



273,000 COLORADO 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 273,000 Colorado taxpayers (10%) would face tax increases in 2019 of \$1,040 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 Colorado 33% of taxpayers claim the SALT deduction, averaging \$9,000, 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 Colorado 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 181,000 Colorado taxpayers (7%) would still face tax increases in 2019, averaging \$1,100.** [Table 2]

Under SALT Compromise 2, which forces taxpayers to choose between deducting up to \$10,000 in either income or property taxes, nearly 227,000 Colorado taxpayers (8%) would still see their taxes rise by an average of \$1,030. [Table 3]

Table 1: Colorado 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	\$26,040	551,980	3%	15,240	\$20
Second 20%	\$26,040	to \$46,170	552,060	7%	36,020	\$1,020
Middle 20%	\$46,170	to \$71,420	552,070	13%	69,550	\$940
Fourth 20%	\$71,420	to \$122,590	552,040	16%	90,300	\$830
Next 15%	\$122,590	to \$263,720	413,630	13%	54,290	\$1,150
Next 4%	\$263,720	to \$661,160	110,800	4%	4,930	\$3,720
Richest 1%	\$661,160	and higher	27,610	9%	2,570	\$10,310
ALL			2,786,290	10%	272,900	\$1,040
Bottom 60%	Less than	\$71,420	1,656,110	7%	120,810	\$850

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

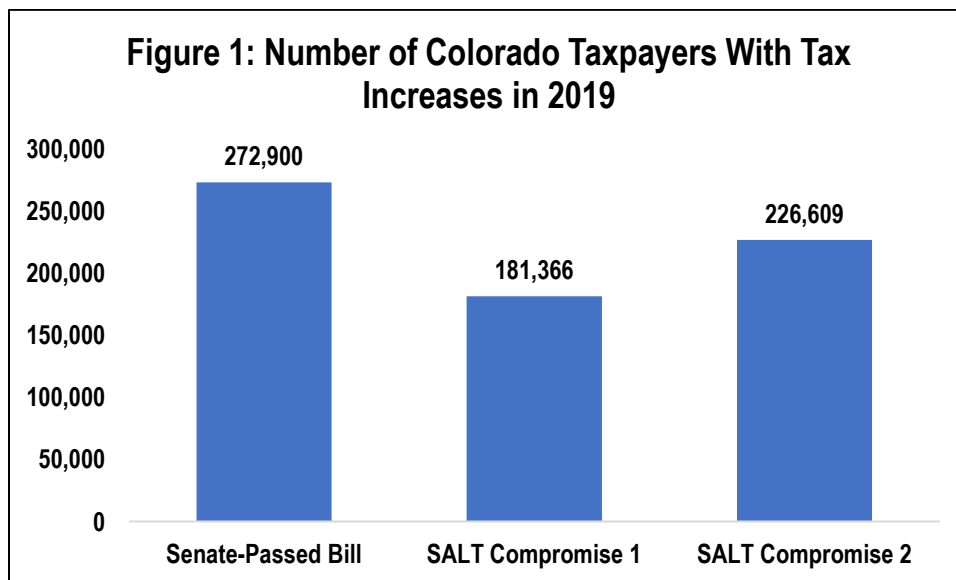
Income Group	Income Range		Taxpayers in Income Group	Share with Tax Hike	Taxpayers with Tax Hike	Average Tax Hike
Poorest 20%	Less than	\$26,040	551,980	3%	15,238	\$20
Second 20%	\$26,040	to \$46,170	552,060	7%	36,022	\$930
Middle 20%	\$46,170	to \$71,420	552,070	8%	45,220	\$1,110
Fourth 20%	\$71,420	to \$122,590	552,040	9%	47,792	\$980
Next 15%	\$122,590	to \$263,720	413,630	8%	32,038	\$1,040
Next 4%	\$263,720	to \$661,160	110,800	3%	3,585	\$3,180
Richest 1%	\$661,160	and higher	27,610	5%	1,469	\$15,950
ALL			2,786,290	7%	181,366	\$1,100
Bottom 60%	Less than	\$71,420	1,656,110	6%	96,480	\$870

Sources: See Table 1

Table 3: Colorado 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	\$26,040	551,980	3%	15,238	\$20
Second 20%	\$26,040	to \$46,170	552,060	7%	36,022	\$990
Middle 20%	\$46,170	to \$71,420	552,070	12%	66,800	\$930
Fourth 20%	\$71,420	to \$122,590	552,040	12%	63,799	\$920
Next 15%	\$122,590	to \$263,720	413,630	10%	39,591	\$1,040
Next 4%	\$263,720	to \$661,160	110,800	3%	3,689	\$3,110
Richest 1%	\$661,160	and higher	27,610	5%	1,469	\$15,980
ALL			2,786,290	8%	226,609	\$1,030
Bottom 60%	Less than	\$71,420	1,656,110	7%	118,060	\$830

Sources: See Table 1



Sources: See Tables 1-3