

**TABLES RELATED TO THE FEDERAL TAX SYSTEM
AS IN EFFECT 2017 THROUGH 2026**

Prepared for a Public Hearing
Before the
SENATE COMMITTEE ON FINANCE
on April 24, 2018

Prepared by the Staff
of the
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CONTENTS

	<u>Page</u>
INTRODUCTION AND SUMMARY	1
Table 1.—Distribution of Average Effective Marginal Tax Rates on Wage and Salary Income.....	2
Table 2.—Distribution of Average Effective Marginal Tax Rates on Schedule C Income	3
Table 3.—Distribution of Tax Benefit for Pass-Through Deduction Under Section 199A	4
Table 4.—Estimated Distribution of Homeowners	5
Table 5.—Estimated Distribution of Taxpayers Who Elect to Itemize Deductions	6
Table 6.—Distribution of Tax Benefit for Mortgage Interest Deduction.....	7
Table 7.—Distribution of Tax Benefit for State and Local Tax Deduction	8

INTRODUCTION AND SUMMARY

The Senate Committee on Finance has scheduled a public hearing on April 24, 2018, entitled “Early Impressions of the New Tax Law.” The primary document for reference for this hearing is Joint Committee on Taxation, *Overview of the Federal Tax System as in Effect for 2018* (JCX-3-18), February 7, 2018¹ (“Overview”). To supplement the Overview, this document,² also prepared by the Joint Committee on Taxation, presents additional tables. These tables present estimates that incorporate the Congressional Budget Office’s 2018 baseline projections³ which were not available at the time of publication of the Overview. Accordingly, some estimates from the Overview are updated and included here.⁴

¹ This document can be found on the Joint Committee on Taxation website at www.jct.gov.

² This document may be cited as follows: Joint Committee on Taxation, *Tables Related to the Federal Tax System as in Effect 2017 through 2026* (JCX-32-18), April 23, 2018. This document can be found on the Joint Committee on Taxation website at www.jct.gov.

³ Congressional Budget Office, *The Budget and Economic Outlook: 2018 to 2028*, April 9, 2018. This document can be found on the Congressional Budget Office website at www.cbo.gov.

⁴ This document updates estimates on the average combined marginal income and employment tax rate (Overview Table A-8) and the number of taxpayers electing to itemize deductions, claiming the mortgage interest deduction, and claiming the deduction for State and local taxes. Note also that this document presents estimates of the tax benefits of the mortgage interest deduction and the deduction for State and local taxes, rather than the total dollars claimed for these deductions (Overview Table A-10).

Table 1 presents a distribution for average effective marginal tax rates for wage and salary income. Here, the effective marginal tax rate is equal to the change in taxes from an additional \$100 of wages to each spouse with wage income. The resulting rates are averaged across taxpayers within each income category. An effective marginal tax rate may differ from a statutory marginal rate for many reasons, including the phasein and phaseout of certain exemptions or credits, such as the earned income tax credit.⁵ A phasein of a credit may cause the effective marginal tax rate to be lower than the statutory rate as the additional credit reduces the tax from the next dollar of earnings. Likewise, a phaseout of a credit may cause the effective marginal tax rate to be higher than the statutory rate as the reduced credit increases the tax from the next dollar of earnings.

Table 1.—Distribution of Average Effective Marginal Tax Rates on Wage and Salary Income

Income Category [1]	Average Combined Effective Marginal Income and Employment Tax Rate					
	2017	2018	2020	2022	2024	2026
Less than \$10,000.....	6.1%	6.0%	6.0%	5.8%	5.7%	6.1%
\$10,000 to \$20,000.....	13.8%	12.2%	13.0%	13.3%	14.0%	16.8%
\$20,000 to \$30,000.....	23.9%	22.0%	22.1%	22.7%	23.3%	26.6%
\$30,000 to \$40,000.....	28.1%	25.8%	26.2%	26.7%	27.0%	29.5%
\$40,000 to \$50,000.....	29.8%	27.6%	27.8%	28.1%	28.8%	30.6%
\$50,000 to \$75,000.....	31.9%	29.4%	29.4%	30.6%	31.6%	32.9%
\$75,000 to \$100,000.....	31.9%	29.4%	30.0%	29.8%	30.0%	33.9%
\$100,000 to \$200,000.....	34.5%	31.7%	31.8%	32.1%	32.4%	35.4%
\$200,000 to \$500,000.....	38.5%	33.9%	34.0%	34.3%	34.6%	39.4%
\$500,000 to \$1,000,000.....	41.7%	41.2%	41.1%	41.2%	41.2%	41.0%
\$1,000,000 and over.....	44.4%	41.7%	41.8%	41.9%	42.0%	44.7%
Total, All Taxpayers.....	29.1%	26.7%	27.1%	27.6%	28.1%	30.9%

[1] 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 2018 levels.

Source: Joint Committee on Taxation staff estimates.

⁵ For a complete discussion of provisions that have an effect on effective marginal tax rates as applied to a prior iteration of the Internal Revenue Code see Joint Committee on Taxation, *Present Law and Analysis Relating to Individual Effective Marginal Tax Rates* (JCS-3-98), February 3, 1998.

Table 2 presents a distribution for average effective marginal tax rates for schedule C income. Here, the effective marginal tax rate is equal to the change in taxes from an additional \$100 of schedule C income to each spouse with schedule C income. The resulting rates are averaged across taxpayers in each income category. As described earlier, effective marginal tax rates may differ from statutory marginal rates.

Table 2.—Distribution of Average Effective Marginal Tax Rates on Schedule C Income

Income Category [1]	Average Effective Marginal Tax Rate on Schedule C Income					
	2017	2018	2020	2022	2024	2026
Less than \$10,000.....	5.1%	4.0%	4.9%	4.6%	4.3%	4.7%
\$10,000 to \$20,000.....	7.6%	4.2%	5.6%	5.9%	6.7%	12.2%
\$20,000 to \$30,000.....	20.6%	16.4%	18.0%	18.3%	18.8%	23.8%
\$30,000 to \$40,000.....	25.6%	21.4%	22.5%	22.6%	22.8%	26.8%
\$40,000 to \$50,000.....	29.0%	25.0%	25.3%	25.2%	25.1%	30.5%
\$50,000 to \$75,000.....	30.3%	25.0%	25.7%	25.7%	26.2%	31.0%
\$75,000 to \$100,000.....	30.6%	25.4%	26.6%	25.8%	26.3%	31.2%
\$100,000 to \$200,000.....	34.8%	28.5%	27.7%	28.0%	28.2%	35.3%
\$200,000 to \$500,000.....	39.0%	31.2%	31.4%	31.8%	32.1%	40.3%
\$500,000 to \$1,000,000.....	42.0%	41.6%	41.6%	41.6%	41.7%	41.6%
\$1,000,000 and over.....	44.2%	41.9%	41.8%	41.9%	41.9%	44.3%
Total, All Taxpayers.....	24.7%	19.8%	20.7%	20.8%	21.1%	26.3%

[1] 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 2018 levels.

Source: Joint Committee on Taxation staff estimates.

Table 3 presents a distribution of tax benefit for the deduction for qualified business income under Section 199A,⁶ introduced in Public Law No. 115-97. The tax benefit is not the same as the size of the deduction as it accounts for taxpayer marginal rates.

Table 3.—Distribution of Tax Benefit for Pass-Through Deduction Under Section 199A

Income Category [1]	2018		2024	
	Returns (Millions)	\$ Billions	Returns (Millions)	\$ Billions
Less than \$10,000.....	[2]	[3]	[2]	[3]
\$10,000 to \$20,000.....	0.5	-\$0.1	0.6	-\$0.1
\$20,000 to \$30,000.....	0.7	-\$0.2	0.7	-\$0.2
\$30,000 to \$40,000.....	0.8	-\$0.2	0.8	-\$0.3
\$40,000 to \$50,000.....	0.9	-\$0.3	1.0	-\$0.4
\$50,000 to \$75,000.....	2.5	-\$1.0	2.6	-\$1.3
\$75,000 to \$100,000.....	2.5	-\$1.2	2.6	-\$1.5
\$100,000 to \$200,000.....	6.2	-\$6.3	6.5	-\$8.0
\$200,000 to \$500,000.....	3.0	-\$9.4	3.2	-\$11.6
\$500,000 to \$1,000,000.....	0.2	-\$3.6	0.3	-\$5.3
\$1,000,000 and over.....	0.2	-\$17.8	0.2	-\$31.6
Total, All Taxpayers.....	17.4	-\$40.2	18.4	-\$60.3

[1] 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 2018 levels.

[2] Less than 50,000.

[3] Less than \$50 million.

Source: Joint Committee on Taxation staff estimates.

⁶ See page 5 of the Overview for a more detailed description of the deduction.

Table 4.—Estimated Distribution of Homeowners

Income Category [1]	Returns (Thousands) [2]			
	2017	2018	2024	2026
Less than \$10,000.....	1,393	1,366	1,028	949
\$10,000 to \$20,000.....	2,470	2,380	1,603	1,461
\$20,000 to \$30,000.....	3,731	3,531	2,358	2,048
\$30,000 to \$40,000.....	4,799	4,574	3,017	2,716
\$40,000 to \$50,000.....	5,357	5,235	3,858	3,434
\$50,000 to \$75,000.....	13,309	13,111	10,908	10,156
\$75,000 to \$100,000.....	10,998	10,930	10,282	10,094
\$100,000 to \$200,000.....	22,666	23,516	27,405	28,341
\$200,000 to \$500,000.....	7,716	8,328	14,013	16,365
\$500,000 to \$1,000,000.....	1,030	1,110	1,949	2,269
\$1,000,000 and over.....	493	536	795	884
Total, All Taxpayers.....	73,962	74,617	77,216	78,717

[1] 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 2018 levels.

[2] Includes nonfilers, excludes dependent filers and returns with negative income.

Source: Joint Committee on Taxation staff estimates.

Table 5.—Estimated Distribution of Taxpayers Who Elect to Itemize Deductions

Income Category [1]	Returns (Thousands) [2]			
	2017	2018	2024	2026
Less than \$10,000.....	184	65	63	196
\$10,000 to \$20,000.....	547	154	100	360
\$20,000 to \$30,000.....	1,009	237	185	622
\$30,000 to \$40,000.....	1,671	410	250	904
\$40,000 to \$50,000.....	2,356	635	408	1,333
\$50,000 to \$75,000.....	6,933	2,136	1,753	4,890
\$75,000 to \$100,000.....	6,752	2,442	2,224	5,844
\$100,000 to \$200,000.....	17,790	6,513	7,676	20,821
\$200,000 to \$500,000.....	7,745	4,185	6,410	16,043
\$500,000 to \$1,000,000.....	1,038	791	1,329	2,343
\$1,000,000 and over.....	488	443	613	868
Total, All Taxpayers.....	46,513	18,011	21,011	54,224

[1] 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 2018 levels.

[2] Includes nonfilers, excludes dependent filers and returns with negative income.

Source: Joint Committee on Taxation staff estimates.

Table 6 presents a distribution of tax benefit for the mortgage interest deduction. The tax benefit captures the dollar benefit to taxpayers from being able to claim the mortgage interest deduction on a tax return. It incorporates marginal tax rates and is not the same as total dollars claimed for the applicable deduction.⁷

Table 6.—Distribution of Tax Benefit for Mortgage Interest Deduction

Income Category [1]	2017		2018		2024		2026	
	Returns (Thousands)	\$ Millions	Returns (Thousands)	\$ Millions	Returns (Thousands)	\$ Millions	Returns (Thousands)	\$ Millions
Less than \$10,000.....	[2]	1	[2]	[3]	[2]	[3]	2	14
\$10,000 to \$20,000.....	105	25	42	10	41	23	133	32
\$20,000 to \$30,000.....	244	88	73	29	78	39	267	124
\$30,000 to \$40,000.....	540	249	143	81	181	114	641	362
\$40,000 to \$50,000.....	961	462	281	127	309	193	1,067	686
\$50,000 to \$75,000.....	3,967	2,843	1,343	878	1,555	1,383	4,167	4,393
\$75,000 to \$100,000.....	4,563	4,649	1,826	1,732	2,111	2,753	4,914	7,466
\$100,000 to \$200,000.....	14,227	21,831	5,402	7,216	6,375	11,254	15,961	37,939
\$200,000 to \$500,000.....	6,575	22,279	3,681	8,954	4,348	15,001	7,382	39,791
\$500,000 to \$1,000,000.....	797	4,866	657	3,610	721	5,590	870	8,066
\$1,000,000 and over.....	328	2,579	314	2,377	330	3,547	358	4,328
Total, All Taxpayers.....	32,307	59,872	13,762	25,012	16,049	39,897	35,762	103,199

[1] 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 2018 levels.

[2] Less than 500.

[3] Less than \$500,000.

Source: Joint Committee on Taxation staff estimates.

⁷ For example, in 2018, a single taxpayer in the 22 percent bracket with \$14,000 of qualified mortgage interest and no other itemized deductions has a tax benefit of $(\$14,000 - \$12,000) * .22 = \$440$. The total dollars claimed for the mortgage interest deduction is \$14,000, but the tax benefit is only calculated with the amount that itemized deductions exceed the standard deduction, \$12,000 for 2018, since the taxpayer would optimally claim the standard deduction in the absence of the mortgage interest deduction.

Table 7 presents a distribution of tax benefit for the State and local tax deduction. The tax benefit captures the dollar benefit to taxpayers from being able to claim the State and local tax deduction on a tax return. It incorporates marginal tax rates and is not the same as total dollars claimed for the applicable deduction.

Table 7.—Distribution of Tax Benefit for State and Local Tax Deduction

Income Category [1]	2017		2018		2024		2026	
	Returns (Thousands)	\$ Millions	Returns (Thousands)	\$ Millions	Returns (Thousands)	\$ Millions	Returns (Thousands)	\$ Millions
Less than \$10,000.....	3	[2]	5	[2]	3	[2]	2	[2]
\$10,000 to \$20,000.....	161	17	50	7	48	9	204	25
\$20,000 to \$30,000.....	477	92	109	25	120	31	541	128
\$30,000 to \$40,000.....	1,027	275	214	64	264	87	1,182	388
\$40,000 to \$50,000.....	1,635	531	421	128	467	175	1,774	756
\$50,000 to \$75,000.....	5,799	3,220	1,811	846	2,158	1,235	6,514	5,048
\$75,000 to \$100,000.....	6,189	5,576	2,286	1,734	2,667	2,442	7,131	8,680
\$100,000 to \$200,000.....	17,650	27,878	6,382	6,920	7,590	9,333	21,075	46,195
\$200,000 to \$500,000.....	7,816	26,160	4,148	7,081	4,893	9,323	9,371	40,296
\$500,000 to \$1,000,000.....	1,015	11,491	780	2,191	864	2,571	1,225	19,394
\$1,000,000 and over.....	490	34,202	418	1,287	446	1,436	574	52,099
Total, All Taxpayers.....	42,262	109,443	16,624	20,282	19,520	26,643	49,593	173,009

[1] 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 2018 levels.

[2] Less than \$500,000.

Source: Joint Committee on Taxation staff estimates.