

Trump's Tax Cut Is Underwater. Can a 'Refund Boom' Save It?

Republicans are hoping a new name, along with larger refunds for many Americans next year, can buoy an economic agenda that polls show is unpopular.

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Republicans admit there is a problem with the broad tax and health care law they passed this summer.

They are hoping a new name, and some ready cash, can fix it.

It was called the One Big Beautiful Bill for months, a nod to President Trump's desire for Republicans to pass his agenda into law through one, not two, pieces of legislation. But the party in recent weeks has had to switch things up. With polls showing the legislation to be unpopular with the public, Republicans have decided to rename it the Working Families Tax Cut.

"So, the bill. I'm not going to use the term great, big, beautiful," Mr. Trump said at a cabinet meeting last month. "That was good for getting it approved, but it's not good for explaining to people what it's all about. It's a massive tax cut for the middle class."

Republicans are also banking on the simple power of direct payments to ultimately buoy the law's popularity and, in turn, the party's prospects in midterm elections next year. Under their design, the law will first deliver many of its benefits to Americans in their tax refunds next year, a lump-sum payment that may make the tax cut particularly visible to voters.

Many of the cuts included in the law — including Mr. Trump's campaign promises to reduce taxes on tips and overtime, as well as an increase to the standard deduction and child tax credit — are retroactive to the start of this year. Because the Internal Revenue Service has not yet changed how taxes are withheld from workers' paychecks to reflect the new law, Americans will largely claim the cuts after they file taxes early next year.

The approach is a reversal from the last Trump administration. Then, after Republicans passed a tax cut, Treasury officials pushed to reduce the amount withheld from workers' paychecks as soon as possible, so that Americans would see the benefits more quickly. But the reduced withholding led in some cases to people receiving smaller refunds when they filed their taxes the following year.

Even though many Americans paid less in taxes, the confusion around the amount of refunds helped fuel Democratic attacks that the law had not helped middle-class Americans.

Tax experts generally encourage people to try to minimize the size of the refund they receive when they file their taxes, but many Americans seem to prefer receiving a large check.

"The worst thing someone can do is get a big refund, because what you've done is provided an interest-free loan to the federal government," said David Kautter, who helped implement the tax law that the first Trump administration passed. "But many people prefer to get a big refund."

The second Trump administration is betting that a single, bumped-up tax refund — as opposed to marginally lower taxes saved over the course of a year — may prove to be a more effective way to market the legislation. Treasury Secretary Scott Bessent has been advertising "a refund boom" next year.

"If I was to do an experiment or a test for how people respond to government benefits, I would want to test something like that, a lump-sum payment," said Hunter E. Rendleman, a political scientist at the University of California, Berkeley. "It's very loud, it's money in your pocket you can use immediately."

She added, "That's the most powerful tool for a government or party that's interested in getting votes."

Still, Ms. Rendleman and other experts said it would be an uphill battle to reap significant political rewards from the bill. Many people form their opinions about a large piece of legislation as it is being passed by Congress, not afterward, political consultants said. Despite the new title, the law's cuts to government benefits like Medicaid, a health care program for the poor, may be the most significant policy change for many Americans, potentially making the law even less popular over time.

And for many Americans, the tax cuts from the law will not be very large. Much of the legislation is dedicated to extending many of the cuts that Republicans passed in 2017, which

were set to expire at the end of the year. The most expensive piece of the law was to simply extend the previous Republican tax cut, which provided its biggest benefits to the wealthy. Republicans did layer some additional tax cuts on top of the extension. While the legislation overall is unpopular, several of these specific ideas, like tax breaks for overtime pay or tipped income, poll well with both parties. But those cuts will be valuable to only a relatively small subset of Americans, not the population overall, potentially limiting their political resonance. About 3 percent of American workers regularly earn tips, for example, though even some of those workers may not gain anything from the change. Only Americans who owe a lot in state and local taxes will benefit from an expansion of the state and local tax deduction. And only those who buy a new car made in the United States will be able to deduct their auto loan interest. The I.R.S. is still setting the rules for many of the new deductions, a process that may result in further restrictions on who qualifies.

“Maybe some people are going to get a larger tax cut from this, but at the end of the day, less than 5 percent of workers are tipped workers,” said Brendan Duke, a budget analyst at the Center on Budget and Policy Priorities, a liberal think tank. “That places a ceiling on it. A lot of those provisions poll very well when you ask the question, but I don’t think that many Americans ask that question because they don’t get tips, they don’t get overtime. That’s a big challenge they face there.”

Some of the additional tax cuts, like a \$200 increase in the child tax credit and an additional \$750 to the standard deduction (a \$1,500 increase for married couples) will be widely available. Those changes could translate into a few hundred extra dollars on many Americans’ tax refunds next year.

The political reward from putting money in the pockets of millions of Americans months before an election may still be limited, if it materializes at all. People may not necessarily connect a higher tax refund to a law passed in Congress six months earlier. Ms. Rendleman said studies had shown that people who received a new benefit often credited the additional funds to the person who helped them file their taxes, rather than the political party that passed the law.

To overcome that hurdle, politicians have tried to clearly label their role in government benefits. In 2001, under the George W. Bush administration, the I.R.S. sent a letter to about 112 million Americans congratulating them on the money they would receive because of the Bush tax cuts. During the Covid-19 crisis, Mr. Trump had his signature included on the stimulus checks sent to many households.

Even with such clear labeling, though, the change in government policy may not mean much to voters. Brian T. Hamel, a political scientist at the University of North Texas, said many voters could have political loyalties or views that probably would not change because of a larger tax refund.

“Politicians like to think: ‘We do something, and they’re going to know it, and it’s going to matter,’” he said. “It’s a lot more complicated and conditional.”

He added: “At the end of the day, maybe none of it matters. That’s another possibility.”