not matching the U.S. rates

## Calendar Year Percent Changes

	Actual	Predicted			
	2016	2017	2018	2019	2020
Real GDP	1.5	2.3	2.6	2.3	1.9
GDP Deflator	1.3	1.8	2.1	2.2	2.4
Nominal GDP	2.8	4.1	4.7	4.6	4.4
U.S. Personal Income	2.4	3.1	4.2	5.0	5.0
<i>Virginia Personal Income</i>	<i>2.0</i>	<i>3.0</i>	<i>3.4</i>	<i>4.7</i>	<i>4.6</i>

# *How much difference will it make (Pearl Jam)*

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- ❖ Informed estimates for real GDP Change:
- ❖ NABE 12/17 Survey median: **0.2%** for 2018 and 2019
- ❖ HIS Markit 12/17: **0.3%** per year 2018 to 2020, “*could give rise to growth challenges in 2019 and 2020*”.
- ❖ Tax Foundation’s Taxes and Growth Model, December: 2018-2020, **.44%** per year
- ❖ Tax Policy Center, 12/17, 2018-2020: **0.8% 0.7%, 0.5%**.
- ❖ Joint Committee on Taxation, 12/17 report: **0.8%** to **0.9%** over most of the ten-year budget window.
- ❖ *These are estimated demand changes, not expected changes in Potential Real GDP (the maximum sustainable output of the economy).*

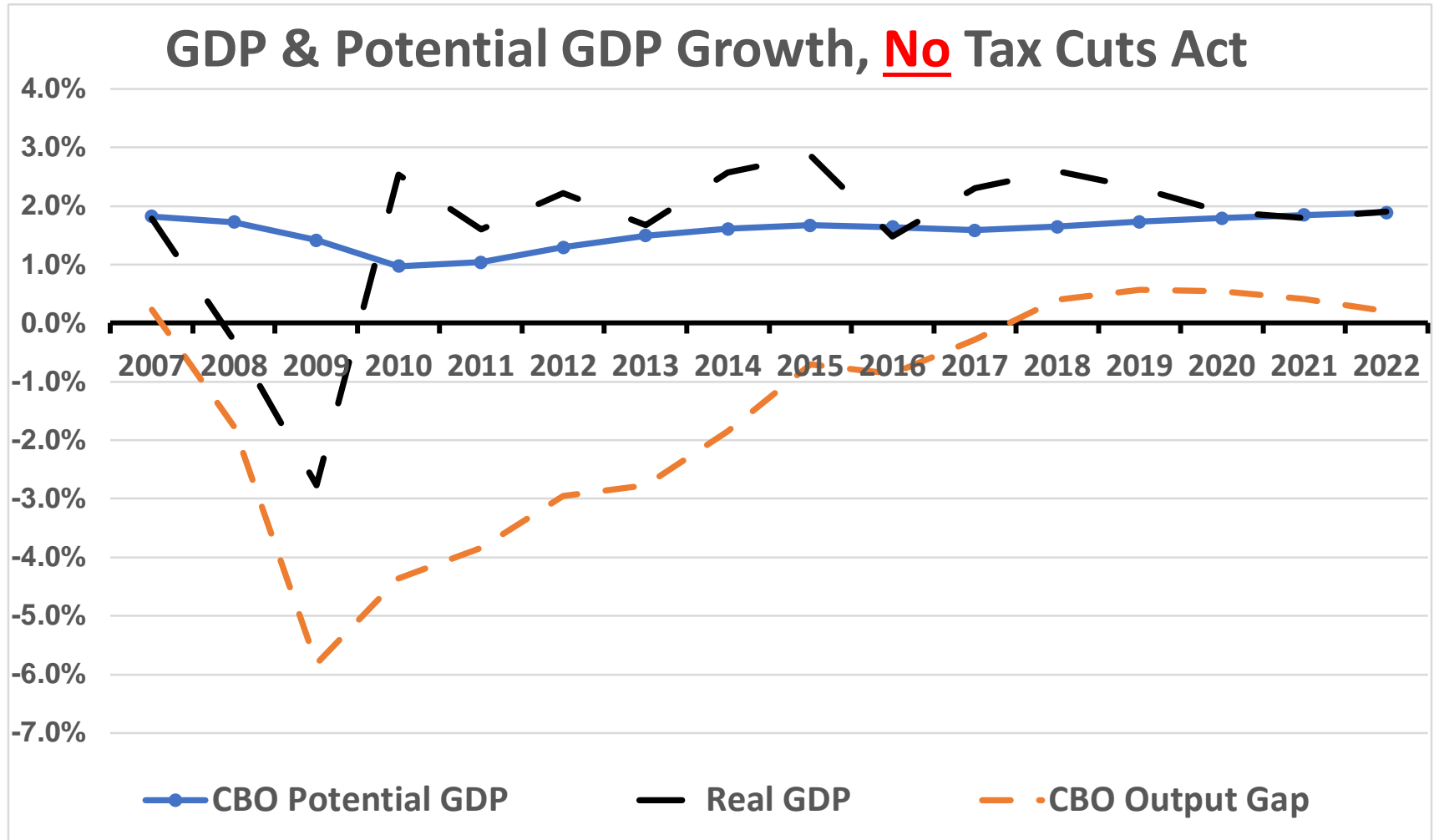
# *Example with the Tax Cuts Act*

❖ Raises growth for 2018-2020, *but for Virginia ....*

Calendar Year Percent Changes					
	Actual	Predicted			
	2016	2017	2018	2019	2020
Real GDP	1.5	2.3	2.6	2.3	1.9
Real GDP <b>with Tax Cuts</b>	1.5	2.3	<b>3.1</b>	<b>3.1</b>	<b>2.5</b>
U.S. Personal Income	2.4	3.1	4.2	5.0	5.0
U.S. Personal Inc. <b>w/Cuts</b>	2.4	3.1	<b>4.6</b>	<b>5.8</b>	<b>5.5</b>
<i>Virginia Personal Income</i>	<i>2.0</i>	<i>3.0</i>	<i>3.4</i>	<i>4.7</i>	<i>4.6</i>
<i>Va. Personal Inc. w/Cuts</i>	<i>2.0</i>	<i>3.0</i>	<b>3.7</b>	<b>5.2</b>	<b>5.1</b>

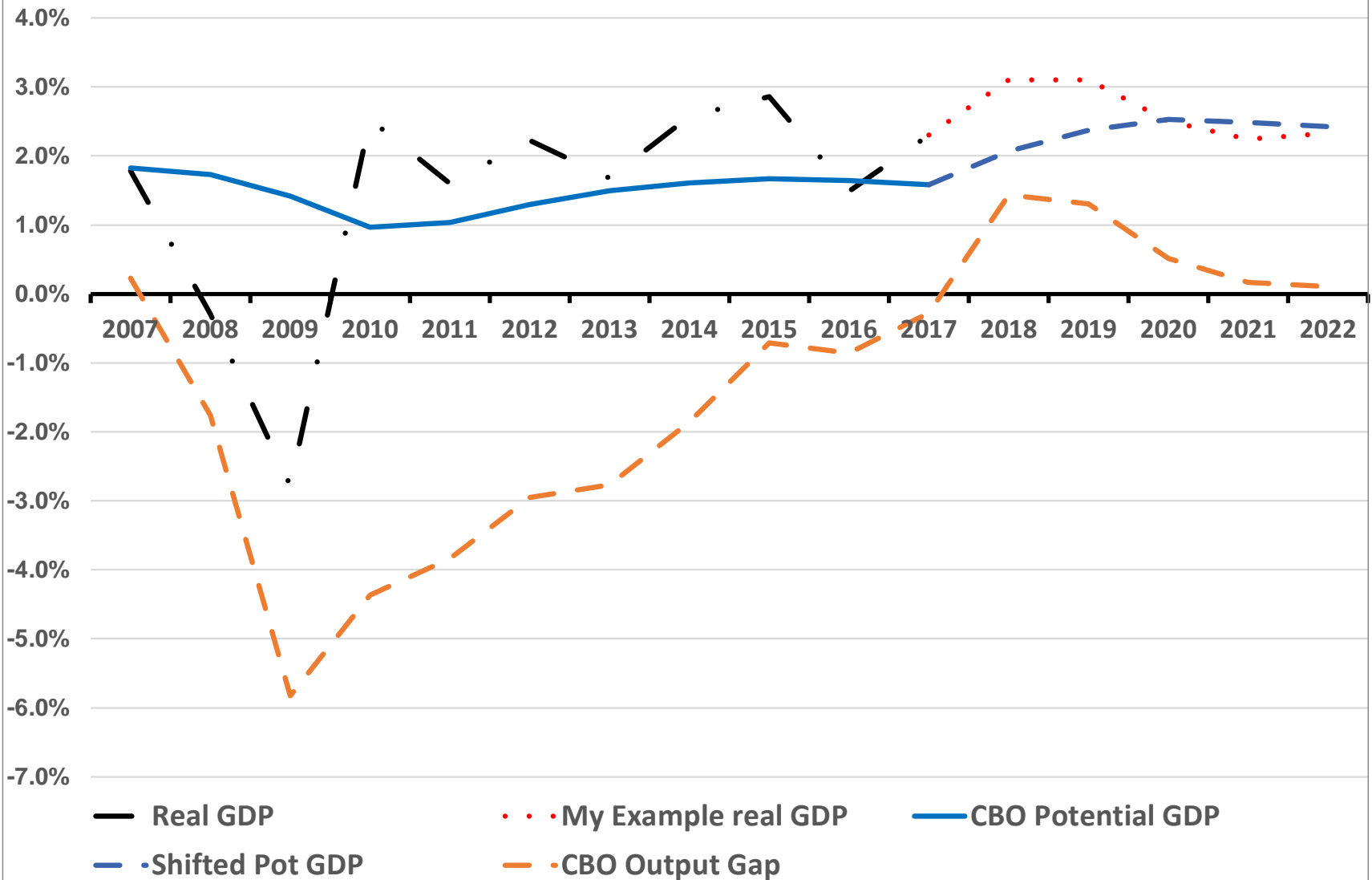
# *Both demand and output capacity matter*

- ❖ Potential Real GDP (the maximum sustainable output of the economy) is half the picture.



# Will we transition smoothly? 2019 will tell

## GDP & Potential GDP Growth, With Tax Cuts Act



Roy Pearson for January 9, 2018

# *Tax Cuts Act impacts for you?*

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- ❖ Many changes with interactive effects.
- ❖ Go to <http://tpc-tax-calculator.urban.org/> for Federal income tax impacts: “The Urban-Brookings Tax Policy Center (TPC) has created a calculator to help show how the Tax Cuts and Jobs Act (TCJA) would affect sample taxpayers. You can use the default options [they] created for people in various income groups, or you can create your own taxpayer profile.”
- ❖ For state income tax impacts, Virginia is a federal tax conformity state. **How much** and **when** Virginia chooses to conform is to be decided.