



456,500 PENNSYLVANIA 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, **more than 456,500 Pennsylvania taxpayers (7.1%) would face tax increases in 2019 of \$890 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 Pennsylvania [29% of taxpayers](#) claim the SALT deduction, averaging \$11,250, 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 Pennsylvania 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 364,800 Pennsylvania taxpayers (5.7%) would still face tax increases in 2019, averaging \$890.** [Table 2]

Under SALT Compromise 2, which forces taxpayers to choose between deducting up to \$10,000 in either income or property taxes, almost 426,500 Pennsylvania taxpayers (6.6%) would still see their taxes rise by an average of \$850. [Table 3]

Table 1: Pennsylvania 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	\$23,900	1,270,250	2.6%	32,700	\$100
Second 20%	\$23,900	to \$43,500	1,271,160	4.0%	51,160	\$440
Middle 20%	\$43,500	to \$67,910	1,263,700	7.9%	100,150	\$380
Fourth 20%	\$67,910	to \$111,490	1,277,870	8.7%	111,250	\$910
Next 15%	\$111,490	to \$231,900	952,060	15.3%	145,940	\$1,350
Next 4%	\$231,900	to \$575,640	254,540	5.6%	14,280	\$1,500
Richest 1%	\$575,640	and higher	64,180	1.6%	1,030	\$22,080
ALL			6,426,700	7.1%	456,510	\$890
Bottom 60%	Less than	\$67,910	3,805,110	4.8%	184,010	\$350

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

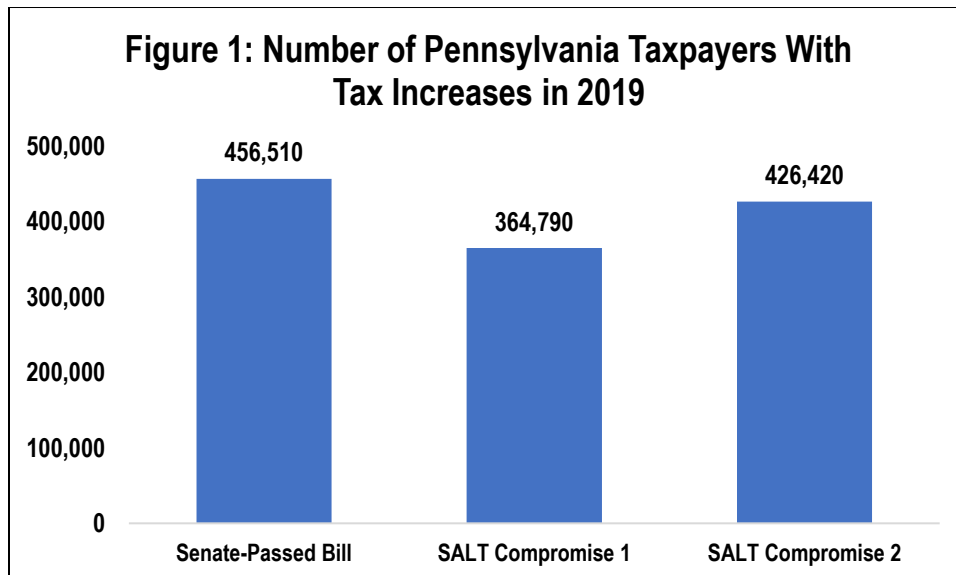
Income Group	Income Range		Taxpayers in Income Group	Share with Tax Hike	Taxpayers with Tax Hike	Average Tax Hike
Poorest 20%	Less than \$23,900		1,270,250	2.6%	32,700	\$100
Second 20%	\$23,900	to \$43,500	1,271,160	4.0%	51,160	\$420
Middle 20%	\$43,500	to \$67,910	1,263,700	6.2%	78,870	\$370
Fourth 20%	\$67,910	to \$111,490	1,277,870	6.2%	78,850	\$950
Next 15%	\$111,490	to \$231,900	952,060	11.8%	111,870	\$1,420
Next 4%	\$231,900	to \$575,640	254,540	4.1%	10,320	\$1,440
Richest 1%	\$575,640	and higher	64,180	1.6%	1,020	\$22,060
ALL			6,426,700	5.7%	364,790	\$890
Bottom 60%	Less than \$67,910		3,805,110	4.3%	162,730	\$330

Sources: See Table 1

Table 3: Pennsylvania 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 \$23,900		1,270,250	2.6%	32,700	\$100
Second 20%	\$23,900	to \$43,500	1,271,160	4.0%	51,160	\$440
Middle 20%	\$43,500	to \$67,910	1,263,700	7.7%	97,390	\$380
Fourth 20%	\$67,910	to \$111,490	1,277,870	8.0%	102,340	\$870
Next 15%	\$111,490	to \$231,900	952,060	13.8%	131,390	\$1,300
Next 4%	\$231,900	to \$575,640	254,540	4.1%	10,410	\$1,480
Richest 1%	\$575,640	and higher	64,180	1.6%	1,020	\$22,060
ALL			6,426,700	6.6%	426,420	\$850
Bottom 60%	Less than \$67,910		3,805,110	4.8%	181,250	\$350

Sources: See Table 1



Sources: See Tables 1-3