

Private Request for Analysis: Bloomberg News

Budgetary effects of top marginal tax rate options in the TCJA context

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Proposal and Estimated Budgetary Effects

This report considers three options for reforming the top marginal tax rate in the context of a TCJA extension package:

- Option (1) would add a new 40% tax rate above \$1 million in ordinary taxable income. This bracket would not be adjusted for marital status (except in the case of married filing separately, in which it would be halved). We estimate this reform would raise an additional \$420B over ten years (FY2026-35) relative to TCJA extension, raising taxes for about 650,000 filers (0.38% of returns) in tax year 2026.
- Option (2) would increase Option (1)'s new threshold to \$5 million. This option would raise roughly \$150 billion over the same time frame and affect 75,000 filers (0.04%).
- Option (3) would instead change the top rate under TCJA from 37% to 39.6%. The top bracket threshold would remain at its TCJA level (about \$756,000 for joint returns, indexed to inflation) rather than falling as scheduled under current law. This option would raise \$410 billion and impact 1.1 million filers (0.67%).

Methodological Assumptions

We estimated the budget effects of this proposal using our [tax microsimulation model](#). Model version [6e204af](#) is used to generate the numbers in this report.