Senator Booker’s Keep Your Pay Act

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Key Takeaways

1	The proposal would cost an estimated $5.4 trillion over ten years (about 1.4% of GDP), with costs shrinking in later decades as temporary provisions sunset.
2	The plan is broadly progressive: the expanded standard deduction, CTC, and EITC would boost after-tax income for low- and middle-income households, while the top rate increases would reduce it for those at the top of the distribution.
3	The larger standard deduction would cause itemization to fall sharply—from about 15 percent of taxpayers to just over 2 percent—cutting the average time burden of filing taxes and more than halving the cost of the SALT and mortgage interest deductions.
4	Effective marginal tax rates would drop for middle-income filers due to the standard deduction expansion, but rise for some low-income parents as the CTC’s earnings phase-in is eliminated.

Note: this report was updated on March 17, 2026 to correct a coding error.

Background

On March 11, 2026, Senator Cory Booker released legislative text for the Keep Your Pay Act, a proposal that would reduce taxes for many households and partially offset the cost by raising top tax rates. Specifically, the proposal would:

- **Increase the standard deduction.** The proposal would more than double the standard deduction, from $16,100 to $37,500 for single filers and from $32,200 to $75,000 for married couples filing jointly, effective 2026 through 2035.

- **Expand the Earned Income Tax Credit (EITC).** The proposal would more than double the maximum EITC for workers without qualifying children, from about $660 to $1,500, by doubling the phase-in and phase-out rates and raising the earned income threshold for the maximum credit. Eligibility would expand to workers ages 19 and older, removing the current floor of 25 and ceiling of 64. The proposal would also allow all taxpayers to elect prior-year earnings when calculating their EITC.
- **Expand the Child Tax Credit (CTC).** The proposal would permanently increase the maximum credit to $4,320 per year ($360 per month) for children under 6 and $3,600 per year ($300 per month) for children ages 6 through 17, up from the current-law value of $2,200. It would make the credit fully available to workers without earnings, introduce an additional $2,040 “baby bonus” in the year of a child’s birth, and add a two-tier phaseout structure beginning at $120,000 for unmarried filers and $160,000 for joint filers.
- **Raise the top two income tax rates.** The proposal would increase the second-highest bracket rate from 35 percent to 41 percent and the top marginal rate from 37 percent to 43 percent, effective 2026 through 2035. These increases would apply to taxable income above approximately $256,000 and $640,000 for single filers and $512,000 and $768,000 for joint returns.

In this report, we estimate the budgetary, distributional, horizontal-equity, time-burden, and incentive impacts of this proposal.

Budgetary Effects

Table 1 presents estimated conventional budget impacts of the proposal, broken down by provision. We estimate that, on net, the proposal would cost $5.4 trillion over the ten-year budget window, or roughly 1.4 percent of GDP. Because the standard deduction and top tax-rate increases would sunset after ten years, the revenue costs in the second and third decades would be smaller, reflecting only the impact of the CTC and EITC provisions.

Table 1. Estimated Conventional Budgetary Effects, FY2026-2055

Billions of dollars

Provision	2026	2027	2028	2029	2030	2031	2032	203
Increase in Standard Deduction	−334	−450	−465	−495	−542	−569	−590	−60
EITC Expansion	−8	−8	−8	−8	−8	−8	−8	–
CTC Expansion	−127	−122	−120	−126	−125	−126	−131	−13
Increase in Top Rates	87	114	118	125	132	138	145	15
Total	−381	−466	−474	−504	−543	−565	−583	−59

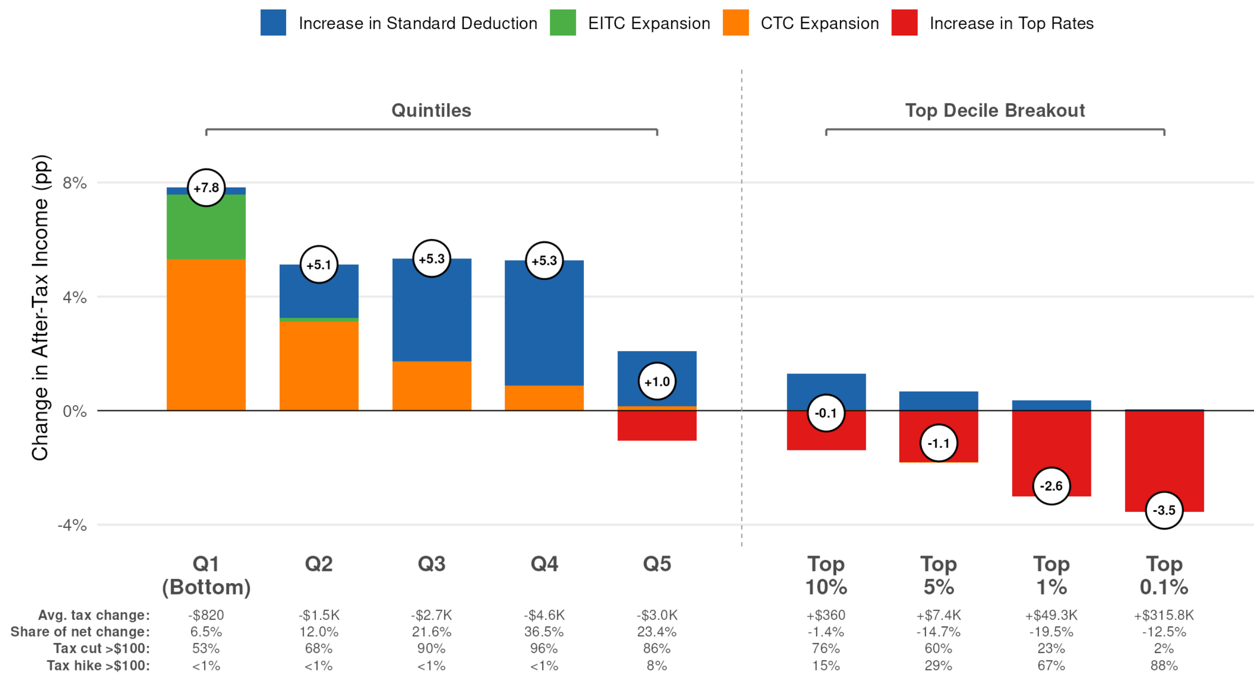
Table: The Budget Lab • Source: The Budget Lab Calculations • Created with Datawrapper

Distributional Effects

The proposal, which cuts taxes for low- and middle-income households while raising taxes for high-income households, would be progressive. Figure 1 plots relative impacts on after-tax income by income group, showing how each provision contributes to the total effect.

- The standard deduction expansion would benefit middle and upper-middle income households the most. Low-income households tend not to have enough taxable income to benefit from more deductions, and most high-income households itemize deductions under current law, limiting the tax savings from a larger standard deduction.
- The CTC provision would benefit low-income households (by removing the earnings phase-in) and middle-income households (by raising the maximum credit value) alike.
- The EITC provision would, by definition, benefit low-income households only.
- The top tax-rate increases would reduce after-tax income by more than 3 percent for those in the top 0.1 percent of the income distribution, on average.

Figure 1. Contribution to Change in After-Tax Income by Income Group (2026)



Source: The Budget Lab calculations. Note: Estimate universe is nondependent tax units, including nonfilers. 'Income' is measured as AGI plus: above-the-line deductions, nontaxable interest, nontaxable pension income (including OASI benefits), nondeductible capital losses, employer-side payroll taxes, and inheritances.

Figure 2 shows the same concept for by age instead of income. The proposal would benefit younger taxpayers more than older taxpayers on average because:

- the CTC provision is limited to parents, and within parents, the proposal delivers larger benefits to parents of young children;

- until retirement, income tends to grow with age, so younger taxpayers are not hit by the top rate increases as much as older taxpayers; and
- until retirement, itemization tends to grow with age, so younger taxpayers benefit more from a larger standard deduction on average.

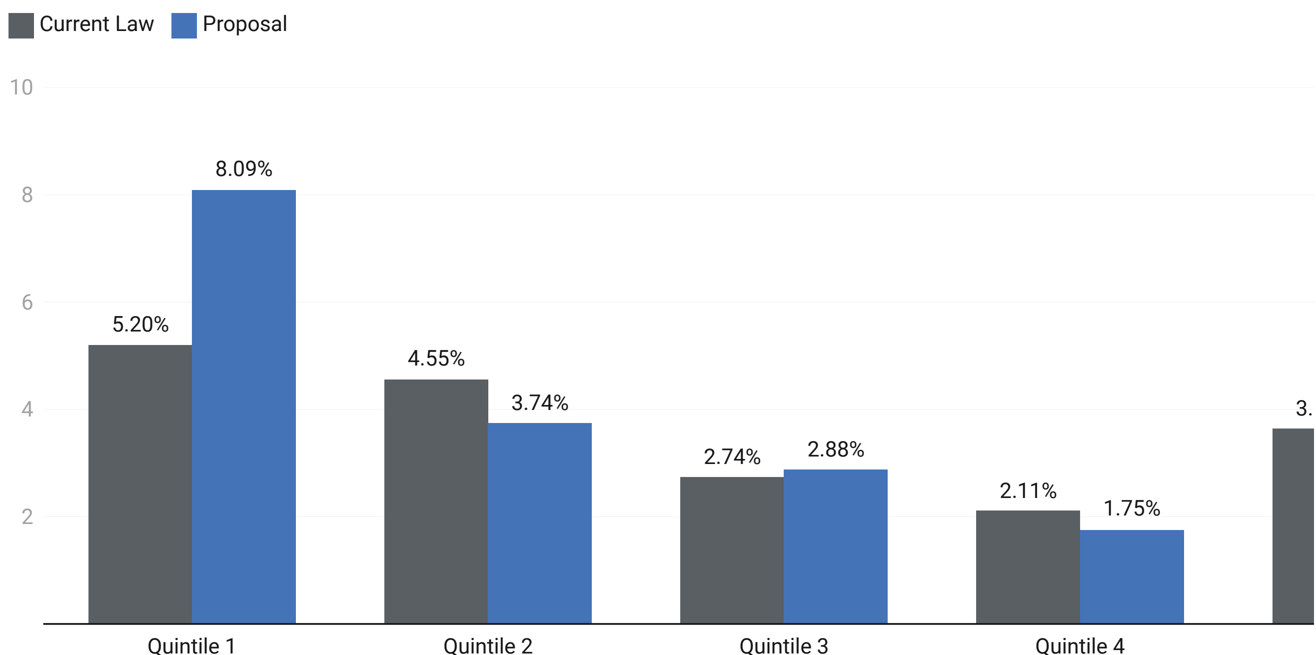
Effects on Horizontal Equity

Horizontal equity is the notion that taxpayers with similar economic resources should face similar tax burdens. When the tax code offers special treatment for specific types of income or spending, taxpayers with identical incomes will pay different tax rates based solely on the source of their income or their spending patterns. In addition to any intrinsic concern about horizontal inequity, this kind of within-group dispersion in tax burdens can lead to economically inefficient tax avoidance.

We measure horizontal equity by isolating dispersion in tax rates that cannot be explained by income, marital status, or number of dependents.[1]Figure 3 shows the interquartile range, a measure of variance, of within-group effective tax rates under current law and under the proposal.

- At most levels of the income distribution, tax rate dispersion would decline due to the expansion of the standard deduction. This provision would curtail itemization, which is a large contributor to tax rate dispersion under current law. We estimate that the fraction of taxpayers who itemize deductions would fall from about 15 percent under current law to just above 2 percent under the proposal.
- Towards the middle of the income distribution, dispersion would rise on net due to the CTC change, which treats families with the same income and number of children differently based on the age of those children.[2]
- Tax rate dispersion would increase at the bottom of the income distribution because the EITC provision affects people in this group unevenly. Low-wage childless workers would receive a tax cut through the expanded EITC, while low-income retirees who depend primarily on Social Security would not benefit, since the EITC only applies to earned income. As a result, people with similar total incomes in this group would face different tax rates.

Figure 3. Within-Group IQR of Effective Tax Rate, 2026



IQR of effective tax rate within income group. Effective tax rate is individual income tax plus payroll tax liability divided by expanded cash income.

Source: The Budget Lab calculations • Created with Datawrapper

A related question is how the proposal would impact existing tax expenditures. As described above, a broad-based tax cut through standard deduction expansion will reduce the tax benefit for itemized deductions, since fewer taxpayers would have qualifying expenses in excess of the standard deduction value. We estimate that the annual cost of the state and local tax deduction and mortgage interest deduction would fall by more than half.

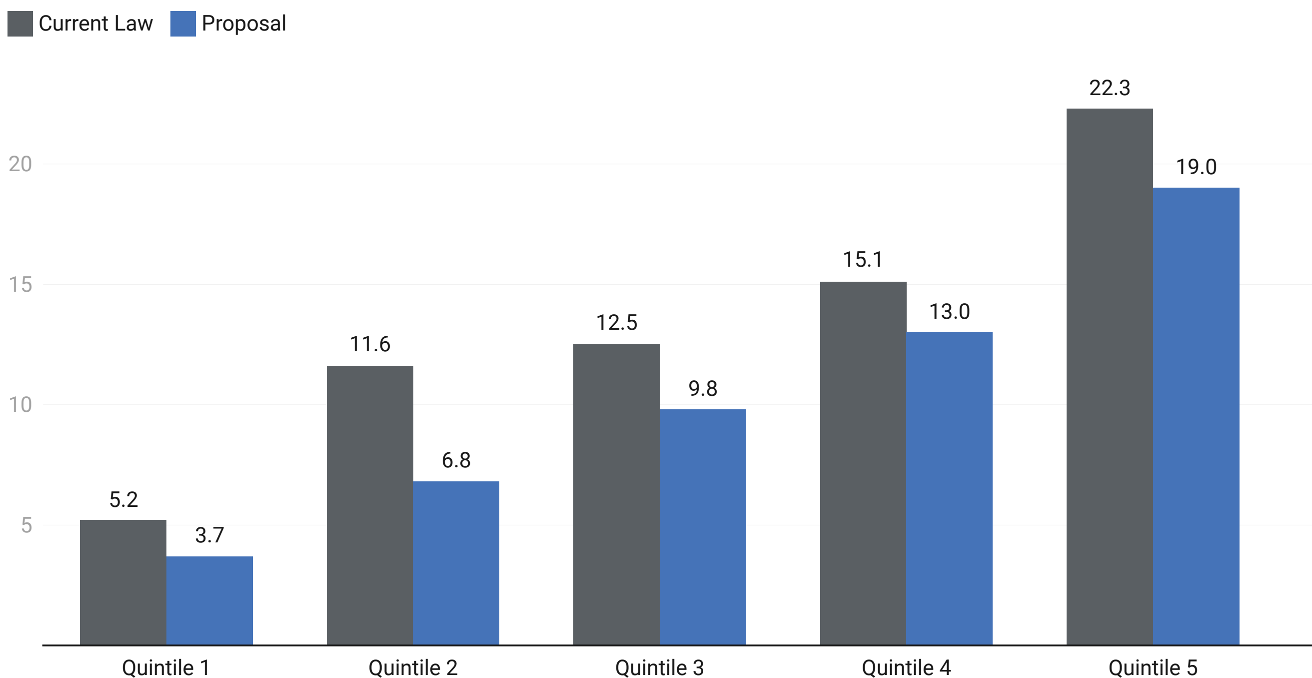
Effects on the Time Burden of Filing Taxes

One dimension for evaluating a tax policy reform is how it would affect compliance costs, including the time burden of filing taxes. Complying with the tax law and filing a return involves time-intensive activities like understanding the law, compiling documentation, and filling out a return. A more complicated code with more tax preferences for certain activities will tend to impose a greater time burden on taxpayers, particularly when the tax-minimizing choice for many taxpayers is to exploit those preferences.

Figure 4 shows our estimate of the time burden of filing taxes under current law and under the proposal. We find that across all income groups, the average time burden of filing taxes would fall. This change is driven almost entirely by the proposal's expanded standard deduction, which would reduce the need for many taxpayers to itemize—a major source of time burden under current law. Even for the bottom two quintiles, which contain filers who would face somewhat higher EITC time burdens due to the earnings look-back provision, the net effect is a reduction.

Figure 4. Average Tax Filing Time Burden by Income Group, 2026

Mean estimated filing time burden in hours.



Source: The Budget Lab calculations • Created with Datawrapper

Incentive Effects

Beyond its effects on average tax burdens (considered above in the "Distributional Effects" section), the proposal would also change the incentives taxpayers face at the margin. Effective marginal tax rates (EMTRs)—the share of

an additional dollar of earnings lost to taxes after accounting for deductions and credits—would shift across the income distribution. These EMTR impacts would be driven explicitly by changes to top statutory rates and implicitly by changes to deductions and income-based eligibility rules for credits.

Figure 5 plots the average effective marginal tax rate on wages across the income distribution for parents and non-parents separately, under both current law and the proposal. Figure 6 decomposes the change from current law into each provision.

- The standard deduction provision cuts EMTRs by 5 to 10 percentage points for much of the middle- and upper-middle portions of the income distribution.
- The EITC provision, through its faster phase-in rate for childless earners, cuts EMTRs steeply for non-parents in the bottom quintile. It then raises EMTRs in the 20th-30th percentile range due to a faster phase-out.
- The CTC provision, because it eliminates the current-law earnings phase-in, increases EMTRs for low-income parents by about 5 to 10 percentage points. It also slightly increases EMTRs for middle-income parents due to the new phase-out structure.
- The top tax-rate increases affect only those at the top of the income distribution.

Footnotes

1 Refer to the Appendix in this report for more details on methodology.

2 Because our framework measures dispersion within buckets of income, marital status, and family size, variation in tax rates attributable to age differences is not controlled for and thus is treated as inequity.