Federal Tax Reform Impacts

Office of the Legislative Fiscal Analyst

Office of Legislative Research and General Counsel

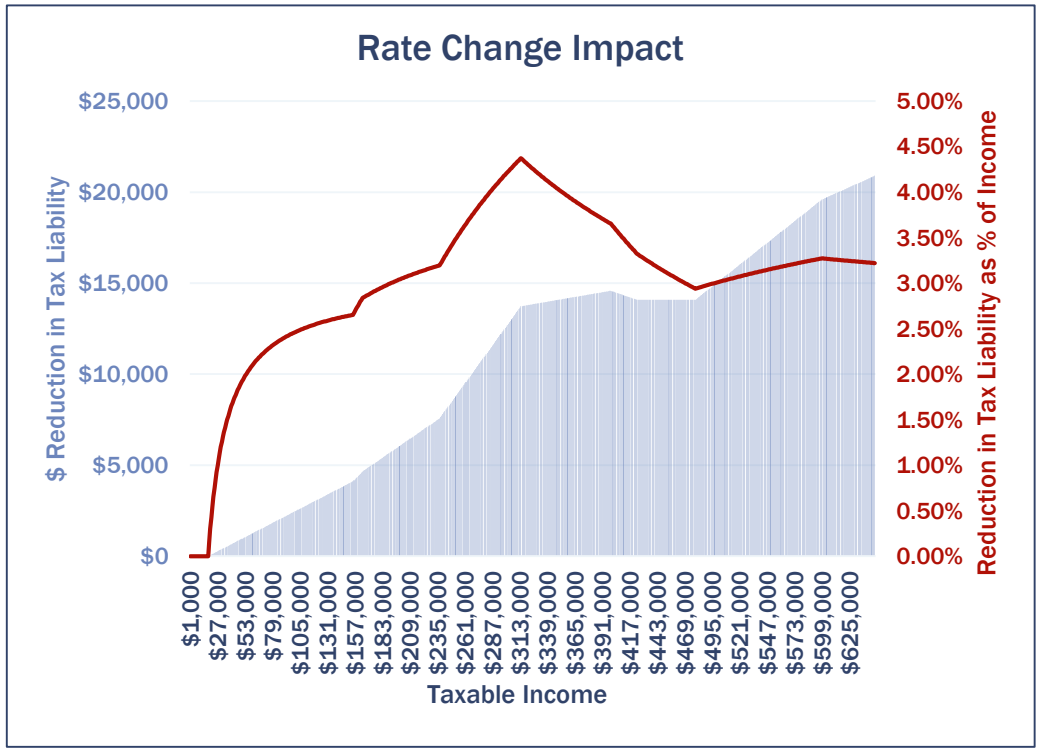
Revenue and Taxation Interim Committee

October 21, 2020

UTAH STATE LEGISLATURE

2017 Tax Cut and Jobs Act

- **Key Changes**
  1. Reduced tax rates



Married Filing Jointly		
Income	Rate Change	Reduction
$0 - $19K	10% → 10%	0%
$19K - $77K	15% → 12%	3%
$77K - $156K	25% → 22%	3%
$156K - $165K	28% → 22%	6%
$165K - $238K	28% → 24%	4%
$238K - $315K	32% → 24%	8%
$315K - $400K	33% → 32%	1%
$400K - $425K	33% → 35%	-2%
$425K - $480K	35% → 35%	0%
$480K - $600K	39.6% → 35%	4.6%
$600K+	39.6% → 37%	2.6%

2017 Tax Cut and Jobs Act

UTAH STATE LEGISLATURE

2. Eliminated Personal and Dependent Exemption

- Increased taxable income by $4,150 per household member
- Increased tax liability by between ~ $400 - $1500 per household member

3. Expanded Child Tax Credit

- Decreased tax liability by ~ $1,000 per child

	Before	After
Credit amount:	$1,000 per child under 17	$2,000 per child under 17
Phaseout begins:	$110K for joint filers	$400K for joint filers
Refundable portion:	15% of earnings above $3K	15% of earnings above $2.5K
Refundable portion cap:	None	$1,400 per child

2017 Tax Cut and Jobs Act

UTAH STATE LEGISLATURE

4. Increased Standard Deduction

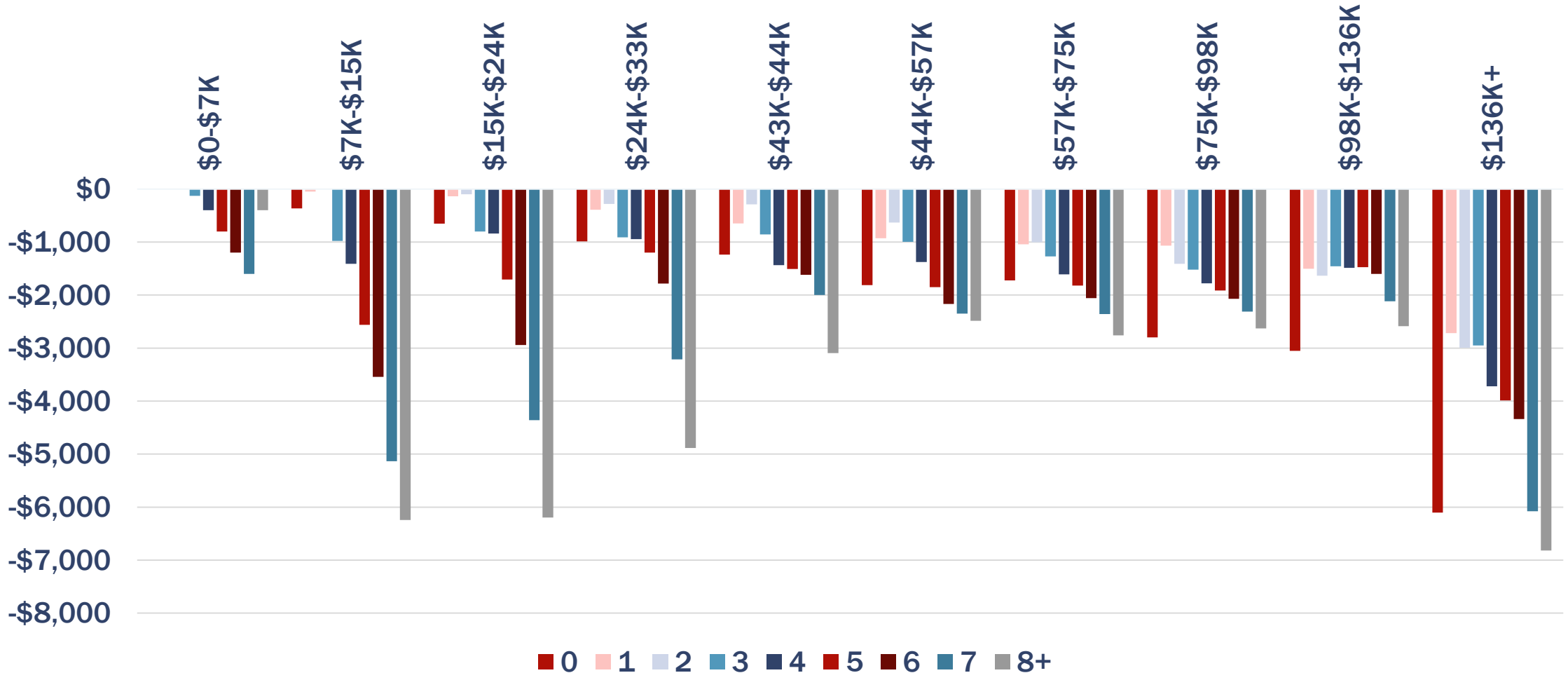
	Before	After
Single:	$6,500	$12,000
Joint:	$13,000	$24,000
Head of Household	$9,550	$18,000

5. Modified Itemized Deductions

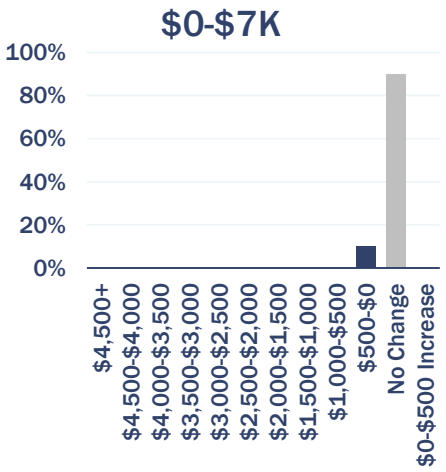
- Capped State and Local Deduction at $10,000
- Reduced amount of mortgage that qualifies for interest deduction from $1.1M to $750,000
- Eliminated several deductions
- Eliminated phaseout for itemized deductions

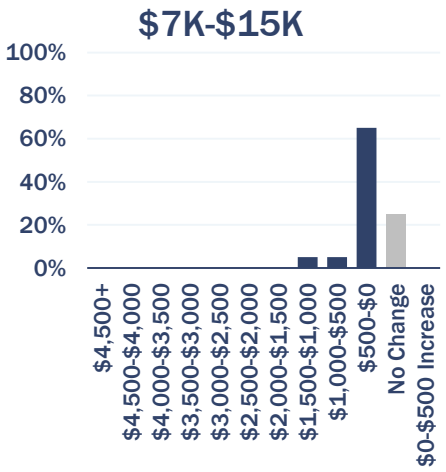
6. Increased AMT and Estate Tax Exemptions

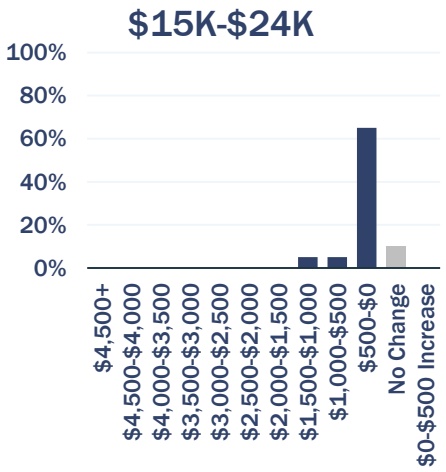
Utah Taxpayer Median Federal Tax Liability Change

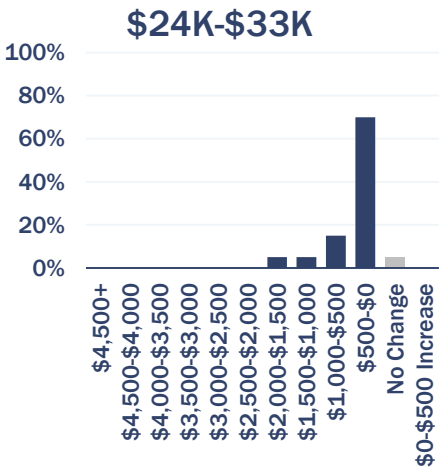


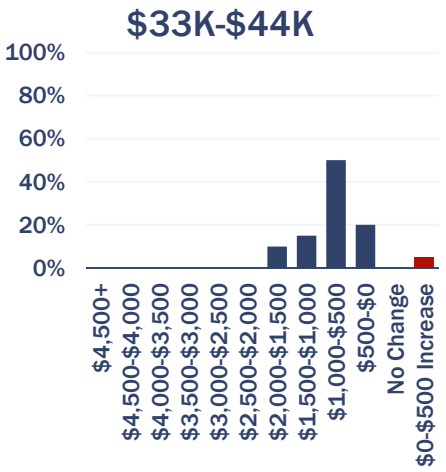
Utah Taxpayer Federal Tax Liability Change

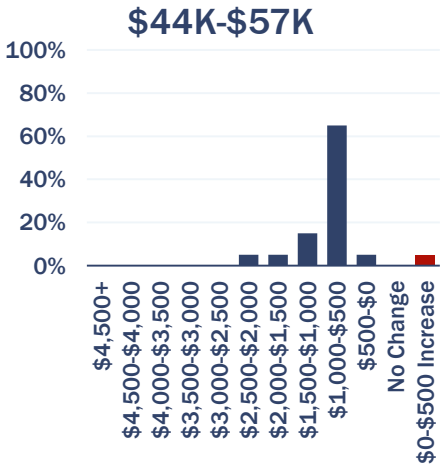


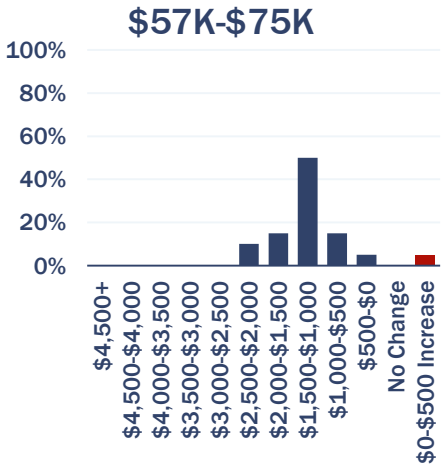


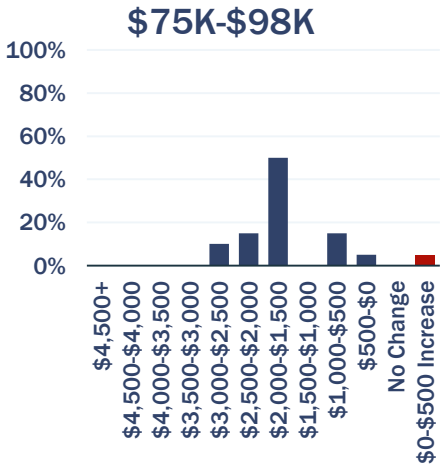


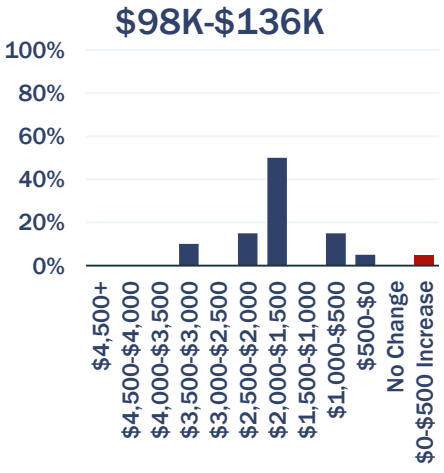


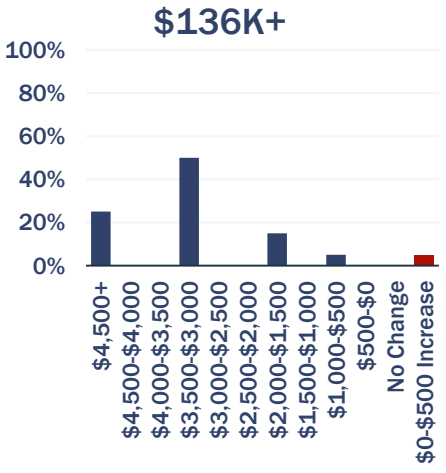




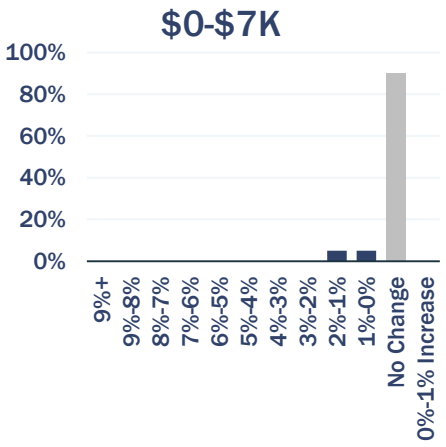


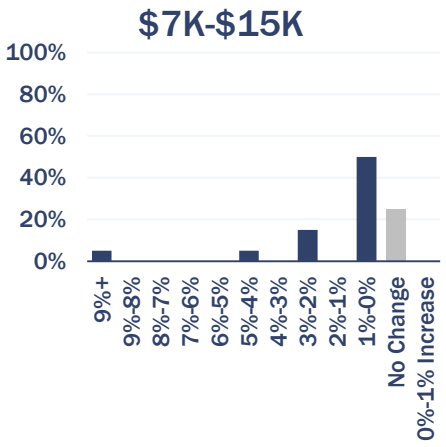


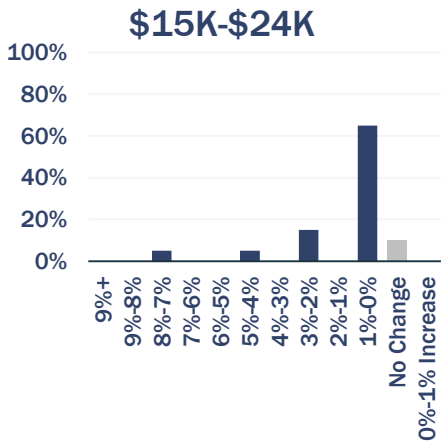


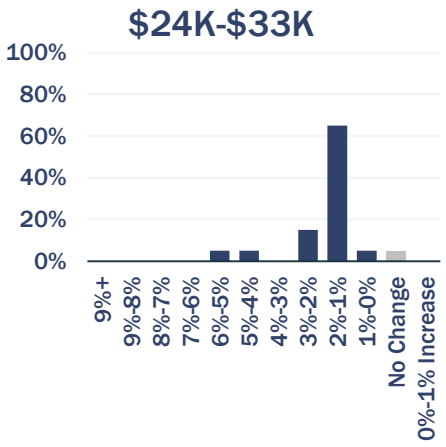


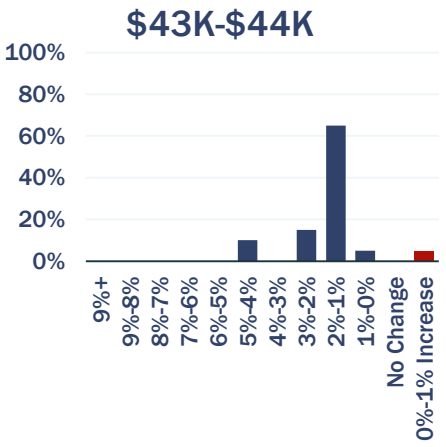
Federal Tax Liability Change as a % of Utah Income

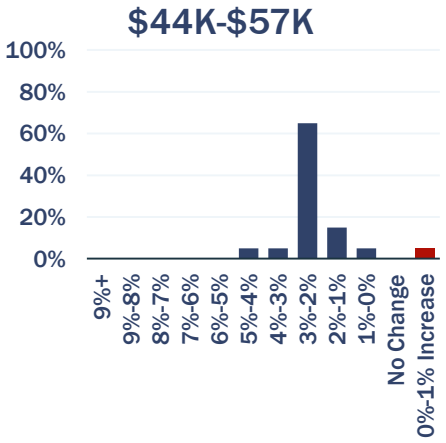


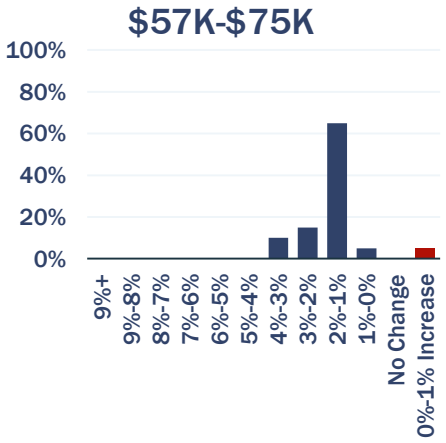


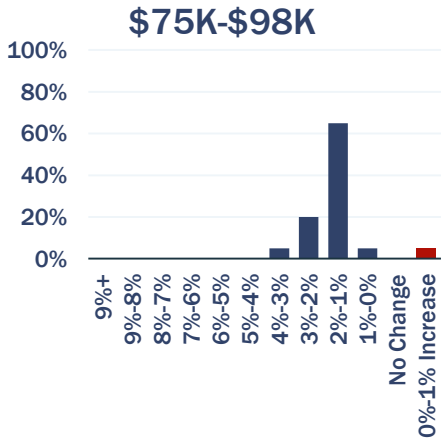


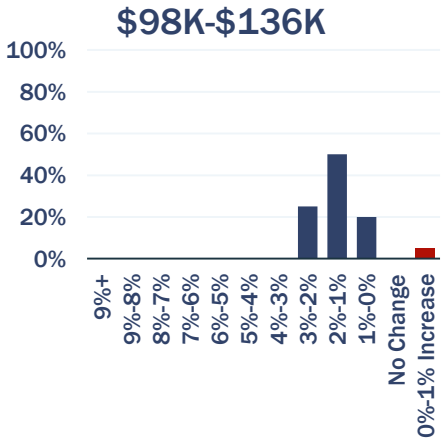


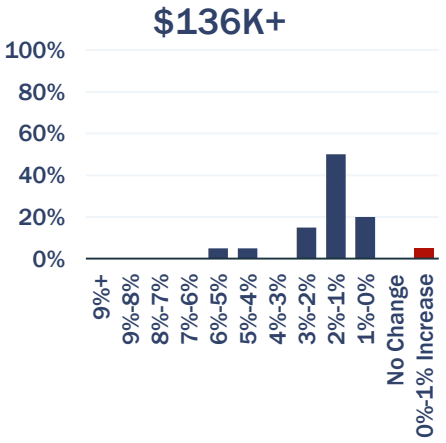












Impact from Federal and State Tax Reform by Income Group and Family Size and Overall Revenue Impacts

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October 2020

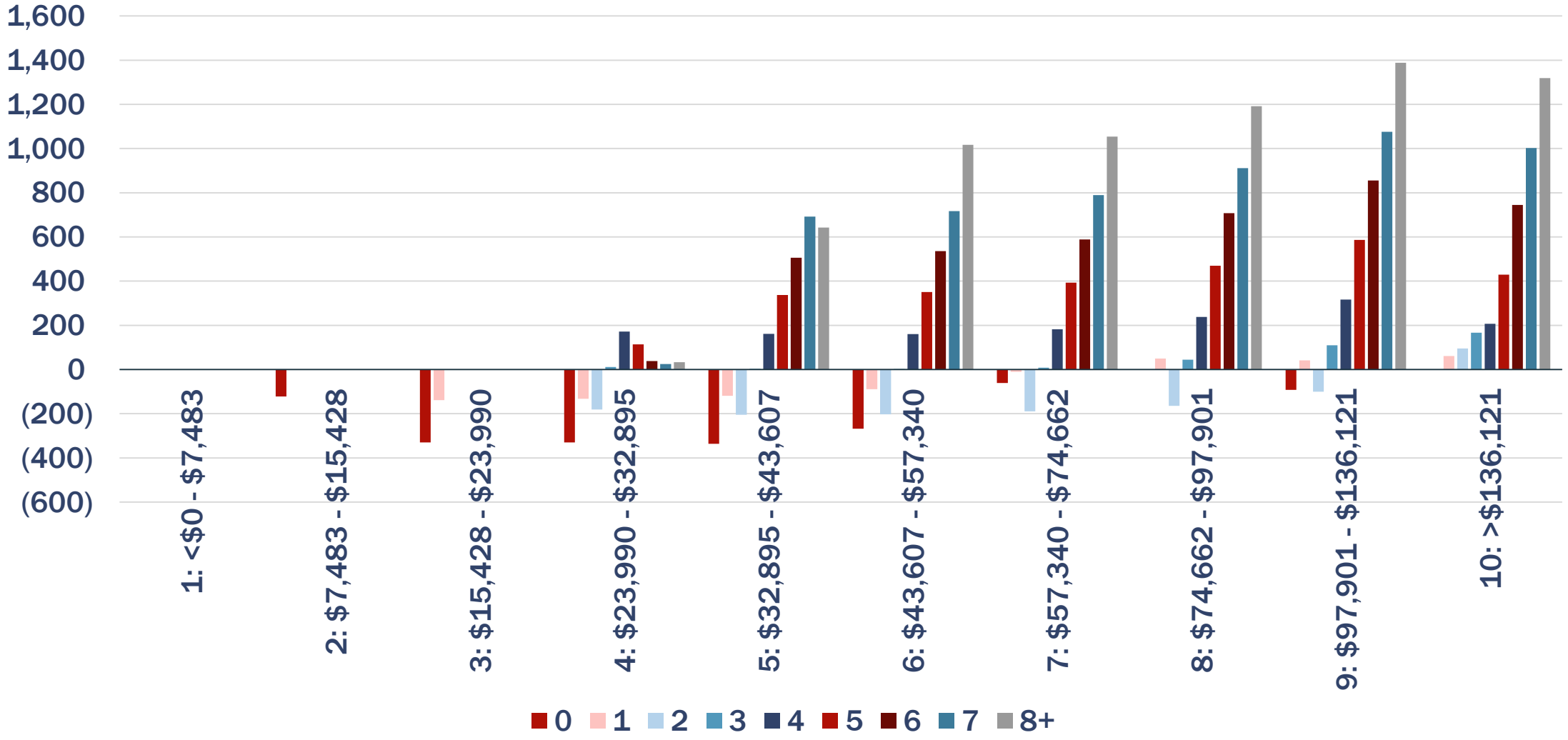
Impact of Major Federal Tax Reform Items on Utah State Tax Liability

(1) Eliminated the Personal Exemption
(increased state tax liability)

(2) Doubled the Standard Deduction
(lowered state tax liability)

(3) Capped Itemized Deduction
(increased state tax liability)

Impact of Federal Tax (Median Dollar Impact) by Family Size and Income Group
(See the Appendix for Detailed Table)

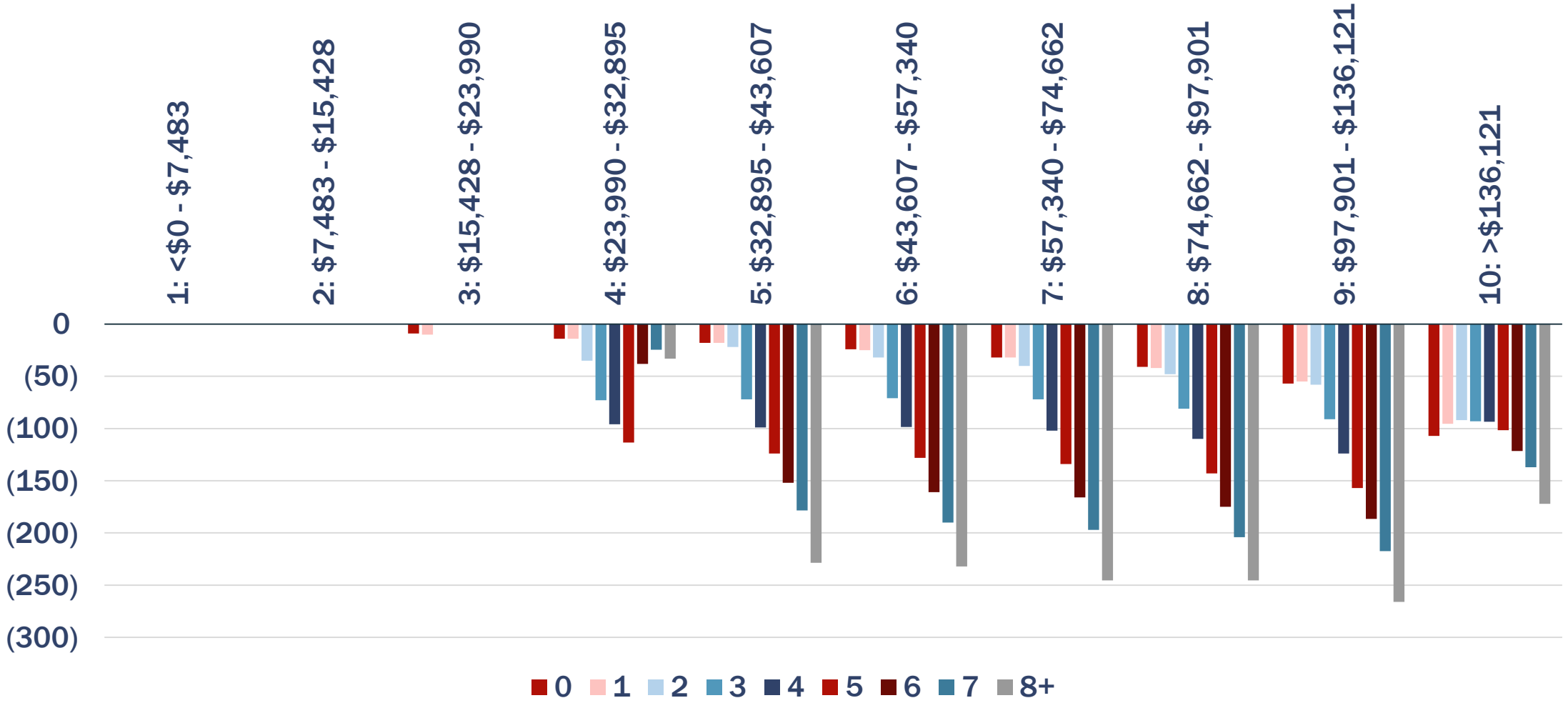


Legislative Response for Households

(1) Lowered the income tax rate
(2) Implemented a dependent exemption

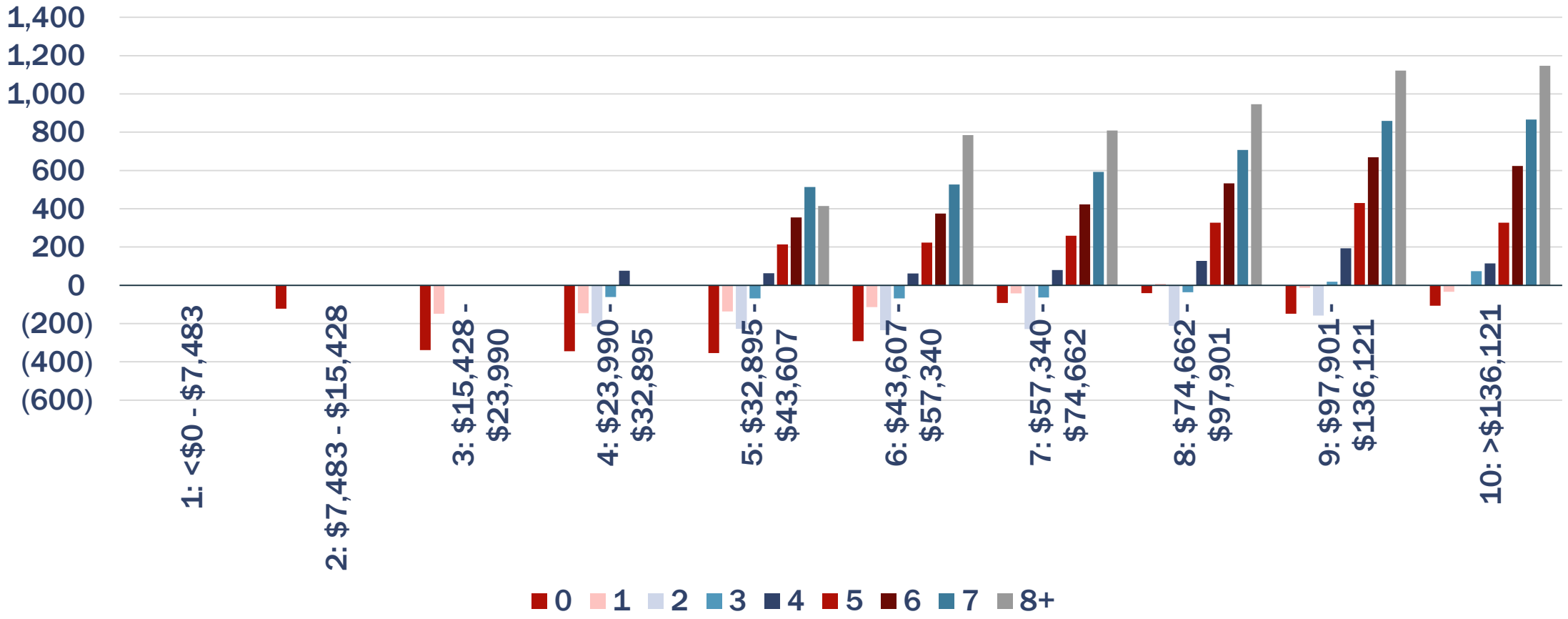
Note: The Legislature also implemented tax changes for corporations. Those changes are not shown here.

Median Impact of State Reform by Family Size and Income Group

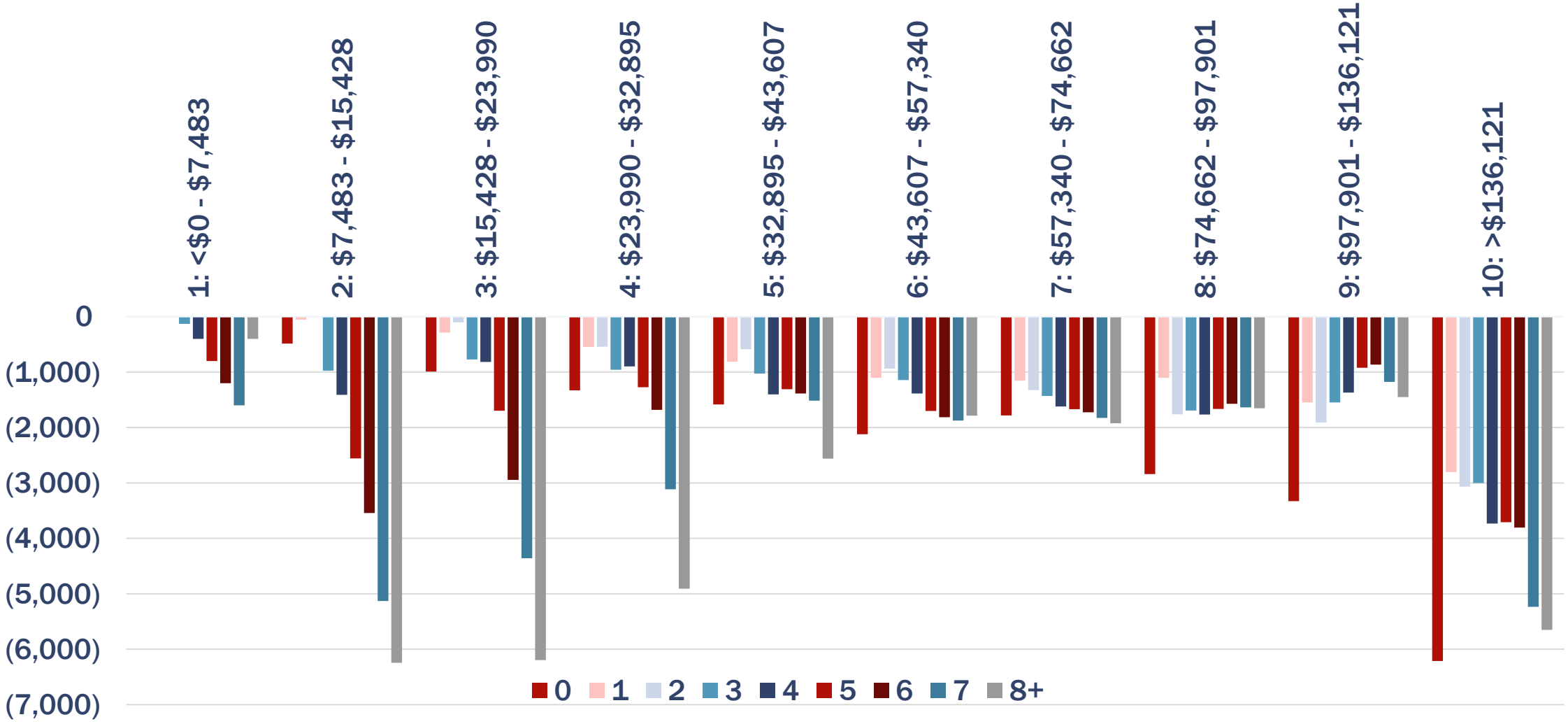


Net Impact on Households (Federal Reform Impact + State Response)

Median Impact of Federal + State Reform by Family Size and Income Group On State Tax Liability (Detailed Table is in the Appendix)



Median Impact of Federal + State Reform by Family Size and Income Group On Federal and State Tax Liability (Detailed Table is in the Appendix)



Appendix

Impact of Federal Tax Reform on State Tax Liability by Income Group and Family Size

Impact of Federal Reform

Utah Apportioned FAGI	Number of Exemptions								
	0	**1**	**2**	**3**	**4**	**5**	**6**	**7**	**8+**
1: <$0 - $7,483	0	0	0	0	0	0	0	0	0
2: $7,483 - $15,428	(122)	0	0	0	0	0	0	0	0
3: $15,428 - $23,990	(330)	(138)	0	0	0	0	0	0	0
4: $23,990 - $32,895	(330)	(132)	(181)	12	172	114	38	25	33
5: $32,895 - $43,607	(336)	(119)	(205)	3	162	337	506	693	643
6: $43,607 - $57,340	(268)	(89)	(203)	2	160	351	536	717	1,017
7: $57,340 - $74,662	(61)	(10)	(189)	8	182	393	589	789	1,055
8: $74,662 - $97,901	0	50	(164)	45	238	470	708	911	1,192
9: $97,901 - $136,121	(92)	42	(100)	110	317	587	856	1,076	1,388
10: >$136,121	0	62	95	167	208	429	745	1,003	1,319

Impact of State Tax Reform on State Tax Liability by Income Group and Family Size

Impact of State Reform

Utah Apportioned FAGI	Number of Exemptions								
	0	**1**	**2**	**3**	**4**	**5**	**6**	**7**	**8+**
1: <$0 - $7,483	0	0	0	0	0	0	0	0	0
2: $7,483 - $15,428	0	0	0	0	0	0	0	0	0
3: $15,428 - $23,990	(9)	(10)	0	0	0	0	0	0	0
4: $23,990 - $32,895	(14)	(14)	(35)	(73)	(96)	(114)	(38)	(25)	(33)
5: $32,895 - $43,607	(18)	(18)	(22)	(72)	(99)	(124)	(152)	(179)	(229)
6: $43,607 - $57,340	(24)	(25)	(32)	(71)	(99)	(128)	(161)	(190)	(232)
7: $57,340 - $74,662	(32)	(32)	(40)	(72)	(102)	(134)	(166)	(197)	(246)
8: $74,662 - $97,901	(41)	(42)	(48)	(81)	(110)	(143)	(175)	(204)	(246)
9: $97,901 - $136,121	(57)	(55)	(58)	(91)	(124)	(157)	(187)	(218)	(266)
10: >$136,121	(107)	(96)	(92)	(93)	(94)	(102)	(122)	(137)	(172)

Net Impact of Federal & State Tax Reform on State Tax Liability by Income Group and Family Size

Impact of Federal + State Reform

Utah Apportioned FAGI	Number of Exemptions								
	0	**1**	**2**	**3**	**4**	**5**	**6**	**7**	**8+**
1: <$0 - $7,483	0	0	0	0	0	0	0	0	0
2: $7,483 - $15,428	(122)	0	0	0	0	0	0	0	0
3: $15,428 - $23,990	(339)	(148)	0	0	0	0	0	0	0
4: $23,990 - $32,895	(344)	(146)	(216)	(61)	76	0	0	0	0
5: $32,895 - $43,607	(354)	(137)	(227)	(69)	63	213	354	514	414
6: $43,607 - $57,340	(292)	(114)	(235)	(69)	62	223	375	527	785
7: $57,340 - $74,662	(93)	(42)	(229)	(64)	80	259	423	592	809
8: $74,662 - $97,901	(41)	8	(212)	(36)	128	327	533	707	947
9: $97,901 - $136,121	(149)	(13)	(158)	19	193	430	669	859	1,122
10: >$136,121	(107)	(34)	3	74	114	328	623	866	1,147

Net Impact of Federal & State Tax Reform on Federal and State Tax Liability by Income Group and Family Size

Impact of Federal + State Reform

	Number of Exemptions								
Utah Apportioned FAGI	**0**	**1**	**2**	**3**	**4**	**5**	**6**	**7**	**8+**
1: <$0 - $7,483	0	0	0	(129)	(400)	(800)	(1,200)	(1,600)	(400)
2: $7,483 - $15,428	(484)	(53)	0	(976)	(1,412)	(2,559)	(3,545)	(5,133)	(6,245)
3: $15,428 - $23,990	(991)	(288)	(101)	(772)	(817)	(1,699)	(2,944)	(4,358)	(6,195)
4: $23,990 - $32,895	(1,331)	(546)	(541)	(959)	(896)	(1,271)	(1,681)	(3,115)	(4,907)
5: $32,895 - $43,607	(1,586)	(813)	(586)	(1,027)	(1,404)	(1,310)	(1,387)	(1,517)	(2,561)
6: $43,607 - $57,340	(2,120)	(1,104)	(939)	(1,144)	(1,388)	(1,703)	(1,814)	(1,876)	(1,787)
7: $57,340 - $74,662	(1,781)	(1,156)	(1,327)	(1,430)	(1,620)	(1,667)	(1,724)	(1,826)	(1,922)
8: $74,662 - $97,901	(2,840)	(1,103)	(1,760)	(1,695)	(1,766)	(1,663)	(1,572)	(1,635)	(1,654)
9: $97,901 - $136,121	(3,331)	(1,547)	(1,913)	(1,547)	(1,369)	(923)	(864)	(1,175)	(1,451)
10: >$136,121	(6,212)	(2,803)	(3,068)	(3,001)	(3,734)	(3,710)	(3,805)	(5,237)	(5,652)