DISTRIBUTIONAL EFFECTS OF PUBLIC LAW 115-97

Scheduled for a Public Hearing
Before the
HOUSE COMMITTEE ON WAYS AND MEANS
on March 27, 2019

Prepared by the Staff
of the
JOINT COMMITTEE ON TAXATION

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INTRODUCTION AND SUMMARY

The House Committee on Ways and Means has scheduled a hearing on March 27, 2019, regarding the distributional effects of Title I of an Act to Provide for Reconciliation Pursuant to Titles II and V of the Concurrent Resolution on the Budget for Fiscal Year 2018 (the "2017 Tax Act").[1] This document, prepared by the staff of the Joint Committee on Taxation ("Joint Committee staff"), provides discussion related to producing distributional tables and analysis of the distributional tables of the 2017 Tax Act relative to the law in effect in 2017 prior to the Act ("prior law").[2] This document generally focuses on distributional effects in 2019.[3]

Generally, changes in tax law that modify the base, rates, and eligibility or generosity of deductions and credits can cause increases or decreases in tax liability for individuals and businesses, depending on taxpayer-specific fact patterns. As part of the assistance the Joint Committee staff provides to members of Congress in evaluating tax policy, the Joint Committee staff constructs distributional tables to illustrate how policy changes may affect taxpayers differentially across broad income categories. In addition, the Joint Committee staff can provide tables estimating the share of taxpayers within such income categories that experience increases, decreases, or relatively no change in tax liability as a result of such policy changes. Examples of both types of tables are included in this document.[4]

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[1] Pub. L. No. 115-97.

[2] This document may be cited as follows: Joint Committee on Taxation, *Distributional Effects of Public Law 115-97*, (JCX-10-19), March 25, 2019. This document can be found on the Joint Committee on Taxation website at www.jct.gov.

[3] For further information on later years see the Joint Committee on Taxation's *Distributional Effects of the Conference Agreement for H.R.1, the "Tax Cuts and Jobs Act,"* (JCX-68-17), December 18, 2017.

[4] The Joint Committee staff can also provide further detail of changes in tax liability by factors such as age, household composition, and composition of income, *etc.*, upon request.

I. SUMMARY OF DISTRIBUTIONAL ANALYSIS

The primary purpose of a tax system is to raise revenue to fund government expenditures. Analysts generally judge a tax system—as a way of raising a given amount of revenue—in terms of how well the tax system handles issues of economic efficiency, fairness, and administrability. The design of a tax system involves tradeoffs between these different considerations. Measures designed to ensure compliance may increase the complexity of taxation for individual filers. Measures designed to promote simplicity may create distortions in investment decisions. Measures designed to promote growth may alter the distribution of the tax burden.

Distributional analysis can assist policymakers in evaluating fairness, one of these main considerations of a tax system. Distributional analysis is the study of how a tax system's aggregate costs and economic burdens are shared by taxpayers, taking into account their different incomes, consumption, and other behavior. This type of analysis can be used to determine how a tax proposal may affect the tax system's horizontal equity—whether similarly situated individuals are taxed similarly—and vertical equity—whether individuals are taxed according to their ability to pay, *i.e.*, the level of progressivity.[5]

The Joint Committee staff provides distributional analysis in the form of distribution tables. These tables convey how tax proposals would incrementally change the distribution of tax liabilities and tax burdens among taxpayers of different incomes when compared with present law's distribution patterns. The Joint Committee staff distributional analysis is designed to help policymakers decide between tradeoffs of different policy goals, such as those discussed above, and are not intended to suggest what degrees of horizontal and vertical equity are appropriate.

The Joint Committee staff distribution tables classify taxpayers at the level of filing unit. Filing units for this purpose include tax return filers and imputed nonfilers, and do not include dependent returns and negative income returns. Generally, this results in a measure that is closely related to households, but in some cases more disaggregate. For example, a grandmother living with her son and daughter-in-law may file her own return generating two filing units in a single household.

The Joint Committee staff distribution tables use an income concept meant to measure economic income, not just taxable income and not just cash income, since economic income is the conceptually appropriate measure of economic well-being. Economic income includes the annual flow of all resources at the command of an individual and represents an individual's total well-being. As a practical matter, the income concept used in distributional analyses needs to balance the goal of a measure that accurately reflects economic well-being with a measure that can be accurately constructed using available data sources. The concept developed by the Joint Committee staff is referred to as expanded income.[6] Expanded income is the sum of adjusted

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[5] A progressive tax system is one where average tax rates increase as incomes increase.

[6] For a detailed discussion of expanded income see Joint Committee on Taxation, *Overview of the Definition of Income Used by the Staff of the Joint Committee on Taxation in Distributional Analyses*, (JCX-15-12), February 8, 2012.

gross income, tax-exempt interest, employer contributions for health plans and life insurance, the employer share of payroll taxes, workers' compensation, nontaxable Social Security benefits, value of Medicare benefits in excess of premiums paid, minimum tax preferences, individual share of business taxes, and excluded income of U.S. citizens living abroad.[7]

[7] The Joint Committee staff includes distributions from qualified retirement plans and individual retirement arrangements in expanded income. Contributions to these plans and arrangements by the individual or the individual's employer are excluded from expanded income.

II. AGGREGATE DISTRIBUTIONAL EFFECT OF THE 2017 TAX ACT

A. Overall Distributional Analysis

Table 1 replicates information from the Joint Committee on Taxation's *Distributional Effects of the Conference Agreement for H.R.1, the "Tax Cuts and Jobs Act,"* (JCX-68-17), published on December 18, 2017. This table generally shows, for 2019, the combined distributional effects of the 2017 Tax Act relative to prior law.[8] The table shows aggregate tax liability reductions in each income category. To provide information on vertical equity, the table also includes columns presenting estimates of the average tax rate under present law (law in effect when the table was published, before the passage of the Conference Agreement) and the proposal (the Conference Agreement). These columns show that generally as income increases the average tax rate reduction increases.

[8] Note that the Joint Committee staff does not include estate and gift taxes in distributional analysis. The provisions of the 2017 Tax Act that are excluded from distributional analysis are described in footnote (1) of the table.

Table 1.─Distributional Effects of The Conference Agreement for H.R. 1, The "Tax Cuts and Jobs Act"

Calendar Year 2019

INCOME CATEGORY (2)	CHANGE IN FEDERAL TAXES (3)		Average Tax Rate (4)		NUMBER OF TAXPAYER UNITS (7)
			Present Law (5)	Proposal (6)	
	Millions	Percent	Percent	Percent	Thousands
Less than $10,000.................................	-$396	-5.6%	9.1%	8.6%	19,260
$10,000 to $20,000.................................	-$1,792	(8)	-0.7%	-1.2%	20,566
$20,000 to $30,000.................................	-$2,982	-13.5%	3.9%	3.4%	21,510
$30,000 to $40,000.................................	-$5,416	-11.5%	7.9%	7.0%	16,011
$40,000 to $50,000.................................	-$6,728	-10.0%	10.9%	9.9%	12,841
$50,000 to $75,000.................................	-$23,046	-8.7%	14.8%	13.5%	27,393
$75,000 to $100,000................................	-$22,437	-8.0%	17.0%	15.6%	17,835
$100,000 to $200,000..............................	-$70,372	-7.5%	20.9%	19.4%	30,667
$200,000 to $500,000……………………	-$65,485	-9.0%	26.4%	23.9%	9,152
$500,000 to $1,000,000............................	-$23,947	-9.4%	30.9%	27.8%	1,147
$1,000,000 and over................................	-$36,853	-5.9%	32.5%	30.2%	572
Total, All Taxpayers..........................	**-$259,454**	**-8.0%**	**20.7%**	**19.0%**	**176,955**

Source: Joint Committee on Taxation

Detail may not add to total due to rounding.

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(1) This table is a distributional analysis of the proposal in revenue table JCX-67-17, excluding the following sections: I. Tax Reform for Individuals: D.4.-D.7., E.1-E.2, F., and I.2.-I.13. Under section H., the distribution analysis does not include the effect of the cost-sharing reductions and change in Medicaid spending.

(2) The income concept used to place tax returns into income categories is adjusted gross income (AGI) plus: [1] tax-exempt interest, [2] employer contributions for health plans and life insurance, [3] employer share of FICA tax, [4] worker's compensation, [5] nontaxable Social Security benefits, [6] insurance value of Medicare benefits, [7] alternative minimum tax preference items, [8] individual share of business taxes, and [9] excluded income of U.S. citizens living abroad. Categories are measured at 2017 levels.

(3) Federal taxes are equal to individual income tax (including the outlay portion of refundable credits), employment tax (attributed to employees), excise taxes (attributed to consumers), and corporate income taxes. The estimates of Federal taxes are preliminary and subject to change. Individuals who are dependents of other taxpayers and taxpayers with negative income are excluded from the analysis. Does not include indirect effects.

(4) The average tax rate is equal to Federal taxes described in footnote (3) divided by income described in footnote (2).

(5) This table replicates analysis from JCX-67-17 thus "present law" in this table is law in effect in 2017 before passage of the 2017 Tax Act.

(6) This table replicates analysis from JCX-67-17 thus "proposal" in this table is the Conference Agreement for H.R.1.

(7) Includes nonfilers, excludes dependent filers and returns with negative income.

(8) For returns in the $10,000 to $20,000 income category, Federal taxes would decrease from -$2.412 billion to -$4.204 billion.

The Joint Committee staff also provides some information on the distribution of tax changes within income category by grouping filing units into five categories, those with: tax decreases of greater than $500, tax decreases of $100-$500, tax changes of less than $100, tax increases of $100-$500, and tax increases greater than $500. This type of analysis provides information on horizontal equity to the extent that taxpayers in the same income categories are considered to be similarly situated.

Table 2 provides, for 2019, this analysis for the effect of the Conference Agreement for H.R.1. relative to 2017 prior law.[9] The table shows that while the majority of tax filers are projected to have reductions in tax liability, some tax filers in each income category are projected to experience tax increases. The table also shows that generally as income increases, an increasing percentage of tax filers have tax decreases. However, filing units with economic income of $1 million or more have the highest percentage (13.8) with tax increases of greater than $500.

[9] The Appendix contains versions of this table for later years.

Table 2.—A Distribution of Returns by the Size of the Tax Change for the Conference Agreement for H.R. 1, The "Tax Cuts and Jobs Act"

Calendar Year 2019

INCOME CATEGORY (2)	Percentage of Returns				
	Tax Decrease		Tax Change	Tax Increase	
	Greater Than $500	$100-$500	Less than $100	$100-$500	Greater Than $500
Less than $10,000.................................	0.7%	3.5%	95.6%	0.1%	0.1%
$10,000 to $20,000.................................	5.6%	38.9%	52.4%	0.4%	2.7%
$20,000 to $30,000.................................	17.2%	30.5%	47.1%	1.0%	4.1%
$30,000 to $40,000.................................	30.1%	32.0%	32.4%	1.9%	3.7%
$40,000 to $50,000.................................	51.2%	21.7%	20.2%	2.8%	4.2%
$50,000 to $75,000.................................	67.7%	14.7%	10.2%	2.8%	4.6%
$75,000 to $100,000...............................	77.8%	10.4%	4.1%	3.0%	4.8%
$100,000 to $200,000.............................	87.0%	4.1%	1.7%	2.0%	5.1%
$200,000 to $500,000.............................	93.0%	1.8%	0.6%	0.9%	3.7%
$500,000 to $1,000,000...........................	93.5%	0.3%	0.1%	0.3%	5.9%
$1,000,000 and over...............................	85.3%	0.3%	0.2%	0.3%	13.8%
Total, All Taxpayers...........................	**48.3%**	**17.2%**	**28.9%**	**1.7%**	**3.8%**

Source: Joint Committee on Taxation

Detail may not add to total due to rounding.

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(1) This table is a distributional analysis of the proposal in revenue table JCX-67-17, excluding the following sections: I. Tax Reform for Individuals: D.4.-D.7., E.1.-E.2., F., and I.2.-I.13. Under section H., the distributional analysis does not include the effect of the cost-sharing reductions and change in Medicaid spending.

(2) The income concept used to place tax returns into income categories is adjusted gross income (AGI) plus: [1] tax-exempt interest, [2] employer contributions for health plans and life insurance, [3] employer share of FICA tax, [4] worker's compensation, [5] nontaxable Social Security benefits, [6] insurance value of Medicare benefits, [7] alternative minimum tax preference items, [8] individual share of business taxes, and [9] excluded income of U.S. citizens living abroad. Categories are measured at 2017 levels.

(3) The categories reflecting the size of tax change are indexed for inflation.

B. Distributional Analysis of Business Tax Provisions

The Joint Committee staff's distributional analysis includes the effect of changes in business tax. This analysis depends on the extent to which the incidence of business taxes fall on owners versus workers, *i.e.*, which parties bear the economic burden of business taxes. Following the standard view expressed in the economic literature, the Joint Committee staff assumes that none of the burden of corporate income taxes flows through to consumers (as a group distinct from owners and workers).

In the short run, the Joint Committee staff generally assumes that the burden from business tax falls entirely on capital owners, which includes both the owners of the business and the bond holders. None of the burden is assumed to be borne by labor in the short run.

In the long run, capital is thought to be more mobile than labor. For example, owners may move capital overseas which shifts some of the burden of business tax to labor. As such, the Joint Committee staff follows the middle range of the current economic literature by assuming that 25 percent of corporate income taxes are borne by domestic labor and 75 percent are borne by owners of domestic capital. For passthrough entities, a smaller percentage of income comes from foreign sources, thus less of the taxes on business income of passthroughs is thought to fall on labor, relative to C corporations.[10]

Table 3 also replicates information from the Joint Committee on Taxation's *Distributional Effects of the Conference Agreement for H.R.1, the "Tax Cuts and Jobs Act,"* (JCX-68-17) for 2019. This table generally illustrates the split between provisions on the individual income tax and business income tax sides of the 2017 Tax Act. Note that the deduction for passthrough income[11] is included with the individual income tax column in this table. Both the individual and business sides reduce tax liability in each income category. The average tax liability reduction increases with income on both the individual and business sides. The reduction in tax liability is more concentrated towards the upper end of the income distribution for the business side relative to the individual side with 60 percent of the benefit accruing to tax filers in the $200,000 and over income categories on the business side compared to 44 percent on the individual side, because higher income tax filers own more capital than tax filers with incomes less than $200,000.

The appendix contains a full replication of the tables provided in JCX-68-17. This analysis was conducted using data and macroeconomic baseline projections available at the time of the conference report for H.R.1 in 2017.[12]

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[10] For a detailed discussion of all these issues related to the distribution of the tax burden on business income see Joint Committee on Taxation, *Modeling the Distribution of Taxes on Business Income*, (JCX-14-13), October 16, 2013.

[11] Sec. 199A.

[12] Congressional Budget Office, *The Budget and Economic Outlook: 2017 to 2017*, January 2017.

Table 3.─Distributional Effects of the Conference Agreement for H.R. 1, The "Tax Cuts and Jobs Act"

Calendar Year 2019

INCOME CATEGORY	Number of Taxpayer Units (Thousands)	Change in Federal taxes	
		Individual ($ millions)	Business ($ millions)
Less than $10,000..................................	19,260	-$127	-$269
$10,000 to $20,000.................................	20,566	-$1,206	-$586
$20,000 to $30,000.................................	21,510	-$2,279	-$703
$30,000 to $40,000……………………........	16,011	-$4,469	-$947
$40,000 to $50,000.................................	12,841	-$5,533	-$1,195
$50,000 to $75,000……………………........	27,393	-$18,887	-$4,158
$75,000 to $100,000...............................	17,835	-$17,279	-$5,158
$100,000 to $200,000.............................	30,667	-$51,409	-$18,964
$200,000 to $500,000.............................	9,152	-$47,008	-$18,476
$500,000 to $1,000,000..........................	1,147	-$16,031	-$7,916
$1,000,000 and over...............................	572	-$15,871	-$20,983
Total, All Taxpayers...........................	**176,955**	**-$180,100**	**-$79,354**

Source: Joint Committee on Taxation

III. DISTRIBUTIONAL EFFECT OF COMPONENTS OF THE 2017 TAX ACT

The aggregate distributional analysis produced by the Joint Committee staff shows that the 2017 Tax Act as a package provided tax liability reductions on average across all income categories. This package was comprised of many provisions, some of which generally reduced tax liability and some of which generally increased tax liability.

A. Tax Reductions

The 2017 Tax Act contains a number of provisions that, when considered in isolation, would reduce tax liability of individuals and businesses. Some of the major provisions that reduce tax liability are:

<u>Modification of Rates</u>.─To determine regular tax liability, an individual taxpayer generally must apply the tax rate schedules (or the tax tables) to his or her taxable income. The rate schedules are broken into several ranges of income, known as income brackets, and the marginal tax rate increases as a taxpayer's income increases. Separate rate schedules apply based on an individual's filing status. The 2017 Tax Act temporarily replaces the existing rate structure with a new rate structure that generally reduces tax rates.[13]

<u>Increase in Standard Deduction</u>.─An individual who does not elect to itemize deductions reduces his or her adjusted gross income ("AGI") by the amount of the applicable standard deduction in arriving at his or her taxable income. The standard deduction is the sum of the basic standard deduction, which varies based on filing status, and, if applicable, the additional standard deduction for an individual who is elderly or blind. The amount of the standard deduction is indexed annually for inflation. The 2017 Tax Act temporarily increases the basic standard deduction. In 2019, the standard deduction is $24,400 for a joint return and a surviving spouse (increased from $12,700 in 2017), $18,350 for a head of household (increased from $9,350 in 2017), and $12,200 for other individuals (increased from $6,350 in 2017).

<u>Increase in and Modification of Child Tax Credit</u>.─An individual is allowed a tax credit for each qualifying child. Generally, a qualifying child is any individual under the age of 17 who is the taxpayer's son, daughter, stepson, stepdaughter, brother, sister, stepbrother, stepsister, or a descendant of any such individual. The child must share the same principal place of abode as the taxpayer for more than one-half of the taxable year, may not have provided over one-half of his or her own support for the taxable year, and may not file a joint return with a spouse. The aggregate amount of otherwise allowable child tax credits is phased out for an individual with income over a threshold amount. In some circumstances, all or a portion of the otherwise allowable credit is treated as a refundable credit (the "additional child tax credit"). A refundable credit creates an overpayment of income tax to the extent the credit exceeds the taxpayer's income tax liability. The additional child tax credit is treated as refundable in an amount equal to 15 percent of earned income in excess of a certain threshold. A taxpayer with three or more qualifying children may determine the additional child tax credit using the "alternative formula,"

[13] The rate structures for 2017 and 2019 are presented in the Appendix.

under which the additional child tax credit equals the amount by which the taxpayer's social security taxes exceed the taxpayer's earned income credit.

The 2017 Tax Act temporarily increases the child tax credit to $2,000 per qualifying child (from $1,000 in 2017). The AGI threshold amount at which the credit begins to phase out is increased to $400,000 in the case of a joint return and $200,000 for all other taxpayers (increased from $110,000 for joint returns, $75,000 for single individuals or heads of households, and $55,000 for married individuals filing separate returns in 2017). The provision also lowers the earned income threshold for the additional child tax credit to $2,500 from $3,000 in 2017 and increases the maximum amount of the additional child tax credit to $1,400, which is indexed for inflation up to $2,000.

The 2017 Tax Act temporarily provides a new $500 nonrefundable credit for each dependent other than a qualifying child.[14] An individual may be claimed as a taxpayer's dependent if the individual is a qualifying child or a qualifying relative of the taxpayer and meets certain other requirements. For this purpose, a qualifying child must be either under age 19 or a full-time student who is under age 24. An individual is a taxpayer's qualifying relative if such individual (1) bears the appropriate relationship to the taxpayer; (2) has a gross income that does not exceed the personal exemption amount;[15] (3) receives at least one-half of his or her support from the taxpayer; and (4) is not a qualifying child of the taxpayer.

<u>Increase in Alternative Minimum Tax Exemption for Individuals</u>.—An alternative minimum tax ("AMT") is imposed on an individual in an amount by which the tentative minimum tax exceeds the regular income tax for the taxable year. The tentative minimum tax is the sum of (1) 26 percent of so much of the taxable excess as does not exceed a specified breakpoint and (2) 28 percent of the remaining taxable excess. The taxable excess is so much of the alternative minimum taxable income ("AMTI") as exceeds the exemption amount. AMTI is the taxpayer's taxable income increased by certain preference items and subject to certain other adjustments. The 2017 Tax Act temporarily increases the exemption amounts and the exemption amount phase out thresholds such that fewer taxpayers will be subject to the individual AMT.[16]

<u>Increase in Estate and Gift Tax Exemption</u>.—A gift tax is imposed on certain lifetime transfers, and an estate tax is imposed on certain transfers at death. Gifts and bequests generally are excluded from the recipient's gross income. A unified credit is available with respect to taxable transfers by gift and at death. The unified credit offsets tax on a specified amount of

[14] The 2017 Tax Act includes a temporary requirement that the taxpayer include the Social Security number ("SSN") of the child on the tax return claiming the child tax credit (both the refundable and nonrefundable portions). Under prior law, the name and taxpayer identification number ("TIN") of the qualifying child had to appear on the return. To claim the $500 nonrefundable other dependent credit, the taxpayer must include the individual's TIN, not an SSN, on the tax return.

[15] The applicable amount in 2019 is $4,200. See IRS Notice 2018-70, 2018-38 I.R.B. 441; Rev. Proc. 2018-57, 2018-49 I.R.B. 827.

[16] For example, under prior law the exemption amount was $84,500 and the phase-out threshold was $160,900 for married taxpayers filing a joint return in 2017. The 2017 Tax Act increases the exemption amount to $111,700 and the phase-out threshold to $1,020,600 for married taxpayers filing a joint return in 2019.

transfers, referred to as the applicable exclusion amount or exemption amount. The exemption amount was set at $5 million per individual for 2011 and is indexed for inflation for later years. Exemption used during life to offset taxable gifts reduces the amount of exemption that remains at death to offset the value of the decedent's estate. The 2017 Tax Act temporarily doubles the estate and gift tax exemption for estates of decedents dying and gifts made after 2017. For 2019, the basic exclusion amount is $11,400,000 per individual, or $22,800,000 for a married couple, for determining the amount of the unified credit against estate tax. This amount is indexed for inflation. As noted earlier, estate and gift taxes as a general matter are not included in the distribution tables produced by Joint Committee staff.

21-Percent Corporate Tax Rate.—Corporate taxable income previously was subject to tax under a four-step graduated rate structure that ranged from 15 percent to 35 percent. Certain personal service corporations paid tax on their entire taxable income at the rate of 35 percent. The 2017 Tax Act changes the corporate tax rate to 21 percent, eliminating the graduated corporate rate structure and the special rate for personal service corporations.

Deduction for Qualified Business Income.—The 2017 Tax Act temporarily allows an individual taxpayer to deduct 20 percent of qualified business income from a partnership, S corporation, or sole proprietorship, as well as 20 percent of aggregate qualified real estate investment trust dividends and qualified publicly traded partnership income. A specified agricultural or horticulture cooperative generally may deduct nine percent of qualified production activities income. A limitation based on W-2 wages, or W-2 wages and capital investment (as applicable), phases in above a threshold amount of taxable income, which in 2019 is $160,700 for single individuals and heads of households, $160,725 for married individuals filing a separate return, and $321,400 for joint returns. A disallowance of the deduction on income of specified service trades or businesses also phases in above the same threshold amount of taxable income.

Temporary 100-Percent Expensing for Certain Business Assets.—A taxpayer generally must capitalize the cost of property used in a trade or business or held for the production of income and recover such cost over time through annual deductions for depreciation or amortization. The period for deprecation or amortization generally begins when the asset is placed in service by the taxpayer. Tangible property generally is depreciated under the modified accelerate cost recovery system, which determines depreciation for different types of property based on an assigned applicable depreciation method, recovery period, and convention. Under prior law, an additional first-year depreciation deduction was allowed equal to 50 percent of the adjusted basis of qualified property acquired and placed in service before 2020, and the 50 percent allowance was phased down for property placed in service after 2017. The 2017 Tax Act extended and modified the additional first-year depreciation deduction through 2026 and increased the 50-percent allowance to 100 percent for property acquired and placed in service after September 27, 2017, and before January 1, 2023.[17] The definition of qualified property was expanded to include certain qualified property for which the original use did not commence with

[17] In general, the 100-percent allowance is phased down by 20 percent per calendar year for qualified property placed in service after December 31, 2022.

the taxpayer (so the provision applies to purchases of used as well as new items) and certain qualified film, television, and live theatrical productions.

Modifications of Rules for Expensing Depreciable Business Assets for Small Businesses.—Under prior law, certain taxpayers could elect to deduct (or "expense") the cost of qualifying property, rather than to recover such costs through depreciation deductions, subject to limitation. The maximum amount a taxpayer could expense was $500,000 of the cost of qualifying property placed in service for the taxable year, reduced (but not below zero) by the amount by which the cost of qualifying property placed in service during the taxable year exceeded $2,000,000. In general, qualifying property is defined as depreciable tangible personal property that is purchased for use in the active conduct of a trade or business. The 2017 Tax Act increased the maximum amount a taxpayer may expense to $1,000,000, and increased the phase out threshold amount to $2,500,000. These amounts are indexed for inflation (for 2019, these amounts are $1,020,000 and $2,550,000, respectively). The 2017 Tax Act also expanded the definition of qualified real property eligible for expensing.

Small Business Accounting Method Reform and Simplification.—The Code generally allows a taxpayer to select the method of accounting to be used to compute taxable income, provided that such method clearly reflects the income of the taxpayer. Permissible methods of accounting include the cash receipts and disbursements method ("cash method"), an accrual method, or any other method (including a hybrid method) permitted under regulations prescribed by the Secretary. The cash method is administratively easy and provides the taxpayer flexibility in the timing of income recognition. Under prior law, a C corporation, a partnership that has a C corporation as a partner, or a tax-exempt trust or corporation with unrelated business income generally could not use the cash method, subject to certain exceptions. The 2017 Tax Act expanded the universe of taxpayers that may use the cash method of accounting to taxpayers (other than tax shelters) for whom the average annual gross receipts for the three-taxable-year period ending with the prior taxable year does not exceed a threshold amount, indexed for inflation. The threshold amount for a taxable year beginning in 2019 is $26,000,000. In addition, the 2017 Tax Act exempts taxpayers that meet the gross receipts test from certain accounting rules for inventories, cost capitalization, and long-term contracts.

B. Tax Increases

The 2017 Tax Act also contains a number of provisions that, when considered in isolation, would increase tax liability of individuals and businesses. Some of the major provisions that increase tax liability are:

Inflation Adjustment Based on Chained CPI.—Many dollar amounts in the Code, including the regular income tax brackets as well as certain amounts of deductions, credits, and exclusions, are adjusted for inflation. Under prior law, most of the adjustments were based on annual changes in the level of the Consumer Price Index for All Urban Consumers (''CPI–U''). The 2017 Tax Act requires the use of the Chained Consumer Price Index for All Urban Consumers (''C–CPI–U'') to adjust amounts currently indexed by the CPI–U. The C-CPI-U grows more slowly than the CPI-U, thus resulting in dollar amounts throughout the Code increasing at a slower rate. For example, the use of C-CPI-U results in taxpayers over time moving into higher income tax rate brackets more quickly than under prior law.

Suspension of Deductions for Personal Exemptions.—An individual taxpayer may claim a personal exemption for the taxpayer (both taxpayers in the case of a joint return) and any dependents of the taxpayer. In 2017, the personal exemption was $4,050. The 2017 Tax Act temporarily suspends the personal exemption by setting the amount deductible for each personal exemption to zero.[18]

Modification of Certain Itemized Deduction Provisions.—An individual taxpayer who does not claim the applicable standard deduction may claim itemized deductions. The 2017 Tax Act temporarily modifies a number of itemized deductions, including (1) limiting the deduction for interest paid or accrued on acquisition indebtedness with respect to a qualified residence, (2) suspending the deduction for interest paid or accrued on home equity indebtedness with respect to a qualified residence, and (3) limiting the types of personal casualty losses that qualify for a deduction. In addition, the 2017 Tax Act limits the deduction for State and local taxes and suspends the miscellaneous itemized deduction limitation; these changes are explained in more detail below.

Limitation of Deduction for State and Local taxes.—An individual taxpayer may claim an itemized deduction for certain taxes paid or accrued, whether or not incurred in a taxpayer's trade or business or activity for the production of income. These taxes are: (i) State and local, and foreign, real property taxes; (ii) State and local personal property taxes; and (iii) State and local, and foreign, income, war profits, and excess profits taxes. The 2017 Tax Act temporarily limits the aggregate amount of the deduction to $10,000 ($5,000 for a married taxpayer filing a separate return) in the case of: (i) State and local real property taxes; (ii) State and local personal property taxes (to the extent not paid or accrued in carrying on a trade or business or an activity

[18] For 2019, under prior law a personal exemption is $4,200.

described in section 212); and (iii) State and local income, war profits, and excess profits taxes.[19] It also suspends the deduction for foreign real property taxes.

Suspension of Miscellaneous Itemized Deductions.—An individual may claim certain expenses ("miscellaneous itemized deductions") only if, in the aggregate, such expenses exceed two percent of the taxpayer's adjusted gross income. Examples of miscellaneous itemized deductions include unreimbursed employee expenses (such as uniforms, union dues and the deduction for business-related meals, and travel), deductions for tax preparation fees, and investment expenses (such as investment management fees, safe deposit box fees and investment expenses from pass-through entities). The 2017 Tax Act temporarily suspends miscellaneous itemized deductions.

Limitation on Deduction for Business Interest.—Interest is generally deducted by a taxpayer as it is paid or accrued, depending on the taxpayer's method of accounting. An individual taxpayer generally may not deduct personal interest. An individual taxpayer may deduct investment interest only to the extent of the taxpayer's net investment income for the taxable year. The 2017 Tax Act limits the deduction for business interest. The deduction for any taxable year is limited to the sum of (1) business interest income of the taxpayer for the taxable year, (2) 30 percent of the adjusted taxable income of the taxpayer for the taxable year (not less than zero), and (3) the floor plan financing interest of the taxpayer for the taxable year. This limitation is applicable to all taxpayers but an exception applies to taxpayers (other than tax shelters) for whom the average annual gross receipts for the three-taxable-year period ending with the prior taxable year does not exceed a threshold amount, indexed for inflation. The threshold amount for a taxable year beginning in 2019 is $26 million.

Modification of Net Operating Loss Deduction.—A net operating loss (''NOL'') generally means the amount by which a taxpayer's business deductions exceed its gross income. In general, under prior law, an NOL could be carried back two taxable years and carried over 20 taxable years, in order to offset taxable income in such years (referred to as the ''NOL deduction''). The 2017 Tax Act limits the NOL deduction to 80 percent of taxable income (determined without regard to the NOL deduction) and repeals the two-year carryback. Carryovers of such NOLs to other years are adjusted to take account of the 80% limitation, and may be carried over indefinitely. NOLs arising in taxable years beginning before January 1, 2018, remain subject to prior law. Special rules apply to farming losses and certain insurance companies.

[19] An individual taxpayer may elect to claim an itemized deduction for State and local general sales taxes in lieu of the itemized deduction for State and local income taxes. This deduction is also subject to the temporary $10,000 aggregate limit.

Limitation on Losses for Taxpayers Other Than Corporations.—The 2017 Tax Act temporarily disallows excess business losses of taxpayers other than corporations. The disallowed excess business loss is treated as an NOL for the taxable year for purposes of determining any NOL carryover to subsequent taxable years. An excess business loss for the taxable year is the excess of aggregate deductions of the taxpayer attributable to trades or businesses of the taxpayer (determined without regard to the limitation of the provision), over the sum of aggregate gross income or gain attributable to trades or businesses of the taxpayer plus a threshold amount, which is indexed for inflation. The threshold amount for a taxable year beginning in 2019 is $255,000 ($510,000 in the case of a joint return).

C. Interactions of Select Individual Provisions

To illustrate how interactions between related provisions affect the overall distribution, the following tables provide separate and combined distribution analysis for 2019 for seven provisions of the 2017 Tax Act related to individual income tax: (1) the change in the rate structure, (2) the modifications to individual AMT, (3) the suspension of deductions for personal exemptions, (4) the increase in the standard deduction, (5) the modifications to itemized deductions, (6) the modifications to the child tax credit, and (7) the change in inflation adjustment. Note that of these provisions, only the change in inflation adjustment is permanent.[20]

For each of the selected seven provisions in Table 4 the distributional effects of reverting to prior law are shown by the number of returns affected and the change in tax liability in each income category. The columns for each provision illustrate the distributional effect of changing that provision in isolation; *i.e.*, holding all other aspects of present law constant. Thus the "Rates" columns illustrate the distributional effect of moving from the present-law rate structure back to the rate structure in effect just prior to the 2017 Tax Act[21] ("prior law"), while keeping the standard deduction, personal exemptions, child tax credit, *etc.* as under present law. Thus, if no other change were made than to return to the prior law individual tax rate structure, approximately 93 million tax filing units would experience an aggregate increase in tax liability of approximately $198 billion in 2019.

Note that the sum of the total dollars of each of the seven provisions in isolation would not add to the total dollars of combined effect of these seven provisions presented. This is due to the interaction of the provisions. For example, reverting to the prior-law personal exemptions[22] in isolation would result in the distributional effect shown in the "personal exemptions" columns in Table 4. These columns show that if no other change were made than to return to the prior-law personal exemption amount, approximately 106 million tax filing units would experience an aggregate decrease in tax liability of approximately $127 billion in 2019. However, the distribution table showing reversion to the prior-law personal exemption amount would show larger decreases in liability if rates were reverted back to prior law before to making the change to the personal exemptions. Prior-law rates are higher so an increase in the deduction for personal exemptions decreases tax liability by more under prior-law rates relative to present-law rates. In other words, the deduction is more valuable when rates are higher.

[20] The other individual provisions in this table revert to prior law in 2026.

[21] These rate brackets are adjusted for inflation as would occur under present law in order to produce prior law rate brackets applicable for 2019. That is, in this analysis inflation adjustments for the bracket breakpoints, standard deduction, etc., incorporate the C-CPI-U.

[22] For 2019, under prior law a personal exemption is $4,200.

Table 4.─Selected Individual Tax Provisions

Calendar Year 2019

INCOME CATEGORY	Rates		AMT		Personal Exemptions		Standard Deduction		Itemized Deductions		Child Tax Credit		Chained-CPI	
	Returns (Thousands)	Dollars (Millions)	Returns (Thousands)	Dollars (Millions)	Returns (Thousands)	Dollars (Millions)	Returns (Thousands)	Dollars (Millions)	Returns (Thousands)	Dollars (Millions)	Returns (Thousands)	Dollars (Millions)	Returns (Thousands)	Dollars (Millions)
Less than $10,000....................................	(1)	(2)	(1)	$1	(1)	-$1	1,455	$182	(1)	(2)	1,162	$82	851	-$4
$10,000 to $20,000..................................	(1)	(2)	(1)	$4	3,618	-$932	7,683	$3,313	(1)	-$4	5,024	$1,005	8,674	-$132
$20,000 to $30,000..................................	3,122	$250	(1)	(2)	6,895	-$2,804	10,467	$5,905	146	-$60	5,095	$2,435	10,879	-$254
$30,000 to $40,000…………………..........	6,296	$1,327	(1)	$2	7,973	-$3,805	11,150	$7,010	277	-$153	4,209	$3,521	10,418	-$246
$40,000 to $50,000..................................	7,030	$2,706	(1)	$6	8,908	-$4,896	11,077	$7,656	392	-$231	3,736	$4,285	10,237	-$232
$50,000 to $75,000…………………..........	19,382	$12,325	(1)	$9	21,449	-$16,456	22,221	$20,381	1,519	-$1,113	7,353	$9,796	22,396	-$458
$75,000 to $100,000................................	14,516	$14,748	(1)	$9	15,932	-$17,742	14,649	$16,759	1,666	-$1,724	5,226	$7,703	15,949	-$323
$100,000 to $200,000..............................	30,433	$61,148	543	$688	30,705	-$54,576	24,509	$37,162	6,917	-$9,091	12,331	$23,943	30,650	-$1,025
$200,000 to $500,000..............................	10,140	$57,803	5,379	$23,773	10,005	-$25,843	5,700	$9,620	6,767	-$21,498	4,784	$13,543	10,220	-$664
$500,000 to $1,000,000............................	1,293	$18,571	1,028	$13,213	(1)	-$39	455	$1,131	1,189	-$12,335	60	$93	1,334	-$259
$1,000,000 and above.............................	610	$29,540	70	$873	(1)	-$1	156	$425	592	-$30,014	(1)	(2)	682	-$146
TOTAL	**92,824**	**$198,417**	**7,034**	**$38,578**	**105,532**	**-$127,094**	**109,522**	**$109,544**	**19,496**	**-$76,222**	**48,981**	**$66,404**	**122,289**	**-$3,743**

Source: Joint Committee on Taxation

(1) Less than 50,000.

(2) Between -$500,000 and $500,000.

Table 5 combines the changes to the rate structure and AMT. For 2019, reverting to the prior-law version of these provisions would increase tax liability on average for all filers, with approximately 98 percent of filers affected with $100,000 or more in economic income. The changes in rate structure and AMT only affect around 39 percent of filers in economic income categories below $100,000.

Table 5.─Rates and AMT

Calendar Year 2019

INCOME CATEGORY	Returns (Thousands)	Dollars (Millions)
Less than $10,000..................................	(1)	$1
$10,000 to $20,000.................................	(1)	$4
$20,000 to $30,000.................................	3,122	$250
$30,000 to $40,000………………….........	6,296	$1,328
$40,000 to $50,000.................................	7,032	$2,712
$50,000 to $75,000………………….........	19,384	$12,333
$75,000 to $100,000...............................	14,518	$14,752
$100,000 to $200,000.............................	30,449	$61,286
$200,000 to $500,000.............................	10,174	$60,008
$500,000 to $1,000,000..........................	1,326	$21,336
$1,000,000 and above.............................	627	$29,986
TOTAL	**92,932**	**$203,997**

Source: Joint Committee on Taxation

(1) Less than 50,000.

Table 6 combines changes to the standard deduction, personal exemption, child tax credit and itemized deductions. These provisions are combined here because of the complementary or offsetting nature of these provisions. For example, consider a family of four with $100,000 in economic income and two children under 17. Under prior law this filing unit would have qualified for four personal exemptions. Under present law those exemptions are reduced to zero but the standard deduction is almost twice as large and the child tax credit is increased. For 2019, Table 6 shows that generally, reverting back to the prior-law version of these provisions would increase tax liability on average for filers with economic income under $100,000, and decrease tax liability on average for filers with economic income of $100,000 or more.

This change in vertical equity results from the disparate effect of these provisions across economic income category. For example, a family with economic income of $200,000 or above might chose to itemize deductions in lieu of taking the standard deduction under both prior law and present law. Compared to present law, with a change back to prior law this family would gain personal exemptions and increases in itemized deductions, potentially lose child tax credits (including any nonchild dependent credits), and not be affected by the reduction in the standard deduction. On net this could lead to a tax decrease for such a family if these provisions were changed back to their prior-law versions.

Likewise, a family with economic income below $100,000 might take the standard deduction under both prior law and present law. Compared to present law, with a change back to prior law this family would gain personal exemptions, have a reduced standard deduction and potentially lose some amount of child tax credits (including any nonchild dependent credits), and not be affected by increases in itemized deductions. On net, this could lead to a tax increase for such a family if these provisions were changed back to their prior-law versions.

Table 6.─Standard Deduction, Personal Exemption, Child Tax Credit, and Itemized Deductions

Calendar Year 2019

INCOME CATEGORY	Returns (Thousands)	Dollars (Millions)
Less than $10,000..................................	1,165	$81
$10,000 to $20,000................................	9,603	$1,460
$20,000 to $30,000................................	11,644	$2,636
$30,000 to $40,000……………………........	10,914	$3,095
$40,000 to $50,000................................	10,579	$3,328
$50,000 to $75,000……………………........	22,842	$5,933
$75,000 to $100,000..............................	16,262	$1,946
$100,000 to $200,000............................	30,801	-$9,774
$200,000 to $500,000............................	10,227	-$27,769
$500,000 to $1,000,000..........................	1,327	-$11,864
$1,000,000 and above............................	656	-$29,794
TOTAL	**126,020**	**-$60,721**

Source: Joint Committee on Taxation

Table 7 presents the effect of changing the general inflation adjustment for provisions in the Code to use C-CPI-U. Several years are shown for this table, as the effect of this change compounds over time. Generally, the C-CPI-U grows more slowly than the CPI-U. In addition to moving taxpayers over time into higher income tax rate brackets more quickly than under prior law, indexed deduction and credit amounts will also grow more slowly over time.

As a further example illustrating how interactions of provisions can affect tax liability, consider the interaction between the inflation indexing change and the earned income tax credit ("EITC"). The EITC was not explicitly modified by the 2017 Tax Act, however the change to inflation indexing will cause the credit amount of the EITC to grow at a slower rate over time, thus making the credit less generous relative to inflation indexing from prior law.

Table 7.─Chained-CPI

INCOME CATEGORY	2019		2025		2029	
	Returns (Thousands)	Dollars (Millions)	Returns (Thousands)	Dollars (Millions)	Returns (Thousands)	Dollars (Millions)
Less than $10,000.................................	851	-$4	1,118	-$20	1,354	-$43
$10,000 to $20,000.................................	8,674	-$132	9,882	-$501	11,077	-$996
$20,000 to $30,000.................................	10,879	-$254	11,441	-$885	12,600	-$1,745
$30,000 to $40,000…………………….......	10,418	-$246	10,658	-$835	11,047	-$1,594
$40,000 to $50,000.................................	10,237	-$232	10,924	-$787	11,563	-$1,535
$50,000 to $75,000…………………….......	22,396	-$458	24,083	-$1,880	25,630	-$4,132
$75,000 to $100,000...............................	15,949	-$323	17,602	-$1,458	18,891	-$3,352
$100,000 to $200,000.............................	30,650	-$1,025	33,812	-$4,994	35,983	-$11,144
$200,000 to $500,000.............................	10,220	-$664	11,205	-$3,514	12,024	-$9,460
$500,000 to $1,000,000...........................	1,334	-$259	1,473	-$1,309	1,510	-$1,876
$1,000,000 and above.............................	682	-$146	724	-$766	744	-$1,257
TOTAL	**122,289**	**-$3,743**	**132,923**	**-$16,949**	**142,424**	**-$37,134**

Source: Joint Committee on Taxation

The distribution tables of select individual provisions, such as Table 4 through 7 discussed above, can assist with considerations of vertical equity by showing how tax filers across the income distribution are differentially affected by specific individual income tax provisions or groups of individual income tax provisions. However, these tables do not address horizontal equity in the same way that Table 2 does for the 2017 Tax Act in aggregate.

The interactions of individual income tax provisions may also affect horizontal equity. For example, consider two families with the same economic income that differ on other dimensions such as number and age of children, size of mortgage, State and local taxes paid, or the amount of charitable contributions. If one family chooses to itemize deductions and the other chooses the standard deduction, a change back to prior law may decrease the tax liability of one family because of more generous itemized deductions and increase the tax liability of the other by reducing the standard deduction. Similarly, changing personal exemptions and the child tax credit back to prior law may have different effects on families depending on the number children under 17. The child tax credit will be lower for children under 17, but for other dependents (*e.g.,* children aged 17, college-aged children, older relatives), the loss of the $500 dependent credit may be more than offset by the return of the approximately $4,000 personal exemption, depending on the marginal tax rate of the family.

This analysis and discussion of the interactions of individual income tax provisions illustrate the some of the considerations that relate to the fairness of a tax policy system. As previously noted, modifications to any tax system always involve tradeoffs in the goals of having a tax system that is fair, is administrable, and minimizes distortions to economic efficiency. For example, Table 4 above reports the distributional effects from the 2017 Tax Act's modification of the individual alternative minimum tax which shows a larger effect on tax filers with $100,000 or more in economic income. However, these modifications reduced the number of taxpayers required to compute and pay an alternative minimum tax liability. Many analysts note that such a change should reduce complexity for taxpayers and reduce administrative costs for the Internal Revenue Service. Policymakers must balance considerations of the fairness of a tax policy system with the other main considerations of how a tax policy system can be administrated and how a tax policy system affects economic efficiency.

IV. APPENDIX TABLES

Federal Individual Income Tax Rates for 2017

If taxable income is:	Then income tax equals:
Single Individuals	
Not over $9,325	10% of the taxable income
Over $9,325 but not over $37,950	$932.50 plus 15% of the excess over $9,325
Over $37,950 but not over $91,900	$5,226.25 plus 25% of the excess over $37,950
Over $91,900 but not over $191,650	$18,713.75 plus 28% of the excess over $91,900
Over $191,650 but not over $416,700	$46,643.75 plus 33% of the excess over $191,650
Over $416,700 but not over $418,400	$120,910.25 plus 35% of the excess over $416,700
Over $418,400	$121,505.25 plus 39.6% of the excess over $418,400
Heads of Households	
Not over $13,350	10% of the taxable income
Over $13,350 but not over $50,800	$1,335 plus 15% of the excess over $13,350
Over $50,800 but not over $131,200	$6,952.50 plus 25% of the excess over $50,800
Over $131,200 but not over $212,500	$27,052.50 plus 28% of the excess over $131,200
Over $212,500 but not over $416,700	$49,816.50 plus 33% of the excess over $212,500
Over $416,700 but not over $444,550	$117,202.50 plus 35% of the excess over $416,700
Over $444,550	$126,950 plus 39.6% of the excess over $444,550
Married Individuals Filing Joint Returns and Surviving Spouses	
Not over $18,650	10% of the taxable income
Over $18,650 but not over $75,900	$1,865 plus 15% of the excess over $18,650
Over $75,900 but not over $153,100	$10,452.50 plus 25% of the excess over $75,900
Over $153,100 but not over $233,350	$29,752.50 plus 28% of the excess over $153,100
Over $233,350 but not over $416,700	$52,222.50 plus 33% of the excess over $233,350
Over $416,700 but not over $470,700	$112,728 plus 35% of the excess over $416,700
Over $470,700	$131,628 plus 39.6% of the excess over $470,700

If taxable income is:	Then income tax equals:
Married Individuals Filing Separate Returns	
Not over $9,325	10% of the taxable income
Over $9,325 but not over $37,950	$932.50 plus 15% of the excess over $9,325
Over $37,950 but not over $76,550	$5,226.25 plus 25% of the excess over $37,950
Over $76,550 but not over $116,675	$14,876.25 plus 28% of the excess over $76,550
Over $116,675 but not over $208,350	$26,111.25 plus 33% of the excess over $116,675
Over $208,350 but not over $235,350	$56,364 plus 35% of the excess over $208,350
Over $235,350	$65,814 plus 39.6% of the excess over $235,350

Federal Individual Income Tax Rates for 2019

If taxable income is:	Then income tax equals:
Single Individuals	
Not over $9,700	10% of the taxable income
Over $9,700 but not over $39,475	$970 plus 12% of the excess over $9,700
Over $39,475 but not over $84,200	$4,543 plus 22% of the excess over $39,475
Over $84,200 but not over $160,725	$14,382.50 plus 24% of the excess over $84,200
Over $160,725 but not over $204,100	$32,748.50 plus 32% of the excess over $160,725
Over $204,100 but not over $510,300	$46,628.50 plus 35% of the excess over $204,100
Over $510,300	$153,798.50 plus 37% of the excess over $510,300
Heads of Households	
Not over $13,850	10% of the taxable income
Over $13,850 but not over $52,850	$1,385 plus 12% of the excess over $13,850
Over $52,850 but not over $84,200	$6,065 plus 22% of the excess over $52,850
Over $84,200 but not over $160,700	$12,962 plus 24% of the excess over $84,200
Over $160,700 but not over $204,100	$31,322 plus 32% of the excess over $160,700
Over $204,100 but not over $510,300	$45,210 plus 35% of the excess over $204,100
Over $510,300	$152,380 plus 37% of the excess over $510,300
Married Individuals Filing Joint Returns and Surviving Spouses	
Not over $19,400	10% of the taxable income
Over $19,400 but not over $78,950	$1,940 plus 12% of the excess over $19,400
Over $78,950 but not over $168,400	$9,086 plus 22% of the excess over $78,950
Over $168,400 but not over $321,450	$28,765 plus 24% of the excess over $168,400
Over $321,450 but not over $408,200	$65,497 plus 32% of the excess over $321,450
Over $408,200 but not over $612,350	$93,257 plus 35% of the excess over $408,200
Over $612,350	$164,709.50 plus 37% of the excess over $612,350

If taxable income is:	Then income tax equals:
Married Individuals Filing Separate Returns	
Not over $9,700	10% of the taxable income
Over $9,700 but not over $39,475	$970 plus 12% of the excess over $9,700
Over $39,475 but not over $84,200	$4,543 plus 22% of the excess over $39,475
Over $84,200 but not over $160,725	$14,382.50 plus 24% of the excess over $84,200
Over $160,725 but not over $204,100	$32,748.50 plus 32% of the excess over $160,725
Over $204,100 but not over $306,175	$46,628.50 plus 35% of the excess over $204,100
Over $306,175	$82,354.75 plus 37% of the excess over $306,175
Estates and Trusts	
Not over $2,600	10% of the taxable income
Over $2,600 but not over $9,300	$260 plus 24% of the excess over $2,600
Over $9,300 but not over $12,750	$1,868 plus 35% of the excess over $9,300
Over $12,750	$3,075.50 plus 37% of the excess over $12,750

A DISTRIBUTION OF RETURNS BY THE SIZE OF THE TAX CHANGE FOR THE CONFERENCE AGREEMENT FOR H.R.1, THE "TAX CUTS AND JOBS ACT"

Calendar Year 2021

INCOME CATEGORY (2)	Percentage of Returns				
	Tax Decrease		Tax Change	Tax Increase	
	Greater Than $500	$100-$500	Less than $100	$100-$500	Greater Than $500
Less than $10,000..........................	0.4%	2.4%	96.8%	0.1%	0.2%
$10,000 to $20,000..........................	5.8%	33.2%	55.1%	0.7%	5.1%
$20,000 to $30,000..........................	14.6%	27.7%	49.0%	1.4%	7.2%
$30,000 to $40,000..........................	25.2%	28.9%	36.4%	2.5%	7.0%
$40,000 to $50,000..........................	45.6%	21.2%	22.5%	3.3%	7.4%
$50,000 to $75,000..........................	61.7%	15.2%	12.3%	3.6%	7.2%
$75,000 to $100,000........................	72.2%	12.2%	5.0%	3.9%	6.7%
$100,000 to $200,000......................	82.4%	5.2%	2.1%	3.0%	7.3%
$200,000 to $500,000......................	88.5%	2.5%	1.1%	1.8%	6.1%
$500,000 to $1,000,000....................	90.5%	0.4%	0.3%	0.4%	8.4%
$1,000,000 and over........................	80.1%	0.3%	0.2%	0.5%	18.8%
Total, All Taxpayers...................	**44.8%**	**16.2%**	**30.5%**	**2.3%**	**6.2%**

Source: Joint Committee on Taxation

Detail may not add to total due to rounding.

(1) This table is a distributional analysis of the proposal in revenue table JCX-67-17, excluding the following sections: I. Tax Reform for Individuals: D.4.-D.7., E.1.-E.2., F., and I.2.-I.13. Under section H., the distributional analysis does not income the effect of the cost-sharing reductions and change in Medicaid spending.

(2) The income concept used to place tax returns into income categories is adjusted gross income (AGI) plus: [1] tax-exempt interest, [2] employer contributions for health plans and life insurance, [3] employer share of FICA tax, [4] worker's compensation, [5] nontaxable Social Security benefits, [6] insurance value of Medicare benefits, [7] alternative minimum tax preference items, [8] individual share of business taxes, and [9] excluded income of U.S. citizens living abroad. Categories are measured at 2017 levels.

(3) The categories reflecting the size of tax change are indexed for inflation.

A DISTRIBUTION OF RETURNS BY THE SIZE OF THE TAX CHANGE FOR THE CONFERENCE AGREEMENT FOR H.R.1, THE "TAX CUTS AND JOBS ACT"

Calendar Year 2023

INCOME CATEGORY (2)	Percentage of Returns				
	Tax Decrease		Tax Change	Tax Increase	
	Greater Than $500	$100-$500	Less than $100	$100-$500	Greater Than $500
Less than $10,000.........................	0.2%	2.0%	96.9%	0.6%	0.3%
$10,000 to $20,000.........................	5.1%	29.2%	56.4%	4.3%	5.0%
$20,000 to $30,000.........................	13.1%	26.6%	50.6%	2.7%	7.0%
$30,000 to $40,000.........................	19.8%	28.6%	40.3%	3.7%	7.5%
$40,000 to $50,000.........................	39.9%	20.0%	27.2%	4.9%	8.0%
$50,000 to $75,000.........................	54.8%	15.2%	15.7%	5.5%	8.8%
$75,000 to $100,000.......................	63.1%	14.6%	7.4%	5.3%	9.7%
$100,000 to $200,000.....................	73.6%	6.4%	3.1%	4.6%	12.3%
$200,000 to $500,000.....................	78.1%	3.6%	2.1%	2.8%	13.4%
$500,000 to $1,000,000...................	83.0%	0.7%	0.4%	0.8%	15.2%
$1,000,000 and over.......................	65.8%	0.7%	0.7%	0.8%	32.0%
Total, All Taxpayers...................	**39.7%**	**16.0%**	**32.2%**	**4.0%**	**8.1%**

Source: Joint Committee on Taxation

Detail may not add to total due to rounding.

(1) This table is a distributional analysis of the proposal in revenue table JCX-67-17, excluding the following sections: I. Tax Reform for Individuals: D.4.-D.7., E.1.-E.2., F., and I.2.-I.13. Under section H., the distributional analysis does not income the effect of the cost-sharing reductions and change in Medicaid spending.

(2) The income concept used to place tax returns into income categories is adjusted gross income (AGI) plus: [1] tax-exempt interest, [2] employer contributions for health plans and life insurance, [3] employer share of FICA tax, [4] worker's compensation, [5] nontaxable Social Security benefits, [6] insurance value of Medicare benefits, [7] alternative minimum tax preference items, [8] individual share of business taxes, and [9] excluded income of U.S. citizens living abroad. Categories are measured at 2017 levels.

(3) The categories reflecting the size of tax change are indexed for inflation.

A DISTRIBUTION OF RETURNS BY THE SIZE OF THE TAX CHANGE FOR THE CONFERENCE AGREEMENT FOR H.R.1, THE "TAX CUTS AND JOBS ACT"

Calendar Year 2025

INCOME CATEGORY (2)	Percentage of Returns				
	Tax Decrease		Tax Change	Tax Increase	
	Greater Than $500	$100-$500	Less than $100	$100-$500	Greater Than $500
Less than $10,000..........................	0.3%	3.3%	95.6%	0.6%	0.3%
$10,000 to $20,000..........................	6.1%	29.4%	55.2%	4.3%	4.9%
$20,000 to $30,000..........................	13.8%	25.8%	50.0%	3.4%	7.0%
$30,000 to $40,000..........................	19.7%	26.9%	41.8%	4.3%	7.4%
$40,000 to $50,000..........................	38.9%	18.2%	29.0%	5.6%	8.3%
$50,000 to $75,000..........................	53.0%	15.2%	16.2%	6.2%	9.5%
$75,000 to $100,000........................	61.4%	14.5%	7.3%	6.0%	10.9%
$100,000 to $200,000......................	70.7%	6.8%	3.1%	5.1%	14.4%
$200,000 to $500,000......................	75.1%	3.8%	1.8%	3.3%	16.0%
$500,000 to $1,000,000....................	80.2%	0.8%	0.6%	0.8%	17.6%
$1,000,000 and over........................	63.3%	0.5%	0.3%	0.8%	35.0%
Total, All Taxpayers....................	**38.9%**	**15.8%**	**31.9%**	**4.4%**	**8.9%**

Source: Joint Committee on Taxation

Detail may not add to total due to rounding.

(1) This table is a distributional analysis of the proposal in revenue table JCX-67-17, excluding the following sections: I. Tax Reform for Individuals: D.4.-D.7., E.1.-E.2., F., and I.2.-I.13. Under section H., the distributional analysis does not income the effect of the cost-sharing reductions and change in Medicaid spending.

(2) The income concept used to place tax returns into income categories is adjusted gross income (AGI) plus: [1] tax-exempt interest, [2] employer contributions for health plans and life insurance, [3] employer share of FICA tax, [4] worker's compensation, [5] nontaxable Social Security benefits, [6] insurance value of Medicare benefits, [7] alternative minimum tax preference items, [8] individual share of business taxes, and [9] excluded income of U.S. citizens living abroad. Categories are measured at 2017 levels.

(3) The categories reflecting the size of tax change are indexed for inflation.

A DISTRIBUTION OF RETURNS BY THE SIZE OF THE TAX CHANGE FOR THE CONFERENCE AGREEMENT FOR H.R.1, THE "TAX CUTS AND JOBS ACT"

Calendar Year 2027

INCOME CATEGORY (2)	Percentage of Returns				
	Tax Decrease		Tax Change	Tax Increase	
	Greater Than $500	$100-$500	Less than $100	$100-$500	Greater Than $500
Less than $10,000..........................	0.3%	1.1%	96.6%	1.8%	0.2%
$10,000 to $20,000..........................	1.9%	1.4%	72.9%	19.8%	3.9%
$20,000 to $30,000..........................	3.4%	2.3%	72.0%	17.2%	5.1%
$30,000 to $40,000..........................	4.9%	4.8%	69.4%	14.6%	6.3%
$40,000 to $50,000..........................	6.2%	7.0%	65.6%	14.6%	6.6%
$50,000 to $75,000..........................	6.0%	10.9%	61.5%	15.0%	6.6%
$75,000 to $100,000........................	8.9%	17.8%	54.2%	13.5%	5.6%
$100,000 to $200,000......................	16.2%	24.2%	34.1%	17.8%	7.7%
$200,000 to $500,000......................	32.8%	18.1%	15.3%	17.6%	16.2%
$500,000 to $1,000,000....................	54.7%	7.9%	4.5%	7.3%	25.6%
$1,000,000 and over........................	58.2%	2.4%	1.1%	1.9%	36.4%
Total, All Taxpayers...................	**8.6%**	**10.4%**	**59.9%**	**14.8%**	**6.3%**

Source: Joint Committee on Taxation

Detail may not add to total due to rounding.

(1) This table is a distributional analysis of the proposal in revenue table JCX-67-17, excluding the following sections: I. Tax Reform for Individuals: D.4.-D.7., E.1.-E.2., F., and I.2.-I.13. Under section H., the distributional analysis does not income the effect of the cost-sharing reductions and change in Medicaid spending.

(2) The income concept used to place tax returns into income categories is adjusted gross income (AGI) plus: [1] tax-exempt interest, [2] employer contributions for health plans and life insurance, [3] employer share of FICA tax, [4] worker's compensation, [5] nontaxable Social Security benefits, [6] insurance value of Medicare benefits, [7] alternative minimum tax preference items, [8] individual share of business taxes, and [9] excluded income of U.S. citizens living abroad. Categories are measured at 2017 levels.

(3) The categories reflecting the size of tax change are indexed for inflation.

DISTRIBUTIONAL EFFECTS OF THE CONFERENCE AGREEMENT FOR H.R.1, THE "TAX CUTS AND JOBS ACT"

Calendar Year 2019

INCOME CATEGORY (2)	CHANGE IN FEDERAL TAXES (3)		FEDERAL TAXES (3) UNDER PRESENT LAW		FEDERAL TAXES (3) UNDER PROPOSAL		Average Tax Rate (4)	
							Present Law	Proposal
	Millions	Percent	Billions	Percent	Billions	Percent	Percent	Percent
Less than $10,000.........	-$396	-5.6%	$7.0	0.2%	$6.6	0.2%	9.1%	8.6%
$10,000 to $20,000........	-$1,792	(5)	-$2.4	-0.1%	-$4.2	-0.1%	-0.7%	-1.2%
$20,000 to $30,000........	-$2,982	-13.5%	$22.1	0.7%	$19.1	0.6%	3.9%	3.4%
$30,000 to $40,000........	-$5,416	-11.5%	$47.0	1.5%	$41.5	1.4%	7.9%	7.0%
$40,000 to $50,000........	-$6,728	-10.0%	$67.3	2.1%	$60.6	2.0%	10.9%	9.9%
$50,000 to $75,000........	-$23,046	-8.7%	$265.3	8.2%	$242.3	8.2%	14.8%	13.5%
$75,000 to $100,000......	-$22,437	-8.0%	$279.5	8.7%	$257.1	8.7%	17.0%	15.6%
$100,000 to $200,000.....	-$70,372	-7.5%	$939.8	29.1%	$869.4	29.3%	20.9%	19.4%
$200,000 to $500,000.....	-$65,485	-9.0%	$724.3	22.4%	$658.8	22.2%	26.4%	23.9%
$500,000 to $1,000,000..	-$23,947	-9.4%	$254.7	7.9%	$230.8	7.8%	30.9%	27.8%
$1,000,000 and over.......	-$36,853	-5.9%	$624.1	19.3%	$587.2	19.8%	32.5%	30.2%
Total, All Taxpayers......	**-$259,454**	**-8.0%**	**$3,228.7**	**100.0%**	**$2,969.3**	**100.0%**	**20.7%**	**19.0%**

Source: Joint Committee on Taxation
Detail may not add to total due to rounding.

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(1) This table is a distributional analysis of the proposal in revenue table JCX-67-17, excluding the following sections: I. Tax Reform for Individuals: D.4.-D.7., E.1-E.2, F., and I.2.-I.13. Under section H., the distribution analysis does not include the effect of the cost-sharing reductions and change in Medicaid spending.

(2) The income concept used to place tax returns into income categories is adjusted gross income (AGI) plus: [1] tax-exempt interest, [2] employer contributions for health plans and life insurance, [3] employer share of FICA tax, [4] worker's compensation, [5] nontaxable Social Security benefits, [6] insurance value of Medicare benefits, [7] alternative minimum tax preference items, [8] individual share of business taxes, and [9] excluded income of U.S. citizens living abroad. Categories are measured at 2017 levels.

(3) Federal taxes are equal to individual income tax (including the outlay portion of refundable credits), employment tax (attributed to employees), excise taxes (attributed to consumers), and corporate income taxes. The estimates of Federal taxes are preliminary and subject to change. Individuals who are dependents of other taxpayers and taxpayers with negative income are excluded from the analysis. Does not include indirect effects.

(4) The average tax rate is equal to Federal taxes described in footnote (3) divided by income described in footnote (2).

(5) For returns in the $10,000 to $20,000 income category, Federal taxes would decrease from -$2.412 billion to -$4.204 billion.

**DISTRIBUTIONAL EFFECTS OF
THE CONFERENCE AGREEMENT FOR H.R.1,
THE "TAX CUTS AND JOBS ACT"**

Calendar Year 2021

INCOME CATEGORY (2)	CHANGE IN FEDERAL TAXES (3)		FEDERAL TAXES (3) UNDER PRESENT LAW		FEDERAL TAXES (3) UNDER PROPOSAL		Average Tax Rate (4)	
							Present Law	Proposal
	Millions	Percent	Billions	Percent	Billions	Percent	Percent	Percent
Less than $10,000.........	-$60	-0.9%	$6.9	0.2%	$6.9	0.2%	8.2%	8.1%
$10,000 to $20,000........	$1,920	(5)	-$4.9	-0.1%	-$3.0	-0.1%	-1.4%	-0.8%
$20,000 to $30,000........	$1,948	8.6%	$22.5	0.6%	$24.5	0.7%	3.7%	4.0%
$30,000 to $40,000........	-$1,956	-4.1%	$47.7	1.4%	$45.7	1.4%	7.6%	7.3%
$40,000 to $50,000........	-$3,522	-4.8%	$73.7	2.1%	$70.1	2.1%	10.9%	10.4%
$50,000 to $75,000........	-$18,819	-6.6%	$283.4	8.1%	$264.6	8.1%	14.7%	13.7%
$75,000 to $100,000......	-$20,583	-6.9%	$300.3	8.6%	$279.8	8.5%	16.8%	15.6%
$100,000 to $200,000.....	-$64,835	-6.4%	$1,017.6	29.1%	$952.7	29.1%	20.9%	19.6%
$200,000 to $500,000.....	-$61,510	-7.7%	$799.8	22.9%	$738.3	22.5%	26.5%	24.4%
$500,000 to $1,000,000..	-$21,661	-7.8%	$279.4	8.0%	$257.8	7.9%	31.0%	28.4%
$1,000,000 and over.......	-$29,845	-4.4%	$671.8	19.2%	$642.0	19.6%	32.4%	30.7%
Total, All Taxpayers......	**-$218,927**	**-6.3%**	**$3,498.3**	**100.0%**	**$3,279.4**	**100.0%**	**20.7%**	**19.3%**

Source: Joint Committee on Taxation

Detail may not add to total due to rounding.

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(1) This table is a distributional analysis of the proposal in revenue table JCX-67-17, excluding the following sections: I. Tax Reform for Individuals: D.4.-D.7., E.1-E.2, F., and I.2.-I.13. Under section H., the distribution analysis does not include the effect of the cost-sharing reductions and change in Medicaid spending.

(2) The income concept used to place tax returns into income categories is adjusted gross income (AGI) plus: [1] tax-exempt interest, [2] employer contributions for health plans and life insurance, [3] employer share of FICA tax, [4] worker's compensation, [5] nontaxable Social Security benefits, [6] insurance value of Medicare benefits, [7] alternative minimum tax preference items, [8] individual share of business taxes, and [9] excluded income of U.S. citizens living abroad. Categories are measured at 2017 levels.

(3) Federal taxes are equal to individual income tax (including the outlay portion of refundable credits), employment tax (attributed to employees), excise taxes (attributed to consumers), and corporate income taxes. The estimates of Federal taxes are preliminary and subject to change. Individuals who are dependents of other taxpayers and taxpayers with negative income are excluded from the analysis. Does not include indirect effects.

(4) The average tax rate is equal to Federal taxes described in footnote (3) divided by income described in footnote (2).

(5) For returns in the $10,000 to $20,000 income category, Federal taxes would increase from -$4.888 billion to -$2.969 billion.

DISTRIBUTIONAL EFFECTS OF THE CONFERENCE AGREEMENT FOR H.R.1, THE "TAX CUTS AND JOBS ACT"

Calendar Year 2023

INCOME CATEGORY (2)	CHANGE IN FEDERAL TAXES (3)		FEDERAL TAXES (3) UNDER PRESENT LAW		FEDERAL TAXES (3) UNDER PROPOSAL		Average Tax Rate (4)	
							Present Law	Proposal
	Millions	Percent	Billions	Percent	Billions	Percent	Percent	Percent
Less than $10,000.........	$278	4.3%	$6.4	0.2%	$6.7	0.2%	7.0%	7.3%
$10,000 to $20,000........	$3,044	(5)	-$5.0	-0.1%	-$2.0	-0.1%	-1.3%	-0.5%
$20,000 to $30,000........	$2,416	9.8%	$24.7	0.7%	$27.1	0.7%	3.7%	4.1%
$30,000 to $40,000........	-$202	-0.4%	$51.0	1.4%	$50.8	1.4%	7.6%	7.6%
$40,000 to $50,000........	-$2,127	-2.6%	$80.9	2.1%	$78.7	2.2%	10.8%	10.6%
$50,000 to $75,000........	-$14,944	-4.9%	$305.2	8.1%	$290.2	8.0%	14.6%	13.9%
$75,000 to $100,000......	-$16,558	-5.1%	$325.9	8.6%	$309.4	8.5%	16.6%	15.8%
$100,000 to $200,000.....	-$49,535	-4.5%	$1,103.4	29.3%	$1,053.9	29.1%	20.8%	19.9%
$200,000 to $500,000.....	-$46,640	-5.4%	$863.6	22.9%	$816.9	22.5%	26.5%	25.0%
$500,000 to $1,000,000..	-$14,015	-4.7%	$297.6	7.9%	$283.5	7.8%	30.8%	29.2%
$1,000,000 and over.......	-$9,833	-1.4%	$717.5	19.0%	$707.7	19.5%	32.2%	31.5%
Total, All Taxpayers......	**-$148,113**	**-3.9%**	**$3,771.1**	**100.0%**	**$3,623.0**	**100.0%**	**20.5%**	**19.7%**

Source: Joint Committee on Taxation

Detail may not add to total due to rounding.

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(1) This table is a distributional analysis of the proposal in revenue table JCX-67-17, excluding the following sections: I. Tax Reform for Individuals: D.4.-D.7., E.1-E.2, F., and I.2.-I.13. Under section H., the distribution analysis does not include the effect of the cost-sharing reductions and change in Medicaid spending.

(2) The income concept used to place tax returns into income categories is adjusted gross income (AGI) plus: [1] tax-exempt interest, [2] employer contributions for health plans and life insurance, [3] employer share of FICA tax, [4] worker's compensation, [5] nontaxable Social Security benefits, [6] insurance value of Medicare benefits, [7] alternative minimum tax preference items, [8] individual share of business taxes, and [9] excluded income of U.S. citizens living abroad. Categories are measured at 2017 levels.

(3) Federal taxes are equal to individual income tax (including the outlay portion of refundable credits), employment tax (attributed to employees), excise taxes (attributed to consumers), and corporate income taxes. The estimates of Federal taxes are preliminary and subject to change. Individuals who are dependents of other taxpayers and taxpayers with negative income are excluded from the analysis. Does not include indirect effects.

(4) The average tax rate is equal to Federal taxes described in footnote (3) divided by income described in footnote (2).

(5) For returns in the $10,000 to $20,000 income category, Federal taxes would increase from -$5.044 billion to -$2.000 billion.

**DISTRIBUTIONAL EFFECTS OF
THE CONFERENCE AGREEMENT FOR H.R.1,
THE "TAX CUTS AND JOBS ACT"**

Calendar Year 2025

INCOME CATEGORY (2)	CHANGE IN FEDERAL TAXES (3)		FEDERAL TAXES (3) UNDER PRESENT LAW		FEDERAL TAXES (3) UNDER PROPOSAL		Average Tax Rate (4)	
							Present Law	Proposal
	Millions	Percent	Billions	Percent	Billions	Percent	Percent	Percent
Less than $10,000.........	$314	5.3%	$5.9	0.1%	$6.2	0.2%	5.8%	6.1%
$10,000 to $20,000........	$2,847	(5)	-$4.7	-0.1%	-$1.8	0.0%	-1.1%	-0.4%
$20,000 to $30,000........	$2,980	11.0%	$27.2	0.7%	$30.2	0.8%	3.8%	4.2%
$30,000 to $40,000........	$105	0.2%	$53.7	1.3%	$53.8	1.4%	7.5%	7.5%
$40,000 to $50,000........	-$1,701	-1.9%	$88.0	2.2%	$86.3	2.2%	10.9%	10.6%
$50,000 to $75,000........	-$14,349	-4.4%	$328.1	8.0%	$313.8	8.0%	14.5%	13.9%
$75,000 to $100,000......	-$16,652	-4.8%	$350.6	8.6%	$333.9	8.5%	16.5%	15.7%
$100,000 to $200,000.....	-$48,439	-4.0%	$1,197.4	29.3%	$1,148.9	29.1%	20.7%	19.9%
$200,000 to $500,000.....	-$47,460	-5.0%	$943.3	23.1%	$895.8	22.7%	26.5%	25.1%
$500,000 to $1,000,000..	-$13,623	-4.2%	$321.5	7.9%	$307.8	7.8%	30.8%	29.3%
$1,000,000 and over.......	-$9,600	-1.2%	$780.2	19.1%	$770.6	19.5%	32.1%	31.5%
Total, All Taxpayers......	**-$145,581**	**-3.6%**	**$4,091.1**	**100.0%**	**$3,945.5**	**100.0%**	**20.5%**	**19.7%**

Source: Joint Committee on Taxation
Detail may not add to total due to rounding.

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(1) This table is a distributional analysis of the proposal in revenue table JCX-67-17, excluding the following sections: I. Tax Reform for Individuals: D.4.-D.7., E.1-E.2, F., and I.2.-I.13. Under section H., the distribution analysis does not include the effect of the cost-sharing reductions and change in Medicaid spending.

(2) The income concept used to place tax returns into income categories is adjusted gross income (AGI) plus: [1] tax-exempt interest, [2] employer contributions for health plans and life insurance, [3] employer share of FICA tax, [4] worker's compensation, [5] nontaxable Social Security benefits, [6] insurance value of Medicare benefits, [7] alternative minimum tax preference items, [8] individual share of business taxes, and [9] excluded income of U.S. citizens living abroad. Categories are measured at 2017 levels.

(3) Federal taxes are equal to individual income tax (including the outlay portion of refundable credits), employment tax (attributed to employees), excise taxes (attributed to consumers), and corporate income taxes. The estimates of Federal taxes are preliminary and subject to change. Individuals who are dependents of other taxpayers and taxpayers with negative income are excluded from the analysis. Does not include indirect effects.

(4) The average tax rate is equal to Federal taxes described in footnote (3) divided by income described in footnote (2).

(5) For returns in the $10,000 to $20,000 income category, Federal taxes would increase from -$4.664 billion to -$1.817 billion.

DISTRIBUTIONAL EFFECTS OF
THE CONFERENCE AGREEMENT FOR H.R.1,
THE "TAX CUTS AND JOBS ACT"

Calendar Year 2027

INCOME CATEGORY (2)	CHANGE IN FEDERAL TAXES (3)		FEDERAL TAXES (3) UNDER PRESENT LAW		FEDERAL TAXES (3) UNDER PROPOSAL		Average Tax Rate (4)	
							Present Law	Proposal
	Millions	Percent	Billions	Percent	Billions	Percent	Percent	Percent
Less than $10,000.........	$383	7.3%	$5.2	0.1%	$5.6	0.1%	4.7%	5.1%
$10,000 to $20,000........	$6,487	(5)	-$3.4	-0.1%	$3.1	0.1%	-0.8%	0.7%
$20,000 to $30,000........	$8,359	26.6%	$31.4	0.7%	$39.7	0.9%	4.1%	5.1%
$30,000 to $40,000........	$4,864	8.2%	$59.4	1.3%	$64.3	1.4%	7.6%	8.3%
$40,000 to $50,000........	$4,317	4.4%	$98.0	2.2%	$102.3	2.3%	11.0%	11.5%
$50,000 to $75,000........	$4,060	1.2%	$352.2	7.9%	$356.3	8.0%	14.5%	14.6%
$75,000 to $100,000......	-$1,037	-0.3%	$380.3	8.6%	$379.3	8.5%	16.3%	16.3%
$100,000 to $200,000.....	-$5,993	-0.5%	$1,302.4	29.3%	$1,296.4	29.1%	20.7%	20.6%
$200,000 to $500,000.....	-$5,890	-0.6%	$1,026.5	23.1%	$1,020.6	22.9%	26.6%	26.4%
$500,000 to $1,000,000..	-$3,099	-0.9%	$345.7	7.8%	$342.6	7.7%	30.8%	30.5%
$1,000,000 and over.......	-$8,495	-1.0%	$848.7	19.1%	$840.2	18.9%	32.1%	31.7%
Total, All Taxpayers......	**$3,958**	**0.1%**	**$4,446.4**	**100.0%**	**$4,450.3**	**100.0%**	**20.5%**	**20.5%**

Source: Joint Committee on Taxation
Detail may not add to total due to rounding.
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(1) This table is a distributional analysis of the proposal in revenue table JCX-67-17, excluding the following sections: I. Tax Reform for Individuals: D.4.-D.7., E.1-E.2, F., and I.2.-I.13. Under section H., the distribution analysis does not include the effect of the cost-sharing reductions and change in Medicaid spending.

(2) The income concept used to place tax returns into income categories is adjusted gross income (AGI) plus: [1] tax-exempt interest, [2] employer contributions for health plans and life insurance, [3] employer share of FICA tax, [4] worker's compensation, [5] nontaxable Social Security benefits, [6] insurance value of Medicare benefits, [7] alternative minimum tax preference items, [8] individual share of business taxes, and [9] excluded income of U.S. citizens living abroad. Categories are measured at 2017 levels.

(3) Federal taxes are equal to individual income tax (including the outlay portion of refundable credits), employment tax (attributed to employees), excise taxes (attributed to consumers), and corporate income taxes. The estimates of Federal taxes are preliminary and subject to change. Individuals who are dependents of other taxpayers and taxpayers with negative income are excluded from the analysis. Does not include indirect effects.

(4) The average tax rate is equal to Federal taxes described in footnote (3) divided by income described in footnote (2).

(5) For returns in the $10,000 to $20,000 income category, Federal taxes would increase from -$3.415 billion to $3.072 billion.

**DISTRIBUTIONAL EFFECTS OF
THE CONFERENCE AGREEMENT FOR H.R. 1,
THE "TAX CUTS AND JOBS ACT"**

Distribution of Individual Income Tax Side of the Proposal

INCOME CATEGORY	CHANGE IN FEDERAL TAXES ($ millions)				
	2019	2021	2023	2025	2027
Less than $10,000............	-$127	$88	$156	$169	$475
$10,000 to $20,000...........	-$1,206	$2,175	$2,645	$2,459	$6,744
$20,000 to $30,000...........	-$2,279	$2,392	$2,169	$2,693	$9,004
$30,000 to $40,000...........	-$4,469	-$1,335	-$438	-$194	$5,719
$40,000 to $50,000...........	-$5,533	-$2,656	-$2,341	-$2,015	$5,535
$50,000 to $75,000...........	-$18,887	-$15,831	-$15,493	-$15,245	$8,112
$75,000 to $100,000..........	-$17,279	-$16,973	-$17,140	-$17,630	$3,526
$100,000 to $200,000.........	-$51,409	-$51,510	-$51,494	-$51,832	$10,313
$200,000 to $500,000.........	-$47,008	-$48,721	-$49,435	-$51,435	$7,649
$500,000 to $1,000,000......	-$16,031	-$16,251	-$15,840	-$15,845	$1,542
$1,000,000 and over..........	-$15,871	-$16,349	-$16,160	-$16,851	$907
Total, All Taxpayers..........	**-$180,100**	**-$164,973**	**-$163,368**	**-$165,729**	**$59,526**

Distribution of Business Tax Side of the Proposal

INCOME CATEGORY	CHANGE IN FEDERAL TAXES ($ millions)				
	2019	2021	2023	2025	2027
Less than $10,000............	-$269	-$148	$121	$146	-$92
$10,000 to $20,000...........	-$586	-$256	$400	$388	-$257
$20,000 to $30,000...........	-$703	-$444	$247	$287	-$644
$30,000 to $40,000...........	-$947	-$621	$236	$299	-$855
$40,000 to $50,000...........	-$1,195	-$866	$214	$314	-$1,218
$50,000 to $75,000...........	-$4,158	-$2,989	$549	$895	-$4,052
$75,000 to $100,000..........	-$5,158	-$3,609	$582	$978	-$4,563
$100,000 to $200,000.........	-$18,964	-$13,325	$1,959	$3,394	-$16,306
$200,000 to $500,000.........	-$18,476	-$12,789	$2,795	$3,975	-$13,539
$500,000 to $1,000,000......	-$7,916	-$5,411	$1,825	$2,222	-$4,641
$1,000,000 and over..........	-$20,983	-$13,496	$6,328	$7,251	-$9,401
Total, All Taxpayers..........	**-$79,354**	**-$53,954**	**$15,255**	**$20,148**	**-$55,569**

Distribution of the Proposal

INCOME CATEGORY	CHANGE IN FEDERAL TAXES ($ millions)				
	2019	2021	2023	2025	2027
Less than $10,000............	-$396	-$60	$278	$314	$383
$10,000 to $20,000...........	-$1,792	$1,920	$3,044	$2,847	$6,487
$20,000 to $30,000...........	-$2,982	$1,948	$2,416	$2,980	$8,359
$30,000 to $40,000...........	-$5,416	-$1,956	-$202	$105	$4,864
$40,000 to $50,000...........	-$6,728	-$3,522	-$2,127	-$1,701	$4,317
$50,000 to $75,000...........	-$23,046	-$18,819	-$14,944	-$14,349	$4,060
$75,000 to $100,000..........	-$22,437	-$20,583	-$16,558	-$16,652	-$1,037
$100,000 to $200,000.........	-$70,372	-$64,835	-$49,535	-$48,439	-$5,993
$200,000 to $500,000.........	-$65,485	-$61,510	-$46,640	-$47,460	-$5,890
$500,000 to $1,000,000......	-$23,947	-$21,661	-$14,015	-$13,623	-$3,099
$1,000,000 and over..........	-$36,853	-$29,845	-$9,833	-$9,600	-$8,495
Total, All Taxpayers..........	**-$259,454**	**-$218,927**	**-$148,113**	**-$145,581**	**$3,958**

Source: Joint Committee on Taxation

NUMBER OF RETURNS BY INCOME CLASS

INCOME CATEGORY (2)	NUMBER OF TAXPAYER UNITS (thousands) (1)				
	2019	2021	2023	2025	2027
Less than $10,000............................	19,260	19,286	19,053	19,034	18,985
$10,000 to $20,000...........................	20,566	20,755	20,726	20,681	20,378
$20,000 to $30,000...........................	21,510	21,700	21,965	22,183	22,499
$30,000 to $40,000...........................	16,011	15,920	15,903	15,951	16,263
$40,000 to $50,000...........................	12,841	13,239	13,707	14,004	14,365
$50,000 to $75,000...........................	27,393	27,575	27,986	28,396	28,651
$75,000 to $100,000.........................	17,835	18,190	18,670	19,033	19,489
$100,000 to $200,000........................	30,667	31,169	31,869	32,622	33,332
$200,000 to $500,000........................	9,152	9,431	9,542	9,765	9,923
$500,000 to $1,000,000.....................	1,147	1,180	1,186	1,206	1,215
$1,000,000 and over..........................	572	584	594	611	629
Total, All Taxpayers.........................	176,955	179,029	181,201	183,485	185,726

Source: Joint Committee on Taxation

(1) Includes nonfilers, excludes dependent filers and returns with negative income.
(2) The income concept used to place tax returns into income categories is adjusted gross income (AGI) plus: [1] tax-exempt interest, [2] employer contributions for health plans and life insurance, [3] employer share of FICA tax, [4] worker's compensation, [5] nontaxable Social Security benefits, [6] insurance value of Medicare benefits, [7] alternative minimum tax preference items, [8] individual share of business taxes, and [9] excluded income of U.S. citizens living abroad. Categories are measured at 2017 levels.