

The Trump-GOP Tax Bill: Impacts on the U.S. and Pennsylvania

ITEP's Estimates of the New Tax Law

- ITEP used its model to estimate the impacts of all the major provisions.
- This generally includes any provision that was estimated by the Joint Committee on Taxation (JCT) to gain or lose more than \$50 billion in a decade.
- The provisions included in our analysis account for 98% of the revenue raised and 92% of the revenue lost, according to JCT.
- This excludes the one-time revenue from the “deemed repatriation” which is actually a tax cut for corporations in the long-run.

Families & Individuals	Temp. vs Perm.
New personal income tax rates and brackets (10%, 12%, 22%, 24%, 32%, 35%, 37%)	TEMPORARY
Increase standard deduction	TEMPORARY
Repeal personal exemptions	TEMPORARY
Increase child tax credit, new non-dependent credit, change income limits	TEMPORARY
\$10,000 cap on state and local tax deductions, changes to other deductions	TEMPORARY
Expand exemption from alternative minimum tax (AMT) for individuals	TEMPORARY
Slower rate of inflation (chained CPI) for parameters in the tax code	PERMANENT

Estate Tax	Temp. vs Perm.
Reduce estate tax by doubling exemption to \$11 million for singles, \$22 million for couples	TEMPORARY

Repeal of Health Insurance Mandate	Temp. vs Perm.
Reduction of tax credits to pay health insurance premiums	PERMANENT
Elimination of penalty for not obtaining health insurance	PERMANENT

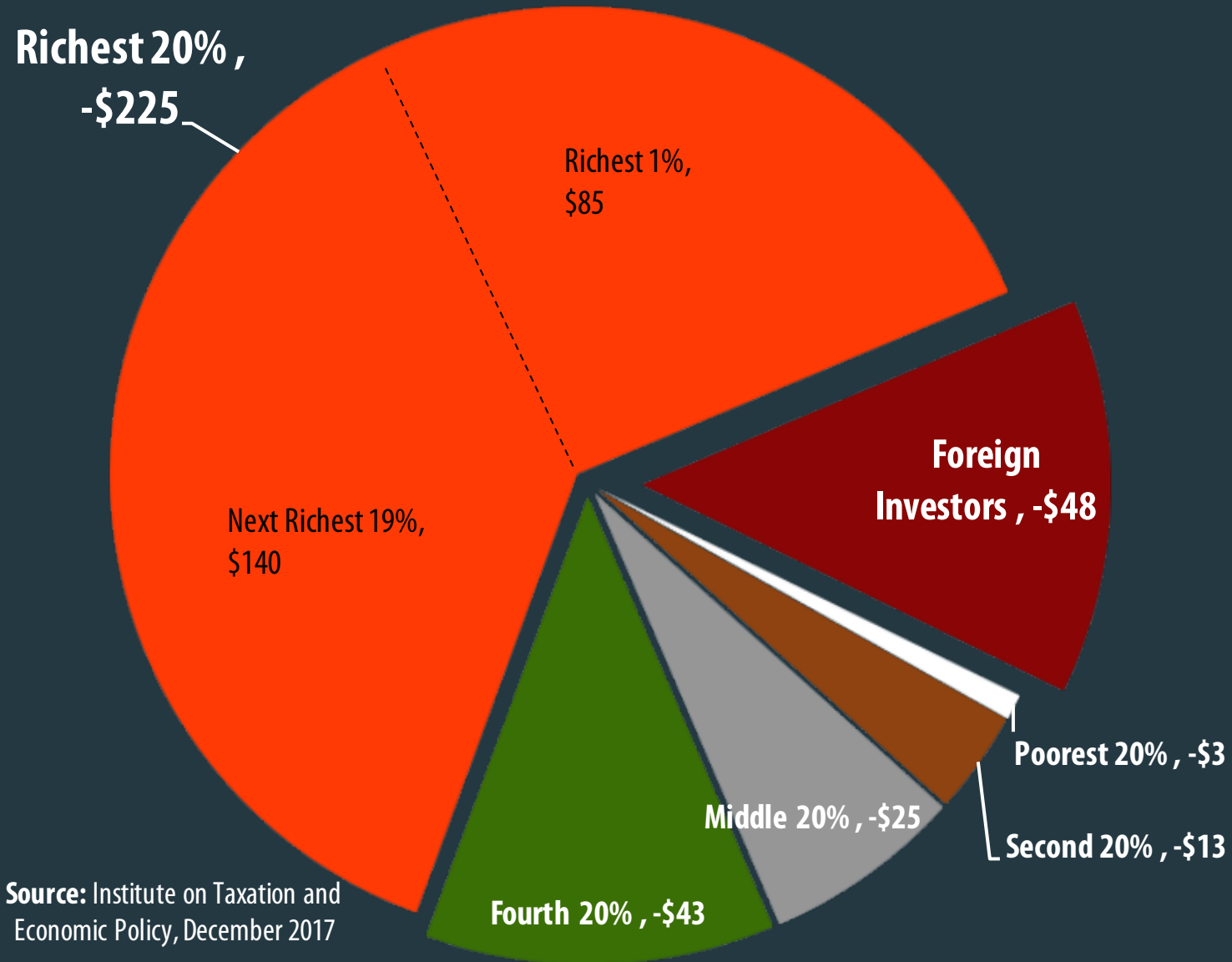
Pass-Through Business	Temp. vs Perm.
20 percent deduction, with limits, for pass-through business income	TEMPORARY
Limit on pass-through losses	TEMPORARY

Corporations that Pay the Corporate Income Tax (C Corporations)	Temp. vs Perm.
Reduce the statutory corporate tax rate to 21%, repeal corporate AMT	PERMANENT
Territorial tax system and other international corporate changes	PERMANENT

Provisions Affecting Both Pass-Throughs and C Corporations	Temp. vs Perm.
Limits on interest deductions	PERMANENT
100 percent expensing of equipment	TEMPORARY
Change net operating loss rules	PERMANENT
Amortization of research expenses	PERMANENT
Repeal deduction for domestic production activities	PERMANENT

The Big Picture in 2019

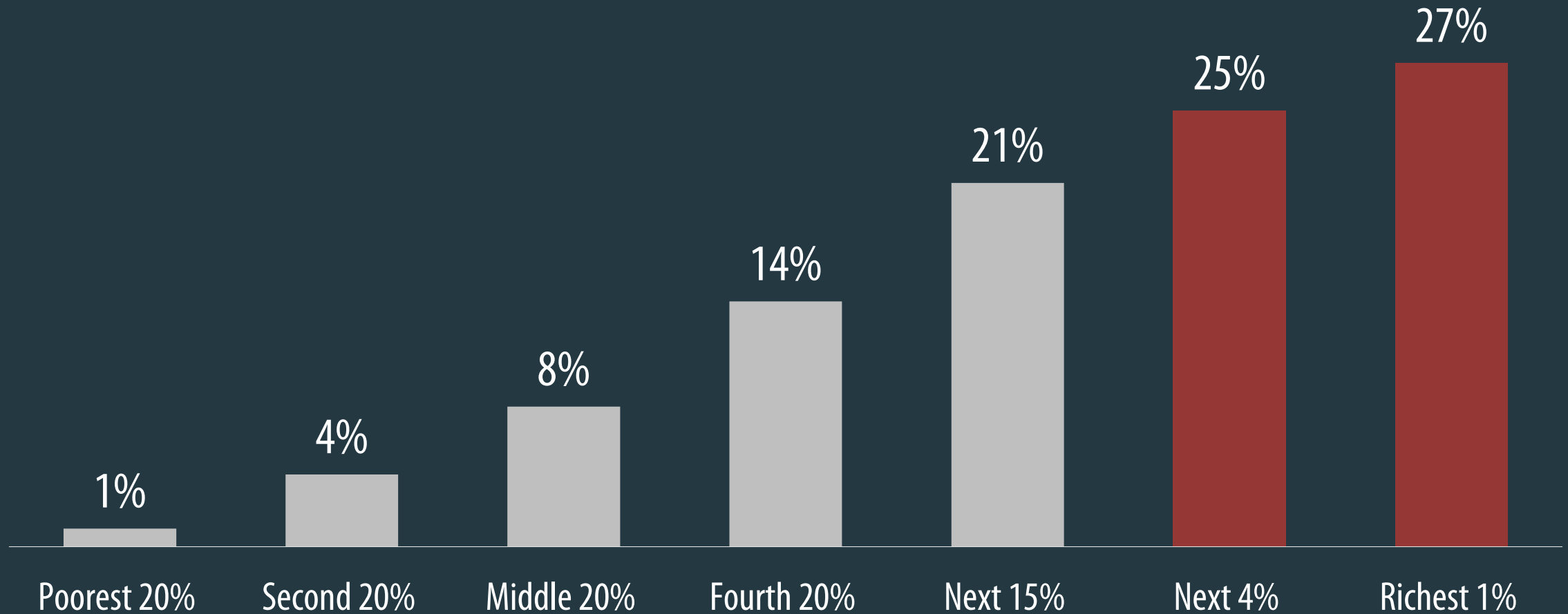
Trump-GOP Tax Plan in 2019: Who Benefits and How Much (in billions)



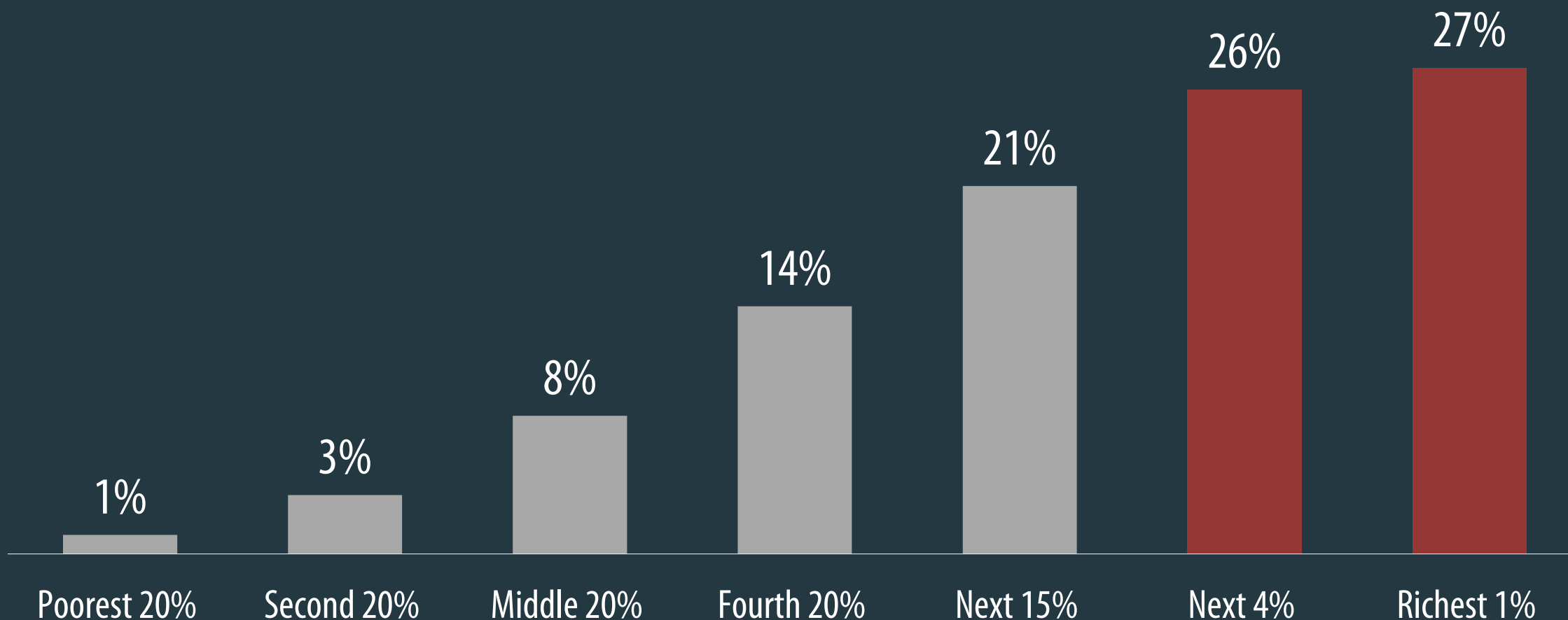
Source: Institute on Taxation and Economic Policy, December 2017

Distribution of Tax Changes to Taxpayers in the U.S. and Pennsylvania in 2019

The Top 5% of Taxpayers Receive More than Half of the Final Trump-GOP Tax Bill's Benefits for American Households in 2019



The Top 5% of Pennsylvanians Receive More than Half of the Final Trump-GOP Tax Bill's Benefits for Households in the State in 2019

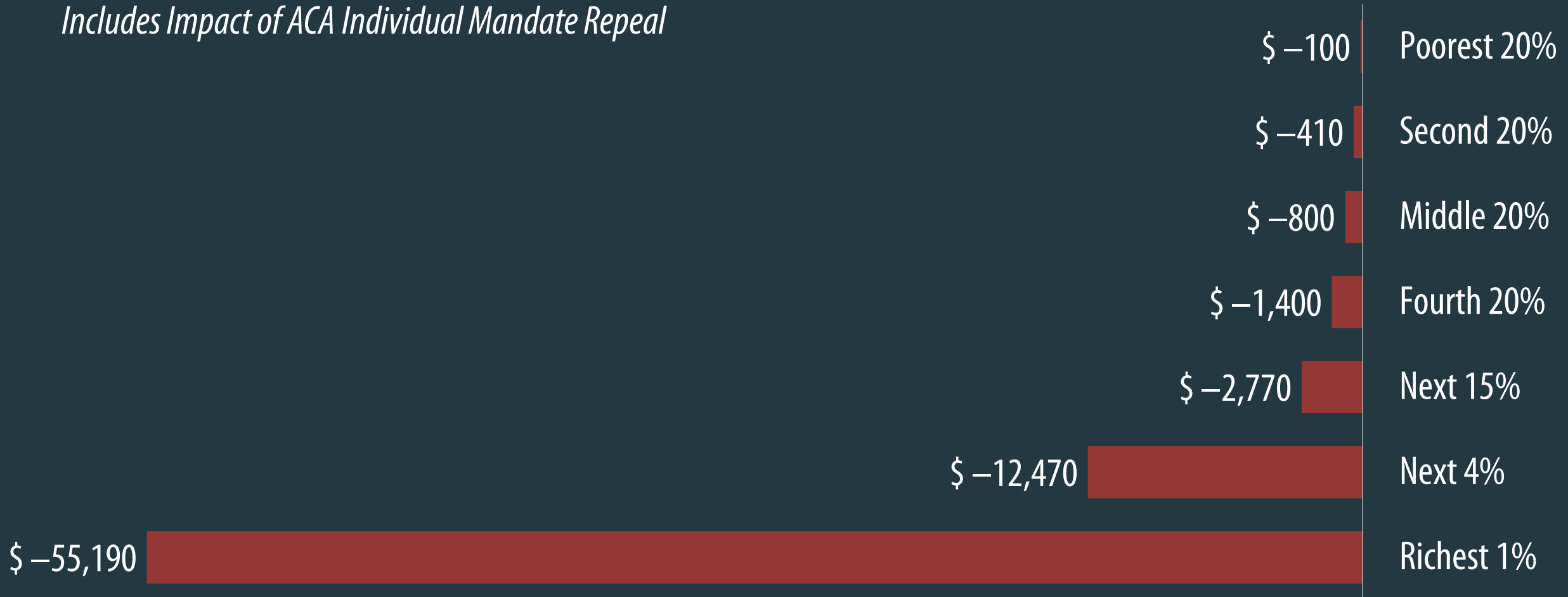


Average Tax Changes in 2019

Final Trump-GOP Tax Plan's Average Tax Cut for the Richest 1% in 2019

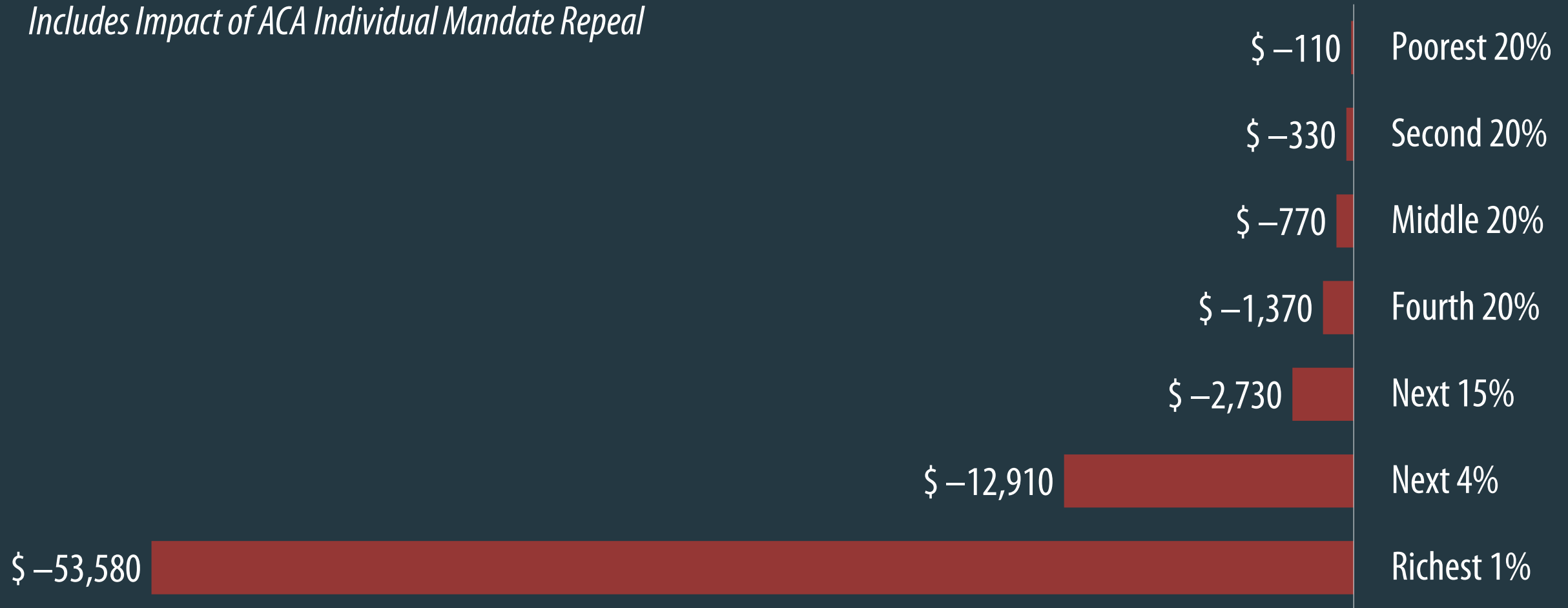
Dwarfs Benefits for Other Groups

Includes Impact of ACA Individual Mandate Repeal



Final Trump-GOP Tax Plan's Average Tax Cut for the Richest 1% of Pennsylvanians in 2019 Dwarfs Benefits for Other State Residents

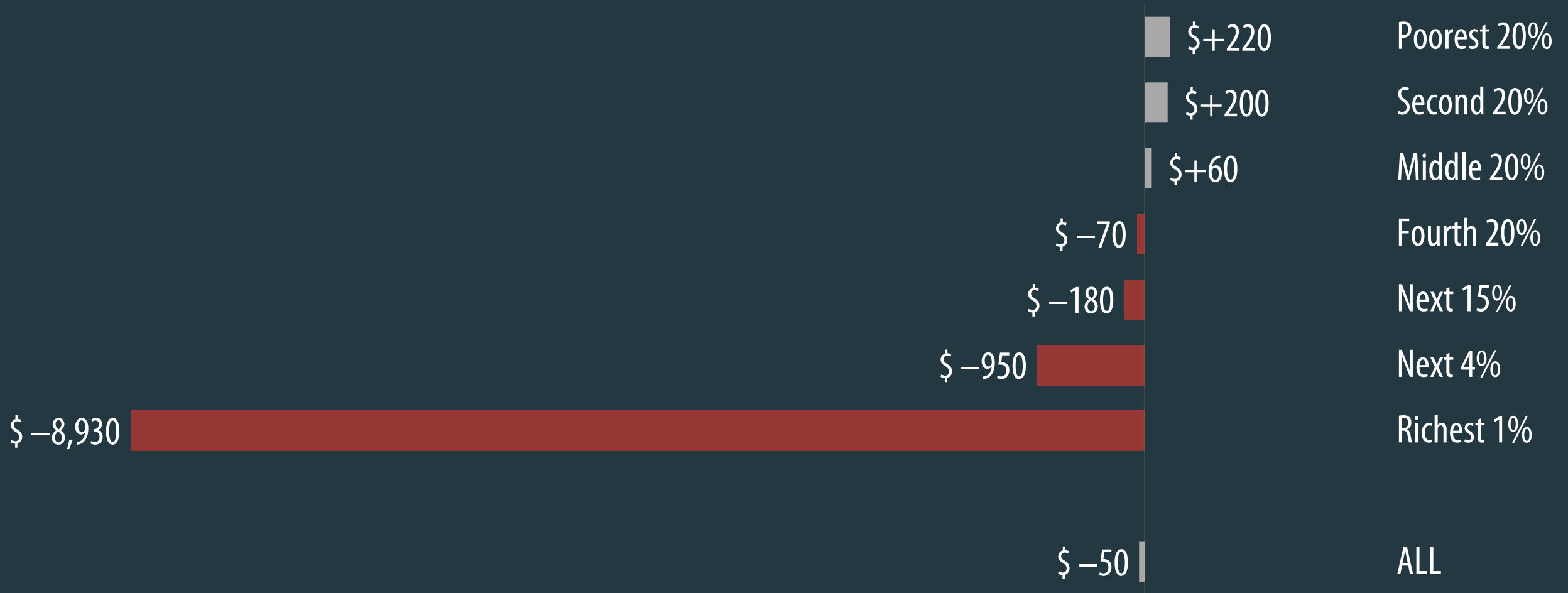
Includes Impact of ACA Individual Mandate Repeal



What Happens After Temporary Provisions Expire?

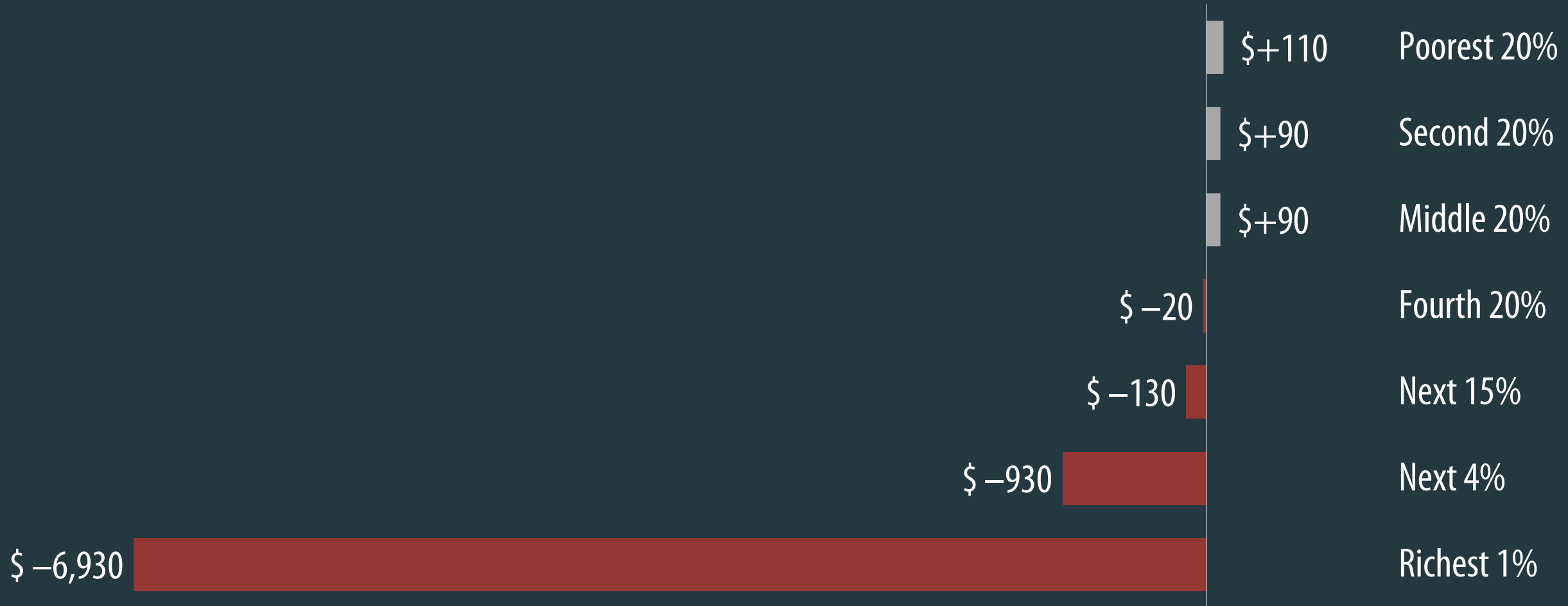
Richest 1% of Taxpayers Receive the Largest Average Tax Cut Under the Revised Senate Plan in 2027, the Average Taxpayer in the Bottom 60% Faces a Tax Hike

Includes Impact of ACA Individual Mandate Repeal



Richest Pennsylvania Taxpayers Receive the Largest Average Tax Cuts under the Final GOP-Trump Tax Bill in 2027, Lower-Income Groups Face Tax Hikes

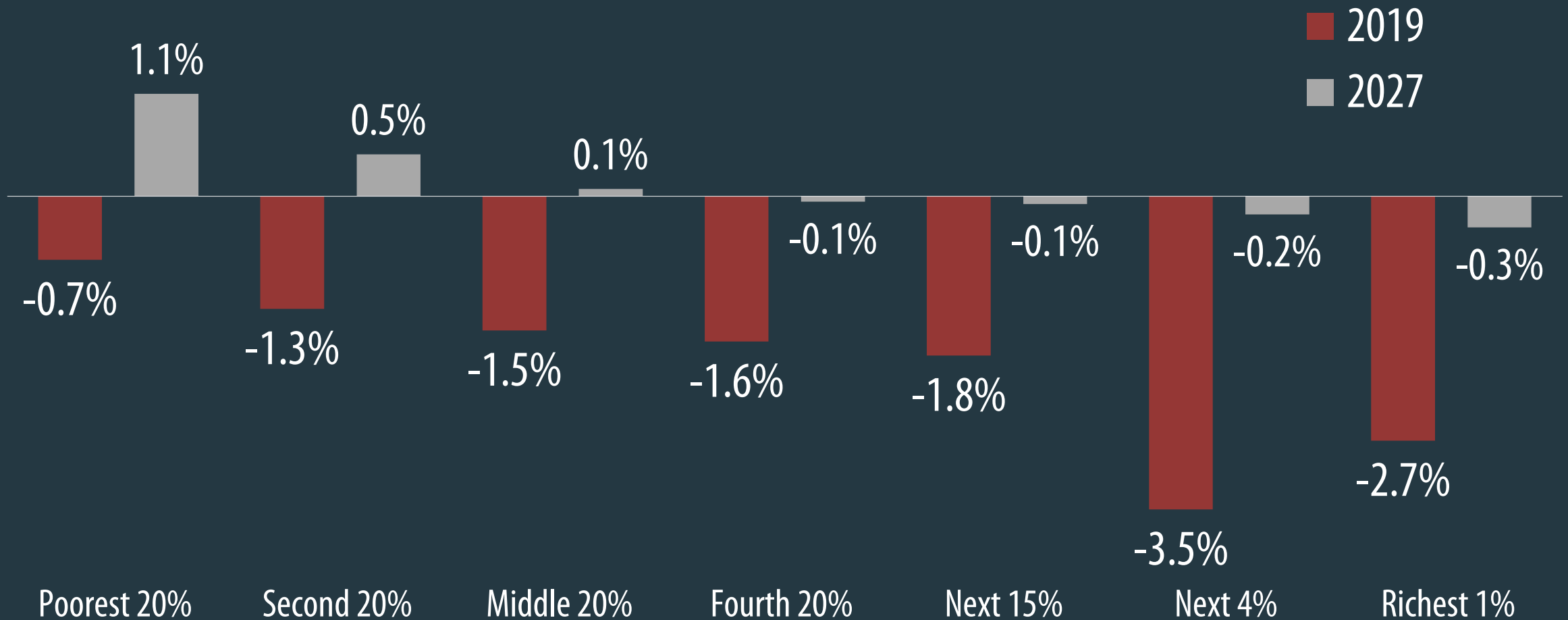
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Tax Changes as a Share of Income, 2019 & 2027

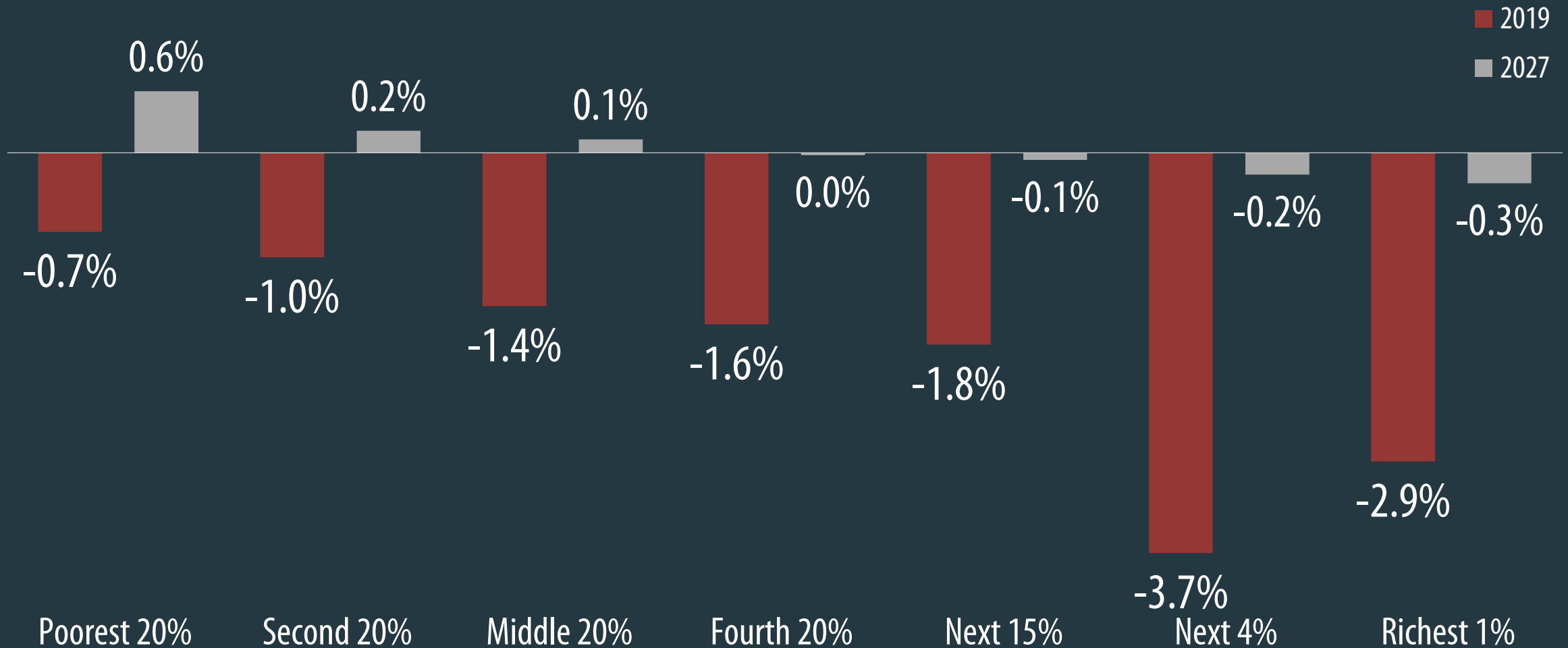
Final Trump-GOP Tax Bill Gives Larger Tax Cuts to Upper-Income Taxpayers in 2019 and Raises Taxes on Low- and Middle-Income Taxpayers in 2027

Tax Change as a Share of Income in 2019 and 2027, Includes Impact of ACA Individual Mandate Repeal



Final GOP-Trump Tax Bill Gives Larger Tax Cuts to Upper-Income Pennsylvania Residents in 2019, Raises Taxes on Low- and Middle-Income Residents in 2027

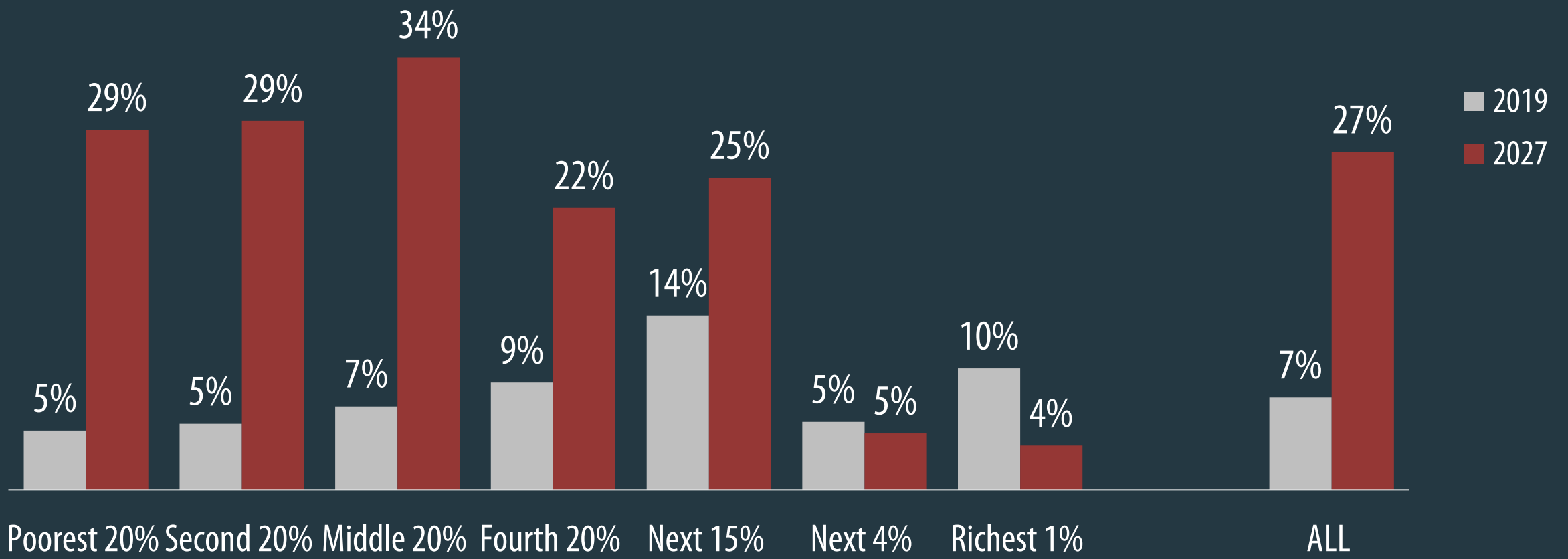
Tax Change as a Share of Income in 2019 and 2027, Includes Impact of ACA Individual Mandate Repeal



Taxpayers Facing Tax Hikes, 2019 & 2027

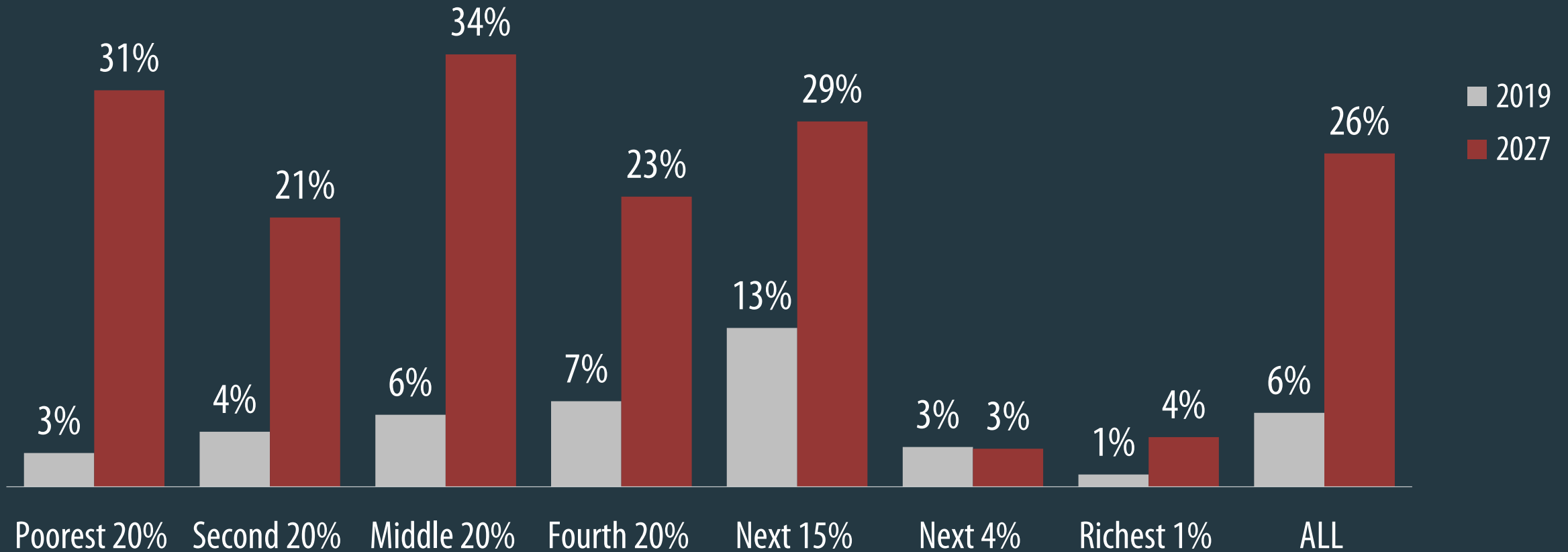
The Share of Low- and Middle Income Taxpayers Facing a Tax Hike Under the Final GOP-Trump Tax Bill Increases Significantly from 2019-2027, the Share of High-Income Taxpayers Facing Hikes Goes Down

Analysis Assumes a Share of the Permanent Corporate Tax Reductions Go to Workers, Does Not Include the Impact of ACA Individual Repeal



The Share of Low- and Middle-Income Pennsylvanians Facing a Tax Hike Under the Final GOP-Trump Tax Bill Increases Significantly from 2019-2027

Analysis Assumes a Share of the Permanent Corporate Tax Reductions Go to Workers, Does Not Include the Impact of ACA Individual Repeal

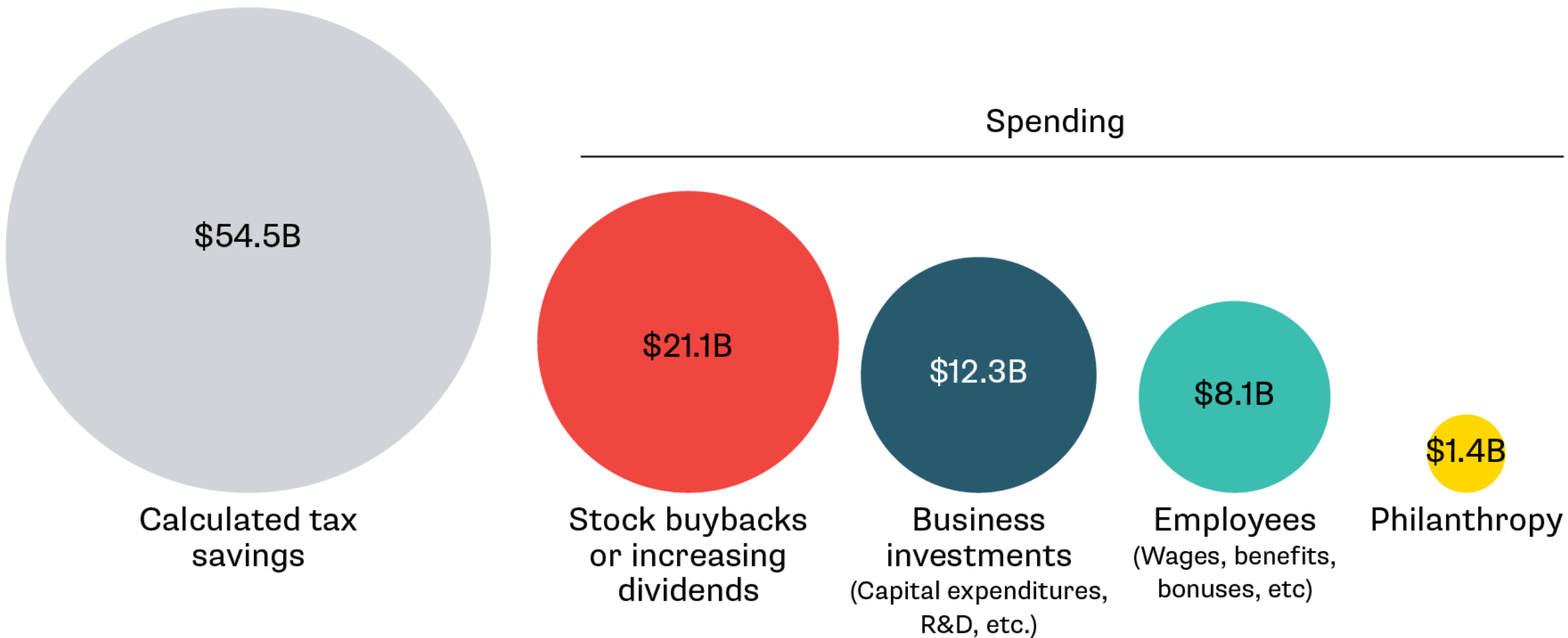


Claims that the Middle-Class Benefit from Corporate Tax Cuts More than We Estimate

- Even the economists who supported a corporate tax cut do not believe it would result in bonuses or pay raises just a few months later.
- The announced corporate bonuses and wage boosts are also very small compared to the announced stock buybacks and dividends increases.

Tax Dollars at Work

Companies have devoted more than twice to buybacks as they have to employees



Source: Bloomberg reporting; Salary.com; California state filings
Note: Figures represent the first year of tax and spending changes