



2.36 MILLION CALIFORNIA 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 2.4 million California taxpayers (14%) would face tax increases in 2019 of \$2,390 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 tax, and caps deductible property taxes at \$10,000. **In California 34% of taxpayers claim the SALT deduction, averaging \$18,400, 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 California 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, nearly 1.9 million California taxpayers (11%) would still face tax increases in 2019, averaging \$2,490.** [Table 2]

Under SALT Compromise 2, which forces taxpayers to choose between deducting up to \$10,000 in either income or property taxes, more than 2.1 million California taxpayers (12%) would still see their taxes rise by an average of \$2,360. [Table 3]

Table 1: California 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	\$27,830	3,456,560	5%	159,880	\$100
Second 20%	\$27,830	to \$48,110	3,456,710	5%	177,270	\$460
Middle 20%	\$48,110	to \$76,530	3,457,400	9%	314,060	\$1,060
Fourth 20%	\$76,530	to \$130,820	3,456,180	22%	774,780	\$1,440
Next 15%	\$130,820	to \$304,630	2,593,110	31%	811,020	\$1,870
Next 4%	\$304,630	to \$877,560	691,660	7%	48,640	\$5,950
Richest 1%	\$877,560	and higher	172,870	40%	69,930	\$32,610
ALL			17,406,370	14%	2,357,530	\$2,390
Bottom 60%	Less than	\$76,530	10,370,670	6%	651,210	\$660

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: California Taxpayers Facing Tax Hikes Under SALT Compromise 1, 2019

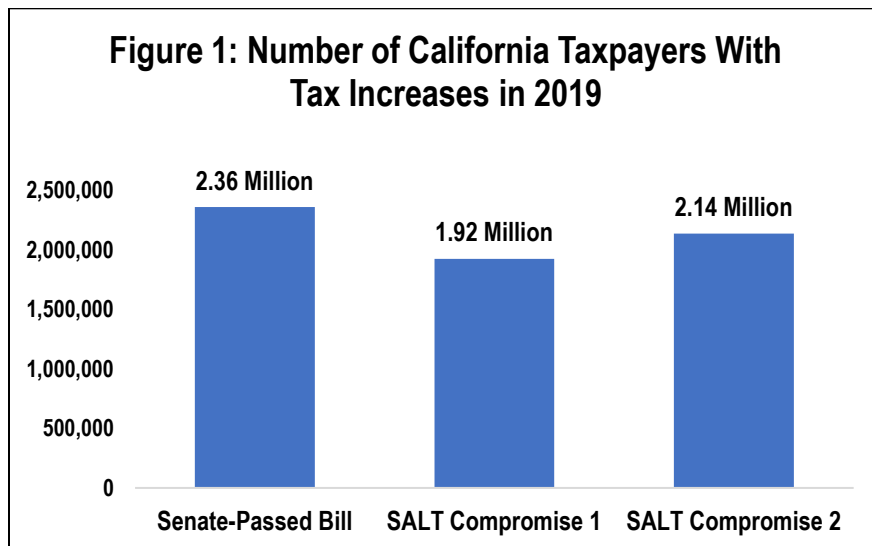
Income Group	Income Range		Taxpayers in Income Group	Share with Tax Hike	Taxpayers with Tax Hike	Average Tax Hike	
Poorest 20%	Less than		\$27,830	3,456,560	5%	159,879	\$100
Second 20%	\$27,830	to	\$48,110	3,456,710	5%	157,279	\$470
Middle 20%	\$48,110	to	\$76,530	3,457,400	7%	254,502	\$1,040
Fourth 20%	\$76,530	to	\$130,820	3,456,180	17%	580,045	\$1,320
Next 15%	\$130,820	to	\$304,630	2,593,110	25%	656,126	\$1,720
Next 4%	\$304,630	to	\$877,560	691,660	6%	44,580	\$6,030
Richest 1%	\$877,560	and	higher	172,870	40%	69,079	\$32,910
ALL				17,406,370	11%	1,923,436	\$2,490
Bottom 60%	Less than		\$76,530	10,370,670	6%	571,660	\$620

Sources: See Table 1

Table 3: California 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		\$27,830	3,456,560	5%	159,879	\$100
Second 20%	\$27,830	to	\$48,110	3,456,710	5%	161,199	\$480
Middle 20%	\$48,110	to	\$76,530	3,457,400	9%	297,090	\$1,020
Fourth 20%	\$76,530	to	\$130,820	3,456,180	20%	699,180	\$1,300
Next 15%	\$130,820	to	\$304,630	2,593,110	27%	702,820	\$1,700
Next 4%	\$304,630	to	\$877,560	691,660	6%	44,597	\$6,030
Richest 1%	\$877,560	and	higher	172,870	40%	69,079	\$32,910
ALL				17,406,370	12%	2,135,789	\$2,360
Bottom 60%	Less than		\$76,530	10,370,670	6%	618,168	\$640

Sources: See Table 1



Sources: See Tables 1-3