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

<table>
<thead>
<tr>
<th>Income Group</th>
<th>Income Range</th>
<th>Taxpayers in Income Group</th>
<th>Share with Tax Hike</th>
<th>Taxpayers with Tax Hike</th>
<th>Average Tax Hike</th>
</tr>
</thead>
<tbody>
<tr>
<td>Poorest 20%</td>
<td>Less than $23,560</td>
<td>937,790</td>
<td>3%</td>
<td>30,270</td>
<td>$30</td>
</tr>
<tr>
<td>Second 20%</td>
<td>$23,560 to $43,890</td>
<td>954,190</td>
<td>4%</td>
<td>41,530</td>
<td>$230</td>
</tr>
<tr>
<td>Middle 20%</td>
<td>$43,890 to $68,950</td>
<td>945,280</td>
<td>6%</td>
<td>60,850</td>
<td>$510</td>
</tr>
<tr>
<td>Fourth 20%</td>
<td>$68,950 to $111,100</td>
<td>944,710</td>
<td>8%</td>
<td>73,810</td>
<td>$670</td>
</tr>
<tr>
<td>Next 15%</td>
<td>$111,100 to $218,870</td>
<td>711,830</td>
<td>12%</td>
<td>88,210</td>
<td>$1,190</td>
</tr>
<tr>
<td>Next 4%</td>
<td>$218,870 to $516,650</td>
<td>189,230</td>
<td>7%</td>
<td>14,110</td>
<td>$1,470</td>
</tr>
<tr>
<td>Richest 1%</td>
<td>$516,650 and higher</td>
<td>47,280</td>
<td>2%</td>
<td>870</td>
<td>$99,900</td>
</tr>
<tr>
<td>ALL</td>
<td></td>
<td>4,816,130</td>
<td>6%</td>
<td>309,650</td>
<td>$980</td>
</tr>
<tr>
<td>Bottom 60%</td>
<td>Less than $68,950</td>
<td>2,837,260</td>
<td>5%</td>
<td>132,650</td>
<td>$310</td>
</tr>
</tbody>
</table>

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

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

Sources: See Table 1

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

<table>
<thead>
<tr>
<th>Income Group</th>
<th>Income Range</th>
<th>Taxpayers in Income Group</th>
<th>Share with Tax Hike</th>
<th>Taxpayers with Tax Hike</th>
<th>Average Tax Hike</th>
</tr>
</thead>
<tbody>
<tr>
<td>Poorest 20%</td>
<td>Less than $23,560</td>
<td>937,790</td>
<td>3%</td>
<td>30,274</td>
<td>$20</td>
</tr>
<tr>
<td>Second 20%</td>
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<td>954,190</td>
<td>4%</td>
<td>41,467</td>
<td>$230</td>
</tr>
<tr>
<td>Middle 20%</td>
<td>$43,890 to $68,950</td>
<td>945,280</td>
<td>6%</td>
<td>60,145</td>
<td>$490</td>
</tr>
<tr>
<td>Fourth 20%</td>
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<td>944,710</td>
<td>7%</td>
<td>70,041</td>
<td>$640</td>
</tr>
<tr>
<td>Next 15%</td>
<td>$111,100 to $218,870</td>
<td>711,830</td>
<td>10%</td>
<td>74,292</td>
<td>$1,230</td>
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<tr>
<td>Next 4%</td>
<td>$218,870 to $516,650</td>
<td>189,230</td>
<td>5%</td>
<td>9,575</td>
<td>$1,330</td>
</tr>
<tr>
<td>Richest 1%</td>
<td>$516,650 and higher</td>
<td>47,280</td>
<td>2%</td>
<td>851</td>
<td>$102,030</td>
</tr>
<tr>
<td>ALL</td>
<td>Less than $68,950</td>
<td>4,816,130</td>
<td>6%</td>
<td>286,646</td>
<td>$960</td>
</tr>
<tr>
<td>Bottom 60%</td>
<td>Less than $68,950</td>
<td>2,837,260</td>
<td>5%</td>
<td>131,887</td>
<td>$300</td>
</tr>
</tbody>
</table>

Sources: See Table 1

Figure 1: Number of Michigan Taxpayers With Tax Increases in 2019

Sources: See Tables 1-3