



TAX CUTS AND JOBS ACT

IMPACT ON TAXES FOR MARYLAND RESIDENTS

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Structure of Analysis

- Simulation using full population of filers in TY 2014
 - A relatively normal year for which we had full data
 - From our SOI database, matched with federal return data
- What would have happened to TY 2014 if TCJA applied
 - Results then grown to fit expected filer population in impacted years
- Returns in the door for TY 2018 used for validation
 - Gives us confidence in our estimate so far

Federal Tax Results

- Estimated \$2.8 billion tax cut for TY18

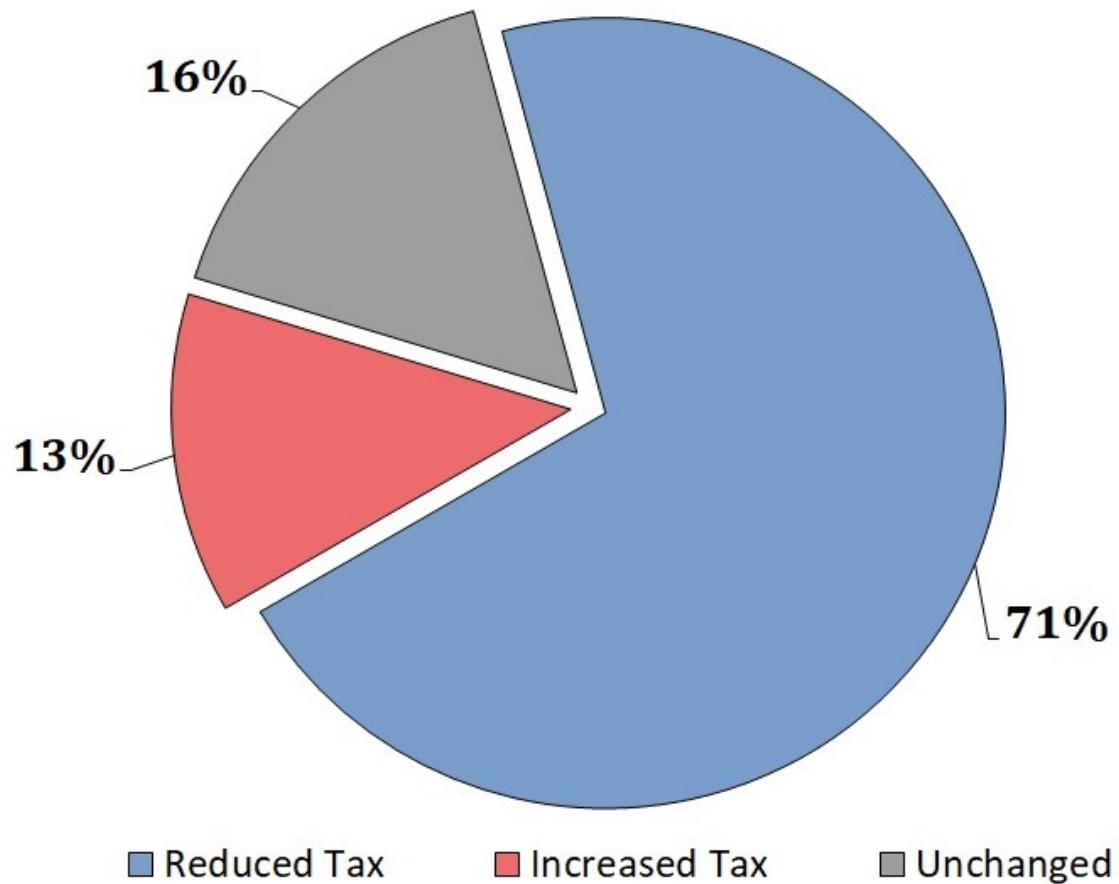


Table 3a. Federal Income Tax - Net Impact of Tax Changes

Tax Year 2014

Federal Adjusted Gross Income Class	Number of Taxpayers Not Impacted	Number of Taxpayers Impacted	Total Net Tax Impact
0 or less	17,783	1,463	28,309,007
0 to 25,000	429,450	499,659	(82,793,869)
25,000 to 50,000	11,412	611,249	(258,435,035)
50,000 to 75,000	2,237	396,739	(283,962,775)
75,000 to 100,000	900	275,162	(307,195,859)
100,000 to 150,000	600	315,389	(474,889,843)
150,000 to 250,000	200	210,033	(495,464,139)
250,000 to 500,000	61	72,547	(682,793,723)
500,000 to 1,000,000	26	17,198	(160,713,876)
Greater than \$1M	28	7,756	(35,995,173)
Total	462,697	2,407,195	(2,753,935,285)

Key Federal Provisions

- Reduced Itemized Deductions
 - \$10,000 SALT cap significant to Maryland residents

Table 4b. Impact of Repeal of SALT Deductions

Tax Year 2014

Federal Adjusted Gross Income Class	Number of Impacted Taxpayers	Total Deduction Amount Exceeding Cap	Average Deduction Amount Exceeding Cap
0 or less	1,048	25,774,012	24,594
0 to 25,000	1,804	22,563,756	12,508
25,000 to 50,000	4,758	22,862,465	4,805
50,000 to 75,000	15,823	53,578,259	3,386
75,000 to 100,000	49,620	119,153,345	2,401
100,000 to 150,000	197,299	636,646,006	3,227
150,000 to 250,000	191,188	1,622,756,081	8,488
250,000 to 500,000	69,075	1,540,972,621	22,309
500,000 to 1,000,000	16,651	884,306,449	53,108
Greater than \$1M	7,480	1,617,292,035	216,216
Total	554,746	6,545,905,030	11,800

- In 2014, 357k taxpayers had miscellaneous deductions averaging \$8k per taxpayer – those are now repealed

Key Federal Provisions

- Increased Standard Deduction (SD)
 - \$9.4k to \$18k for single filer and \$12.7k to \$24k for joint

Table 4c. Impact of Changes to Standard and Itemized Deductions

Tax Year 2014

Federal Adjusted Gross Income Class	Number of MD Taxpayers	Negatively Impacted		Positively Impacted	
		Taxpayers	Total Deductions Lost	Taxpayers	Total Deductions Gained
0 to 25,000	929,109	9,124	28,638,068	602,186	2,904,501,235
25,000 to 50,000	622,661	51,079	249,478,755	546,455	3,660,058,024
50,000 to 75,000	398,976	60,801	320,062,934	289,066	1,903,817,322
75,000 to 100,000	276,062	66,703	324,509,146	169,834	1,156,174,911
100,000 to 150,000	315,989	148,228	768,031,062	150,730	925,879,213
150,000 to 250,000	210,233	165,787	1,530,735,035	42,571	237,451,869
250,000 to 500,000	72,608	67,744	1,441,890,023	4,713	34,127,220
500,000 to 1,000,000	17,224	16,276	747,488,047	945	8,145,415
Greater than \$1M	7,784	7,161	1,338,515,346	622	13,097,021
Total	2,850,646	592,903	6,749,348,417	1,807,122	10,843,252,230

Notes:

(1) Taxpayers in the income class below \$0 represent an insignificant share of those taxpayers affected; in addition, their calculation of AGI is so extraordinary as to be misrepresentative of the average taxpayer. Thus, they have been excluded from most tables.

(2) AGI means taxpayer AGI prior to any changes in the tax code.

Key Federal Provisions

- Enhanced Child Tax Credit (under 17yo)
 - Was \$1k per child, phase out at \$75k or \$110k
 - Now \$2k per child, phase out at \$200k or \$400k

Tables 5a and 5b						
TY 2014						
	Negatively Impacted Credit			Positively Impacted Credit		
	Taxpayers	Reduction	Avg Decrease	Taxpayers	Increase	Avg Increase
Refundable	42,717	53,307,462	1,248	341,577	212,564,396	622
non-Refundable	43,241	11,826,153	273	633,132	1,301,527,155	2,056

Key Federal Provisions

- Qualified Business Income (QBI)
 - Deduct 20% of QBI from taxable income
 - Available to all where taxpayer has AGI under \$207k and \$415k
 - After that, only available to non-service businesses
 - We randomly assigned 30% of taxpayers as having QBI
 - Applied deduction to all TPs under the thresholds

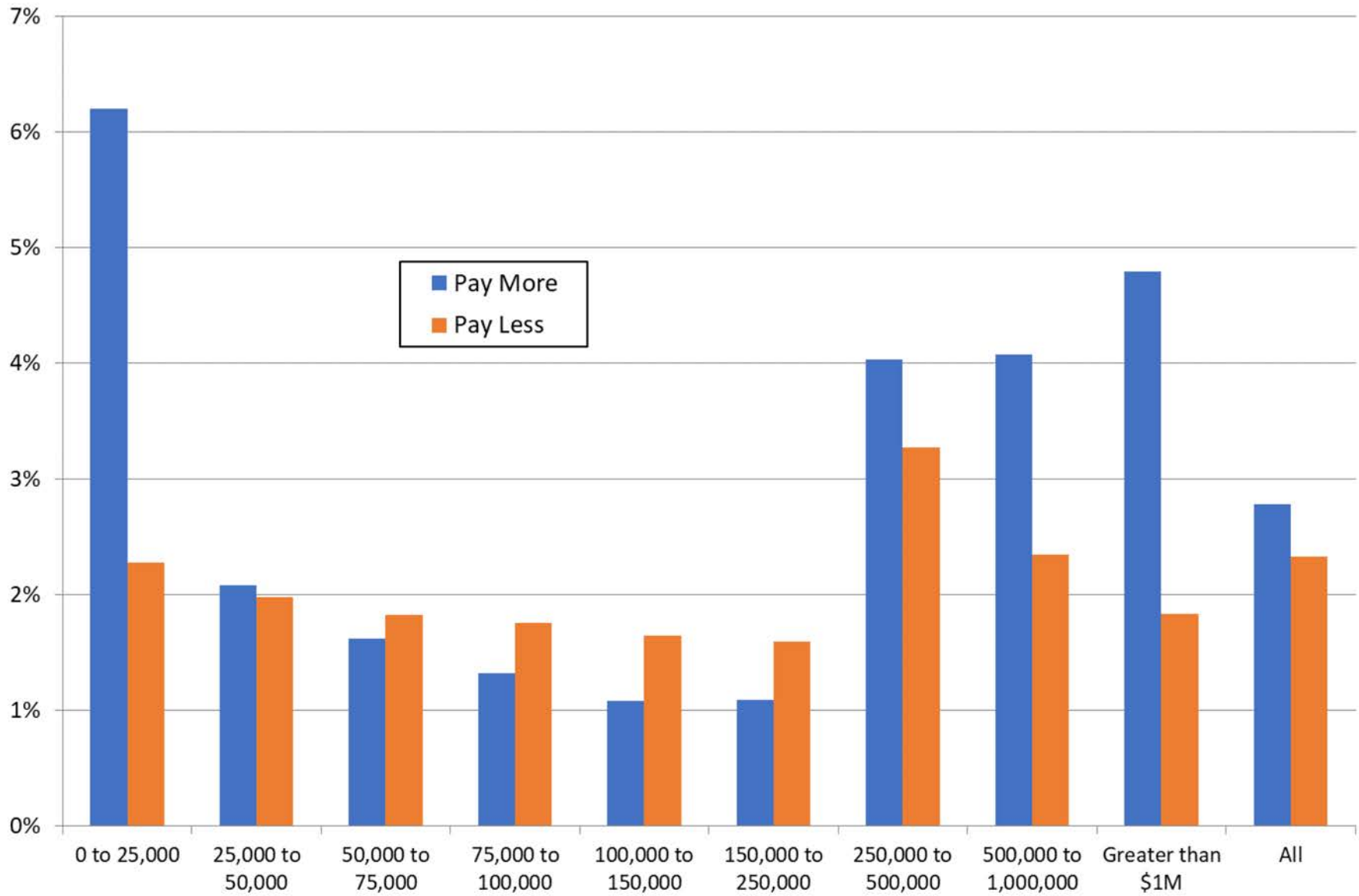
Table 7			
TY 2014			
	Taxpayers	Deduction \$s Gained	Average
Total	93,251	903,694,020	9,691

Key Federal Provisions

- Caps Business Losses at \$500k / \$250k
 - Prior law - could deduct all business losses against other income
 - TCJA - amount over cap becomes NOL
 - Taken against income in future years; in theory, net zero over time
 - NOLs now capped at 80% of taxable income
 - Small number impacted, but largest single item change

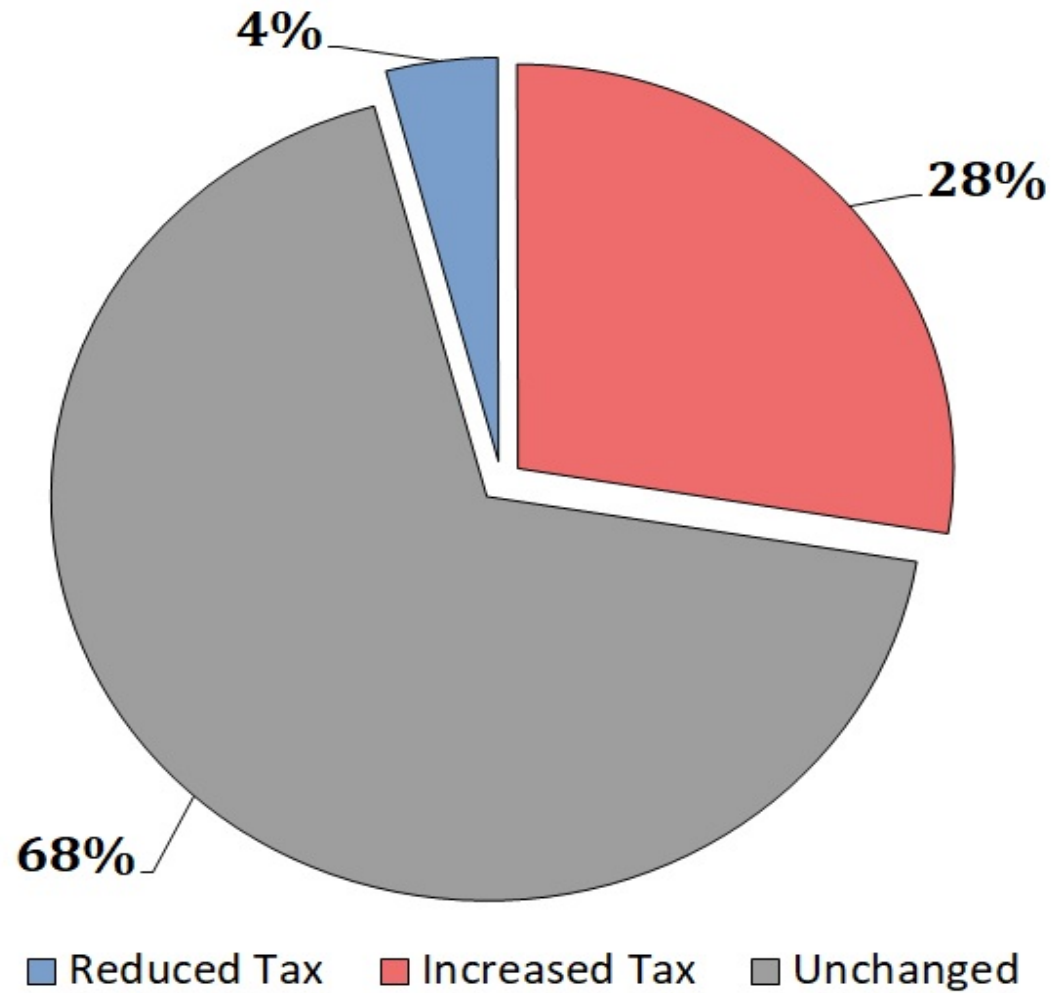
Table 8			
TY 2014			
	Taxpayers	Deductions Lost	Average
Total	780	965,408,389	1,237,703

Federal - Avg Change as a Share of Income



Source: Maryland Comptroller's Office, Bureau of Revenue Estimates

State and Local Tax Results



State and Local Income Tax - Net Impact of Tax Changes

Tax Year 2014

Federal Adjusted Gross Income Class	Number of Taxpayers Not Impacted	Number of Taxpayers Impacted	Total Net Tax Impact
0 or less	18,955	291	7,305,092
0 to 25,000	737,059	192,050	36,738,002
25,000 to 50,000	466,198	156,463	60,434,778
50,000 to 75,000	251,749	147,227	54,395,959
75,000 to 100,000	166,774	109,288	22,759,696
100,000 to 150,000	179,954	136,035	37,195,837
150,000 to 250,000	113,549	96,684	39,016,740
250,000 to 500,000	23,235	49,373	34,839,520
500,000 to 1,000,000	1,176	16,048	22,287,869
Greater than \$1M	269	7,515	57,098,003
Total	1,958,916	910,976	372,071,496

Maryland Coupling – Standard Deduction

- Reduced deductions and increased standard deduction at federal level pushes taxpayers into federal SD
- Federal SD is \$24k – State SD is \$4K for joint filers
- Maryland Tax General 10-218(a):
 - “Only an individual who itemizes deductions on the...federal income tax return may elect to itemize deductions on...[the State’s] tax return.”
- Taxpayers who take federal SD must take State SD
 - 700,198 taxpayers lose \$6.3 billion in deductions
 - State gains \$301.3 million

Impact of Shifting from Itemized to Standard Deduction

Table 11b. Impact to Maryland Deductions – Shifting – Assumes Preferred Federal Tax Reduction						
Tax Year 2014						
Taxpayers Switching From Itemized to Standard						
Federal Adjusted Gross Income Class		Number of Taxpayers	Total Deduction Impact	Average Deduction Change	Estimated Exclusive State Tax Impact	Estimated Exclusive Local Tax Impact
0 or less		2,088	(1,241,129)	(594)	4,128	700
0 to 25,000		62,550	(365,658,970)	(5,846)	15,171,028	7,809,671
25,000 to 50,000		146,798	(1,261,385,492)	(8,593)	56,131,654	36,260,576
50,000 to 75,000		130,334	(1,112,275,958)	(8,534)	52,624,643	33,368,279
75,000 to 100,000		102,877	(914,084,921)	(8,885)	43,417,870	27,422,548
100,000 to 150,000		139,462	(1,291,046,110)	(9,257)	63,440,185	38,731,383
150,000 to 250,000		86,820	(879,381,630)	(10,129)	45,856,834	26,381,449
250,000 to 500,000		24,264	(311,717,591)	(12,847)	17,139,245	9,351,528
500,000 to 1,000,000		4,047	(74,731,940)	(18,466)	4,250,672	2,241,958
Greater than \$1M		958	(56,906,590)	(59,401)	3,263,854	1,707,198
Total		700,198	(6,268,430,332)	(8,952.37)	301,300,114	183,275,289

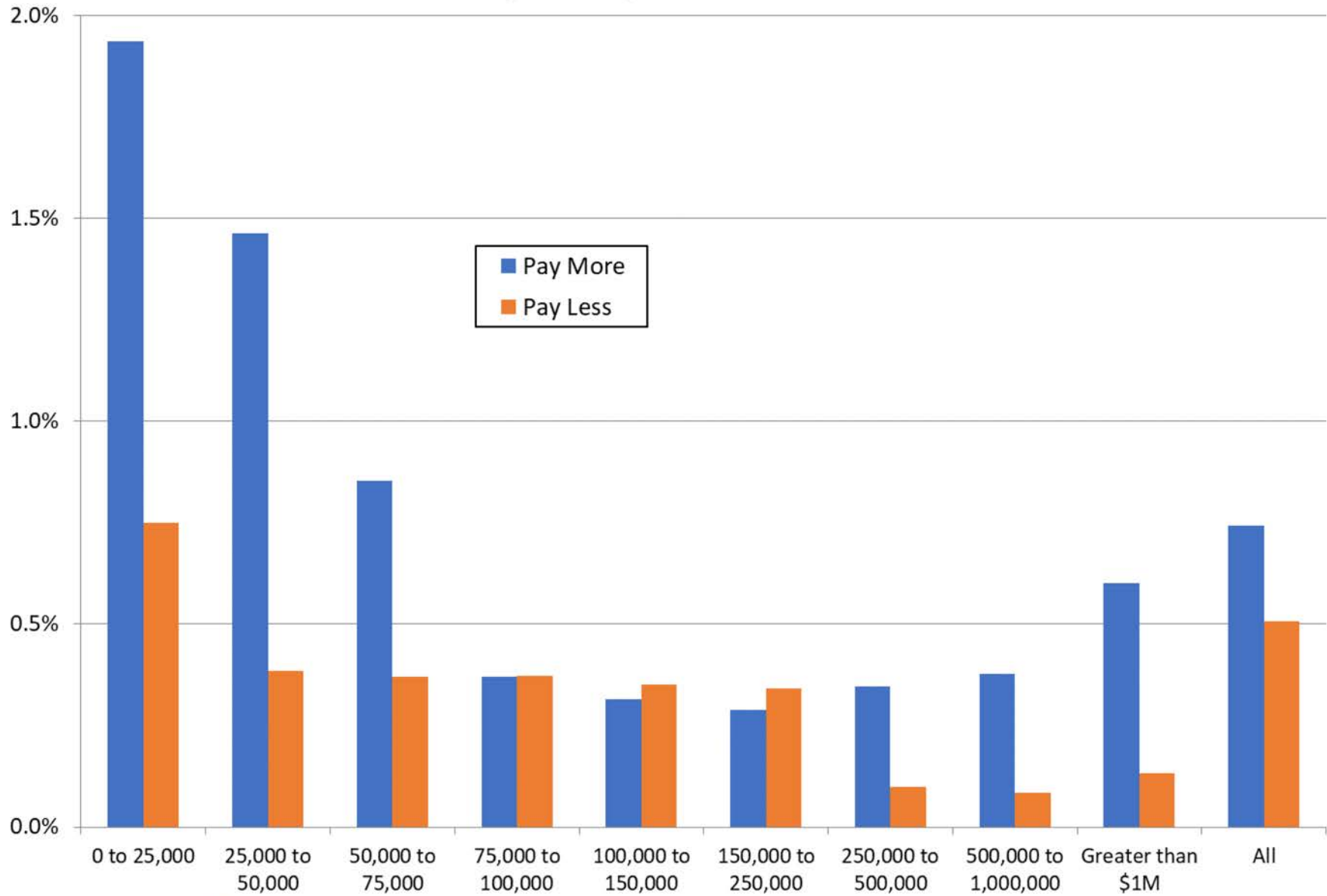
Maryland Coupling - Deductions

- SALT Deduction for *income* taxes was added back at State
 - Cap does impact real estate taxes, which do flow through

Table 12. Real Estate Taxes Exceeding the \$10K Cap

Tax Year 2014						
Federal Adjusted Gross Income Class		Number of Taxpayers	Total Amount Over Cap	Average Amount Over Cap	Estimated Exclusive State Tax Impact	Estimated Exclusive Local Tax Impact
0 or less		482	5,625,952	11,672	18,712	3,173
0 to 25,000		711	5,956,922	8,378	247,150	127,227
25,000 to 50,000		1,510	7,904,809	5,235	351,764	227,237
50,000 to 75,000		2,428	14,588,990	6,009	690,243	437,670
75,000 to 100,000		3,071	13,598,305	4,428	645,902	407,949
100,000 to 150,000		6,553	27,545,812	4,204	1,353,562	826,374
150,000 to 250,000		11,813	50,825,270	4,302	2,650,369	1,524,758
250,000 to 500,000		16,314	101,525,132	6,223	5,582,181	3,045,754
500,000 to 1,000,000		9,064	98,584,163	10,876	5,607,361	2,957,525
Greater than \$1M		4,939	235,394,297	47,660	13,500,943	7,061,829
Total		56,885	561,549,652	9,872	30,648,188	16,619,495

State - Avg Change as a Share of Income

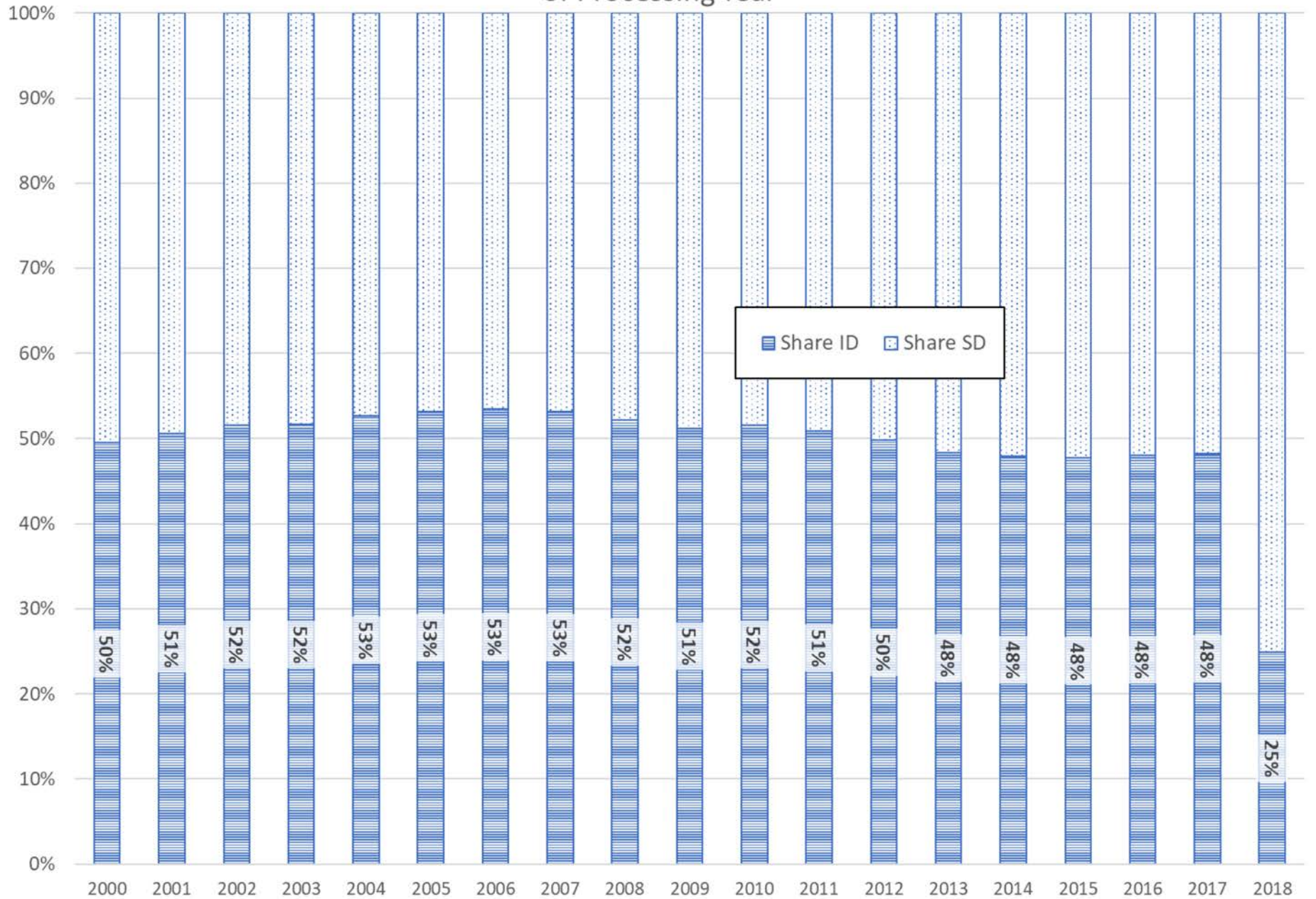


Source: Maryland Comptroller's Office, Bureau of Revenue Estimates

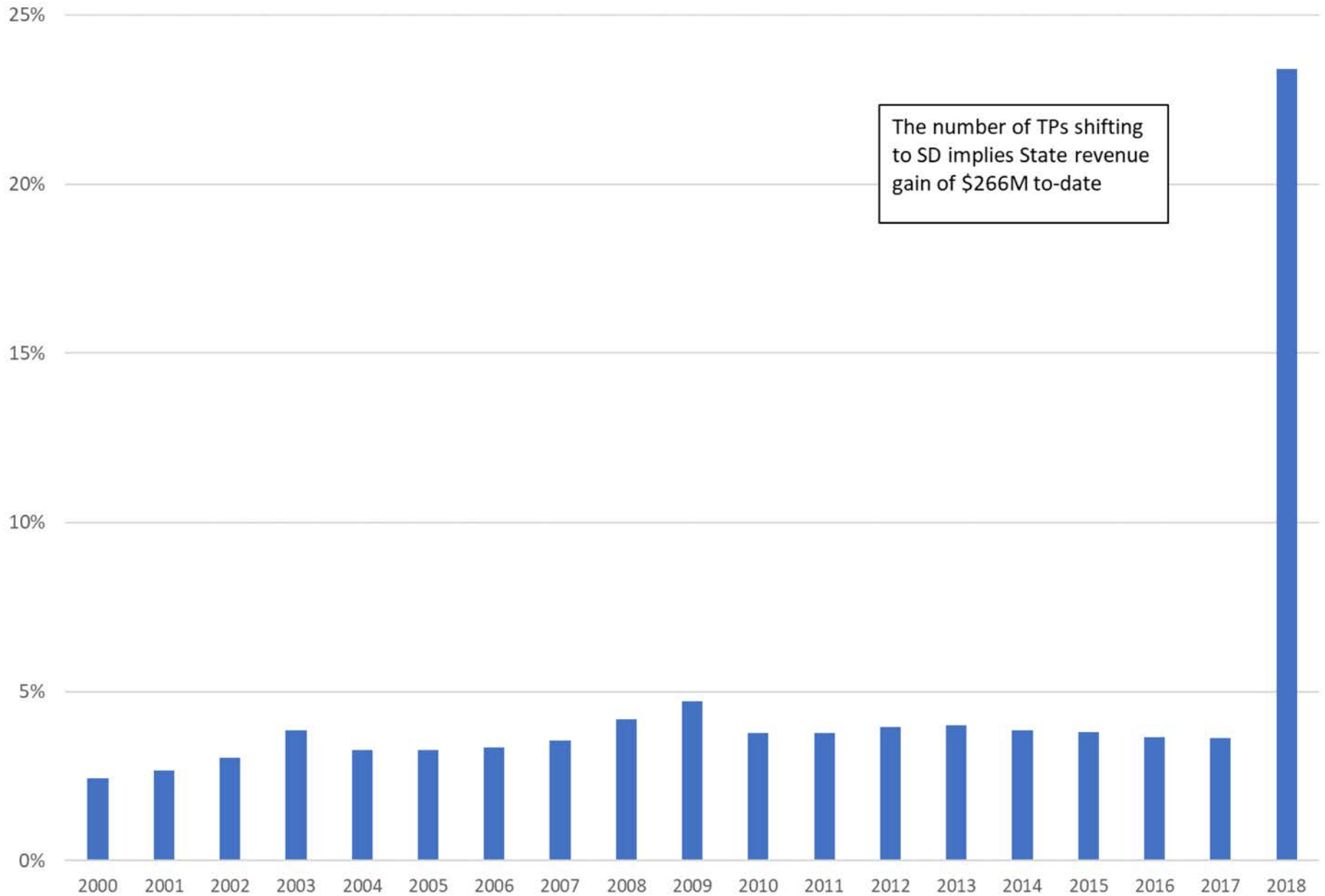
Maryland Legislative Responses

- SB318 – Increase and Indexing of Standard Deduction
 - Increases SD from \$2k to \$2.5k for singles and from \$4k to \$4.5k for joint filers
 - Moderate tax impact, for those that get full benefit, \$40 and \$80 break, respectively
- Myriad other smaller scope bills
- Kept the lion's share of the revenue increase

Share of Returns by Deduction Type - Residents in Both Years - Through 234th Day of Processing Year



Share Taxpayers Itemized in Prior Tax Year & Standard in Current Tax Year - Through 234th Day



Validating the Estimate

	State	Local	Total
Residents			
Existing Filers - Itemize Both Years	26,412,744	16,576,944	42,989,687
Existing Filers - Switch To Standard	213,196,771	136,939,039	350,135,810
New Filers - Itemized	1,154,787	741,068	1,895,855
New Filers - Switch to Standard	11,715,790	7,561,432	19,277,222
Not Yet Filed - Itemized	5,678,107	3,632,196	9,310,303
Not Yet Filed - Switch to Standard	3,213,374	2,058,903	5,272,277
Resident Total	261,371,572	167,509,581	428,881,154
Non-Res Impact	39,740,707	-	39,740,707
Total	301,112,279	167,509,581	468,621,861
Official Estimate	277,012,894	175,451,972	452,464,867
variance from			3.6%



Thank You

- [Link to Very Detailed Reports](#)

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