

CONNECTICUT
SCHOOL FINANCE
PROJECT

AN INTRODUCTION TO THE PAYROLL TAX

July 31, 2019

WHAT IS A PAYROLL TAX?

What is a Payroll Tax?

- Payroll taxes are taxes paid by employers based on the wages paid to employees.
 - Some payroll taxes (but not the one in this proposal) are paid in part by the employer and in part by the employee. Examples include Social Security and Medicare.
 - Unemployment insurance taxes are an example of a payroll tax paid only by the employer.
- By contrast, Connecticut's personal income tax is not a payroll tax, as it is paid wholly by the employee.
- In this proposal, the payroll tax is paid by the employer on wages paid to employees.
 - Employers may or may not decide to pass the tax onto workers through a pre-tax wage decrease or a reduction in anticipated wage increases
 - Even if employers decide to reduce pre-tax wages in an amount equal to the payroll tax, all employees will see an increase in after tax take home pay.

WHY CONSIDER A PAYROLL TAX?

Why Consider a Payroll Tax?

- The new federal Tax Cuts and Jobs Act (2018) increased federal income tax liability for CT taxpayers by **\$2.8 B** in the first year.
- A payroll tax can allow Connecticut to reclaim approximately **\$2.0 B** of this loss.
- A payroll tax will reduce federal income taxes for every salaried or wage worker in Connecticut.
- A payroll tax has the potential to reduce federal taxes businesses pay to federal government by reducing the amount of FICA tax paid on employee wages; also, the payroll tax is fully deductible to businesses.
- A payroll tax has the potential to raise significant revenues for the State of Connecticut that can be as much as \$300 million annually.

Sources: Pinho, R. (2018). Issue Brief: Connecticut's Response to Federal Tax Reform (2018-R-0283). Hartford, CT: Connecticut General Assembly, Office of Legislative Research. Retrieved from <https://www.cga.ct.gov/2018/rpt/pdf/2018-R-0283.pdf>.
CT School Finance Project Analysis.

HOW COULD A PAYROLL TAX WORK IN CONNECTICUT?

EXAMPLE IMPLEMENTATION

How Could a Payroll Tax Work in Connecticut?

- A payroll tax could be levied at the 5 percent rate on wages for all taxpayers in the state, with no exemption.
- Connecticut's progressive income tax structure for rates equal to or less than 5 percent could be eliminated commensurate with the new payroll tax rate.
 - Income tax rates could be bifurcated between wage and non-wage related income.
 - Approximately one million filers, which is equivalent to 2/3rds of current income taxpayers, would no longer be subject to the personal income tax.
 - Low-income taxpayers may realize an increase in tax burden therefore a new refundable credit must be created to ensure that they are held harmless.

What Potential Adjustments Could Be Made to Raise Additional State Revenue?

- Because some taxpayers will realize significant federal income tax savings, policymakers can decide to not provide the full 5% reduction against all tax brackets.
- Connecticut's progressive income tax structure for rates higher than 5 percent could be changed to increase the progressivity of the income tax.
- Even after increasing income tax rates on the wealthiest taxpayers, this group of taxpayers still benefits from the payroll tax implementation with significant federal tax savings.

Example: Potential Adjustment to Income Tax Rates Over 5% - Impacts on CT Taxpayers

AGI Single Filers	AGI Joint Filers	Current State Income Tax Rates	Proposed Payroll Tax Rate (paid by employers on wages)	Proposed New State Income Tax Rates
-	-	3.00%	5.00%	0.00%
\$10,000	\$20,000	5.00%	5.00%	0.00%
\$50,000	\$100,000	5.50%	5.00%	0.50%
\$100,000	\$200,000	6.00%	5.00%	1.00%
\$200,000	\$400,000	6.50%	5.00%	2.50%
\$250,000	\$500,000	6.90%	5.00%	2.90%
\$500,000	\$1,000,000	6.99%	5.00%	2.99%

Source: Conn. Gen. Statutes ch. 229, § 12-700.

Example: Potential Adjustment to Income Tax Rates Over 5% - Impacts on CT Taxpayers

Single Filers		Married, Filing Jointly	
Current CT AGI	Projected Change in Tax Paid	Current CT AGI	Projected Change in Tax Paid
\$20,000	\$764*	\$40,000	\$1,335*
\$30,000	\$738*	\$60,000	\$611*
\$40,000	\$212*	\$80,000	-\$26
\$50,000	-\$61	\$100,000	-\$491
\$60,000	-\$441	\$120,000	-\$1,569
\$80,000	-\$1,106	\$160,000	-\$1,916
\$100,000	-\$1,588	\$200,000	-\$2,595
\$150,000	-\$1,984	\$300,000	-\$4,103
\$250,000	-\$4,661	\$500,000	-\$9,323
\$500,000	-\$7,063	\$1,000,000	-\$14,125
\$1,000,000	-\$13,170	\$2,000,000	-\$26,340

*Taxpayers who would see an increase in taxes paid would have those funds returned to them as a new refundable credit to low-income taxpayers. As a result, their taxes paid would not increase. The cost of this has been included in the modeled estimates.

WHAT IS THE ESTIMATED IMPACT OF THE PAYROLL TAX?

Estimated Impact of Payroll Tax on Representative Taxpayers

Current Law				Post Payroll Tax Implementation					Increase in Take-Home Pay
Original CT AGI	CT Income Tax	Est. Federal Taxes	Take-Home Income	Post Payroll CT AGI	CT Income Tax	Est. Federal Taxes	Est. Refundable Credit	Take-Home Income	
Single mother filing as head of household, earning \$35K a year									
\$ 35,000	360	4,446	\$ 30,195	\$ 33,250	-	4,102	1,280	\$ 30,428	\$ 234

Sources: Connecticut School Finance Project analysis.
 Tax Cuts and Jobs Act (TCJA), P.L. 115-97.
 Conn. Gen. Statutes ch. 229, § 12-700.
 State of Connecticut, Department of Revenue Services. (2018). 2016 Individual Income Tax Data Report. Retrieved from <http://www.ct.gov/drs/cwp/view.asp?a=1445&q=600136>.

Estimated Impact of Payroll Tax on Representative Taxpayers

Current Law				Post Payroll Tax Implementation					Increase in Take-Home Pay
Original CT AGI	CT Income Tax	Est. Federal Taxes	Take-Home Income	Post Payroll CT AGI	CT Income Tax	Est. Federal Taxes	Est. Refundable Credit	Take-Home Income	
<u>Young married couple, both working and together earning \$100K a year</u>									
\$ 100,000	4,508	16,389	\$ 79,103	\$ 95,000	-	15,407	-	\$ 79,594	\$ 491

Sources: Connecticut School Finance Project analysis.
 Tax Cuts and Jobs Act (TCJA), P.L. 115-97.
 Conn. Gen. Statutes ch. 229, § 12-700.
 State of Connecticut, Department of Revenue Services. (2018). 2016 Individual Income Tax Data Report. Retrieved from <http://www.ct.gov/drs/cwp/view.asp?a=1445&q=600136>.

Estimated Impact of Payroll Tax on Representative Taxpayers

Current Law				Post Payroll Tax Implementation					Increase in Take-Home Pay
Original CT AGI	CT Income Tax	Est. Federal Taxes	Take-Home Income	Post Payroll CT AGI	CT Income Tax	Est. Federal Taxes	Est. Refundable Credit	Take-Home Income	
Single individual, making \$80K a year									
\$ 80,000	4,050	17,020	\$ 58,931	\$ 76,000	130	15,834	-	\$ 60,037	\$ 1,106

Sources: Connecticut School Finance Project analysis.
 Tax Cuts and Jobs Act (TCJA), P.L. 115-97.
 Conn. Gen. Statutes ch. 229, § 12-700.
 State of Connecticut, Department of Revenue Services. (2018). 2016 Individual Income Tax Data Report. Retrieved from <http://www.ct.gov/drs/cwp/view.asp?a=1445&q=600136>.

Estimated Impact of Payroll Tax on Representative Taxpayers

Current Law				Post Payroll Tax Implementation					Increase in Take-Home Pay
Original CT AGI	CT Income Tax	Est. Federal Taxes	Take-Home Income	Post Payroll CT AGI	CT Income Tax	Est. Federal Taxes	Est. Refundable Credit	Take-Home Income	
Married professional couple with family, earning \$200K a year									
\$ 200,000	10,500	42,823	\$ 146,677	\$ 190,000	450	40,278	-	\$ 149,272	\$ 2,595

Sources: Connecticut School Finance Project analysis.
 Tax Cuts and Jobs Act (TCJA), P.L. 115-97.
 Conn. Gen. Statutes ch. 229, § 12-700.
 State of Connecticut, Department of Revenue Services. (2018). 2016 Individual Income Tax Data Report. Retrieved from <http://www.ct.gov/drs/cwp/view.asp?a=1445&q=600136>.

Estimated Impact of Payroll Tax on Representative Businesses

Current Law			Post Payroll Tax Implementation				
Total Payroll	FICA Taxes	Total Expenditures	New Total Payroll	FICA Taxes	Payroll Tax	Total Expenditures	Total Tax Savings to Business
Small Business (10 employees, \$250K payroll)							
\$ 250,000	19,125	269,125	\$ 237,500	18,169	11,875	\$ 267,544	\$ 1,581

Sources: Connecticut School Finance Project analysis.
 Tax Cuts and Jobs Act (TCJA), P.L. 115-97.
 Conn. Gen. Statutes ch. 229, § 12-700.
 State of Connecticut, Department of Revenue Services. (2018). 2016 Individual Income Tax Data Report. Retrieved from <http://www.ct.gov/drs/cwp/view.asp?a=1445&q=600136>.

Estimated Impact of Payroll Tax on Representative Businesses

Current Law			Post Payroll Tax Implementation				
Total Payroll	FICA Taxes	Total Expenditures	New Total Payroll	FICA Taxes	Payroll Tax	Total Expenditures	Total Tax Savings to Business
Medium-sized Business (150 employees, \$9M payroll)							
\$ 9,000,000	688,500	9,688,500	\$ 8,550,000	654,075	427,500	\$ 9,631,575	\$ 56,925

Sources: Connecticut School Finance Project analysis.
 Tax Cuts and Jobs Act (TCJA), P.L. 115-97.
 Conn. Gen. Statutes ch. 229, § 12-700.
 State of Connecticut, Department of Revenue Services. (2018). 2016 Individual Income Tax Data Report. Retrieved from <http://www.ct.gov/drs/cwp/view.asp?a=1445&q=600136>.

Estimated Impact of Payroll Tax on Representative Businesses

Current Law			Post Payroll Tax Implementation				
Total Payroll	FICA Taxes	Total Expenditures	New Total Payroll	FICA Taxes	Payroll Tax	Total Expenditures	Total Tax Savings to Business
Large Business (5,000 employees, \$400M payroll)							
\$ 400,000,000	30,600,000	430,600,000	\$ 380,000,000	29,070,000	19,000,000	\$ 428,070,000	\$ 2,530,000

Sources: Connecticut School Finance Project analysis.
 Tax Cuts and Jobs Act (TCJA), P.L. 115-97.
 Conn. Gen. Statutes ch. 229, § 12-700.
 State of Connecticut, Department of Revenue Services. (2018). 2016 Individual Income Tax Data Report. Retrieved from <http://www.ct.gov/drs/cwp/view.asp?a=1445&q=600136>.

Estimated Impact of Payroll Tax on Connecticut Hospitals

Current Law			Payroll Tax Option				
Total Payroll	FICA Taxes	Total Expenditures	New Total Payroll	FICA Taxes	Payroll Tax	Total Expenditures	Total Tax Savings to Hospitals
Impact on Hospitals (7,600 employees, \$7.6B payroll)							\$ 48,070,000
\$ 7,600,000,000	581,400,000	\$ 8,181,400,000	\$ 7,220,000,000	552,330,000	361,000,000	\$ 8,133,330,000	

Sources: Connecticut School Finance Project analysis.
 Tax Cuts and Jobs Act (TCJA), P.L. 115-97.
 Conn. Gen. Statutes ch. 229, § 12-700.
 Pilon, M. (2019, January 16). Report: CT hospitals, health systems generate \$27B for economy. Hartford Business Journal. Retrieved from <http://www.hartfordbusiness.com/article/20190116/NEWS01/190119929/report-ct-hospitals-health-systems-generate-27b-for-economy>.

Estimated Payroll Tax Impact on Representative Corporation Profit/Loss

Example: Corporate Impact	Current Situation	Proposed Payroll Tax
Revenue		
Gross Revenue	\$ 1,000,000	\$ 1,000,000
Expenses		
Payroll Expenses	500,000	475,000
FICA Payroll Tax Expense (7.65%)	38,250	36,338
State Payroll Tax Expense (5%)	-	21,933
Total Expenses	538,250	533,271
Corporate Profit Net of Expenses	461,750	466,729
Federal Corporate Income Tax Due on Profit (21%)	96,968	98,013
Profit After Taxes	\$ 364,783	\$ 368,716

Sources: Connecticut School Finance Project analysis.
 Tax Cuts and Jobs Act (TCJA), P.L. 115-97.
 Conn. Gen. Statutes ch. 229, § 12-700.

WHAT IS THE SALT DEDUCTION CAP?

What is the SALT Deduction Cap?

- Prior to the Tax Cuts and Jobs Act (2018), taxpayers could deduct all of their state and local taxes (SALT) paid in calculating their federal income tax liability by itemizing their deductions.
- In 2016, 42 percent of Connecticut returns contained itemized deductions, and Connecticut residents who itemized deducted an average of \$18,800 in income and real estate taxes.
- The Tax Cuts and Jobs Act capped the amount of state and local tax allowable for deduction at \$10,000 for both single filers and married filing jointly. This means if the total amount of state and local taxes paid by a taxpayer exceeds \$10,000, the taxpayer will not be able to deduct state and local taxes paid over that cap thereby increasing taxpayer federal income tax liability.
- Connecticut's Department of Revenue Services has estimated that Connecticut taxpayers will **lose an estimated \$10.3 billion in total state and local taxes** they can no longer deduct, and their **federal income tax liability will increase by \$2.8 billion** in 2018.

Sources: Tax Cuts and Jobs Act (TCJA), P.L. 115-97.

U.S. Internal Revenue Service. (2018). *Tax Year 2016: Historic Table 2*. Available from <https://www.irs.gov/statistics/soi-tax-stats-historic-table-2>. Office of Legislative Research, "Issue Brief: Connecticut's Response to Federal Tax Reform," 2018-R-0283, November 20, 2018.

How Would a Payroll Tax Help Mitigate the Impact of the SALT Deduction Cap?

- A payroll tax could replace a portion, or all, of the Connecticut personal income tax as a key revenue source for the State.
- Substituting a payroll tax for part, or all, of the Connecticut personal income tax will reduce or eliminate the amount of income tax a taxpayer pays to the State, therefore allowing the filer to deduct a greater proportion of their property taxes.
- This mechanism helps to neutralize the impact of the SALT cap for itemizing taxpayers.
- The federal personal income tax savings generated by implementing a payroll tax will not be impacted if Congress eliminated the \$10,000 SALT deduction cap.

Sources: Connecticut School Finance Project analysis.
Tax Cuts and Jobs Act (TCJA), P.L. 115-97.
Conn. Gen. Statutes ch. 229, § 12-700.
State of Connecticut, Department of Revenue Services. (2018). 2016 Individual Income Tax Data Report. Retrieved from <http://www.ct.gov/drs/cwp/view.asp?a=1445&q=600136>.

Impact of SALT Deduction Cap on a Sample CT Taxpayer

Married West Hartford Residents

Example	Before SALT Deduction Cap	With SALT Deduction Cap	With SALT Deduction Cap and Payroll Tax
Revenue			
CT Personal Income Tax (\$320k Total Wages)	\$ 17,700	\$ 17,700	\$ 1,540
Property Tax on \$400k house	11,480	11,480	11,480
Total SALT Deductions	29,180	29,180	13,020
Minimum Federal Deduction	\$ 29,180	\$ 24,000	\$ 24,000
<u>Difference Between Minimum Deduction and SALT</u>	\$ -	\$ (5,180)	\$ 10,980

- Minimum federal deduction does not preclude taxpayer from utilizing additional deductions (mortgage interest, student loan interest, etc.)

Sources: Connecticut School Finance Project analysis.
 Tax Cuts and Jobs Act (TCJA), P.L. 115-97.
 Conn. Gen. Statutes ch. 229, § 12-700.
 State of Connecticut, Department of Revenue Services. (2018). 2016 Individual Income Tax Data Report. Retrieved from <http://www.ct.gov/drs/cwp/view.asp?a=1445&q=600136>.

Impact of SALT Deduction Cap on a Sample CT Taxpayer

Single New Haven Resident

Example	Before SALT Deduction Cap	With SALT Deduction Cap	With SALT Deduction Cap and Payroll Tax
Revenue			
CT Personal Income Tax (\$150k Total Wages)	\$ 8,250	\$ 8,250	\$ 675
Property Tax on \$250k house	7,522	7,522	7,522
Total SALT Deductions	15,772	15,772	8,197
Minimum Federal Deduction	\$ 15,772	\$ 12,000	\$ 12,000
<u>Difference Between Minimum Deduction and SALT</u>	\$ -	\$ (3,772)	\$ 3,804

- Minimum federal deduction does not preclude taxpayer from utilizing additional deductions (mortgage interest, student loan interest, etc.)

Sources: Connecticut School Finance Project analysis.
 Tax Cuts and Jobs Act (TCJA), P.L. 115-97.
 Conn. Gen. Statutes ch. 229, § 12-700.
 State of Connecticut, Department of Revenue Services. (2018). 2016 Individual Income Tax Data Report. Retrieved from <http://www.ct.gov/drs/cwp/view.asp?a=1445&q=600136>.

THERE ARE MANY CHALLENGES TO IMPLEMENTING A PAYROLL TAX

*BUT, THE SIZE OF THE CHALLENGES
SHOULD BE CONSIDERED IN
COMPARISON TO THE SIZE OF THE
POTENTIAL BENEFITS*

P.A. 19-117 Charges the Payroll Tax Commission with Working Out Details and Finding Solutions to these Challenges

- Issues to be analyzed and addressed after receiving all required data include, but are not limited to:
 - Establishing an appropriate wage base (options provided in the bill).
 - Determining the fiscal impact of the payroll tax on employees, employers and the state using detailed and specific data available to DRS.
 - Recommending an option for the treatment of minimum wage employees (options provided in bill).
 - Recommending a method for holding low-income taxpayers harmless and/or providing an additional credit to low-income taxpayers.
 - Determining the treatment of federal and tribal employees, state employees, and union employees (private and public sector).

Summary of Payroll Tax Benefits

- Every wage worker or salaried taxpayer would realize a reduction in their federal income tax liability.
- Connecticut's economy will benefit from federal personal income tax savings of approximately \$2.0 billion.
- The General Fund has the potential to realize an additional \$100 million to at least \$300 million in revenue depending on how the payroll tax and low-income tax credits are structured.
- One million Connecticut taxpayers will no longer pay personal income tax to the State.
- Connecticut's top personal income tax rate for wage related income could be reduced to 2.99%.

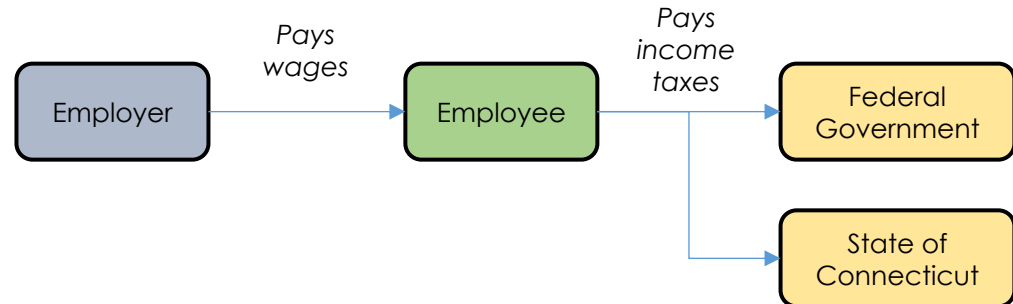
Source: Conn. Acts 19-117 § 385.

APPENDIX

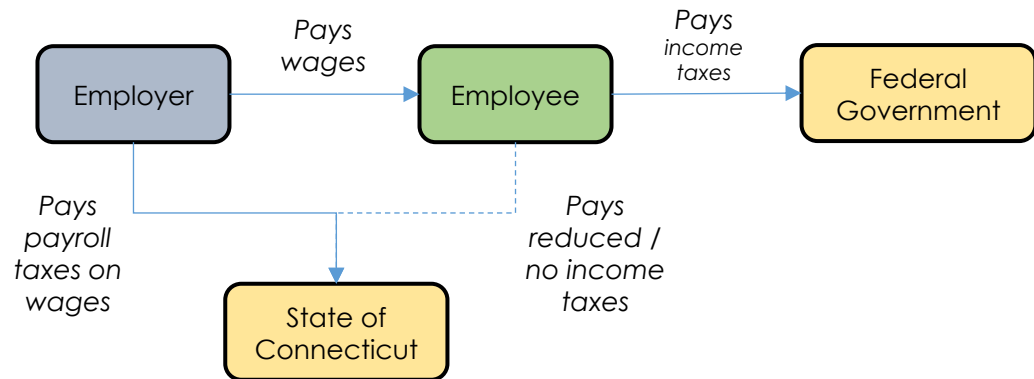
How Could a Payroll Tax Work in Connecticut?

- In the current state tax environment, employers pay wages to employees, who pay personal income taxes on their wages to the State of Connecticut and the federal government.
- In a payroll tax system, the employer pays a payroll tax to the State on the wages it pays to employees.
- If part of the state income tax was retained, employees would pay reduced personal income tax to the State, but would still have to pay income taxes to the federal government.

Current Tax Environment



Proposed Tax Environment



Example: Potential Adjustments to Income Tax Rates Over 5% - Taxpayer Impact: Single Filers

Single Filers

Current CT AGI	Current Law			Payroll Tax Structure, Income Tax Rate Changes			Projected Change in Tax Due
	CT Income Tax Due	Est. Federal Income and Payroll Taxes Due (Standard Deduction)	Total	CT Income and Payroll Taxes Due	Est. Federal Income and Payroll Taxes Due (Standard Deduction)	Total	
\$20,000	\$60	\$2,330	\$2,390	\$1,000	\$2,154	\$3,154	\$764*
\$30,000	\$468	\$4,265	\$4,732	\$1,500	\$3,970	\$5,470	\$738*
\$40,000	\$1,395	\$6,230	\$7,625	\$2,000	\$5,837	\$7,837	\$212*
\$50,000	\$2,070	\$8,195	\$10,265	\$2,500	\$7,703	\$10,203	-\$61
\$60,000	\$2,583	\$11,090	\$13,673	\$3,032	\$10,200	\$13,232	-\$441
\$80,000	\$4,050	\$17,020	\$21,070	\$4,130	\$15,834	\$19,964	-\$1,106
\$100,000	\$5,230	\$23,060	\$28,290	\$5,225	\$21,477	\$26,702	-\$1,588
\$150,000	\$8,250	\$37,545	\$45,795	\$8,175	\$35,637	\$43,812	-\$1,983
\$250,000	\$15,400	\$71,025	\$86,425	\$15,408	\$66,357	\$81,764	-\$4,661
\$500,000	\$34,450	\$164,400	\$198,850	\$36,725	\$155,063	\$191,788	-\$7,063
\$1,000,000	\$69,850	\$360,910	\$430,760	\$76,355	\$341,235	\$417,590	-\$13,170

*Taxpayers who would see an increase in taxes paid would have those funds returned to them as an expanded EITC/credit to low-income taxpayers. As a result, their taxes paid would not increase. The cost of this has been included in the modeled estimates.

Sources: Connecticut School Finance Project analysis.
 Tax Cuts and Jobs Act (TCJA), P.L. 115-97.
 Conn. Gen. Statutes ch. 229, § 12-700.
 State of Connecticut, Department of Revenue Services. (2018). 2016 Individual Income Tax Data Report. Retrieved from <http://www.ct.gov/drs/cwp/view.asp?a=1445&q=600136>.

Example: Potential Adjustments to Income Tax Rates Over 5% -Taxpayer Impact: Joint Filers

Married, Filing Jointly Filers

Current CT AGI	Current Law			Payroll Tax Structure, Income Tax Rate Changes			Projected Change in Tax Due
	CT Income Tax Due	Est. Federal Income and Payroll Taxes Due (Standard Deduction)	Total	CT Income and Payroll Taxes Due	Est. Federal Income and Payroll Taxes Due (Standard Deduction)	Total	
\$40,000	\$312	\$4,660	\$4,972	\$2,000	\$4,307	\$6,307	\$1,335*
\$60,000	\$1,800	\$8,529	\$10,329	\$3,000	\$7,940	\$10,940	\$611*
\$80,000	\$3,240	\$12,459	\$15,699	\$4,000	\$11,673	\$15,673	-\$26
\$100,000	\$4,508	\$16,389	\$20,897	\$5,000	\$15,407	\$20,407	-\$491
\$120,000	\$5,860	\$23,322	\$29,182	\$6,070	\$21,543	\$27,613	-\$1,569
\$160,000	\$8,300	\$33,223	\$41,523	\$8,260	\$31,347	\$39,607	-\$1,916
\$200,000	\$10,500	\$42,823	\$53,323	\$10,450	\$40,278	\$50,728	-\$2,595
\$300,000	\$16,500	\$69,898	\$86,398	\$16,350	\$65,945	\$82,295	-\$4,103
\$500,000	\$30,800	\$137,758	\$168,558	\$30,815	\$128,420	\$159,235	-\$9,323
\$1,000,000	\$68,900	\$324,508	\$393,408	\$73,450	\$305,833	\$379,283	-\$14,125
\$2,000,000	\$139,700	\$717,528	\$857,228	\$152,710	\$678,178	\$830,888	-\$26,340

*Taxpayers who would see an increase in taxes paid would have those funds returned to them as an expanded EITC/credit to low-income taxpayers. As a result, their taxes paid would not increase. The cost of this has been included in the modeled estimates.

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Estimated Impact of Payroll Tax on Representative Taxpayers

Current Law				Post Payroll Tax Implementation						
Original CT AGI	CT Income Tax	Est. Federal Taxes	Take-Home Income	Post Payroll CT AGI	CT Income Tax	Est. Federal Taxes	Est. Refundable Credit	Take-Home Income	Increase in Take-Home Pay	
High school graduate who entered workforce earning \$28K a year										
\$28,000	383	3,872	\$23,746	\$26,600	-	3,596	800	\$23,804	\$58	
Single mother filing as head of household, earning \$35K a year										
\$35,000	360	4,446	\$30,195	\$33,250	-	4,102	1,280	\$30,428	\$234	
Young married couple, both working and together earning \$100K a year										
\$100,000	4,508	16,389	\$79,103	\$95,000	-	15,407	-	\$79,594	\$491	
Single individual, making \$80K a year										
\$80,000	4,050	17,020	\$58,931	\$76,000	130	15,834	-	\$60,037	\$1,106	
Married professional couple with family, earning \$200K a year										
\$200,000	10,500	42,823	\$146,677	\$190,000	450	40,278	-	\$149,272	\$2,595	
Single executive earning \$500K a year										
\$500,000	34,450	164,400	\$301,150	\$475,000	11,725	155,063	-	\$308,212	\$7,063	

Sources: Connecticut School Finance Project analysis.
 Tax Cuts and Jobs Act (TCJA), P.L. 115-97.
 Conn. Gen. Statutes ch. 229, § 12-700.
 State of Connecticut, Department of Revenue Services. (2018). 2016 Individual Income Tax Data Report. Retrieved from <http://www.ct.gov/drs/cwp/view.asp?a=1445&q=600136>.

Impact of SALT Deduction Cap on a Sample CT Taxpayer

Single Glastonbury Resident

Example	Before SALT Deduction Cap	With SALT Deduction Cap	With SALT Deduction Cap and Payroll Tax
Revenue			
CT Personal Income Tax (\$200k Total Wages)	\$ 11,250	\$ 11,250	\$ 1,150
Property Tax on \$400k house	10,080	10,080	10,080
Total SALT Deductions	21,330	21,330	11,230
Minimum Federal Deduction	\$ 21,330	\$ 12,000	\$ 12,000
<u>Difference Between Minimum Deduction and SALT</u>	\$ -	\$ (9,330)	\$ 770

- Minimum federal deduction does not preclude taxpayer from utilizing additional deductions (mortgage interest, student loan interest, etc.)

Sources: Connecticut School Finance Project analysis.
 Tax Cuts and Jobs Act (TCJA), P.L. 115-97.
 Conn. Gen. Statutes ch. 229, § 12-700.
 State of Connecticut, Department of Revenue Services. (2018). 2016 Individual Income Tax Data Report. Retrieved from <http://www.ct.gov/drs/cwp/view.asp?a=1445&q=600136>.

Impact of SALT Deduction Cap on a Sample CT Taxpayer

Single New London Resident

Example	Before SALT Deduction Cap	With SALT Deduction Cap	With SALT Deduction Cap and Payroll Tax
Revenue			
CT Personal Income Tax (\$80k Total Wages)	\$ 4,050	\$ 4,050	\$ 130
Property Tax on \$200k house	6,044	6,044	6,044
Total SALT Deductions	10,094	10,094	6,174
Minimum Federal Deduction	\$ 10,094	\$ 12,000	\$ 12,000
<u>Difference Between Minimum Deduction and SALT</u>	\$ -	\$ 1,906	\$ 5,826

- Minimum federal deduction does not preclude taxpayer from utilizing additional deductions (mortgage interest, student loan interest, etc.)

Sources: Connecticut School Finance Project analysis.
 Tax Cuts and Jobs Act (TCJA), P.L. 115-97.
 Conn. Gen. Statutes ch. 229, § 12-700.
 State of Connecticut, Department of Revenue Services. (2018). 2016 Individual Income Tax Data Report. Retrieved from <http://www.ct.gov/drs/cwp/view.asp?a=1445&q=600136>.

Impact of SALT Deduction Cap on a Sample CT Taxpayer

Married Norwalk Residents

Example	Before SALT Deduction Cap	With SALT Deduction Cap	With SALT Deduction Cap and Payroll Tax
Revenue			
CT Personal Income Tax (\$1MM Total Wages)	\$ 68,900	\$ 68,900	\$ 23,450
Property Tax on \$750k house	13,968	13,968	13,968
Total SALT Deductions	82,868	82,868	37,418
Minimum Federal Deduction	\$ 82,868	\$ 24,000	\$ 24,000
<u>Difference Between Minimum Deduction and SALT</u>	<u>\$ -</u>	<u>\$ (58,868)</u>	<u>\$ (13,418)</u>

- Minimum federal deduction does not preclude taxpayer from utilizing additional deductions (mortgage interest, student loan interest, etc.)

Sources: Connecticut School Finance Project analysis.
 Tax Cuts and Jobs Act (TCJA), P.L. 115-97.
 Conn. Gen. Statutes ch. 229, § 12-700.
 State of Connecticut, Department of Revenue Services. (2018). 2016 Individual Income Tax Data Report. Retrieved from <http://www.ct.gov/drs/cwp/view.asp?a=1445&q=600136>.