

Expiring Provisions of the



and Implications for States

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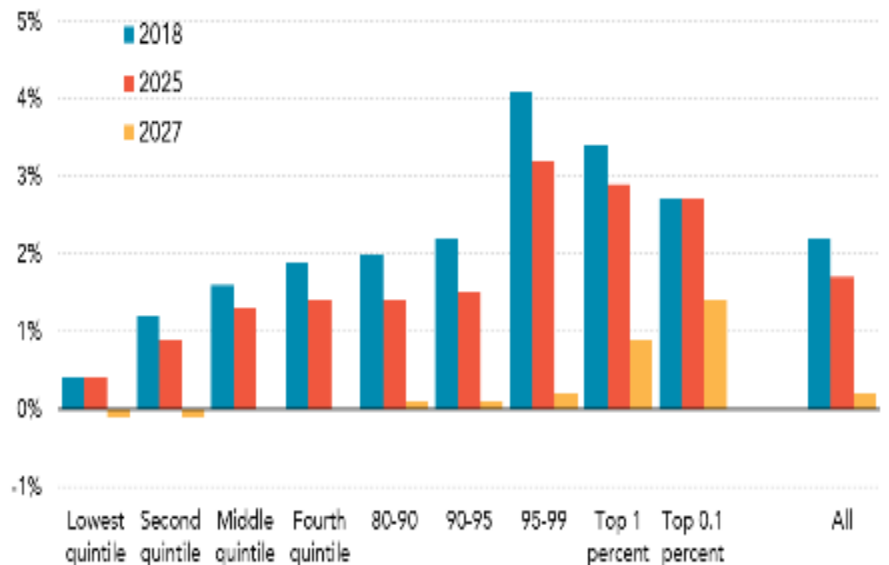
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Tax Foundation

The TCJA in Brief

- Enacted in 2017, but provisions will be expiring beginning next year
- Legislated for business expensing changes to end this year
- Most of PIT changes (except changes in indexing) will revert to 2017 rules after 2025
- Reason – lower cost in budget window

Percent Change in After-tax Income of the Conference Agreement for the Tax Cuts and Jobs Act
By expanded cash income percentile, 2018, 2025, and 2027



Source: Urban-Brookings Tax Policy Center Microsimulation Model (version 0217-1).

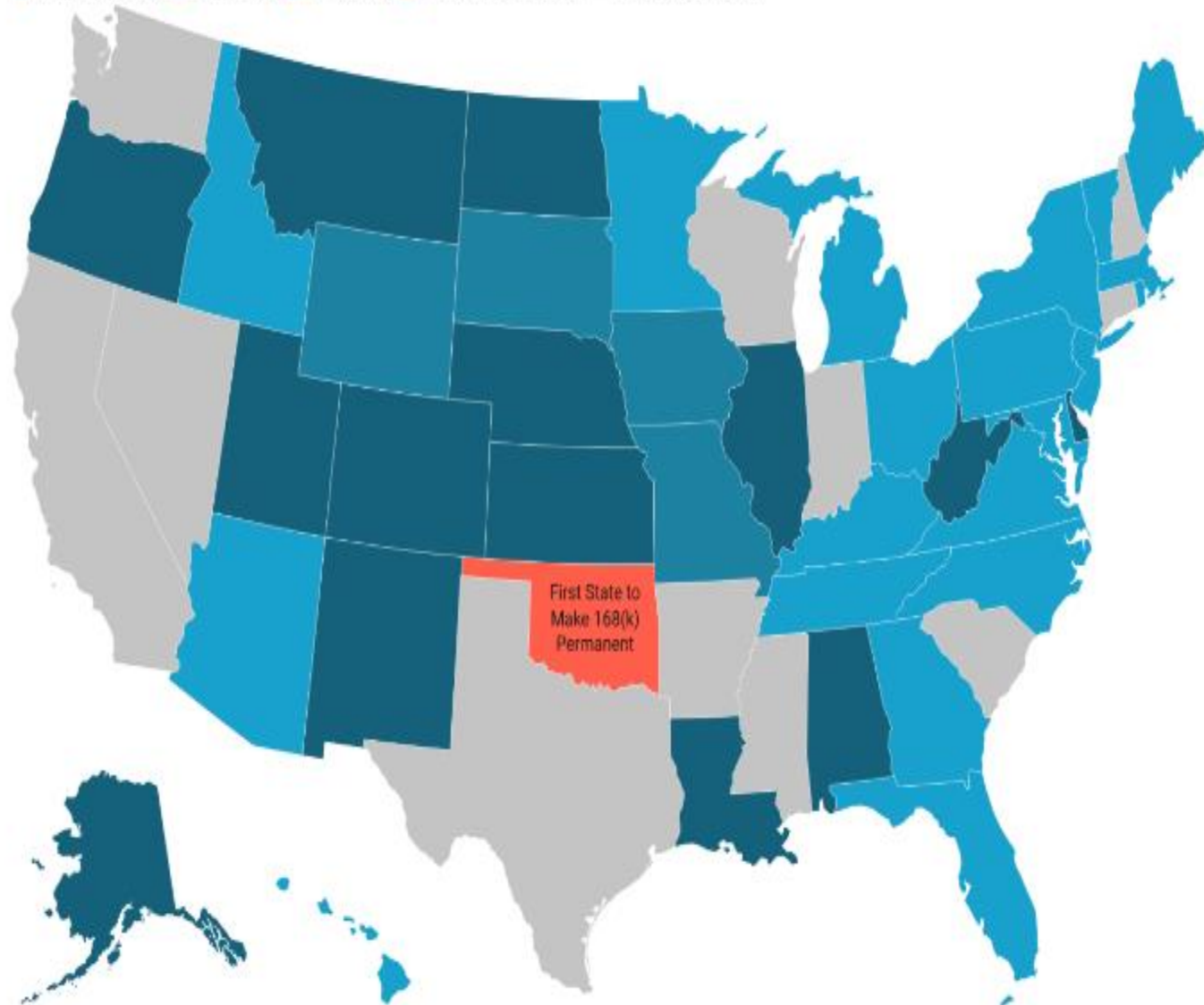
Ten Year Revenue Change for Making TCJA Provisions Permanent

JCT, Tax Policy Center, and Tax Foundation Model Results, in Billions of Dollars (2023-2032)

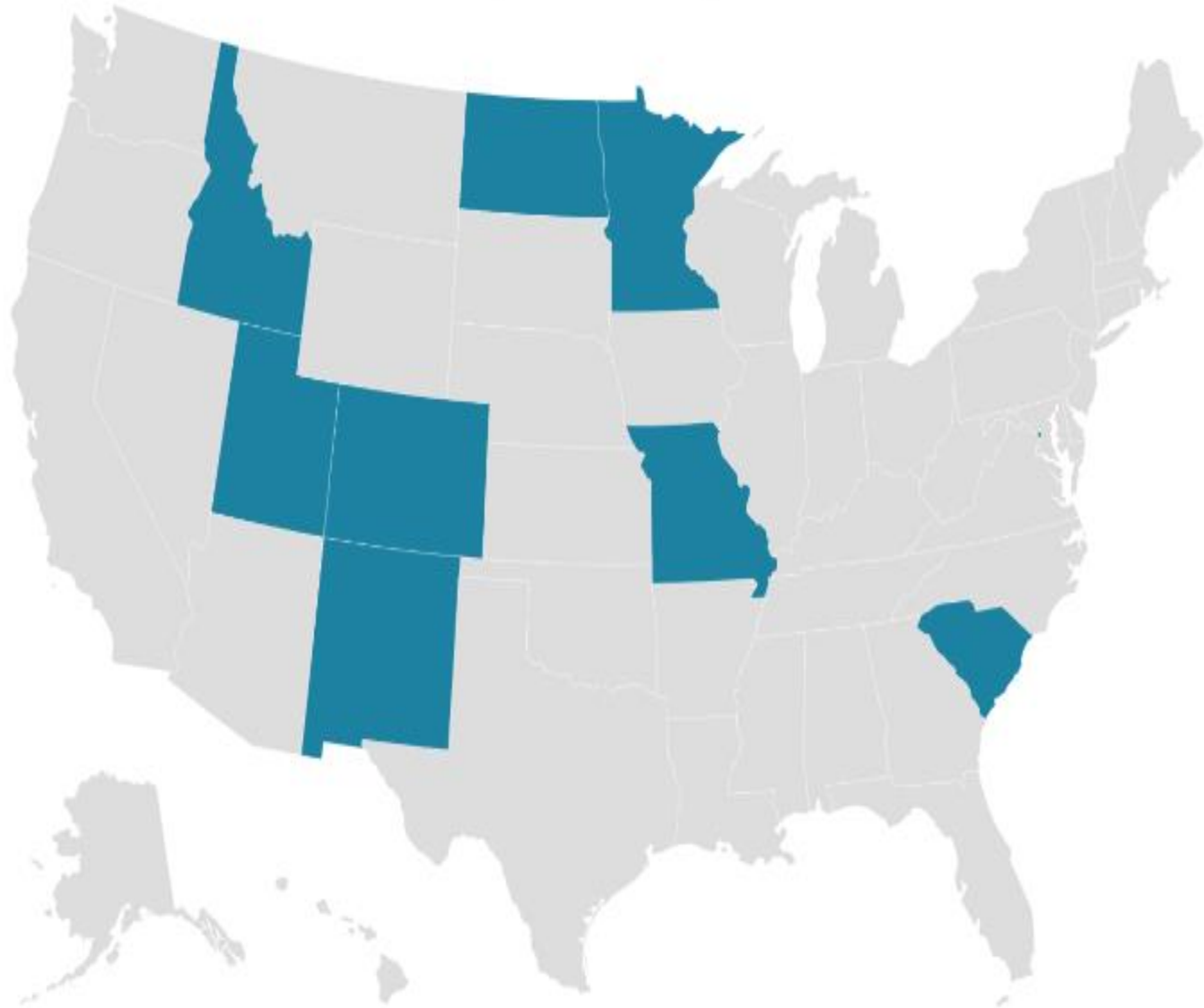
Tax Provision	JCT (FY)	TPC (CY)	Tax Foundation (CY)	
		(Est 2020)	Conventional	Dynamic
TCJA Rates and Brackets	-\$1,529	-\$1,318	-\$1,792	-\$1,328
Higher Standard Deduction	-\$887	-\$721	-\$1,180	-\$1,112
Suspend Personal Exemption	+\$1,365	+\$1,267	+\$1,876	+\$1,696
199A Pass-Through Deduction	-\$459	-\$537	-\$538	-\$501
TCJA Child Tax Credit	-\$500	-\$593	-\$754	-\$690
SALT Cap at \$10,000/all itemized deductions (JCT/UI)	\$822*	\$918	+\$1,003	+\$927
Itemized Deduction Changes	----	---	+\$244	+\$223
Limit Active Business Expenses	\$154	\$130	+\$177	\$158
Changes to AMT/Pease Limit	-\$884	-\$836	-\$868	-\$891
Extend Estate & Gift Exemptions	-\$102	-\$105	-\$149	-\$145
Total	-\$2,064	-\$1,794	-\$1,980	-\$1,663

State Conformity to 168(k) and 163(j)

■ 168(k) and 163(j) ■ 168(k) Only ■ 163(j) Only ■ Permanent Expensing ■ Decouples from Both



Standard Deduction & Personal Exemption Conformity

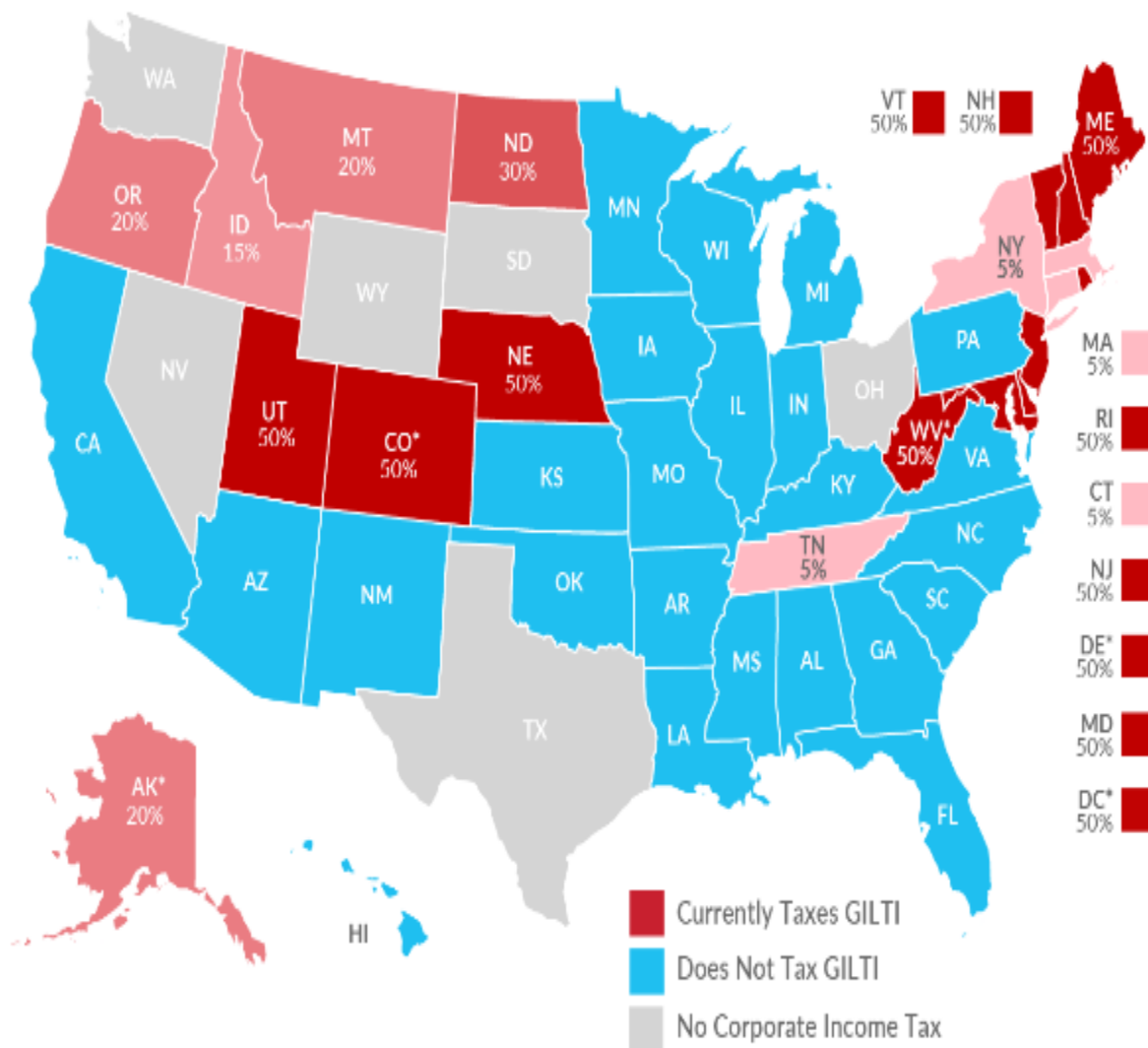


Note: Utah offers a credit that is a given percentage of the federal standard deduction and personal exemption.

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Twenty States and the District of Columbia Continue to Tax GILTI

State Taxation of Global Intangible Low-Taxed Income (as of May 20, 2021)

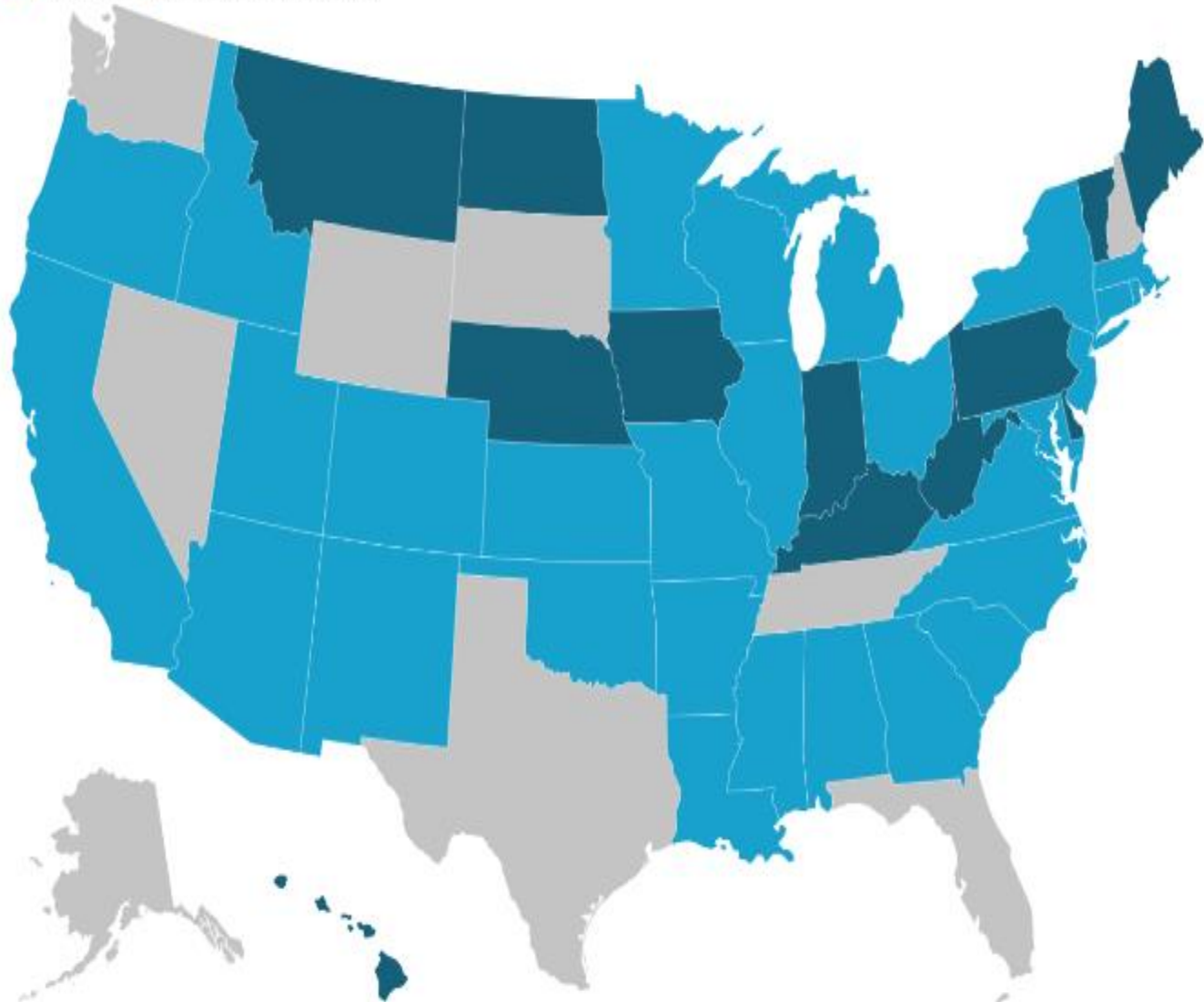


(* Taxes GILTI but has not yet issued guidance.

Sources: State statutes and guidance; Bloomberg Tax; Tax Foundation research.

States With Pass-Through Entity (PTE) Level Taxes

Has PTE Tax No PTE Tax No Income Tax

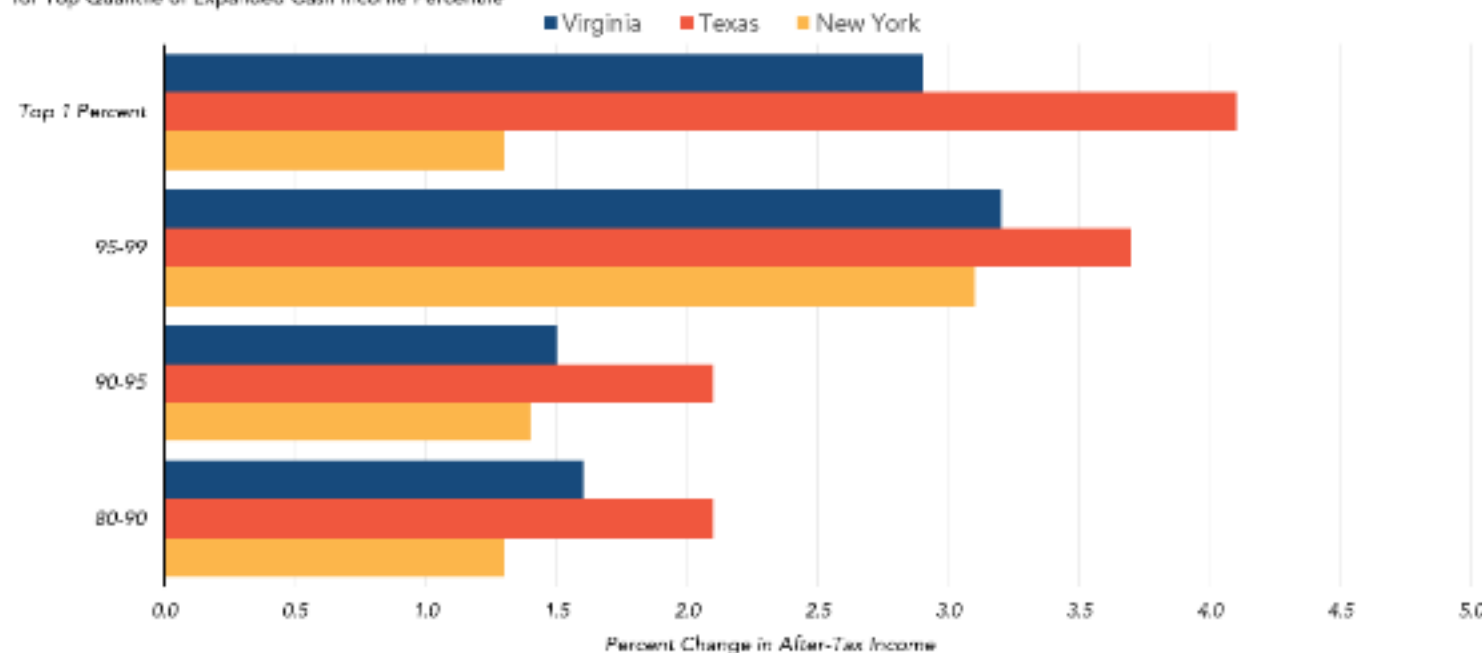


Changes in After-Tax Income Varied Across States for High Income

FIGURE 3

Percentage Change in After-Tax Income from the Major Individual Income Tax Provisions in H.R.1, The Tax Cuts and Jobs Act (TCJA), 2018

for Top Quintile of Expanded Cash Income Percentile



Source: Urban-Brookings Tax Policy Center Microsimulation Model (version 0217-1).

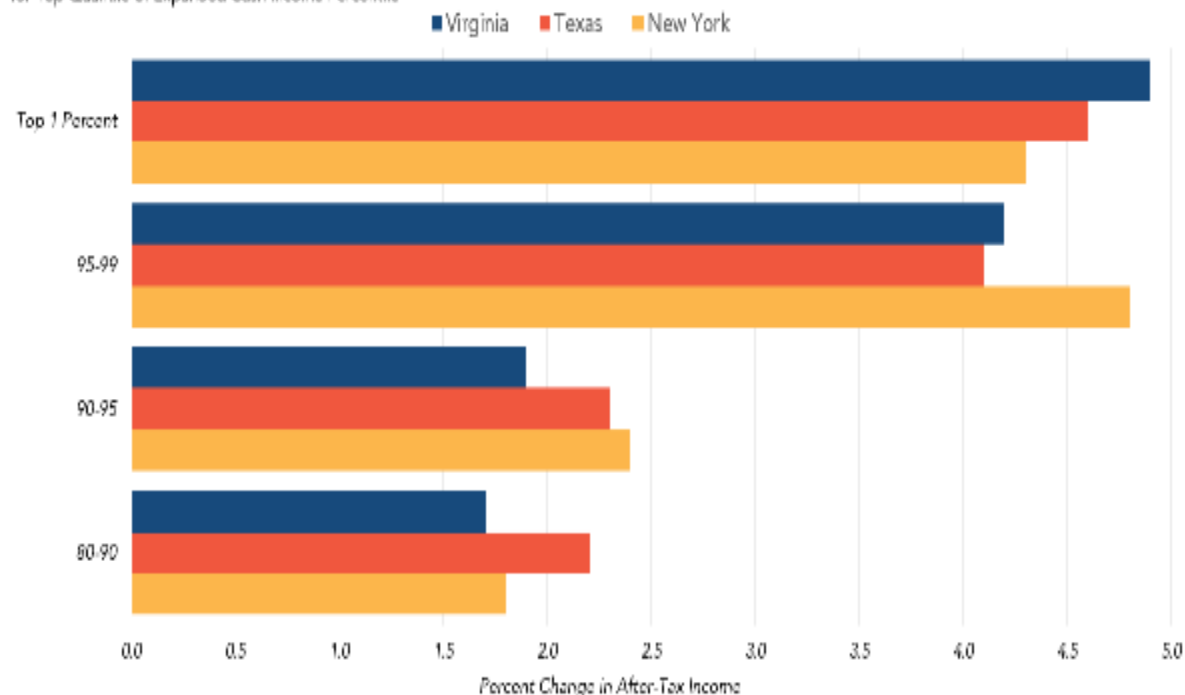
Differences Due To Limit on SALT Deduction – so winners and losers across states with extending will again be related to SALT limit, but less due to PTE taxes

FIGURE 5

Percentage Change in After-Tax Income from the Major Individual Income Tax Provisions in H.R. 1, The Tax Cuts and Jobs Act (TCJA), 2018

Excluding the \$10,000 Limit on State and Local Tax (SALT) Deductions

for Top Quintile of Expanded Cash Income Percentile



Source: Urban-Brookings Tax Policy Center Microsimulation Model (version 0217-1).

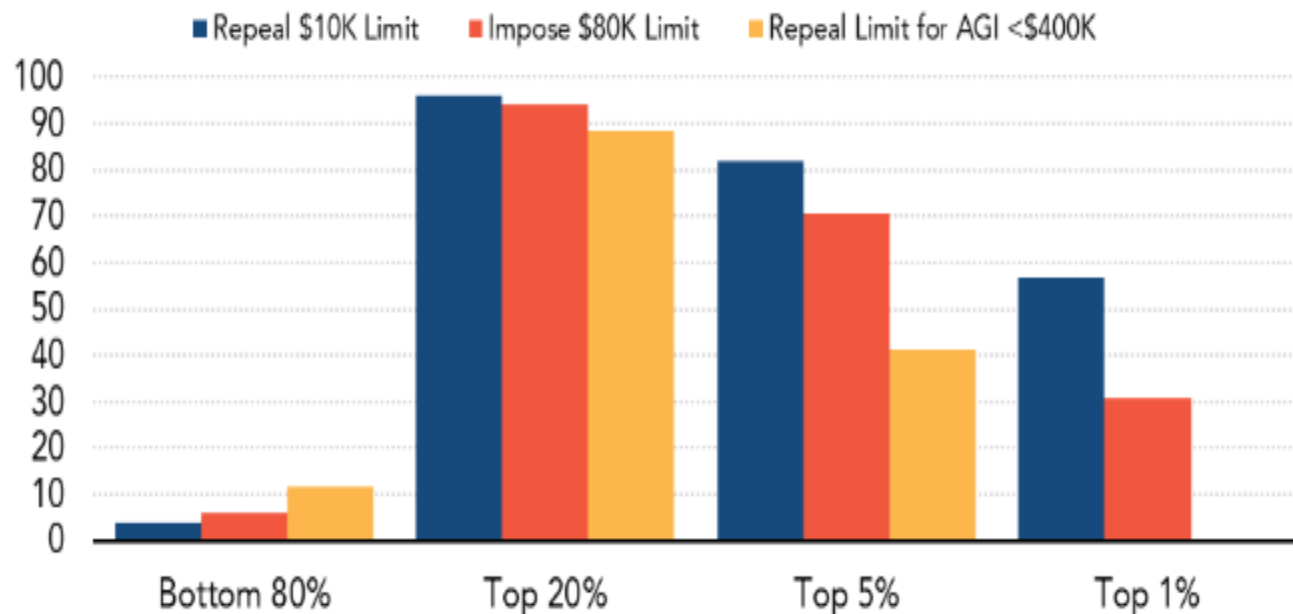


Alternative ways of limiting SALT could have different impacts – and offsets for certain taxpayers by adopting voluntary pass-through entity taxes



Distribution of Tax Cut for Three SALT Deduction Options

Percentage of tax benefit by income group



Note: Repeal \$10K limit is for tax year 2019; the other two options are for tax year 2021.

Source: Tax Policy Center.

THANK YOU

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And for more information, go to
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