



## 256,000 ARIZONA HOUSEHOLDS FACE TAX HIKE UNDER U.S. SENATE TAX PLAN SIMILAR TO HIKES FROM STATE & LOCAL TAX (SALT) DEDUCTION “COMPROMISES”

Under the tax bill passed by the U.S. Senate, **nearly 256,000 Arizona taxpayers (8.4%) would face tax increases in 2019 of \$1,300 on average**, according to the Institute on Taxation and Economic Policy (ITEP). [Table 1] A major reason for these tax increases is the bill’s limitation of the state and local tax (SALT) deduction. The Senate-passed bill repeals the deduction for state and local income and sales taxes, and caps deductible property taxes at \$10,000. **In Arizona 28% of taxpayers claim the SALT deduction, averaging \$7,400, according to the Tax Policy Center.**

Lawmakers are considering “compromises” that may be included in the final bill, which they claim would limit the harm to middle-class families from scaling back the SALT deduction. One proposal (“SALT Compromise 1”) would allow taxpayers to deduct a combination of state and local income taxes and property taxes, with the total deduction capped at \$10,000. A less generous proposal (“SALT Compromise 2”) would allow taxpayers to deduct up to \$10,000 in either income taxes or property taxes, but not both. Thus, if a household has only \$5,000 in income taxes and \$3,000 in property taxes it could only deduct up to \$5,000.

ITEP analyzed the two “compromises” and found that they would do little to limit the harm of the Senate tax bill to Arizona residents, and would do nearly nothing for middle-class families. **Under SALT Compromise 1, allowing a \$10,000 deduction for combined income and property taxes, more than 222,000 Arizona taxpayers (7.3%) would still face tax increases in 2019, averaging \$1,380.** [Table 2]

**Under SALT Compromise 2, which forces taxpayers to choose between deducting up to \$10,000 in either income or property taxes, almost 228,000 Arizona taxpayers (7.5%) would still see their taxes rise by an average of \$1,390.** [Table 3]

**Table 1: Arizona Taxpayers Facing Tax Hikes Under Senate-Passed Bill, 2019**

Income Group	Income Range		Taxpayers in Income Group	Share with Tax Hike	Taxpayers with Tax Hike	Average Tax Hike
Poorest 20%	Less than \$23,550		600,910	4.3%	26,010	\$10
Second 20%	\$23,550	to \$39,370	556,390	2.8%	15,640	\$270
Middle 20%	\$39,370	to \$62,880	644,320	15.1%	97,010	\$1,540
Fourth 20%	\$62,880	to \$101,500	617,170	7.0%	43,500	\$430
Next 15%	\$101,500	to \$210,410	464,340	14.1%	65,600	\$2,050
Next 4%	\$210,410	to \$494,060	123,350	5.9%	7,250	\$2,160
Richest 1%	\$494,060	and higher	31,310	3.1%	980	\$10,390
<b>ALL</b>			<b>3,055,020</b>	<b>8.4%</b>	<b>255,990</b>	<b>\$1,300</b>
<b>Bottom 60%</b>	Less than \$62,880		1,801,620	7.7%	138,660	\$1,110

Sources: ITEP, [“Compromises” Under Discussion for the State and Local Tax Deduction Do Not Fix Flawed Tax Bills](#)” (Dec. 10, 2017). Number of taxpayers in each income group from ITEP, [“National and 50-State Impacts of House and Senate Tax Bills in 2019 and 2027”](#) (Dec. 6, 2017). Average tax hike from ITEP’s microsimulation model, shared with ATF.

**Table 2: Arizona Taxpayers Facing Tax Hikes Under SALT Compromise 1, 2019**

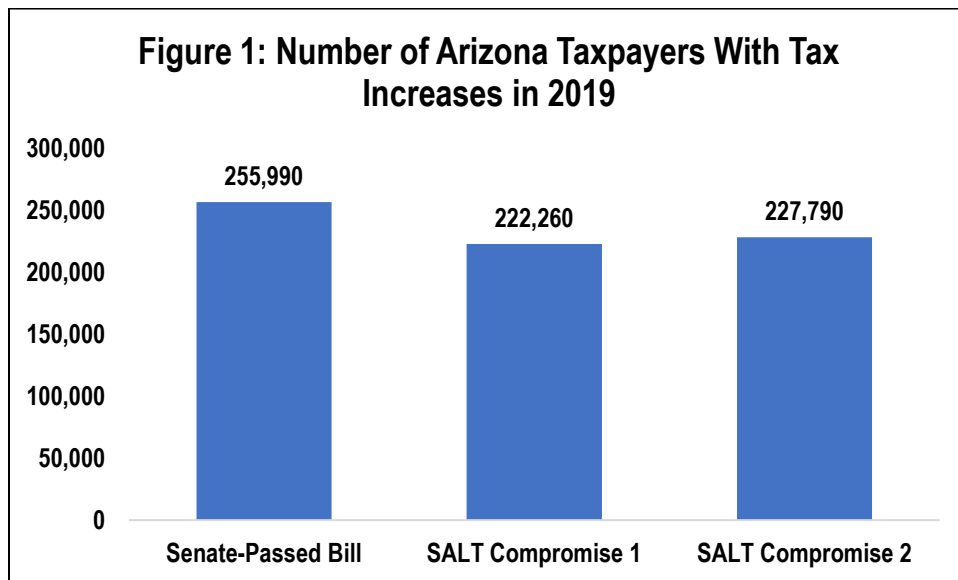
Income Group	Income Range		Taxpayers in Income Group	Share with Tax Hike	Taxpayers with Tax Hike	Average Tax Hike
Poorest 20%	Less than	\$23,550	600,910	4.3%	26,010	\$10
Second 20%	\$23,550	to \$39,370	556,390	2.8%	15,640	\$270
Middle 20%	\$39,370	to \$62,880	644,320	15.0%	96,370	\$1,480
Fourth 20%	\$62,880	to \$101,500	617,170	2.8%	17,320	\$720
Next 15%	\$101,500	to \$210,410	464,340	12.9%	59,900	\$2,170
Next 4%	\$210,410	to \$494,060	123,350	4.9%	6,050	\$1,530
Richest 1%	\$494,060	and higher	31,310	3.1%	980	\$8,780
<b>ALL</b>			<b>3,055,020</b>	<b>7.3%</b>	<b>222,260</b>	<b>\$1,380</b>
Bottom 60%	Less than	\$62,880	1,801,620	7.7%	138,010	\$1,070

Sources: See Table 1

**Table 3: Arizona Taxpayers Facing Tax Hikes Under SALT Compromise 2, 2019**

Income Group	Income Range		Taxpayers in Income Group	Share with Tax Hike	Taxpayers with Tax Hike	Average Tax Hike
Poorest 20%	Less than	\$23,550	600,910	4.3%	26,010	\$10
Second 20%	\$23,550	to \$39,370	556,390	2.8%	15,640	\$260
Middle 20%	\$39,370	to \$62,880	644,320	15.1%	97,010	\$1,530
Fourth 20%	\$62,880	to \$101,500	617,170	3.3%	20,440	\$660
Next 15%	\$101,500	to \$210,410	464,340	13.3%	61,610	\$2,140
Next 4%	\$210,410	to \$494,060	123,350	4.9%	6,100	\$1,570
Richest 1%	\$494,060	and higher	31,310	3.1%	980	\$8,780
<b>ALL</b>			<b>3,055,020</b>	<b>7.5%</b>	<b>227,790</b>	<b>\$1,390</b>
Bottom 60%	Less than	\$62,880	1,801,620	7.7%	138,660	\$1,100

Sources: See Table 1



Sources: See Tables 1-3