TAX POLICY CENTER
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THE EFFECT OF THE TCJA INDIVIDUAL INCOME TAX PROVISIONS ACROSS INCOME GROUPS AND ACROSS THE STATES

Frank Sammartino, Philip Stallworth, and David Weiner

March 28, 2018

ABSTRACT

The Tax Cut and Jobs Act (TCJA) will reduce individual income taxes on average for all income groups and in all states. Unlike prior Tax Policy Center reports, this analysis focuses on the distribution of the individual income tax changes, and does not include changes in the corporate income tax, excise taxes, or estate and gift taxes. It also extends the analysis to include the distribution of the individual income tax changes across the states. We estimate that in 2018, the TCJA will cut individual income taxes for 65 percent of households overall, but raise taxes for about 6 percent of households. Only 27 percent of households in the lowest income-quintile will receive a tax cut (or an increase in their tax refund), with most having no material change in their taxes. The individual income tax cuts as a percentage of after-tax income will be largest for high-income households, particularly those in the 95th to 99th percentile of the income distribution. We estimate that between 60 and 76 percent of taxpayers in every state will receive a tax cut. The individual income tax cut will average about 1.8 percent of after-tax income across all states, exceed 2.1 percent of after-tax income in seven states, and fall below 1.5 percent of after-tax income in California, New York, and Oregon.

The recently enacted Tax Cut and Jobs Act (TCJA)[1] made major changes to the individual and corporate income tax, estate and gift taxes, and certain federal excise taxes. The individual income tax provisions (which include changes to the tax treatment of pass-through business income and losses) account for most of the change in after-tax income for the vast majority of households. However, cuts in the corporate income and estate taxes drive much of the increase in after-tax income for the highest-income taxpayers. [2]

The most significant changes to the individual income tax include reducing income tax rates and expanding tax brackets; repealing personal exemptions but increasing the standard deduction and the child tax credit and creating a new dependent tax credit; limiting or restricting certain itemized deductions; increasing the alternative minimum tax exemption amounts; introducing a new deduction for a portion of certain types of business income; and putting a limit on deductible business losses. These changes took effect on January 1, 2018, but expire after December 31, 2025.

In this analysis, we consider the effects of the individual income tax provisions on taxpayers in different income groups and across states. We exclude changes to the corporate income tax, estate and gift taxes, excise taxes, and the elimination of the Affordable Care Act individual mandate penalty.[3]

DISTRIBUTION OF THE INDIVIDUAL INCOME TAX CHANGES

We estimate that the TCJA will reduce individual income taxes by about $1,260 on average in 2018, increasing after-tax incomes 1.7 percent (table 1). Taxes will decline on average across all income groups. Taxpayers in the bottom income-quintile (those with income less than $25,000) will see an average tax cut of $40, or 0.3 percent of after-tax income. Taxpayers in the middle income-quintile (those with income between about $49,000 and $86,000) will receive an average tax cut of about $800, or 1.4 percent of after-tax income. Taxpayers in the 95th to 99th income percentiles (those with income between about $308,000 and $733,000) will benefit the most as a share of after-tax income, with an average tax cut of about $11,200 or 3.4 percent of after-tax income. Taxpayers in the top 1 percent of the income distribution (those with income more than $733,000) will receive an average cut of nearly $33,000, or 2.2 percent of after-tax income.

Including the major corporate income and estate and gift tax provisions raises the average tax cut to about $1,600.[4] Taxpayers in the top 1 percent gain the most from those provisions as their estimated tax cut increases by $18,000 to $51,000, or by 1.2 percentage points of after-tax income (from 2.2 to 3.4 percent). For taxpayers in income groups below the top 10 percent, the tax cuts from those provisions amount to 0.3 percent or less of after-tax income. [5]

TABLE 1

Distribution of Federal Tax Change from H.R.1, The Tax Cuts and Jobs Act

by Expanded Cash Income Percentile, 2018

Expanded Cash Income Percentile	Percent Change in After-Tax Income	Share of Total Federal Tax Change (%)	Average Federal Tax Change ($)	Average Federal Tax Rate	
				Change (% Points)	Under the Proposal (%)
Individual Income Tax Provisions					
Lowest Quintile	0.3	0.9	-40	-0.3	3.8
Second Quintile	1.0	5.6	-320	-0.9	7.8
Middle Quintile	1.4	12.2	-780	-1.2	12.6
Fourth Quintile	1.6	19.4	-1,480	-1.3	16.0
Top Quintile	2.2	63.6	-5,790	-1.7	23.8
All	1.7	100.0	-1,260	-1.4	18.4
Addendum					
80-90	1.7	13.7	-2,430	-1.3	18.8
90-95	1.7	9.5	-3,500	-1.4	20.6
95-99	3.4	23.5	-11,190	-2.5	22.7
Top 1 Percent	2.2	16.8	-32,650	-1.5	31.1
All Provisions					
Lowest Quintile	0.4	1.0	-60	-0.4	3.7
Second Quintile	1.2	5.2	-380	-1.1	7.6
Middle Quintile	1.6	11.2	-930	-1.4	12.4
Fourth Quintile	1.9	18.4	-1,810	-1.6	15.8
Top Quintile	2.9	65.3	-7,640	-2.2	23.3
All	2.2	100	-1,610	-1.8	18.1
Addendum					
80-90	2.0	13.1	-2,970	-1.6	18.5
90-95	2.2	9.6	-4,550	-1.8	20.2
95-99	4.1	22.1	-13,480	-3.1	22.2
Top 1 Percent	3.4	20.5	-51,140	-2.3	30.3

Source: Urban-Brookings Tax Policy Center Microsimulation Model (version 0217-1).
Note: Refer to TPC's Model Estimates (T18-0028) for further information.

WINNERS AND LOSERS

The impact of the TCJA on individual taxpayers will differ depending on their income sources, marital status, family composition, and other characteristics that affect eligibility for certain income tax provisions. Our estimates of the number of taxpayers who will pay more tax or less tax than under current law exclude certain minor provisions, for which it is difficult to assign the tax changes to specific taxpayers.

We estimate that in 2018, just under 65 percent of taxpayers will receive a tax cut from the included individual income tax provisions—averaging about $2,200—and about 6 percent will see an average tax increase of about $2,800 (table 2).[6] In the bottom income-quintile, 27 percent will receive a tax cut and about 1 percent will have a tax increase, with the rest having no material change in their income tax. In the middle income-quintile, 82 percent will receive a tax cut and 9 percent will have a tax increase. In the top income-quintile, 90 percent will receive a tax cut and 10 percent will have a tax increase.[7]

TABLE 2

Tax Units with a Tax Change from H.R.1, The Tax Cuts and Jobs Act

by Expanded Cash Income Percentile, 2018

Expanded Cash Income Percentile	Tax Units with Tax Increase or Cut			
	With Tax Cut		With Tax Increase	
	Percent of Tax Units	Average Tax Change ($)	Percent of Tax Units	Average Tax Change ($)
Individual Income Tax Provisions				
Lowest Quintile	27.0	-190	1.4	750
Second Quintile	64.9	-550	5.6	660
Middle Quintile	82.2	-1,050	9.1	850
Fourth Quintile	88.9	-1,810	9.8	1,280
Top Quintile	89.8	-7,170	9.6	8,120
All	64.8	-2,180	6.3	2,760
Addendum				
80-90	89.0	-2,950	10.5	1,770
90-95	89.6	-4,100	9.8	1,830
95-99	93.9	-12,130	5.6	5,630
Top 1 Percent	83.1	-51,310	16.1	77,320
All Provisions				
Lowest Quintile	53.9	-130	1.2	810
Second Quintile	86.8	-480	4.6	740
Middle Quintile	91.3	-1,090	7.3	910
Fourth Quintile	92.5	-2,070	7.3	1,360
Top Quintile	93.7	-8,510	6.2	8,800
All	80.4	-2,140	4.8	2,770
Addendum				
80-90	92.3	-3,370	7.6	1,800
90-95	94.4	-4,910	5.5	1,890
95-99	97.3	-13,890	2.7	8,260
Top 1 Percent	90.7	-61,940	9.3	93,910

Source: Urban-Brookings Tax Policy Center Microsimulation Model (version 0217-1).
Note: Refer to TPC's Model Estimates (T18-0029) for further information.

Over 70 percent of taxpayers in the lowest income quintile will see no material change in their taxes from the individual income tax provisions of the TCJA (this group contains a relatively large number of non-filers of income tax returns). Federal individual income taxes are negative on average for taxpayers in this income group because they receive more in refundable tax credits, such as the earned income tax credit (EITC) and the additional child tax credit (ACTC), than they owe in income taxes. The TCJA modestly expanded the ACTC (mostly for taxpayers in the second quintile) but did not change the EITC.[8]

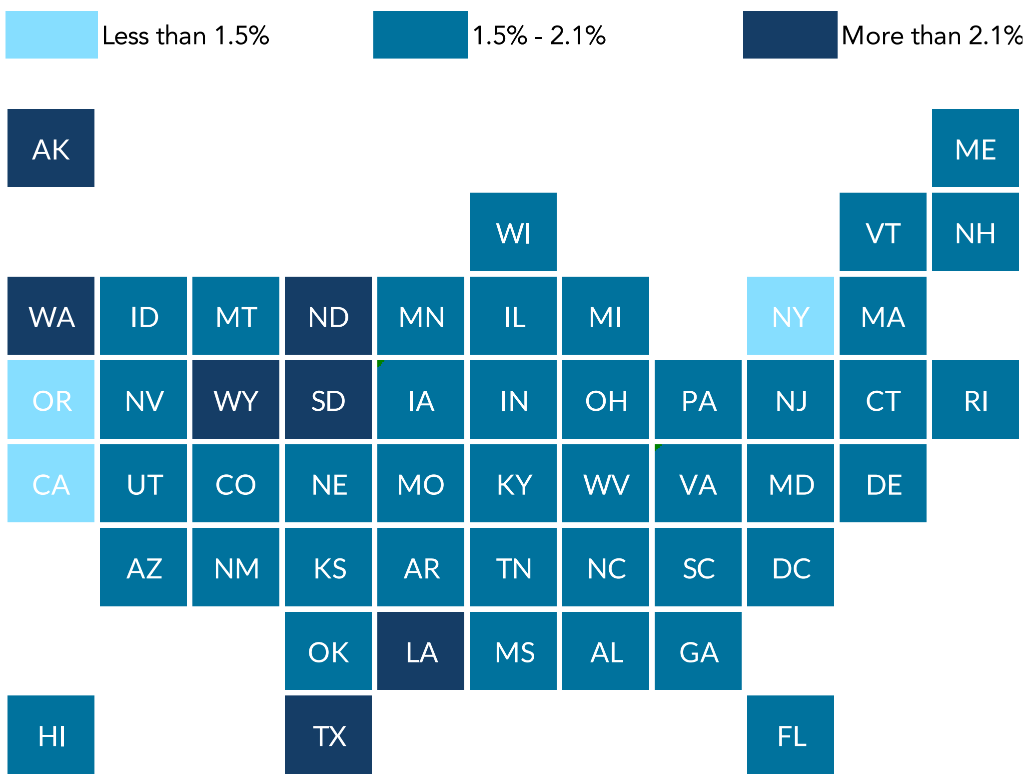
DISTRIBUTION ACROSS STATES

The impact of the TCJA across states will differ depending on the economic and demographic characteristics of state populations as well as state-specific characteristics that may affect ultimate income tax liability. Average federal income taxes will decline in all states, but by varying amounts.[9] Because we are not able to identify taxpayers with active pass-through business losses by state, we do not include the provision of the TCJA that limits deductible losses for those businesses in our estimates for the states. This provision affects a small number of generally very high income taxpayers. The omission of this provision has little effect on the estimates for taxpayers in income groups other than the top 1 percent and a very modest effect on the overall results—raising the overall percentage increase in after-tax income from 1.7 to 1.8 percent, and the overall average tax cut from $1,260 to $1,330.

In most states the average change in after-tax income in 2018 is close to the national average of 1.8 percent (figure 1). However, the tax cut will exceed 2.1 percent of after-tax income in seven states (Alaska, Louisiana, North Dakota, South Dakota, Texas, Washington, and Wyoming) and fall below 1.5 percent of after-tax income in three states (California, New York, and Oregon).[10]

FIGURE 1

Percentage Change in After-Tax Income, 2018

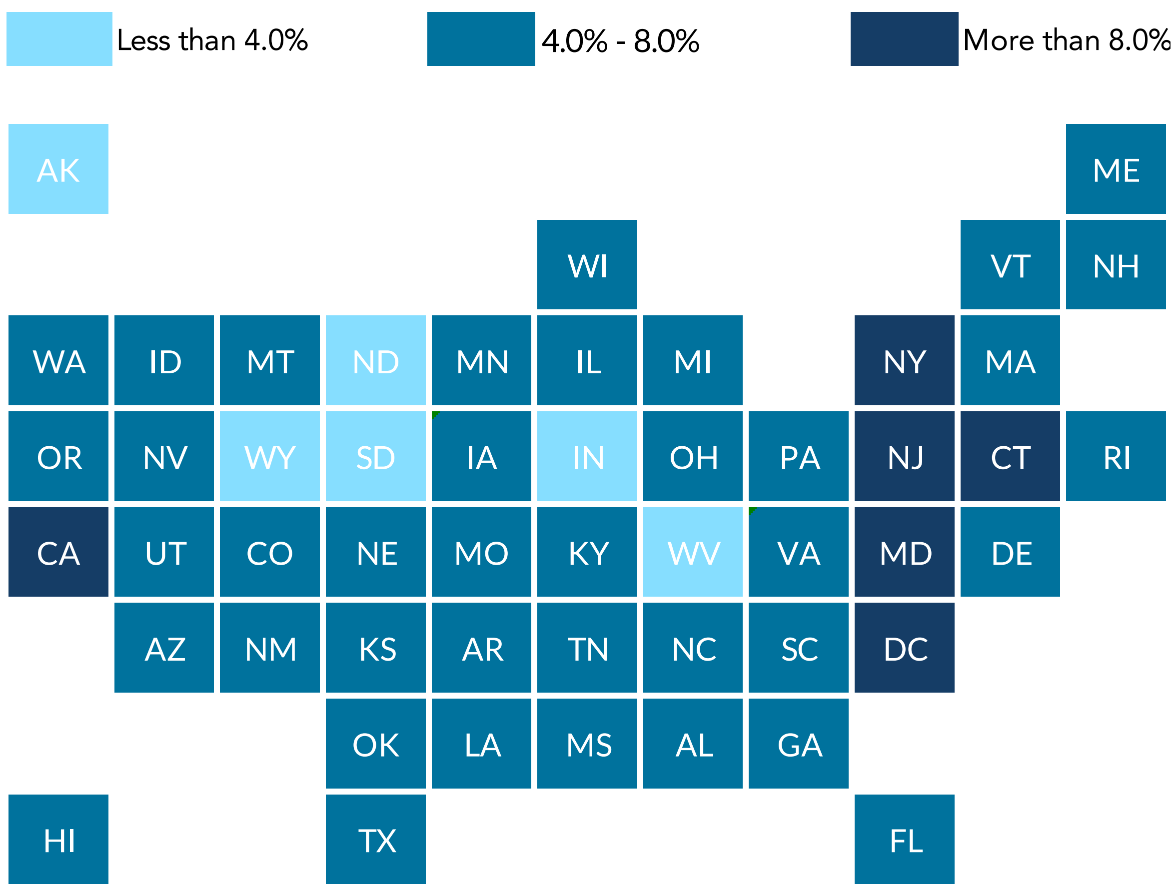


Source: Urban-Brookings Tax Policy Center Microsimulation Model (version 0217-1), Table T18-0028.

The percentage of taxpayers with a tax increase from the major individual provisions (figure 2) will range from less than 4 percent in six states (Alaska, Indiana, North Dakota, South Dakota, West Virginia, and Wyoming) and more than 8 percent in six states (California, Connecticut, District of Columbia, Maryland, New Jersey, and New York), with tax increases for more than 9 percent of taxpayers in Maryland, New Jersey and the District of Columbia.

FIGURE 2

Percentage of Tax Units with Tax Increase, 2018



Source: Urban-Brookings Tax Policy Center Microsimulation Model (version 0217-1), Table T18-0029.

A CLOSER LOOK AT THREE STATES

There is more variation in the size of the tax cuts across states for taxpayers in specific income groups than in the overall state averages. Some of this reflects differences in the way people earn income (for example larger tax cuts where more people can take the new deduction for business income), and some of this reflects differences in family composition (and thus the trade-off between the loss of dependent exemption and the increase in the CTC). Much of the difference across states, however, results from the limit on the state and local tax (SALT) deduction.

The TCJA capped the annual itemized deduction for state and local taxes at $10,000. Under prior law, taxpayers could deduct the full amount of their state and local property taxes and either income or sales taxes if they itemized their deductions (although the alternative minimum tax (AMT) limited the tax benefit from the SALT deduction for many higher-income taxpayers). TPC estimates that about one-quarter of households will claim the SALT deduction on their 2017 tax return, with about two-thirds of the tax benefit from the deduction going to households with income of $200,000 or more.[11]

The TCJA nearly doubled standard deductions. As a result, many more taxpayers will take a standard deduction rather than itemizing. TPC estimates that the number of itemizers will fall in 2018 from about 47 million who would have taken the deduction under prior law to about 19 million, or from 26 percent to 11 percent of households.[12] But for taxpayers who continue to itemize, the limit on the SALT deduction will have a significant impact that will vary by state.

To illustrate these differences, we consider three states, New York, Virginia, and Texas. These states are representative of states with high (NY), medium (VA) and low (TX) state taxes as a percentage of state income. They are also representative of states in which the TCJA individual income tax cuts as a percentage of after-tax income are below (1.4 percent in NY), equal to (1.8 percent in VA), and above (2.2 percent in TX) the national average tax cut of 1.8 percent.

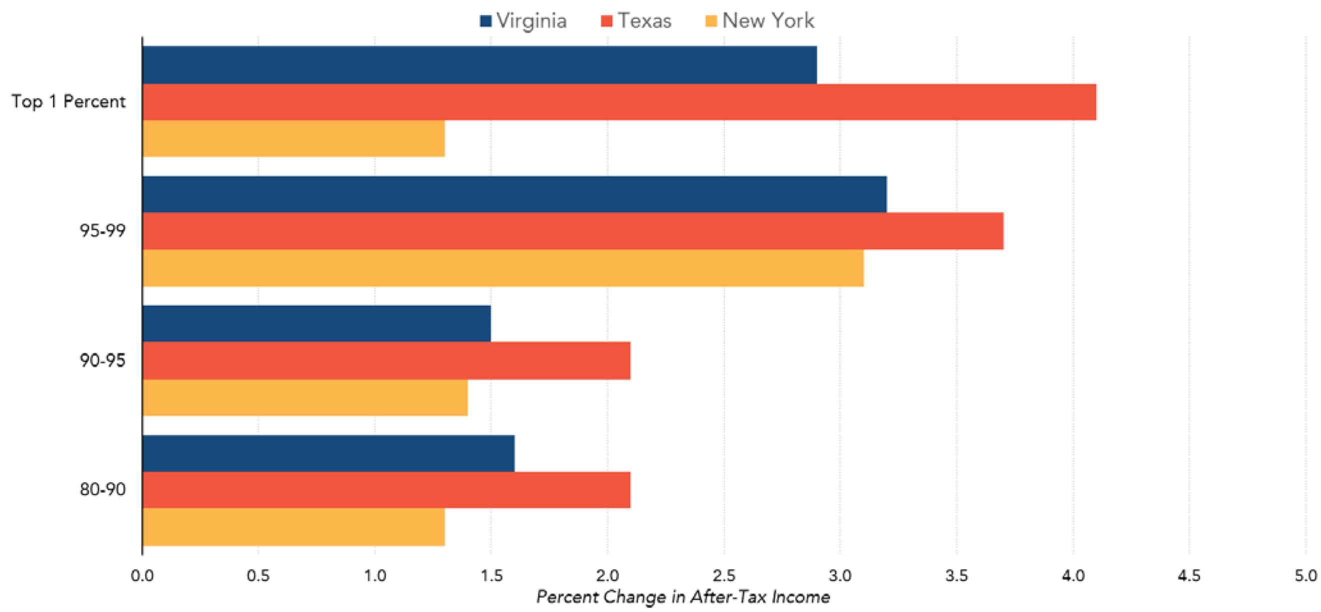
The percentage change in after-tax income from the individual income tax provisions of the TCJA are very close to the national average for taxpayers in the three lowest income quintiles in all three states in 2018.[13] The increase in after-tax income for taxpayers in the middle income-quintile is 0.1 percentage point higher than the national average in Texas and 0.1 percentage points lower than the national average for middle-income taxpayers in New York and Virginia. However, there are notable differences across the three state for higher-income taxpayers, particularly for those with incomes in the top twenty percent of the income distribution.

For example, the national average increase in after-tax income for taxpayers in the 80th-90th percentile is 1.7 percent in 2018, but for taxpayers in that income group, the increase is 2.1 percent in Texas, 1.6 percent in Virginia, and only 1.3 percent in New York (figure 3). The differences are starker for taxpayers in the top one percent. The national average increase in after-tax income is 2.6 percent for taxpayers in that income group but 4.1 percent in Texas, 2.9 percent in Virginia, and 1.3 percent for taxpayers in New York.

Perhaps surprisingly, the increase in after-tax income for taxpayers in the 95th-99th percentile in New York is much closer to the national average, 3.1 percent for them compared with 3.4 percent for all taxpayers in that income group. The reason is that taxpayers in that income range were the most likely to pay the individual alternative minimum tax (AMT) under prior law, which would have significantly reduced or even eliminated the tax benefit from their state and local tax deduction. Because the TCJA raises the AMT exemption thresholds, sparing most high-income taxpayers from the AMT in 2018, these taxpayers will be able to benefit from deducting their state and local taxes up to the new $10,000 limit. The remaining few taxpayers that will pay the AMT in 2018 will tend to be further toward the very top of the income distribution.

FIGURE 3

Percentage Change in After-Tax Income from the Major Individual Income Tax Provisions in H.R.1, The Tax Cuts and Jobs Act



Source: Urban-Brookings Tax Policy Center Microsimulation Model (version 0217-1), Table T18-0028.

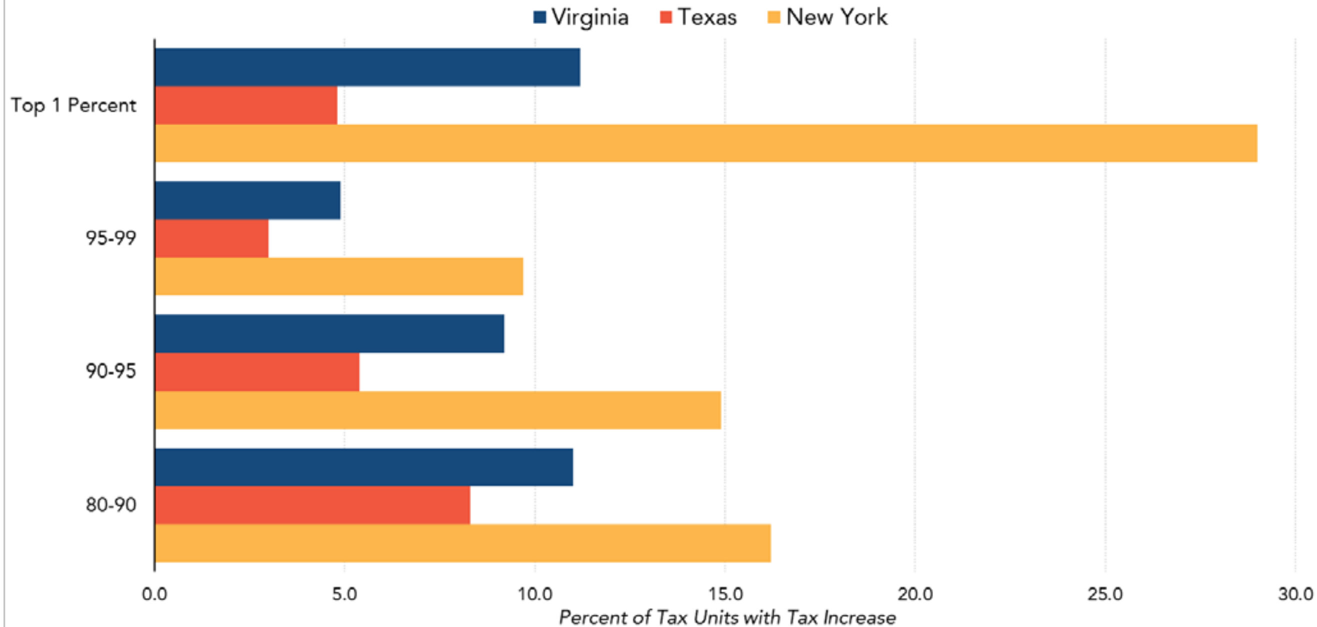
A similar story emerges with respect to the small percentage of taxpayers within each income group that pay higher individual income taxes (and thus have a reduction in after-tax income) because of the TCJA. Overall, the individual income tax provisions will increase taxes for about 6 percent of taxpayers nationwide in 2018; about the same percentage for taxpayers in Texas, but a slightly higher 8 percent in New York and Virginia. But again, more significant differences emerge among upper income groups.

Individual income taxes will increase for about 11 percent of taxpayers in the 80th-90th percentile nationwide in 2018, but for about 8 percent of taxpayers in that income group in Texas, 11 percent in Virginia, and 16 percent of those taxpayers in New York (figure 4). About 16 percent of U.S. taxpayers with income in the top one percent will see an increase in individual income taxes, but only 5 percent of taxpayers with income in the top one percent in Texas and 11 percent in Virginia, compared to 29 percent of taxpayers in that income group in New York.

FIGURE 4

Tax Units with a Tax Increase from the Major Individual Income Tax Provisions in H.R.1, The Tax Cuts and Jobs Act

for top quantile of expanded cash income percentile, 2018



Source: Urban-Brookings Tax Policy Center Microsimulation Model (version 0217-1), Table T18-0029.

THE EFFECT OF THE $10,000 LIMIT ON THE SALT DEDUCTION

To see how much of the differences across states result from the $10,000 limit on the SALT deduction, we simulate an alternative version of the TCJA in which there is no limit on the itemized deduction for state and local taxes. All other provisions are the same as in the previous estimates.

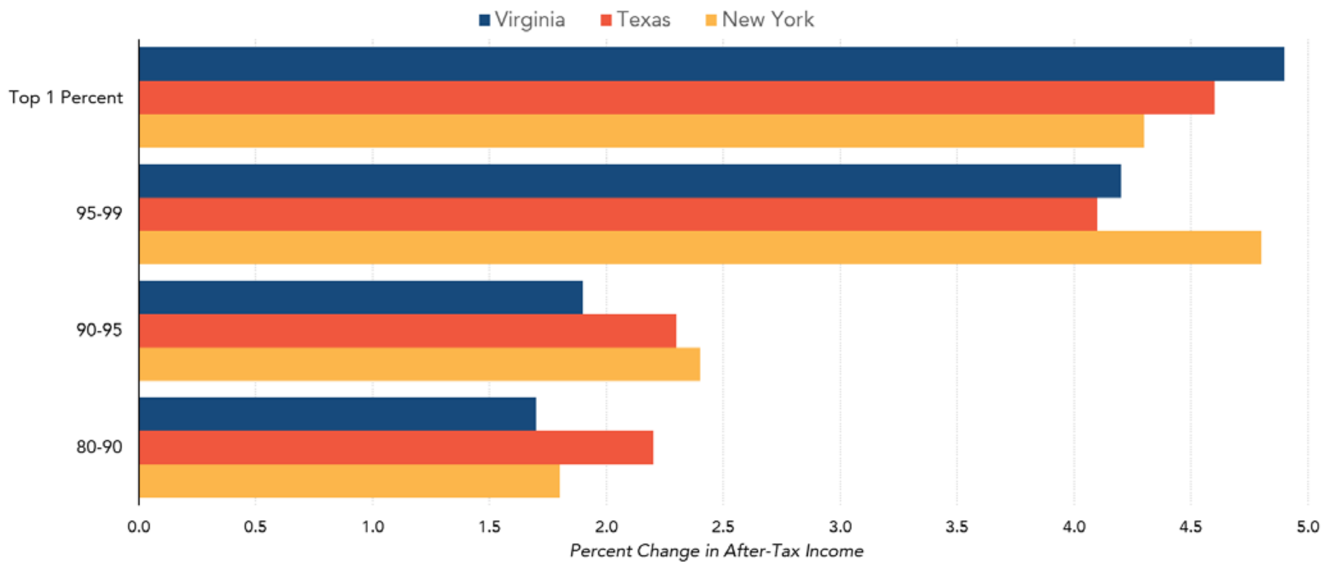
Without the limit on the SALT deduction the national average individual income tax cut in 2018 would increase from about $1,300 to about $1,700 and the average increase in after-tax income would rise from 1.8 to 2.3 percent. There would be very little change, on average, for taxpayers in the four lowest income-quintiles. For taxpayers in the top quintile the average individual income tax cut would increase by $2,500 from about $6,200 to about $8,700, and the average increase in after-tax income would rise from 2.4 to 3.3 percent. For taxpayers with income in the top one percent, the average individual income tax cut would also rise substantially from $40,100 to $71,000, and the average increase in after-tax income would rise from 2.6 to 4.7 percent.

Without the limit on the SALT deduction, the national average income tax cuts and the average increases in after-tax incomes would be more equal across high-income taxpayers in New York, Virginia, and Texas. The national average increase in after-tax income in 2018 for taxpayers in the 80th-90th percentile would be 1.9 percent for the TCJA without the SALT deduction limit. For taxpayers in that income group the increase would be 2.2 percent in Texas, 1.7 percent in Virginia, and 1.8 percent in New York (figure 5). For taxpayers in the top one percent, the national average increase in after-tax income in 2018 would be 4.7 percent without the SALT deduction limit, 4.6 percent for taxpayers in that income group in Texas, 4.9 percent in Virginia, and 4.3 percent in New York.

FIGURE 5

Percentage Change in After-Tax Income from the Major Individual Income Tax Provisions in H.R.1, The Tax Cuts and Jobs Act, Excluding the Limit on State and Local Deductions

for top quantile of expanded cash income percentile, 2018

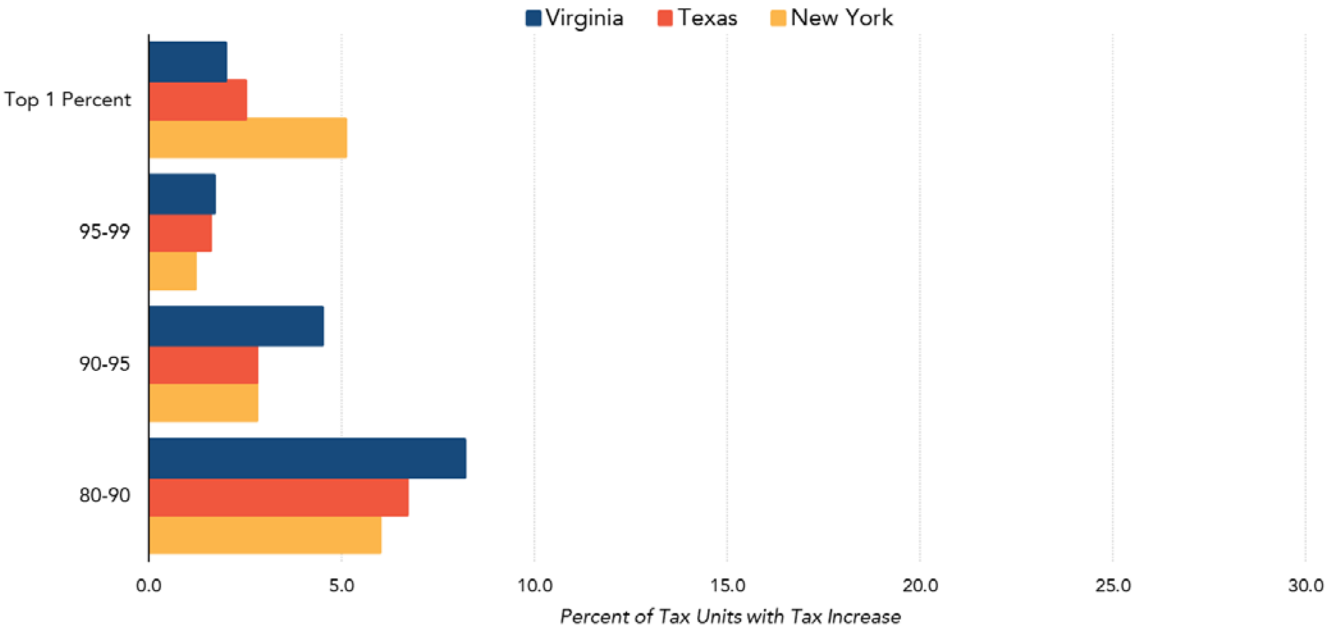


Source: Urban-Brookings Tax Policy Center Microsimulation Model (version 0217-1), Table T18-0030.

The percentage of high-income taxpayers with a tax increase would be lower without the SALT deduction limit and more similar across the three states in 2018 (figure 6). Individual income taxes for 2018 would increase for about 7 percent of taxpayers in the 80th-90th percentile nationwide without the SALT deduction limit, and for about 7 percent of taxpayers in that income group in Texas, 8 percent in Virginia, and 6 percent in New York. While the percentage of taxpayers in the top one percent with a tax increase would be much closer across the states without the SALT deduction limit, some differences would remain. Only about 3 percent of taxpayers nationwide with income in the top one percent would see an increase in individual income taxes without the SALT deduction limit, about 3 percent of taxpayers with income in the top one percent in Texas, 2 percent Virginia, and about 5 percent of taxpayers in that income group in New York.

FIGURE 6

Tax Units with a Tax Increase from the Major Individual Income Tax Provisions in H.R.1, The Tax Cuts and Jobs Act, Excluding the Limit on State and Local Deductions



Source: Urban-Brookings Tax Policy Center Microsimulation Model (version 0217-1), Table T18-0031.

ANALYSIS AND CONCLUSIONS

About two-thirds of taxpayers will receive a tax cut from the individual income tax provisions of the TCJA in 2018. Most (70 percent) households in the lowest income-quintile will not see a reduction in their individual income taxes. Conversely, about 65 percent of households in the second income-quintile will see a reduction in their individual income taxes, as will over 80 percent of households in the middle, and higher income-quintiles. The individual income tax cuts, relative to after-tax income, tilt in favor of high-income taxpayers, particularly those in the 95th-99th percentiles of the income distribution.

There is not a great deal of variation in the effects of the TCJA individual income tax provisions across households in different states, except for higher-income households. In states where state and local taxes are a higher percentage of state income, the individual income tax cuts will be lower than average and the percentage of taxpayers in each income group with a tax increase will be higher than average for taxpayers in upper income-groups, particularly for the top 1 percent of the income distribution. Removing the SALT deduction limit would reduce the disparity in the tax cuts from the TCJA individual income tax provisions across taxpayers in different states, but it also would increase the tax cut for high-income taxpayers and substantially increase the revenue cost of the legislation.

From a tax policy standpoint, there are different ways to view the SALT deduction limit. For example, Burman and Sammartino observe: "The $10,000 limit is one progressive element of a law that disproportionately benefits the rich. In 2018, 96 percent of the additional tax from the limitation of the SALT deduction falls on the top 20 percent of taxpayers and 57 percent on the top one percent. It also raises a lot of money—nearly $650 billion over 10 years."[14]

Another view is that limiting the SALT deduction restricts an important federal tax benefit to the states that increases progressivity at the state level. Tracy Gordon explains: "Although imperfect, the SALT deduction encouraged states to spend more than they otherwise would on important public services and to tilt their revenue systems toward progressive income taxes. Both steps may have helped reduce income inequality."[15]

And then there is the question of fairness across the states. New York Governor Andrew Cuomo offers one view: "Washington has launched an all-out, direct attack on New York State's economic future," Cuomo said at his "State of the State" address in Albany. "It is crass. It is ugly. It is divisive. It is partisan legislating. It is an economic civil war. Make no mistake: They are aiming to hurt us."[16]

An open letter to Congress from the American Legislative Exchange Council (ALEC) offers a different view: "Thanks to SALT, income earners and businesses in lower-taxed states pay a higher effective federal income tax rate than their high-taxed counterparts since they deduct less from their taxable income. In effect, citizens in more fiscally responsible regions subsidize the malfeasance of politicians thousands of miles away."[17]

In response to the limit on deductible taxes, states are exploring several alternatives that would allow taxpayers to deduct those taxes in other ways. One proposal is to reduce state income taxes but make up that revenue with employer payroll taxes, which remain deductible for the employer under the new law. If employers reduce employee wages to cover the cost of the new payroll tax, workers would see their wages go down, but that decrease could be offset by a state income tax credit equal to the reduction in wages or other modifications to state income taxes, leaving their net income after state taxes unchanged. Because of the reduction in wages, workers would also see their federal employee payroll taxes go down. If the employer payroll tax applied to all wages, this would essentially extend federal deductibility of state income taxes to all workers, not just to those who itemize deductions. A reduction in wages would also reduce federal income taxes for some workers but would increase them for others due to the way some refundable tax credits operate.

An alternative proposal is to establish special charitable organizations to support specific state and local programs, such as for funding K–12 education, and give taxpayers who donate to these organizations an income tax credit for their donations. If the credit rate was 100 percent, this would leave their income after state taxes unchanged and allow them to deduct their charitable contributions on their federal income tax return. There are numerous examples of similar charitable donation programs already in place. Over thirty states provide special tax credits or tax deduction for certain charitable contributions. Taxpayers can also claim a federal deduction for the contributions and are not required to reduce their deduction by the amount of the tax benefit they receive from the state.[18] The latter feature provided an additional benefit to taxpayers who were on the AMT and thus could not deduct their state and local taxes but could deduct charitable contributions.

Others, however, have questioned the efficacy of this end run around the SALT deduction limit, including Treasury's tax legislative counsel.[19]

The state and local tax deduction has been a feature of the federal income tax since its inception. It has survived past attempts at major restrictions, notably the elimination and then partial revival of the deduction for state and local sales tax. For that reason, many observers believe that the current limit on the SALT deduction is far from a settled issue, particularly as that provision, along with most other individual income tax provisions, expires after 2025.[20]

APPENDIX

TABLE A1

Distribution of Individual Income Tax Provisions in H.R.1, The Tax Cuts and Jobs Act (TCJA)
by State, 2018[a]

State[b]	Share of Tax Units (%)	Share of Baseline Individual Income Tax (%)	Percent Change in After-Tax Income[c]	Share of Total Federal Tax Change (%)	Average Federal Tax Change		Average Federal Tax Rate[d]	
					($)	(%)	Change (% Points)	Under the Proposal (%)
Alabama	1.4	0.9	1.9	1.3	-1,240	-9.1	-1.6	15.9
Alaska	0.2	0.2	2.5	0.3	-1,740	-9.9	-2.0	17.9
Arizona	1.9	1.5	1.8	1.8	-1,250	-8.2	-1.5	16.9
Arkansas	0.8	0.5	1.8	0.7	-1,130	-8.4	-1.5	15.8
California	11.8	14.0	1.5	10.2	-1,150	-5.6	-1.2	19.6
Colorado	1.6	1.8	2.0	2.0	-1,630	-7.9	-1.6	18.6
Connecticut	1.1	2.4	1.8	1.6	-1,870	-5.9	-1.4	22.1
Delaware	0.3	0.3	1.8	0.3	-1,370	-7.7	-1.5	17.7
District of Columbia	0.2	0.4	1.7	0.3	-1,580	-5.6	-1.3	22.3
Florida	6.9	6.2	2.0	6.7	-1,290	-8.1	-1.6	17.9
Georgia	3.3	2.2	1.7	2.7	-1,070	-7.8	-1.4	16.8
Hawaii	0.5	0.3	1.7	0.4	-1,150	-7.6	-1.4	16.8
Idaho	0.4	0.3	1.7	0.4	-1,100	-8.2	-1.4	15.6
Illinois	4.2	4.6	1.9	4.6	-1,470	-7.5	-1.5	18.9
Indiana	2.1	1.4	1.9	1.9	-1,210	-9.0	-1.6	16.0
Iowa	0.9	0.7	2.0	1.0	-1,440	-8.8	-1.6	16.6
Kansas	0.9	0.8	2.0	1.0	-1,460	-8.9	-1.7	17.0
Kentucky	1.3	0.8	1.8	1.1	-1,120	-8.4	-1.5	16.0
Louisiana	1.3	0.9	2.1	1.4	-1,390	-9.5	-1.7	16.5
Maine	0.4	0.3	1.7	0.4	-1,170	-7.8	-1.4	16.7
Maryland	1.9	2.4	1.7	2.1	-1,480	-6.5	-1.4	19.4
Massachusetts	2.1	3.5	1.9	2.8	-1,790	-6.7	-1.5	20.8
Michigan	3.3	2.5	1.8	2.8	-1,160	-8.0	-1.5	16.7
Minnesota	1.7	1.8	1.8	1.8	-1,440	-7.2	-1.4	18.5
Mississippi	0.9	0.4	1.8	0.7	-1,040	-9.5	-1.5	14.5
Missouri	1.9	1.4	1.8	1.7	-1,220	-8.0	-1.5	16.8
Montana	0.3	0.2	1.8	0.3	-1,180	-8.4	-1.5	15.9
Nebraska	0.6	0.5	2.0	0.6	-1,450	-8.6	-1.6	17.0
Nevada	0.9	0.8	2.0	0.9	-1,300	-8.1	-1.6	17.8
New Hampshire	0.4	0.5	2.1	0.6	-1,710	-8.0	-1.6	18.9
New Jersey	2.8	4.3	1.7	3.2	-1,490	-6.0	-1.3	20.3
New Mexico	0.7	0.4	1.8	0.5	-1,090	-8.9	-1.5	15.5
New York	6.4	9.7	1.4	5.9	-1,210	-5.0	-1.1	21.2
North Carolina	2.9	2.1	1.7	2.5	-1,150	-7.8	-1.4	16.7
North Dakota	0.2	0.2	2.7	0.4	-2,170	-10.8	-2.1	17.6
Ohio	3.7	2.8	1.9	3.5	-1,260	-8.3	-1.5	17.0
Oklahoma	1.1	0.9	2.0	1.2	-1,380	-9.0	-1.6	16.6
Oregon	1.2	0.9	1.5	0.9	-1,040	-6.7	-1.2	17.0
Pennsylvania	4.2	4.0	1.9	4.2	-1,330	-7.7	-1.5	17.9
Rhode Island	0.3	0.3	1.6	0.3	-1,200	-6.9	-1.3	17.8
South Carolina	1.4	0.9	1.7	1.2	-1,070	-8.1	-1.4	15.9
South Dakota	0.3	0.2	2.4	0.4	-1,690	-10.5	-1.9	16.5
Tennessee	2.0	1.4	2.0	2.0	-1,310	-9.1	-1.7	16.7
Texas	7.7	8.0	2.2	9.7	-1,670	-8.9	-1.8	18.4
Utah	0.8	0.6	1.8	0.7	-1,250	-8.2	-1.5	16.3
Vermont	0.2	0.2	1.7	0.2	-1,180	-7.3	-1.4	17.1
Virginia	2.5	3.0	1.8	3.0	-1,560	-7.1	-1.4	18.8
Washington	2.2	2.6	2.1	2.8	-1,710	-8.2	-1.7	18.9
West Virginia	0.6	0.3	1.8	0.5	-1,130	-9.0	-1.5	15.3
Wisconsin	1.8	1.5	1.8	1.7	-1,280	-7.8	-1.5	17.2
Wyoming	0.2	0.2	2.2	0.3	-1,720	-8.7	-1.8	18.5
United States	100.0	100.0	1.8	100.0	-1,330	-7.3	-1.5	18.4

Source: Urban-Brookings Tax Policy Center Microsimulation Model (version 0217-1).

(a) Calendar year. Baseline is pre-TCJA law. Includes provisions with non-negligible revenue effects listed in JCX-67-17, Section I. Individual Tax Reform, with the exception of Subsection B2: Disallow active passthrough losses in excess of $500,000 for joint filers, $250,000 for all others, Subsection F: Double Estate, Gift, and GST Tax Exemption Amount, and Subsection H: Reduce ACA Individual Shared Responsibility Payment Amount to Zero. Also includes certain other non-corporate business provisions.

(b) Includes both filing and non-filing units, but excludes dependents of other tax units.

(c) After-tax income is expanded cash income less individual income tax net of refundable credits, corporate income tax, payroll taxes (Social Security and Medicare), estate tax, and excise taxes. For a description of http://www.taxpolicycenter.org/TaxModel/income.cfm

(d) Average federal tax (includes individual and corporate income tax, payroll taxes for Social Security and Medicare, the estate tax, and excise taxes) as a percentage of average expanded cash income.

TABLE A2

Tax Units with a Tax Change from the Major Individual Income Tax Provisions in H.R.1, The Tax Cuts and Jobs Act (TCJA)

by State, 2018[a]

State[b]	Tax Units with Tax Increase or Cut[c]			
	With Tax Cut		With Tax Increase	
	Percent of Tax Units	Average Tax Change ($)	Percent of Tax Units	Average Tax Change ($)
Alabama	67.8	-1,880	5.7	960
Alaska	60.1	-2,890	3.1	730
Arizona	66.9	-1,960	6.1	1,100
Arkansas	67.7	-1,730	4.8	1,160
California	62.3	-2,170	8.6	2,510
Colorado	70.1	-2,390	5.5	1,160
Connecticut	65.1	-3,130	8.4	2,420
Delaware	70.8	-1,990	5.1	1,110
District of Columbia	68.1	-2,570	9.4	2,300
Florida	61.2	-2,180	5.3	1,100
Georgia	61.0	-1,850	6.7	1,050
Hawaii	65.5	-1,870	5.7	1,400
Idaho	64.8	-1,830	6.6	1,510
Illinois	64.9	-2,370	6.4	1,300
Indiana	63.9	-1,940	3.7	1,100
Iowa	71.9	-2,060	5.1	1,020
Kansas	65.8	-2,270	4.3	1,180
Kentucky	66.6	-1,750	4.5	1,230
Louisiana	70.3	-2,030	5.3	1,110
Maine	69.5	-1,770	5.4	1,280
Maryland	67.9	-2,360	9.4	1,490
Massachusetts	67.4	-2,800	7.3	1,740
Michigan	61.5	-1,950	4.5	1,040
Minnesota	69.3	-2,200	6.3	1,620
Mississippi	68.3	-1,590	5.7	1,020
Missouri	66.1	-1,920	5.1	1,210
Montana	65.4	-1,870	5.5	1,090
Nebraska	70.8	-2,100	5.3	1,130
Nevada	64.6	-2,090	5.7	1,100

New Hampshire	71.0	-2,500	5.8	1,170
New Jersey	61.5	-2,740	10.2	2,120
New Mexico	63.1	-1,780	4.3	980
New York	60.9	-2,400	8.3	3,340
North Carolina	66.3	-1,840	6.3	1,210
North Dakota	75.4	-2,880	4.0	1,100
Ohio	68.7	-1,890	4.4	1,130
Oklahoma	68.1	-2,080	4.7	1,130
Oregon	62.7	-1,840	7.6	1,570
Pennsylvania	63.2	-2,180	5.1	1,190
Rhode Island	64.2	-2,000	7.0	1,400
South Carolina	66.8	-1,690	5.7	1,140
South Dakota	69.9	-2,420	3.6	870
Tennessee	66.4	-2,030	4.8	1,090
Texas	68.1	-2,520	5.5	1,250
Utah	68.0	-1,910	6.2	980
Vermont	67.0	-1,860	5.3	1,360
Virginia	69.8	-2,350	7.7	1,380
Washington	68.2	-2,570	5.8	910
West Virginia	64.8	-1,810	2.8	1,860
Wisconsin	66.1	-2,030	5.4	1,380
Wyoming	66.1	-2,620	3.8	1,120
United States	64.8	-2,180	6.3	1,630

Source: Urban-Brookings Tax Policy Center Microsimulation Model (version 0217-1).

(a) Calendar year. Baseline is pre-TCJA law. Includes provisions with non-negligible revenue effects listed in JCX-67-17, Section I. Individual Tax Reform with the exception of Subsection B2: Disallow active passthrough losses in excess of $500,000 for joint filers, $250,000 for all others, Subsection F: Double Estate, Gift, and GST Tax Exemption Amount, Subsection H: Reduce ACA Individual Shared Responsibility Payment Amount to Zero, exclusion for employer-provided qualified moving expense reimbursements, repeal of deduction for moving expenses (other than members of the Armed Forces), retirement plan and casualty loss relief for certain disaster areas, repeal of deduction for alimony payments and corresponding inclusion in income, simplified accounting for small business, modify treatment of S corporation conversions into C corporations, limitation and repeal of deduction by employers of expenses for certain fringe benefits, modification of limitation on excessive employee remuneration, and tax gain on the sale of a partnership interest on look-thru basis. Also includes certain non-corporate business provisions.

(b) Includes both filing and non-filing units, but excludes dependents of other tax units.

(c) Includes tax units with a change in federal tax burden of $10 or more in absolute value.

TABLE A3

Distribution of Individual Income Tax Provisions in H.R.1, The Tax Cuts and Jobs Act (TCJA)
No SALT Limit

by State, 2018[a]

State[b]	Share of Tax Units (%)	Share of Baseline Individual Income Tax (%)	Percent Change in After-Tax Income[c]	Share of Total Federal Tax Change (%)	Average Federal Tax Change		Average Federal Tax Rate[d]	
					($)	(%)	Change (% Points)	Under the Proposal (%)
Alabama	1.4	0.9	2.0	1.1	-1,310	-9.6	-1.7	15.8
Alaska	0.2	0.2	2.5	0.3	-1,760	-10.0	-2.0	17.9
Arizona	1.9	1.5	2.0	1.6	-1,390	-9.1	-1.7	16.7
Arkansas	0.8	0.5	2.0	0.6	-1,250	-9.4	-1.6	15.6
California	11.8	14.0	2.4	13.3	-1,910	-9.2	-1.9	18.9
Colorado	1.6	1.8	2.3	1.8	-1,880	-9.1	-1.8	18.4
Connecticut	1.1	2.4	2.9	2.0	-3,000	-9.5	-2.2	21.2
Delaware	0.3	0.3	2.1	0.3	-1,590	-9.0	-1.7	17.4
District of Columbia	0.2	0.4	2.8	0.3	-2,520	-8.9	-2.1	21.5
Florida	6.9	6.2	2.2	5.8	-1,420	-8.9	-1.7	17.8
Georgia	3.3	2.2	2.1	2.5	-1,270	-9.2	-1.7	16.5
Hawaii	0.5	0.3	2.0	0.4	-1,360	-8.9	-1.6	16.6
Idaho	0.4	0.3	1.9	0.3	-1,280	-9.5	-1.6	15.4
Illinois	4.2	4.6	2.4	4.5	-1,820	-9.3	-1.9	18.6
Indiana	2.1	1.4	2.1	1.7	-1,330	-9.8	-1.7	15.8
Iowa	0.9	0.7	2.2	0.9	-1,640	-10.0	-1.8	16.4
Kansas	0.9	0.8	2.3	0.9	-1,610	-9.8	-1.8	16.8
Kentucky	1.3	0.8	2.0	1.0	-1,290	-9.7	-1.7	15.8
Louisiana	1.3	0.9	2.3	1.2	-1,490	-10.2	-1.9	16.4
Maine	0.4	0.3	2.0	0.3	-1,380	-9.2	-1.7	16.4
Maryland	1.9	2.4	2.4	2.3	-2,040	-9.0	-1.9	18.9
Massachusetts	2.1	3.5	2.7	3.2	-2,510	-9.4	-2.1	20.2
Michigan	3.3	2.5	2.1	2.6	-1,330	-9.3	-1.7	16.5
Minnesota	1.7	1.8	2.3	1.9	-1,870	-9.4	-1.9	18.1
Mississippi	0.9	0.4	1.9	0.6	-1,110	-10.1	-1.6	14.4
Missouri	1.9	1.4	2.1	1.6	-1,410	-9.3	-1.7	16.5
Montana	0.3	0.2	2.1	0.3	-1,360	-9.7	-1.7	15.7
Nebraska	0.6	0.5	2.3	0.6	-1,670	-10.0	-1.9	16.7
Nevada	0.9	0.8	2.1	0.8	-1,390	-8.6	-1.7	17.7
New Hampshire	0.4	0.5	2.3	0.5	-1,920	-8.9	-1.8	18.7
New Jersey	2.8	4.3	2.6	4.0	-2,380	-9.6	-2.1	19.6
New Mexico	0.7	0.4	2.0	0.5	-1,170	-9.6	-1.6	15.3
New York	6.4	9.7	2.6	8.2	-2,150	-9.0	-2.0	20.3
North Carolina	2.9	2.1	2.0	2.4	-1,360	-9.2	-1.7	16.5
North Dakota	0.2	0.2	2.8	0.3	-2,280	-11.3	-2.2	17.5
Ohio	3.7	2.8	2.2	3.2	-1,460	-9.6	-1.8	16.8
Oklahoma	1.1	0.9	2.2	1.0	-1,530	-10.0	-1.8	16.4
Oregon	1.2	0.9	2.0	1.0	-1,400	-9.0	-1.6	16.6
Pennsylvania	4.2	4.0	2.2	4.0	-1,600	-9.3	-1.8	17.6
Rhode Island	0.3	0.3	2.1	0.3	-1,530	-8.8	-1.7	17.4
South Carolina	1.4	0.9	2.0	1.0	-1,230	-9.3	-1.6	15.7
South Dakota	0.3	0.2	2.4	0.3	-1,730	-10.8	-2.0	16.4
Tennessee	2.0	1.4	2.1	1.6	-1,360	-9.4	-1.7	16.7
Texas	7.7	8.0	2.4	8.2	-1,790	-9.5	-1.9	18.3
Utah	0.8	0.6	2.1	0.7	-1,460	-9.5	-1.7	16.1
Vermont	0.2	0.2	2.0	0.2	-1,440	-8.9	-1.7	16.8
Virginia	2.5	3.0	2.3	2.9	-1,930	-8.8	-1.8	18.5
Washington	2.2	2.6	2.3	2.4	-1,830	-8.8	-1.8	18.8
West Virginia	0.6	0.3	2.0	0.4	-1,240	-9.9	-1.7	15.1
Wisconsin	1.8	1.5	2.2	1.7	-1,530	-9.4	-1.8	16.9
Wyoming	0.2	0.2	2.3	0.2	-1,790	-9.0	-1.8	18.4
United States	100.0	100.0	2.3	100.0	-1,680	-9.2	-1.8	18.0

Source: Urban-Brookings Tax Policy Center Microsimulation Model (version 0217-1).

(a) Calendar year. Baseline is pre-TCJA law. Includes provisions with non-negligible revenue effects listed in JCX-67-17, Section I. Individual Tax Reform, with the exception of Subsection B2: Disallow active passthrough losses in excess of $500,000 for joint filers, $250,000 for all others, Subsection F: Double Estate, Gift, and GST Tax Exemption Amount, and Subsection H: Reduce ACA Individual Shared Responsibility Payment Amount to Zero. Also includes certain other non-corporate business provisions.

(b) Includes both filing and non-filing units, but excludes dependents of other tax units.

(c) After-tax income is expanded cash income less individual income tax net of refundable credits, corporate income tax, payroll taxes (Social Security and Medicare), estate tax, and excise taxes. For a description of http://www.taxpolicycenter.org/TaxModel/income.cfm

(d) Average federal tax (includes individual and corporate income tax, payroll taxes for Social Security and Medicare, the estate tax, and excise taxes) as a percentage of average expanded cash income.

TABLE A4

Tax Units with a Tax Change from the Major Individual Income Tax Provisions in H.R.1, The Tax Cuts and Jobs Act (TCJA) No SALT Limit

by State, 2018[a]

State[b]	Tax Units with Tax Increase or Cut[c]			
	With Tax Cut		With Tax Increase	
	Percent of Tax Units	Average Tax Change ($)	Percent of Tax Units	Average Tax Change ($)
Alabama	67.9	-1,990	5.6	930
Alaska	60.2	-2,930	3.0	710
Arizona	67.1	-2,150	5.9	980
Arkansas	67.9	-1,890	4.6	910
California	64.6	-3,020	6.4	980
Colorado	70.4	-2,710	5.2	900
Connecticut	67.8	-4,440	5.6	820
Delaware	71.3	-2,280	4.7	800
District of Columbia	70.5	-3,610	7.0	980
Florida	61.4	-2,360	5.1	890
Georgia	61.4	-2,150	6.4	910
Hawaii	66.0	-2,100	5.2	830
Idaho	65.2	-2,050	6.2	1,250
Illinois	66.2	-2,800	4.9	870
Indiana	64.0	-2,110	3.5	950
Iowa	72.4	-2,290	4.6	790
Kansas	66.1	-2,470	4.0	870
Kentucky	67.0	-1,960	3.9	810
Louisiana	70.4	-2,170	5.2	1,040
Maine	70.4	-1,990	4.4	770
Maryland	70.0	-2,970	7.3	840
Massachusetts	69.3	-3,650	5.3	880
Michigan	62.0	-2,200	4.1	860
Minnesota	70.3	-2,700	5.2	830
Mississippi	68.4	-1,690	5.6	970
Missouri	66.4	-2,180	4.8	990
Montana	65.8	-2,100	5.1	800
Nebraska	71.4	-2,370	4.7	850

Nevada	64.7	-2,210	5.6	990
New Hampshire	72.2	-2,690	4.5	760
New Jersey	64.8	-3,750	6.7	930
New Mexico	63.2	-1,900	4.2	910
New York	63.5	-3,430	5.6	880
North Carolina	66.8	-2,110	5.7	930
North Dakota	75.5	-3,020	3.9	1,030
Ohio	69.3	-2,130	3.8	780
Oklahoma	68.3	-2,280	4.5	1,000
Oregon	64.4	-2,220	5.7	730
Pennsylvania	64.2	-2,530	4.1	860
Rhode Island	65.8	-2,390	5.4	960
South Carolina	67.1	-1,900	5.4	960
South Dakota	70.0	-2,480	3.5	830
Tennessee	66.5	-2,100	4.7	1,050
Texas	68.6	-2,660	5.0	1,080
Utah	68.4	-2,180	5.8	780
Vermont	68.1	-2,150	4.2	720
Virginia	70.7	-2,820	6.8	1,160
Washington	68.7	-2,690	5.2	780
West Virginia	65.0	-1,920	2.7	920
Wisconsin	67.0	-2,320	4.4	770
Wyoming	66.1	-2,720	3.7	930
United States	65.8	-2,610	5.3	930

Source: Urban-Brookings Tax Policy Center Microsimulation Model (version 0217-1).

(a) Calendar year. Baseline is pre-TCJA law. Includes provisions with non-negligible revenue effects listed in JCX-67-17, Section I. Individual Tax Reform with the exception of Subsection B2: Disallow active passthrough losses in excess of $500,000 for joint filers, $250,000 for all others, Subsection F: Double Estate, Gift, and GST Tax Exemption Amount, Subsection H: Reduce ACA Individual Shared Responsibility Payment Amount to Zero, exclusion for employer-provided qualified moving expense reimbursements, repeal of deduction for moving expenses (other than members of the Armed Forces), retirement plan and casualty loss relief for certain disaster areas, repeal of deduction for alimony payments and corresponding inclusion in income, simplified accounting for small business, modify treatment of S corporation conversions into C corporations, limitation and repeal of deduction by employers of expenses for certain fringe benefits, modification of limitation on excessive employee remuneration, and tax gain on the sale of a partnership interest on look-thru basis. Also includes certain non-corporate business provisions.

(b) Includes both filing and non-filing units, but excludes dependents of other tax units.

(c) Includes tax units with a change in federal tax burden of $10 or more in absolute value.

NOTES

[1] More formally, Public Law 115-97, An Act to Provide for Reconciliation Pursuant to Titles II and V of the Concurrent Resolution on the Budget for Fiscal Year 2018.

[2] Ben Page, "Most Taxpayers' Benefits Come Mainly from the TCJA's Individual Provisions, But the Rich Get Much of Their Tax Cuts from Corporate Changes," TaxVox (blog) Tax Policy Center, February 19, 2018.

[3] Specifically, we include provisions with non-negligible revenue effects listed in JCX-67-17, Section I (Individual Tax Reform), except Subsection F (Double Estate, Gift, and GST Tax Exemption Amount), and Subsection H (Reduce ACA Individual Shared Responsibility Payment Amount to Zero). We also include certain provisions from Section II (Business Tax Reform), as they apply to non-corporate businesses.

[4]TPC Staff, "Distributional Analysis of the Conference Agreement for the Tax Cuts and Jobs Act," Tax Policy Center, December 18, 2017.

[5] For an explanation of how TPC allocates corporate income and estate and gift taxes see: Brief Description of the Tax Model | Tax Policy Center

[6] The remaining taxpayers would see no material change in their individual income tax.

[7] Including the major corporate income and estate tax provisions would increase the estimated percentage of taxpayers with a tax cut to 80 percent. The largest increases would come in the bottom two income quintiles in which many taxpayers will see no change from the individual income tax provisions but receive a small tax cut from their allocated share of the reduction in corporate taxes.

[8] Over time, the changed price index the TCJA uses for inflation adjustments of individual income tax parameters will reduce the value of the EITC compared to prior law.

[9] The primary data source for the TPC tax model is the annual public-use file (PUF) produced by the Statistics of Income (SOI) Division of the Internal Revenue Service (IRS). Because the PUF records are not state representative, TPC uses a reweighting approach to divide each observation's national weight into a separate weight for each of the 50 states and the District of Columbia. For more information see: Surachai Khitatrakun, Gordon B. Mermin, Norton Francis," Incorporating State Analysis into the Tax Policy Center's Microsimulation Model: Documentation and Methodology" Tax Policy Center, March 30, 2016.

[10] Estimates for all the states are in the Appendix.

[11] T17-0114 - Tax Benefit of the Deduction and Refund for State and Local Taxes, Baseline: Current Law, Distribution of Federal Tax Change by Expanded Cash Income Level, 2017 | Tax Policy Center

[12] T18-0001 - Impact on the Number of Itemizers of H.R.1, The Tax Cuts and Jobs Act (TCJA), By Expanded Cash Income Level, 2018 | Tax Policy Center

[13] Taxpayers are ranked according to the income distribution for the entire population, not just the population in their state.

[14] Leonard E. Burman and Frank Sammartino, "State Responses to the TCJA's SALT Deduction Limit May Be Costly and Favor High-Income Residents," TaxVox (blog) Tax Policy Center, January 30, 2018.

[15] Tracy Gordon, "The Price We Pay for Capping the SALT Deduction," TaxVox (blog) Tax Policy Center, February 15, 2018.

[16] Jeff Stein, "Cuomo says New York will sue over GOP tax law," Wonkblog, The Washington Post, January 3, 2018.

[17] ALEC,"Reduce Tax Rates for All Taxpayers by Eliminating Unproductive SALT Deduction," An Open Letter to Congress: American Legislative Exchange Council, October 17, 2017.

[18]"Federal Income Tax Treatment of Charitable Contributions Entitling Donor to a State Tax Credit by Joseph Bankman, David Gamage, Jacob Goldin, Daniel Jacob Hemel, Darien Shanske, Kirk J. Stark, Dennis J. Ventry, Manoj Viswanathan. UCLA School of Law, Law-Econ Research Paper No. 18-02, January 8, 2018 (revised March 13, 2018).

[19] Richard Rubin, "Treasury Skeptical About States Allowing Charitable Giving to Work Around New Cap," The Wall Street Journal, January 25, 2018.

[20] Jim Tankersley, "Washington's Fight Over Taxes is Only Just Beginning," The New York Times, February 23, 2018.

ABOUT THE AUTHORS

Frank Sammartino is a senior fellow at the Urban-Brookings Tax Policy Center and an affiliate of Urban's State and Local Finance Initiative. His current work focuses on the interaction among federal, state, and local tax policies and on the influence of tax and transfer policies on income inequality.

Philip Stallworth is a research assistant in the Urban-Brookings Tax Policy Center. He primarily works on the federal tax model. He holds a bachelor's degree in mathematics with a concentration in statistics from Reed College.

David Weiner worked on tax policy issues for 30 years at the U.S. Congressional Budget Office (CBO) and at the U.S. Department of Treasury. He retired from his position as head of CBO's Tax Analysis Division in 2016 and is now an independent consultant. He has a Master of Public Policy degree from the University of Michigan.

We are grateful to all our funders, who make it possible for Urban's State and Local Finance Initiative and the Urban-Brookings Tax Policy Center to advance its mission. Information about our funders is available at https://www.urban.org/policy-centers/cross-center-initiatives/state-and-local-finance-initiative/about.

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or email info@taxpolicycenter.org