

Impact of TCJA on Families' Tax Burdens

September 25, 2019

FTA Revenue Estimating Conference



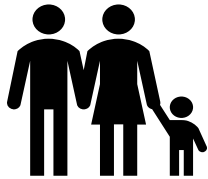
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District of Columbia

*The information provided in this presentation does not represent the views of the Office of the Chief Financial Officer nor the District of Columbia.
They are personal views on the topic presented.*



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Tax Burden Study Assumptions



- Two wage earners, Married Filing Jointly
- 1 school-aged child
- Five Income Levels (\$25,000, \$50,000, \$75,000, \$100,000, and \$150,000)
 - 70/30 income split



- Family at \$25,000 rents; all others own a home and claim the MID
- Families at \$25,000 and \$50,000 own one car; all others own two vehicles.



- Deductions for property, auto, and income taxes paid as well as the MID, and charitable and medical deductions are from 2017 Tax Burden Study.



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Key Federal Tax Policy Changes, 2017 to 2018

Income Level; MFJ	2017	Income Level; MFJ	2018
\$0 to \$18,650	10%	\$0 to \$19,150	10%
\$18,651 to \$75,000	15%	\$19,151 to \$77,400	12%
\$75,901 to \$153,100	25%	\$77,401 to \$165,000	22%
\$153,101 to \$233,350	28%	\$165,001 to \$315,000	24%
\$233,351 to \$416,700	33%	\$315,001 to \$400,000	32%
\$416,701 to 470,700	35%	\$400,001 to \$600,000	35%
\$470,701+	39.6%	\$600,000+	37%
Standard Deduction	\$12,700	Standard Deduction	\$24,000
Personal Exemption	\$4,050	Personal Exemption	\$0
SALT Deduction Limit	N/A	SALT Deduction Limit	\$10,000
Child Tax Credit (max. income \$110,000)	\$1,000	Child Tax Credit (max. income \$400,000;)	\$2,000 ((\$1,400 refundable)



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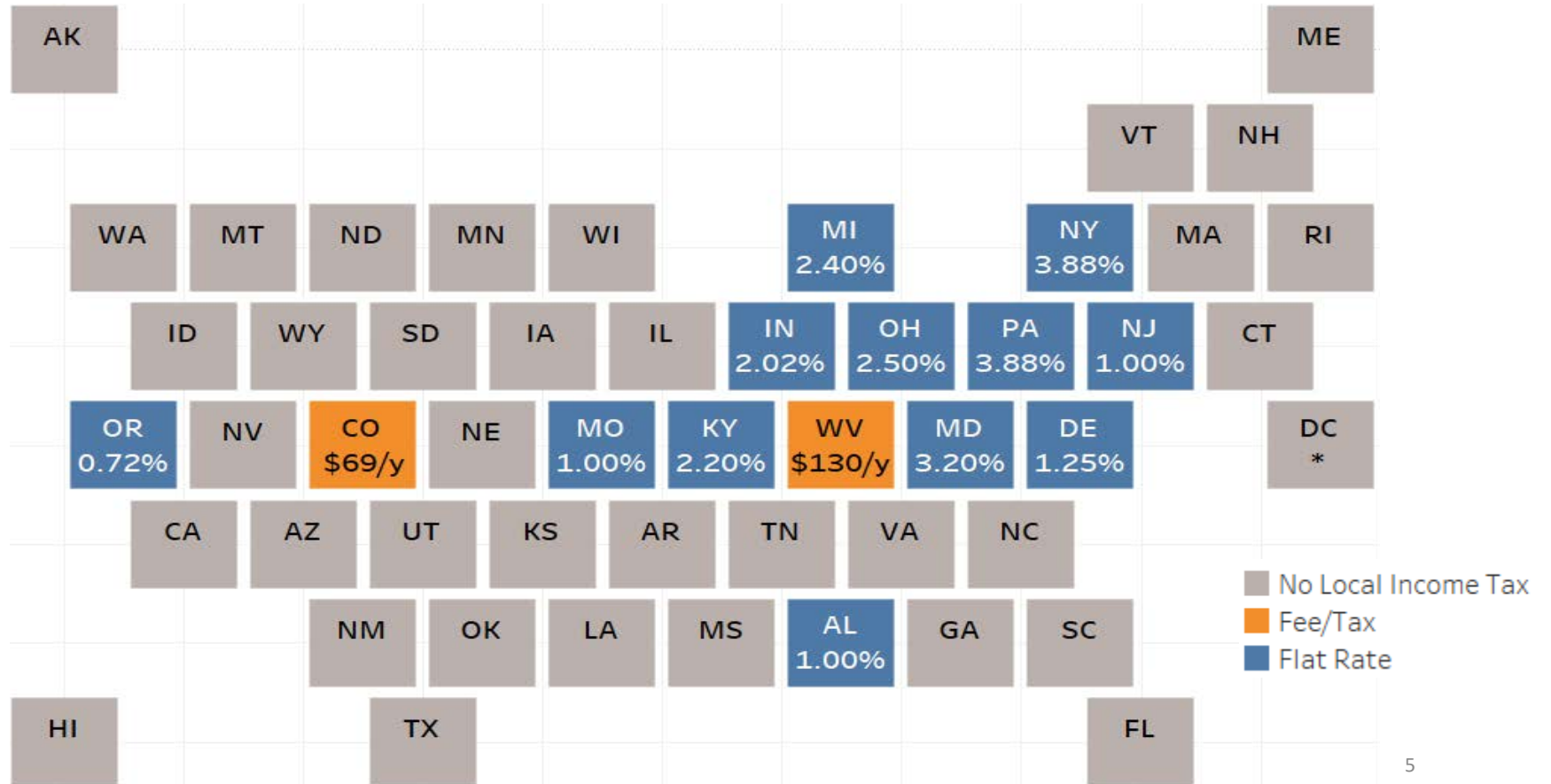
Summary of Income Tax Changes 2017 to 2018

Income Level:	\$25,000	\$50,000	\$75,000	\$100,000	\$150,000	
Federal Income Tax Liability						
Stayed same						
Decreased	51	51	51	51	48	
Increased					3	CT, MD, NJ
State + Local Income Tax Liability (41 States + DC)						
Stayed same	11	7	5	2	7	
Decreased	27	22	25	22	18	
Increased	4	13	12	18	17	
Total Federal + State + Local Income Tax Liability						
Stayed same						
Decreased	51	51	51	50	48	
Increased				1 MD	3	CT, MD, NJ



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Local Income Taxes In Largest City, 2018





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2017 Federal Income Tax Burdens (Refunds)

Income = \$25,000

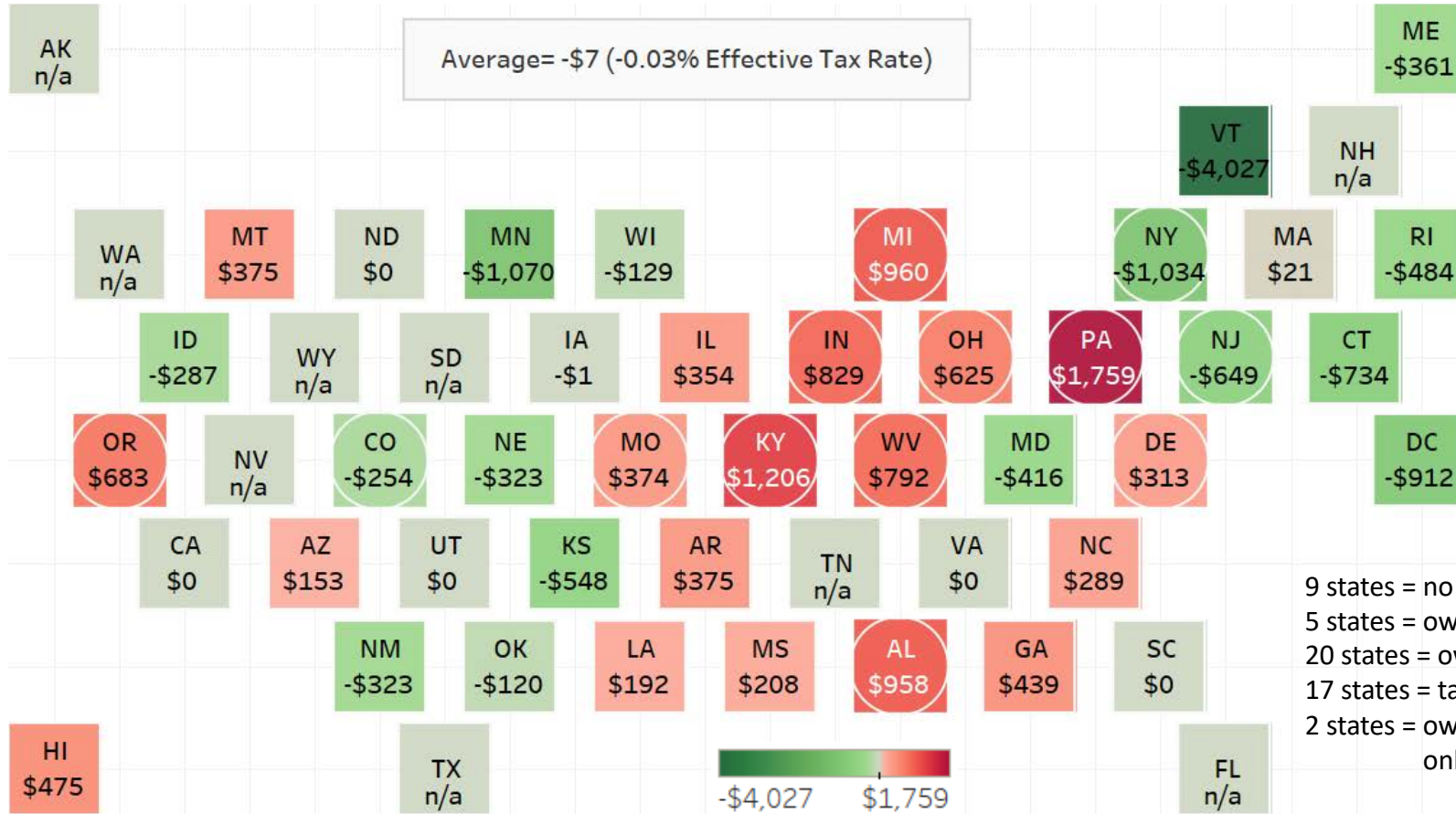




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2017 State + Local Income Tax Burdens

Income = \$25,000



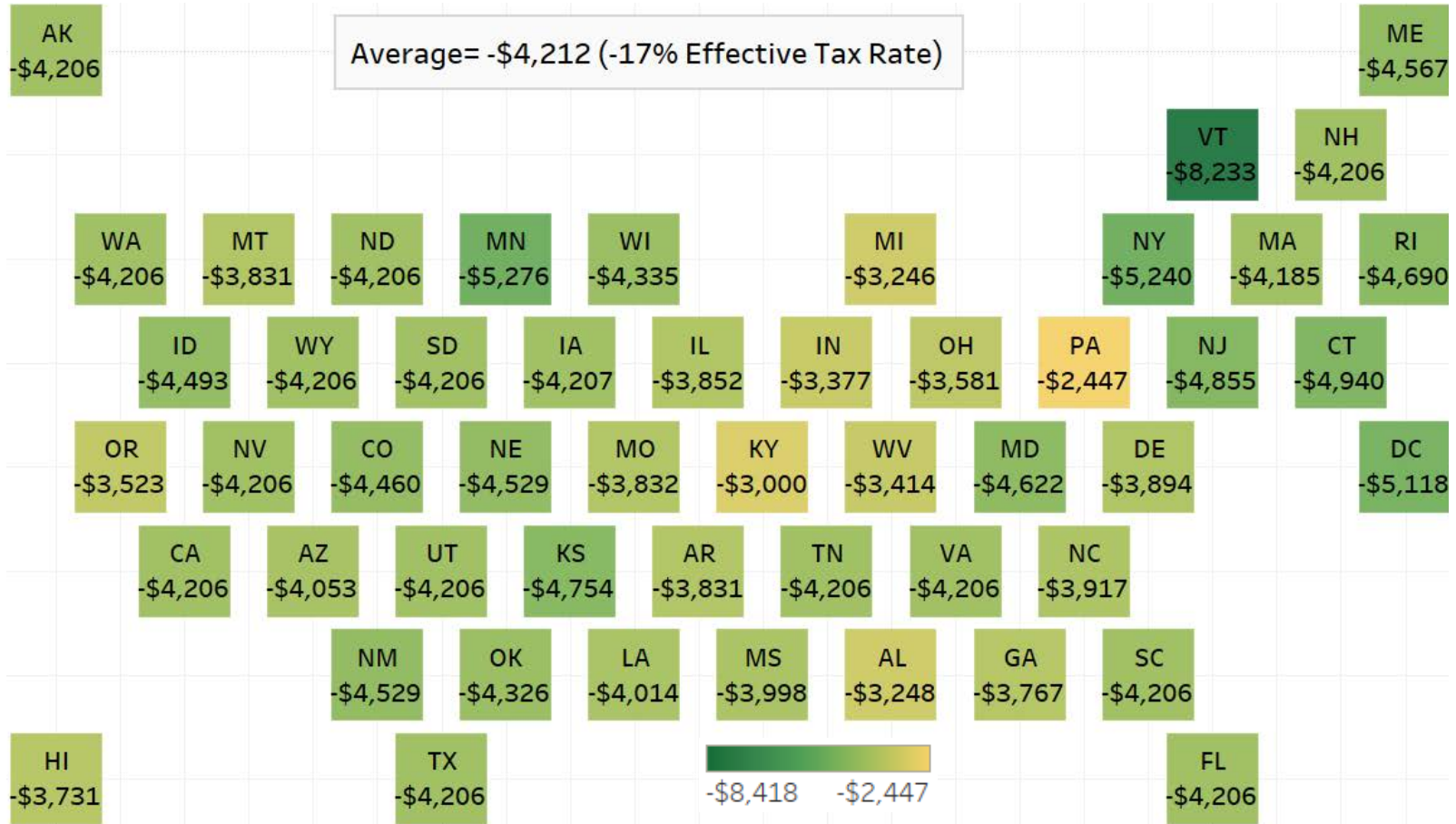
9 states = no income tax
 5 states = owed \$0
 20 states = owed tax
 17 states = tax refund
 2 states = owed local tax only



2017 Federal + State + Local Income Tax Burdens

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Income = \$25,000

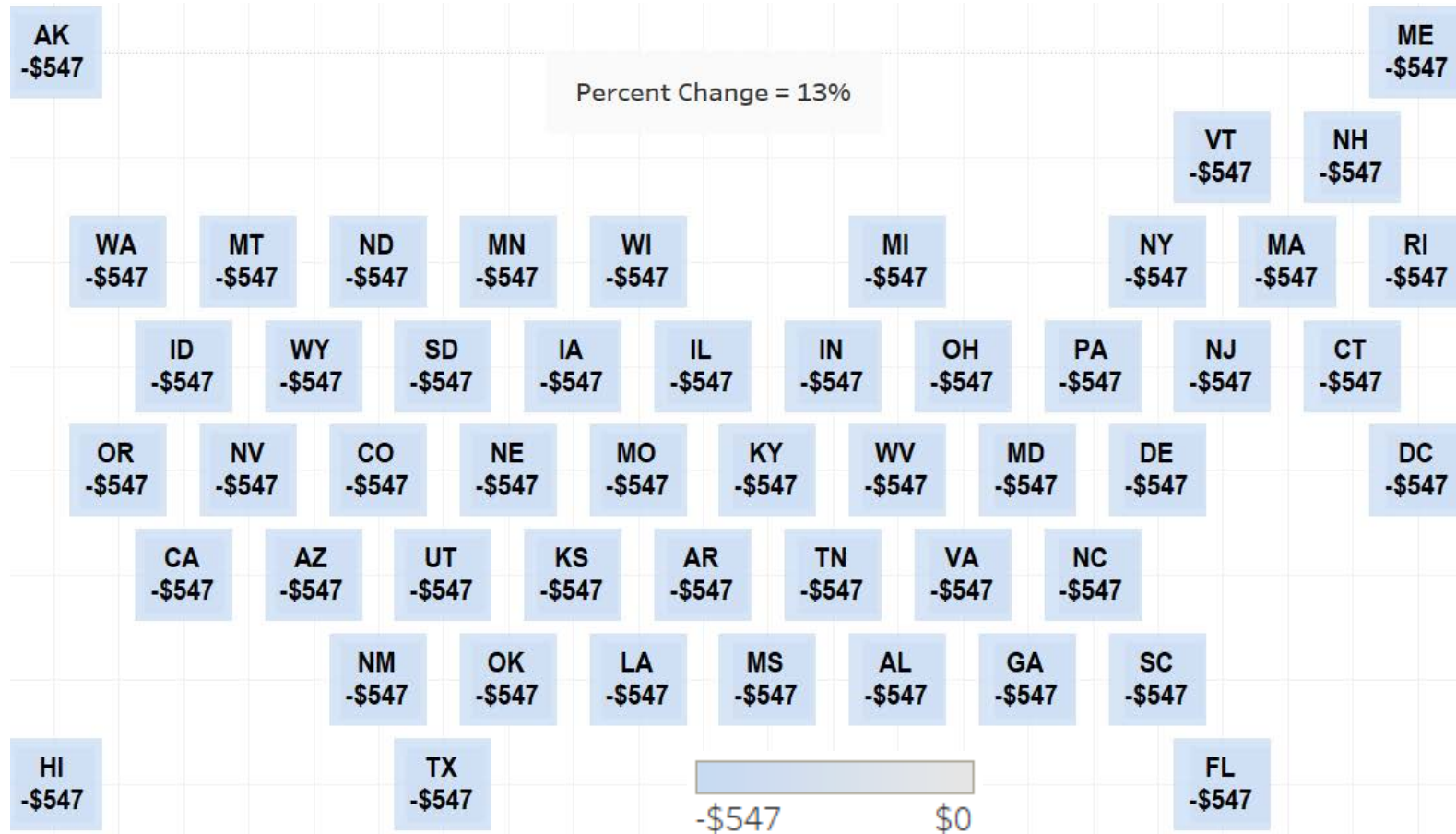




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Federal Income Tax Change post-TCJA

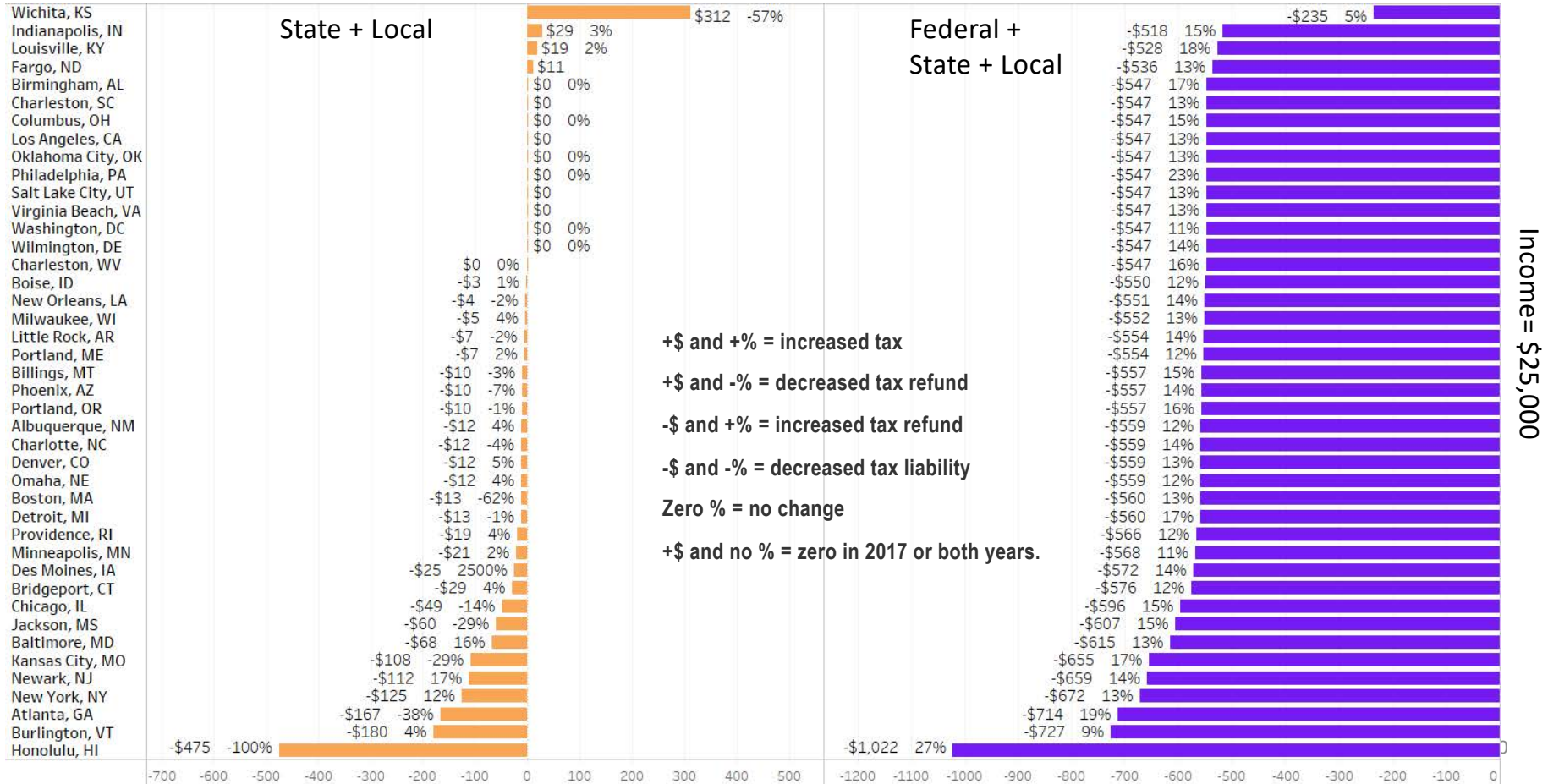
Income= \$25,000





Income Tax Change post-TCJA

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Reasons for Increases in State + Local Income Tax

Income= \$25,000



Wichita, KS	Lowered low-income exclusion from \$12,500 to \$5,000 (2017 state tax reform effective in 2018)
Indianapolis, IN	Local Income tax rate increase
Louisville, KY	Removal of \$30 personal credit for <65 (2018 state tax reform package)
Fargo, ND	Conformity to Federal Taxable Income meant higher taxable income post-TCJA



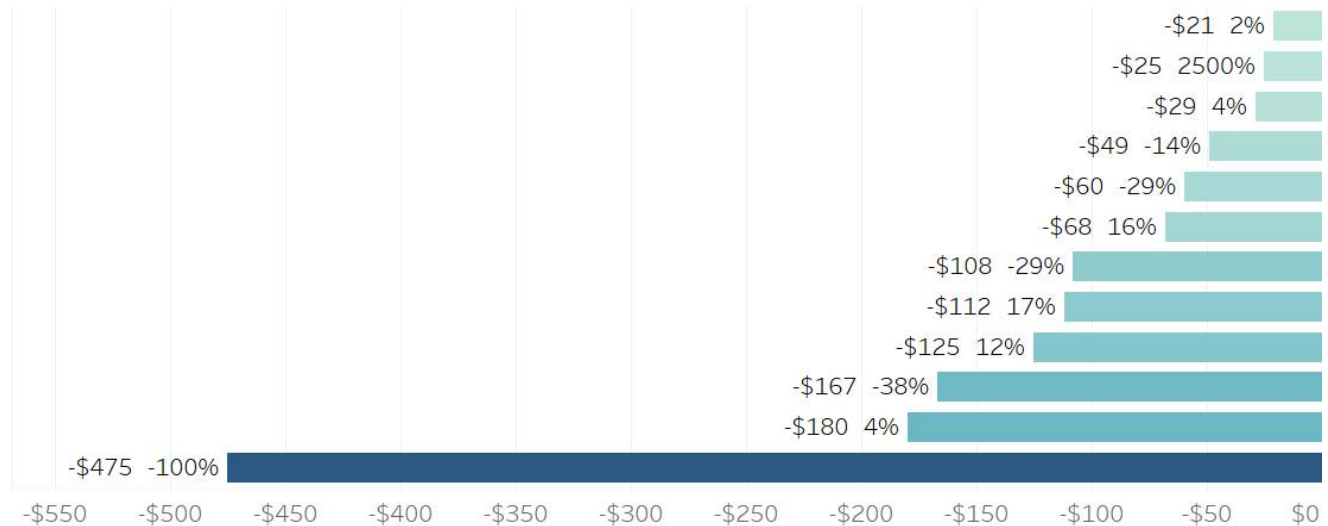


Reasons for Decreases in State + Local Income Tax

Income= \$25,000

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- Minneapolis, MN
- Des Moines, IA
- Bridgeport, CT
- Chicago, IL
- Jackson, MS
- Baltimore, MD
- Kansas City, MO
- Newark, NJ
- New York, NY
- Atlanta, GA
- Burlington, VT
- Honolulu, HI



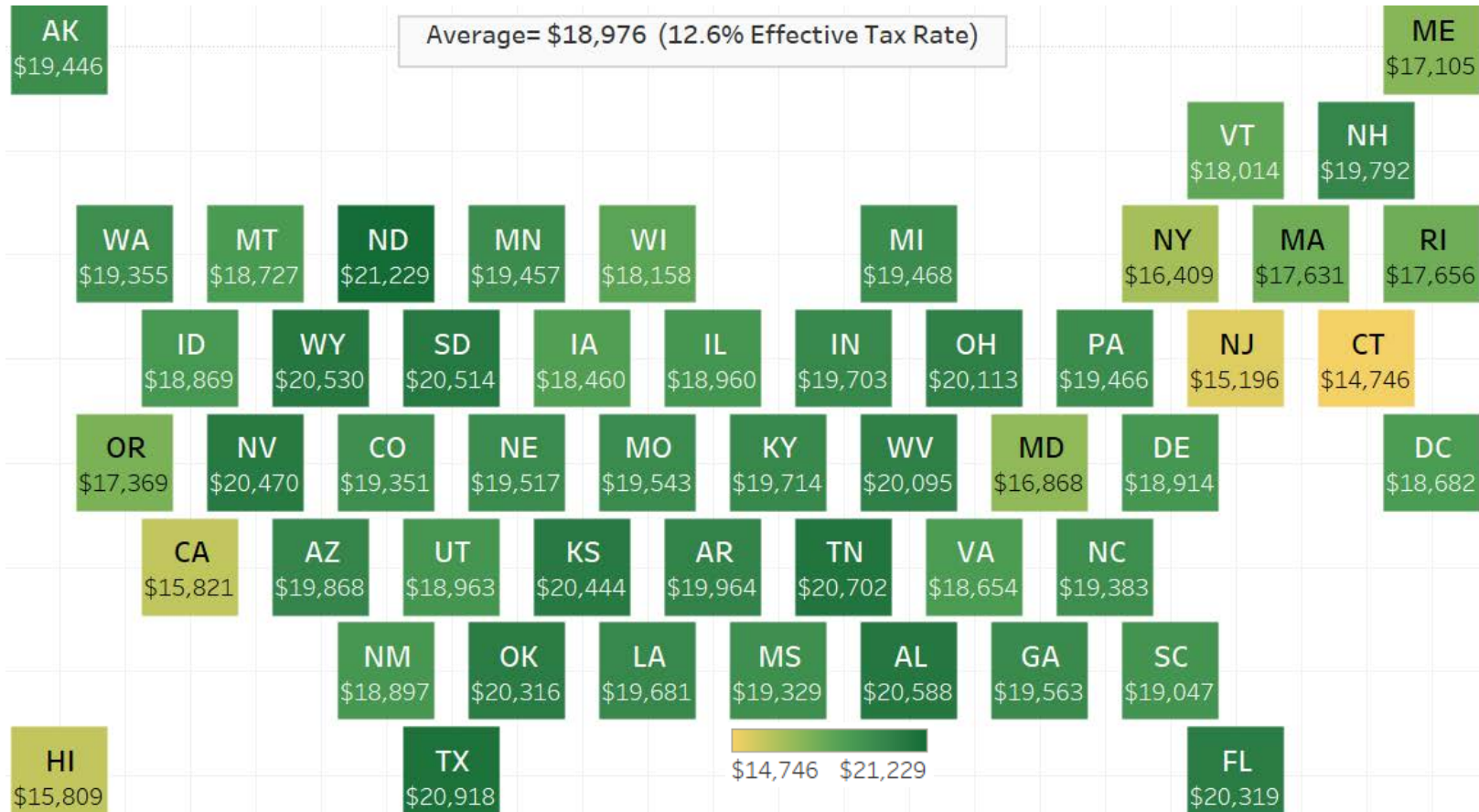
Kansas City, MO	Conformity to Fed Std Ded → decrease in MO taxable income post-TCJA ★
Baltimore, MD, Newark, NJ, New York, NJ, Bridgeport, CT, Minneapolis, MN, Burlington, VT, Honolulu, HI	State and Local EITC increase (or addition as in HI)
Jackson, MS	2016 state tax reforms excl first \$2000 for MFJ from tax
Atlanta, GA	Std ded doubled for MFJ to \$6,000 (2018 tax reform)
Chicago, IL	Small increase in exemptions, rates, EIC, → decreased tax
Des Moines, IA	State tax reform pushed off fed TJCA conformity to 2019



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2017 Federal Income Tax Burdens

Income = \$150,000

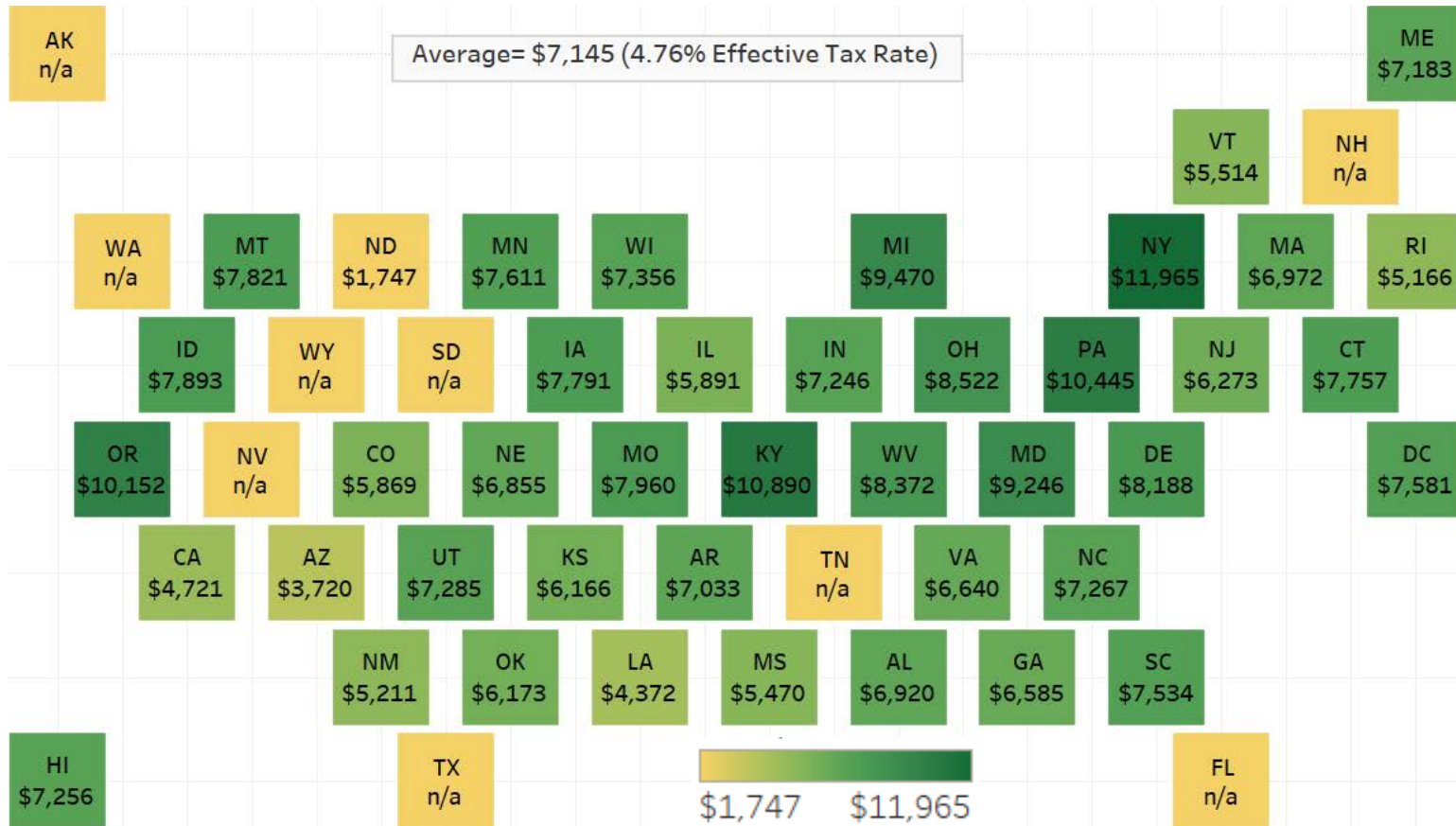




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2017 State + Local Income Tax Burdens

Income = \$150,000

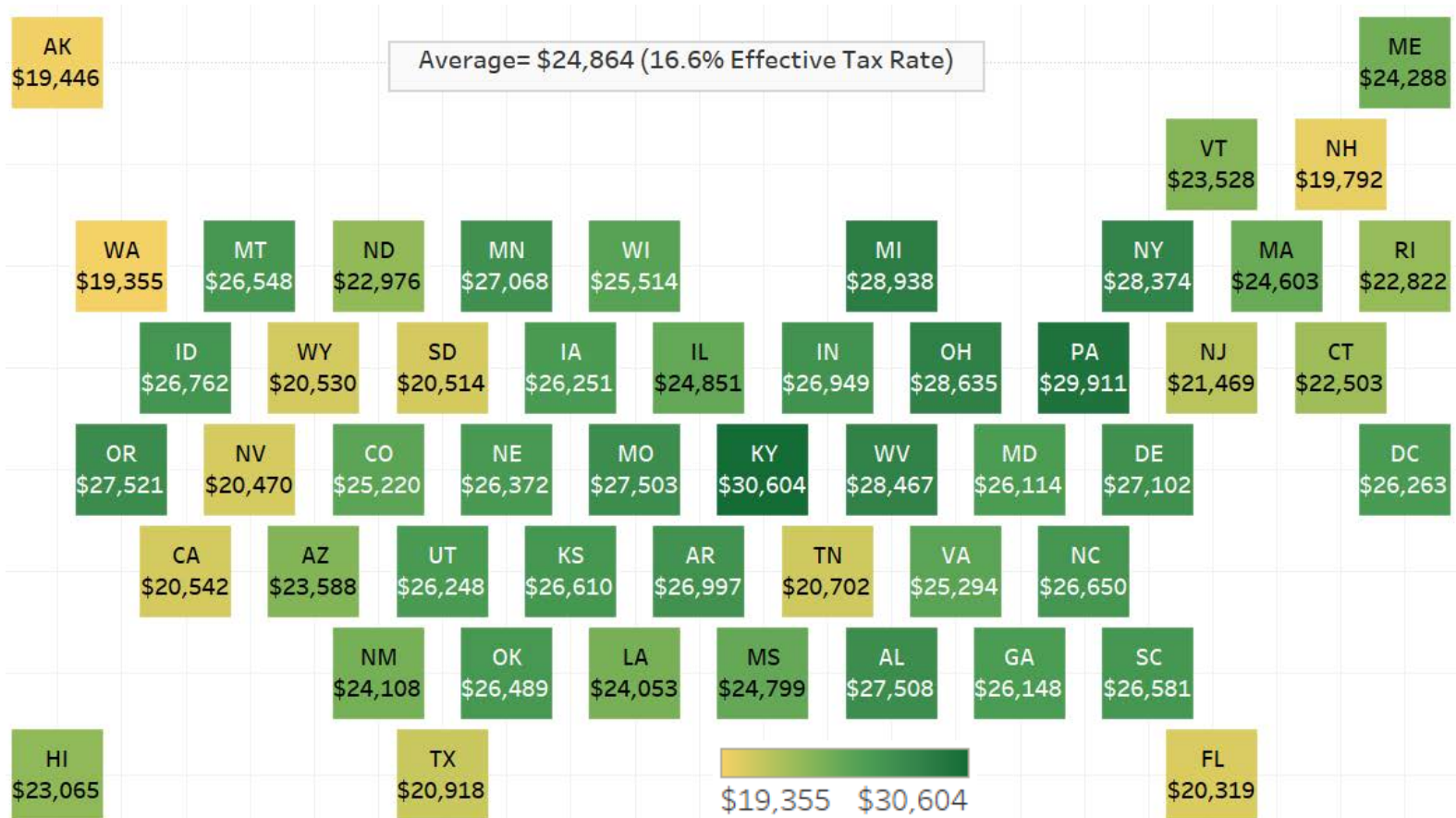




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2017 Federal + State + Local Income Tax Burdens

Income = \$150,000

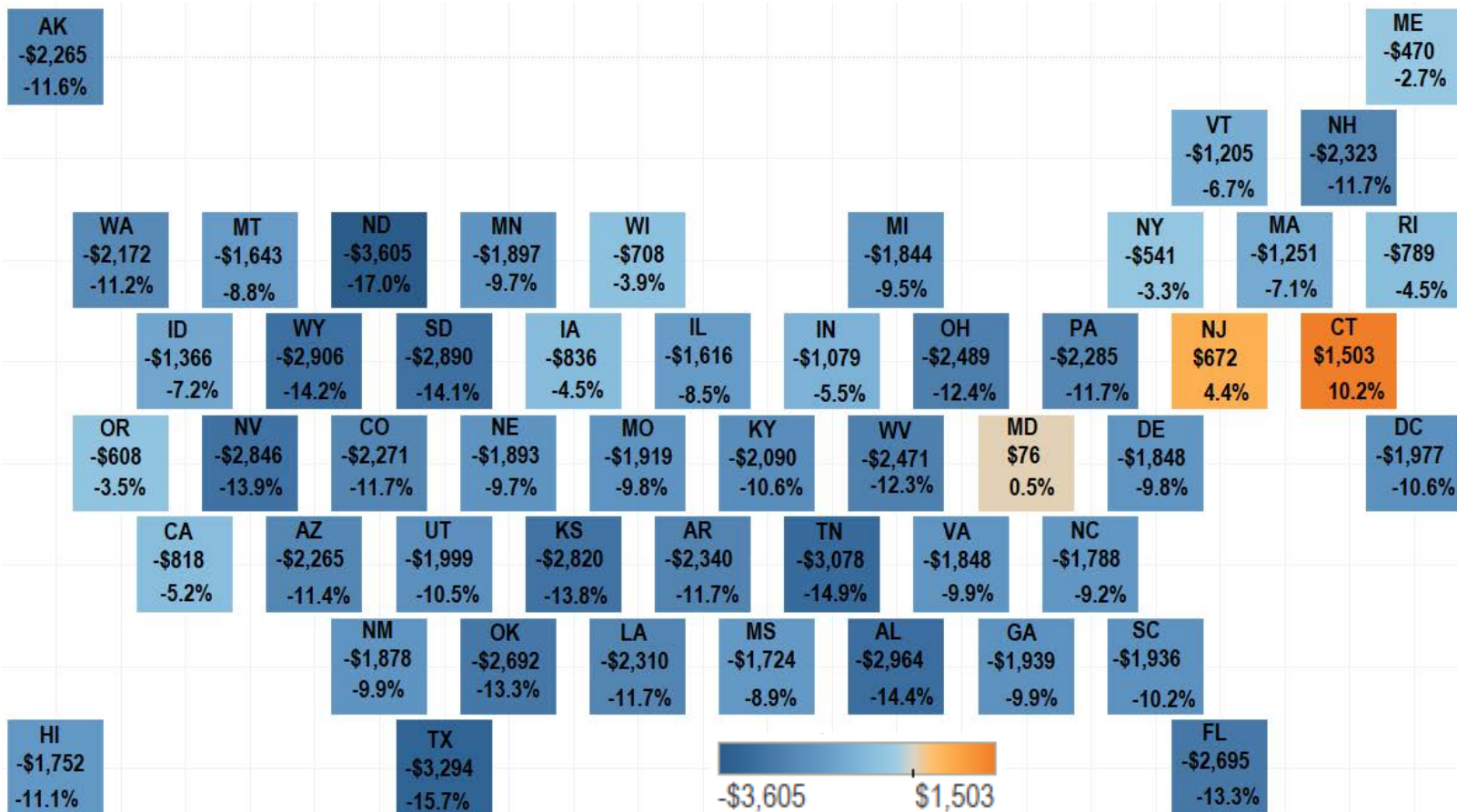




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Federal Income Tax Change post-TCJA

Income= \$150,000

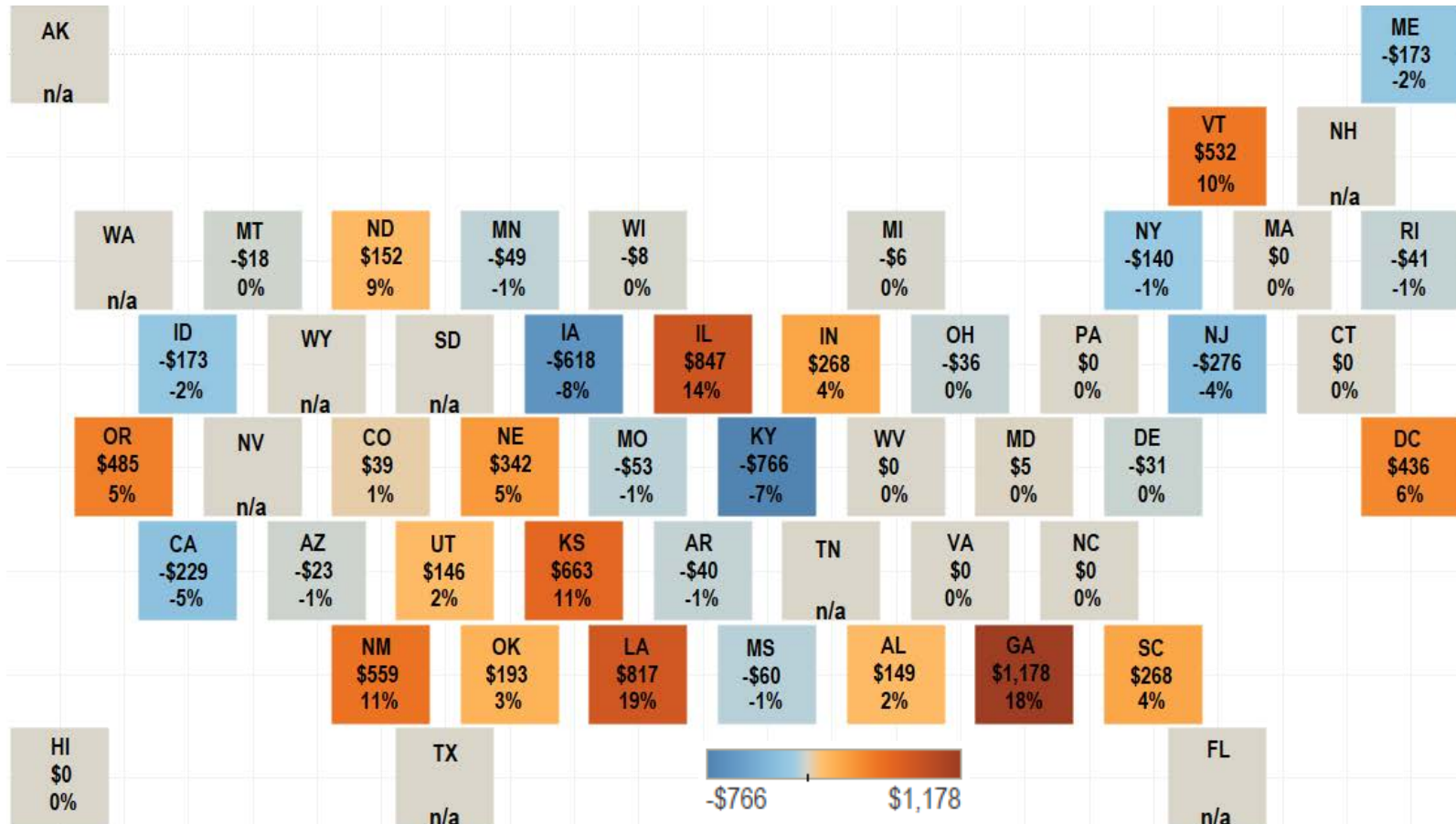




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State + Local Income Tax Change post-TCJA

Income= \$150,000

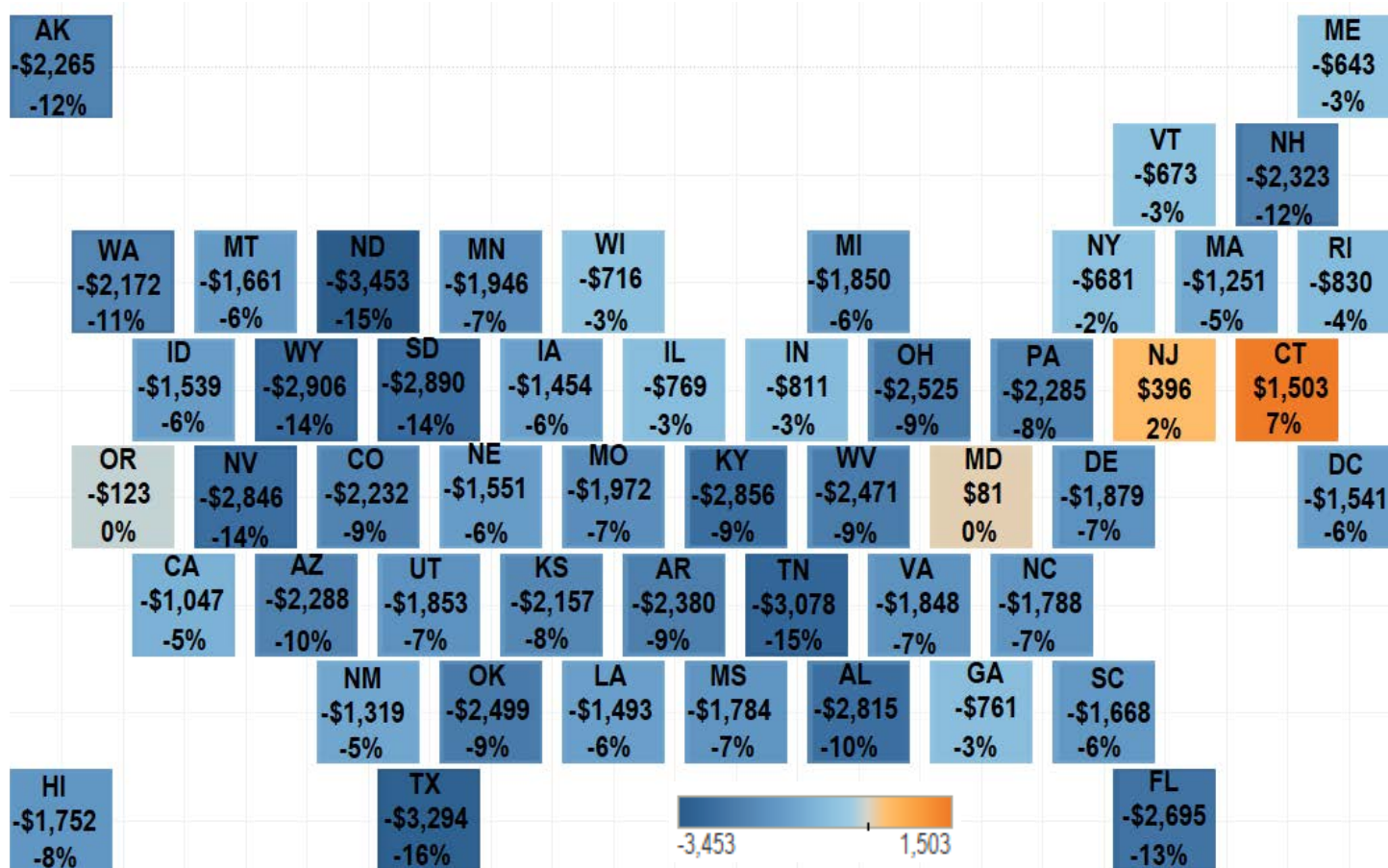




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Federal + State + Local Tax Change post-TCJA

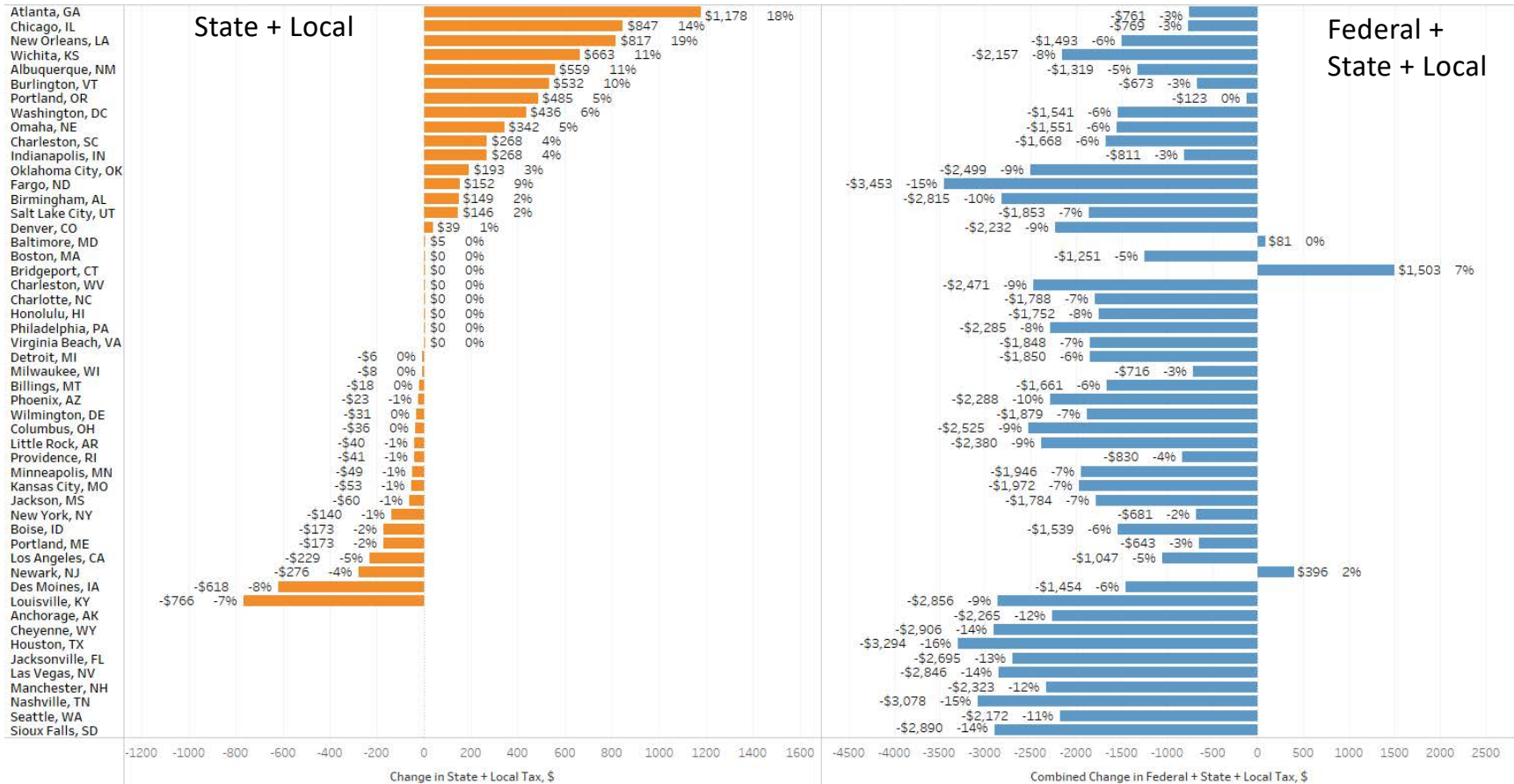
Income= \$150,000





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State and Local Income Tax Change post-TCJA

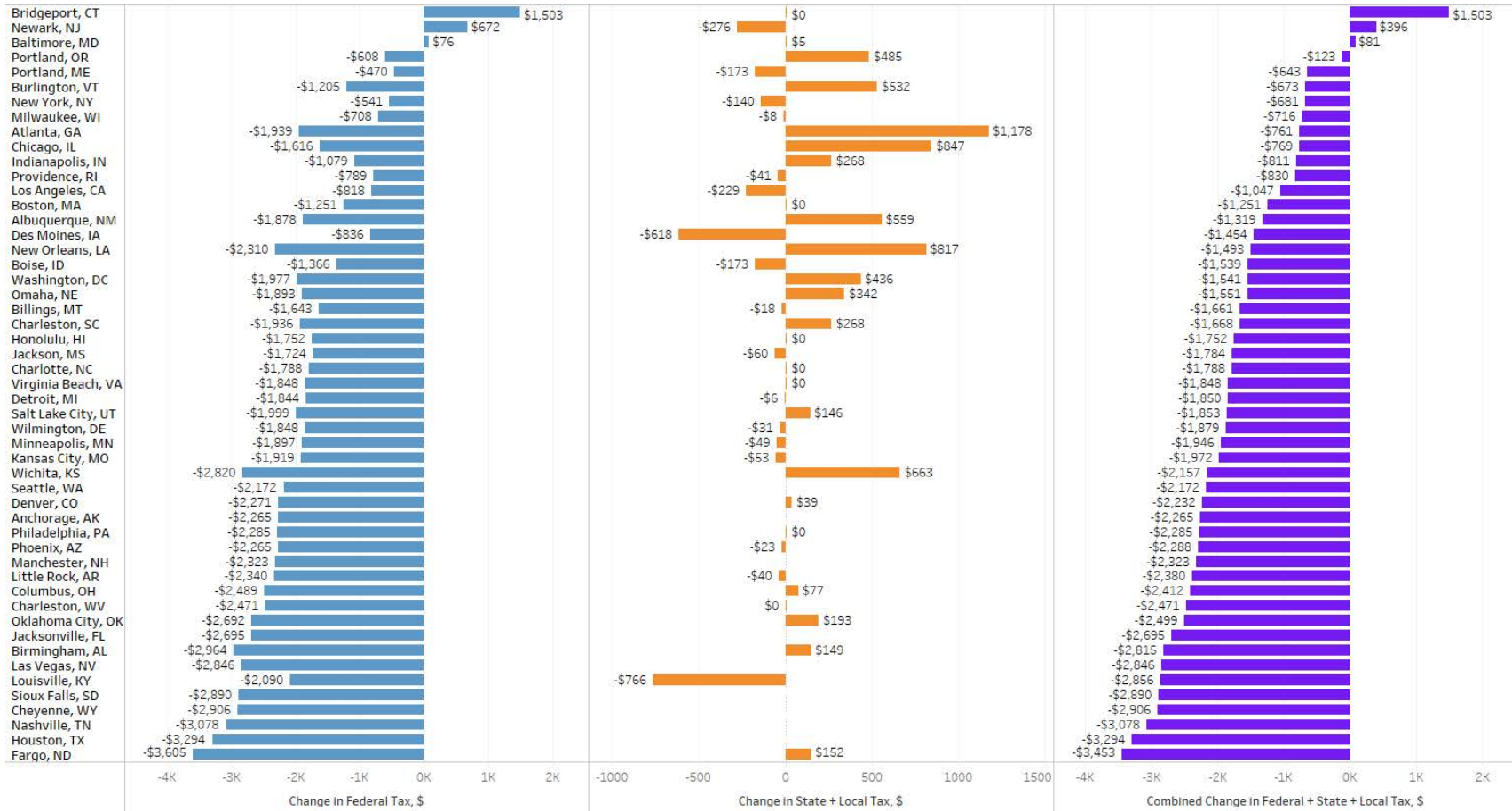


Income = \$150,000



Income Tax Change post-TCJA

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Income = \$150,000



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Reasons for Increases in State + Local Income Tax post-TCJA

Income= \$150,000

Wichita, KS	Itemized Deductions <\$24,000, → federal St Ded and lower KS St Ded	★
Indianapolis, IN	Local Income tax rate increase	
Atlanta, GA	SALT Limit & Itemized Deductions < \$24,000 → federal St Ded and lower GA St Ded	★
Burlington VT	SALT limit	★
Chicago, IL	Tax Rate Increase (passed in 2017)	
New Orleans, LA	LA taxable income higher post-TCJA changes	★
Albuquerque, NM	SALT limit, Removal of Federal Personal Exemption led to higher NM taxable income	★
Portland, OR	OR Kicker Credit (resulting from budget triggers) in 2017 was not applied in 2018	
Washington, DC	Conformity to Federal Personal Exemption; SALT Limit	★
Omaha NE	Itemized Deductions <\$24,000, → federal St Ded and lower NE St Ded	★
Charleston, SC	Conformity to Federal Taxable Income and personal exemption	★
Oklahoma City, OK	Itemized Deductions <\$24,000, → federal St Ded. and lower OK St Ded	★
Fargo, ND	Lack of PE in 2018 led to higher FTI in 2018 and higher tax.	★
Birmingham, AL	Lower federal tax in 2018, which is fully deductible, led to higher AL taxable income	★
Salt Lake City, UT	SALT limit and \$0 personal exemptions → no state Taxpayer Tax Credit	★
Denver, CO	Loss of PE affected CO State Income, higher tax	★
Baltimore, MD	SALT limit led to higher taxable income and tax	★



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Reasons for Decreases State + Local Income Tax post-TCJA

Income= \$150,000

Louisville, KY (2018); New York, NY (2018); Kansas City, MO (2014); Little Rock, AR (2015)	State tax rate reduction	
Jackson, MS	2016 state reforms excluded first \$2000 for MFJ from tax, effective 2018	
Newark, NJ	Increased property tax deduction amount to \$15,000 from \$10,000	★
Des Moines, IA	Conformity to 2015 IRC (passed post-TCJA in 2018)	★
Los Angeles, CA	Conformity to 2015 IRC, Brackets Adjustments, Increased Exemption Credit	★
Portland, ME; Boise, ID	New Dependent/Child Tax Credit (added to make up for loss of federal PE)	★
Minneapolis, MN	MN taxable income lower, marriage credit slightly higher.	★
Providence, RI	Decoupled from Fed, and state std deduction and exemptions increased slightly, led to tax decrease.	★
Wilmington, DE	Slight change because of SALT limit and the way state conforms to itemized deductions	★
Phoenix, AZ; Billings, MT; Milwaukee, WI; Detroit, MI; Columbus, OH	Slight increase in either state std deduction, Personal Exemption, or tax table adjustment	



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Takeaways

- State conformity matters when there are major federal tax changes; and more so at higher income levels.
- Analyzing combined tax burdens at federal, state, and local levels together is helpful, especially when large federal decreases offset increases at state/local levels
- Looking at state *and* local tax burdens is important, particularly for DC when we are compared with the states



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Thank you!

Questions?



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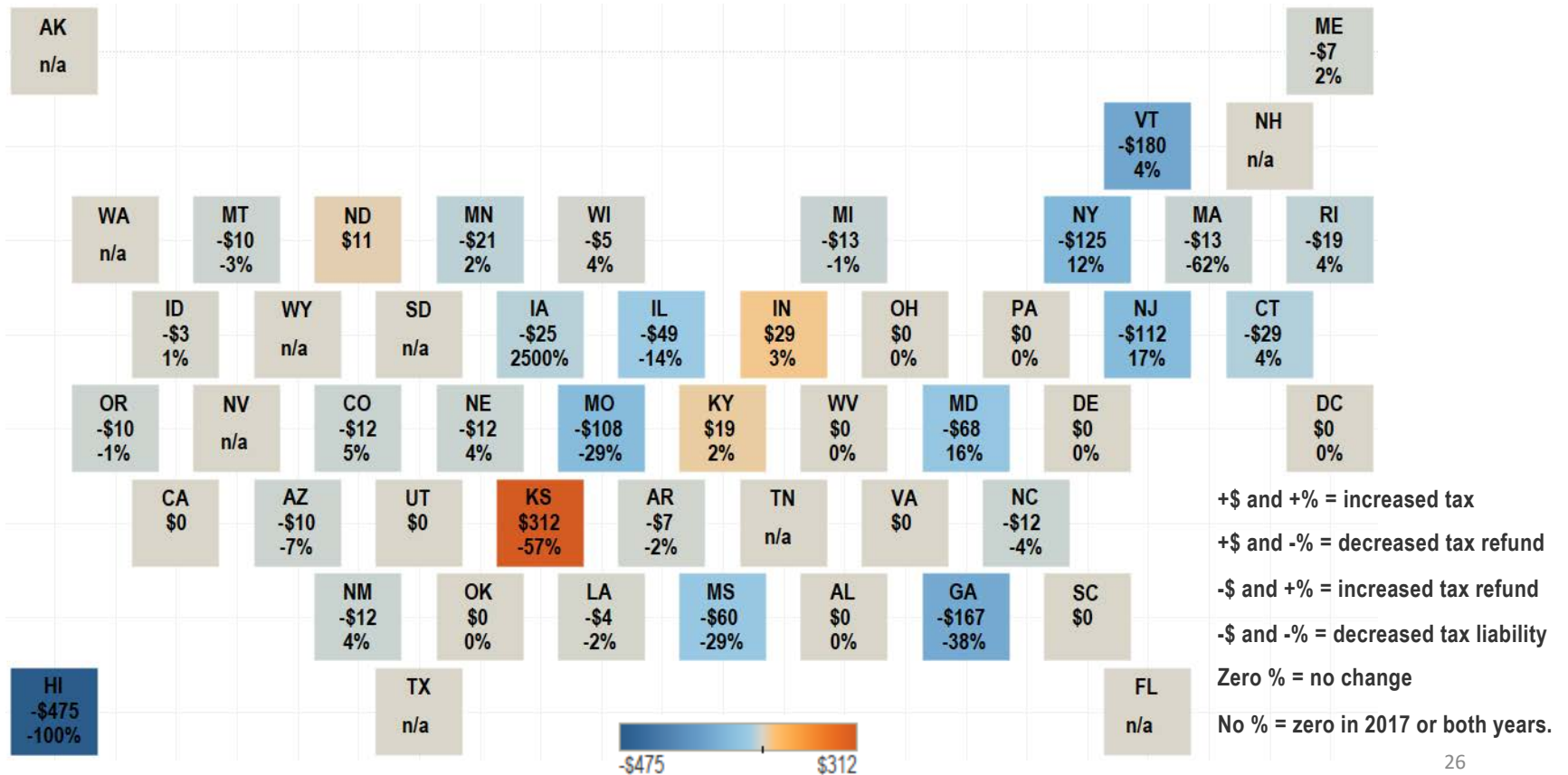
Extra Slides



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State + Local Income Tax Change post-TCJA

Income= \$25,000





Federal + State + Local Income Tax Change post-TCJA

Income= \$25,000

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