



310,000 MICHIGAN 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 310,000 Michigan taxpayers (6%) would face tax increases in 2019 of \$980 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 Michigan 26% of taxpayers claim the SALT deduction, averaging \$9,650 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 Michigan 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 242,000 Michigan taxpayers (5%) would still face tax increases in 2019, averaging \$1,010.** [Table 2]

Under SALT Compromise 2, which forces taxpayers to choose between deducting up to \$10,000 in either income or property taxes, nearly 287,000 Michigan taxpayers (6%) would still see their taxes rise by an average of \$960. [Table 3]

Table 1: Michigan 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	\$23,560	937,790	3%	30,270	\$30
Second 20%	\$23,560	to \$43,890	954,190	4%	41,530	\$230
Middle 20%	\$43,890	to \$68,950	945,280	6%	60,850	\$510
Fourth 20%	\$68,950	to \$111,100	944,710	8%	73,810	\$670
Next 15%	\$111,100	to \$218,870	711,830	12%	88,210	\$1,190
Next 4%	\$218,870	to \$516,650	189,230	7%	14,110	\$1,470
Richest 1%	\$516,650	and higher	47,280	2%	870	\$99,900
ALL			4,816,130	6%	309,650	\$980
Bottom 60%	Less than	\$68,950	2,837,260	5%	132,650	\$310

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

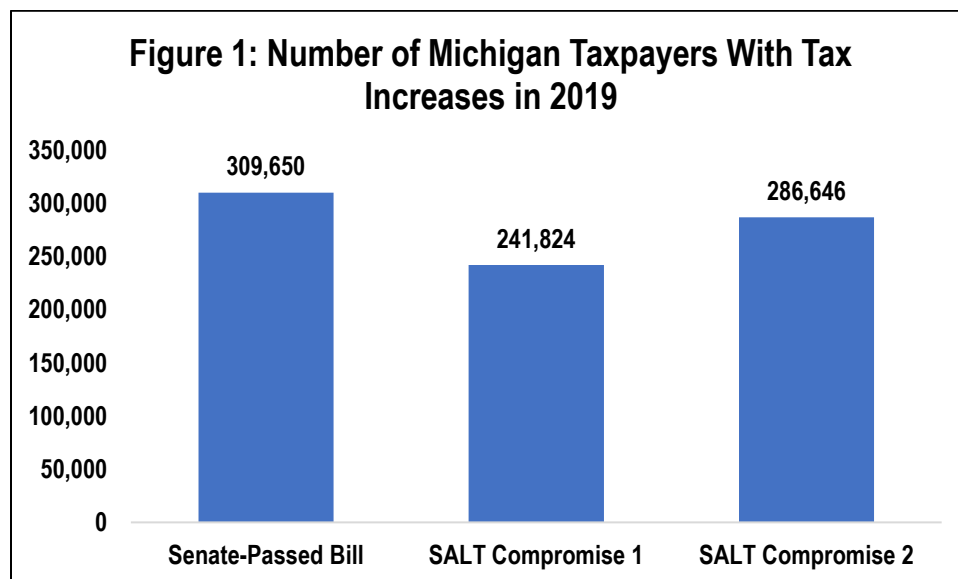
Income Group	Income Range		Taxpayers in Income Group	Share with Tax Hike	Taxpayers with Tax Hike	Average Tax Hike
Poorest 20%	Less than	\$23,560	937,790	3%	30,274	\$30
Second 20%	\$23,560	to \$43,890	954,190	4%	41,467	\$210
Middle 20%	\$43,890	to \$68,950	945,280	6%	55,872	\$470
Fourth 20%	\$68,950	to \$111,100	944,710	5%	44,157	\$780
Next 15%	\$111,100	to \$218,870	711,830	8%	60,410	\$1,260
Next 4%	\$218,870	to \$516,650	189,230	5%	8,792	\$1,370
Richest 1%	\$516,650	and higher	47,280	2%	851	\$102,030
ALL			4,816,130	5%	241,824	\$1,010
Bottom 60%	Less than	\$68,950	2,837,260	4%	127,614	\$280

Sources: See Table 1

Table 3: Michigan 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	\$23,560	937,790	3%	30,274	\$20
Second 20%	\$23,560	to \$43,890	954,190	4%	41,467	\$230
Middle 20%	\$43,890	to \$68,950	945,280	6%	60,145	\$490
Fourth 20%	\$68,950	to \$111,100	944,710	7%	70,041	\$640
Next 15%	\$111,100	to \$218,870	711,830	10%	74,292	\$1,230
Next 4%	\$218,870	to \$516,650	189,230	5%	9,575	\$1,330
Richest 1%	\$516,650	and higher	47,280	2%	851	\$102,030
ALL			4,816,130	6%	286,646	\$960
Bottom 60%	Less than	\$68,950	2,837,260	5%	131,887	\$300

Sources: See Table 1



Sources: See Tables 1-3