



## 428,000 NORTH CAROLINA 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 428,000 North Carolina taxpayers (9%) would face tax increases in 2019 of \$850 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 North Carolina 29% of taxpayers claim the SALT deduction, averaging \$9,600, 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 North Carolina 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 328,000 North Carolina taxpayers (7%) would still face tax increases in 2019, averaging \$730.** [Table 2]

**Under SALT Compromise 2, which forces taxpayers to choose between deducting up to \$10,000 in either income or property taxes, almost 380,000 North Carolina taxpayers (8%) would still see their taxes rise by an average of \$720.** [Table 3]

**Table 1: North Carolina 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    | \$21,430     | 988,670                   | 5%                  | 47,360                  | \$30             |
| Second 20%        | \$21,430     | to \$35,200  | 977,520                   | 6%                  | 54,890                  | \$90             |
| Middle 20%        | \$35,200     | to \$60,570  | 990,490                   | 5%                  | 52,040                  | \$350            |
| Fourth 20%        | \$60,570     | to \$99,930  | 985,830                   | 14%                 | 140,020                 | \$780            |
| Next 15%          | \$99,930     | to \$217,460 | 739,580                   | 15%                 | 110,590                 | \$1,560          |
| Next 4%           | \$217,460    | to \$530,930 | 197,330                   | 11%                 | 22,490                  | \$1,720          |
| Richest 1%        | \$530,930    | and higher   | 49,310                    | 1%                  | 620                     | \$28,060         |
| <b>ALL</b>        |              |              | <b>4,980,450</b>          | <b>9%</b>           | <b>428,010</b>          | <b>\$850</b>     |
| <b>Bottom 60%</b> | Less than    | \$60,570     | 2,956,680                 | 5%                  | 154,290                 | \$160            |

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: North Carolina Taxpayers Facing Tax Hikes Under SALT Compromise 1, 2019**

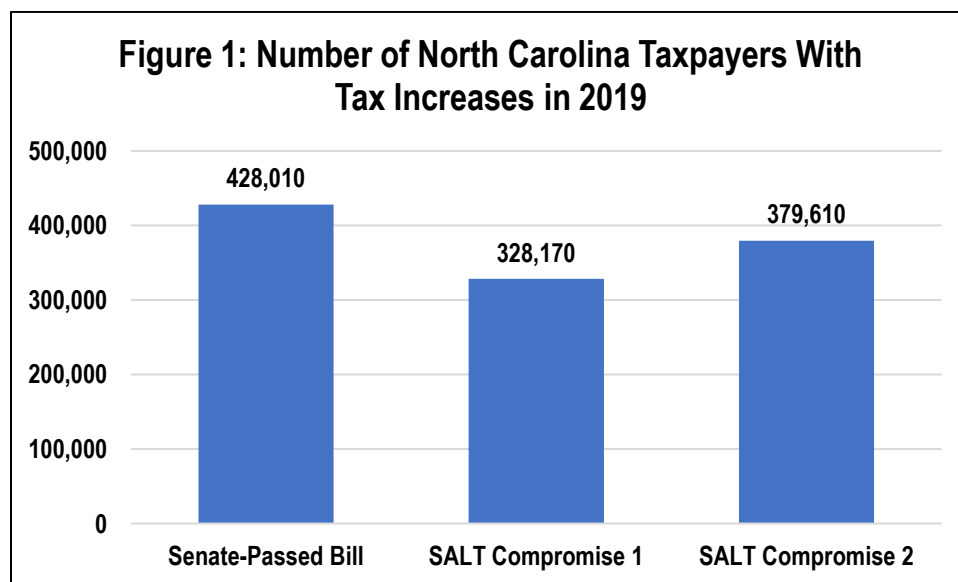
| Income Group | Income Range |              | Taxpayers in Income Group | Share with Tax Hike | Taxpayers with Tax Hike | Average Tax Hike |
|--------------|--------------|--------------|---------------------------|---------------------|-------------------------|------------------|
|              |              |              |                           |                     |                         |                  |
| Poorest 20%  | Less than    | \$21,430     | 988,670                   | 5%                  | 47,360                  | \$30             |
| Second 20%   | \$21,430     | to \$35,200  | 977,520                   | 6%                  | 54,890                  | \$90             |
| Middle 20%   | \$35,200     | to \$60,570  | 990,490                   | 4%                  | 39,950                  | \$270            |
| Fourth 20%   | \$60,570     | to \$99,930  | 985,830                   | 10%                 | 102,960                 | \$710            |
| Next 15%     | \$99,930     | to \$217,460 | 739,580                   | 9%                  | 67,840                  | \$1,630          |
| Next 4%      | \$217,460    | to \$530,930 | 197,330                   | 7%                  | 14,620                  | \$1,470          |
| Richest 1%   | \$530,930    | and higher   | 49,310                    | 1%                  | 550                     | \$30,380         |
| <b>ALL</b>   |              |              | <b>4,980,450</b>          | <b>7%</b>           | <b>328,170</b>          | <b>\$730</b>     |
| Bottom 60%   | Less than    | \$60,570     | 2,956,680                 | 5%                  | 142,200                 | \$120            |

Sources: See Table 1

**Table 3: North Carolina 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    | \$21,430     | 988,670                   | 5%                  | 47,360                  | \$30             |
| Second 20%   | \$21,430     | to \$35,200  | 977,520                   | 6%                  | 54,890                  | \$90             |
| Middle 20%   | \$35,200     | to \$60,570  | 990,490                   | 5%                  | 50,860                  | \$260            |
| Fourth 20%   | \$60,570     | to \$99,930  | 985,830                   | 13%                 | 128,290                 | \$700            |
| Next 15%     | \$99,930     | to \$217,460 | 739,580                   | 11%                 | 80,740                  | \$1,550          |
| Next 4%      | \$217,460    | to \$530,930 | 197,330                   | 9%                  | 16,920                  | \$1,340          |
| Richest 1%   | \$530,930    | and higher   | 49,310                    | 1%                  | 550                     | \$30,400         |
| <b>ALL</b>   |              |              | <b>4,980,450</b>          | <b>8%</b>           | <b>379,610</b>          | <b>\$720</b>     |
| Bottom 60%   | Less than    | \$60,570     | 2,956,680                 | 5%                  | 153,110                 | \$130            |

Sources: See Table 1



Sources: See Tables 1-3