

Tax Cuts and Jobs Act of 2017 and Your Taxes

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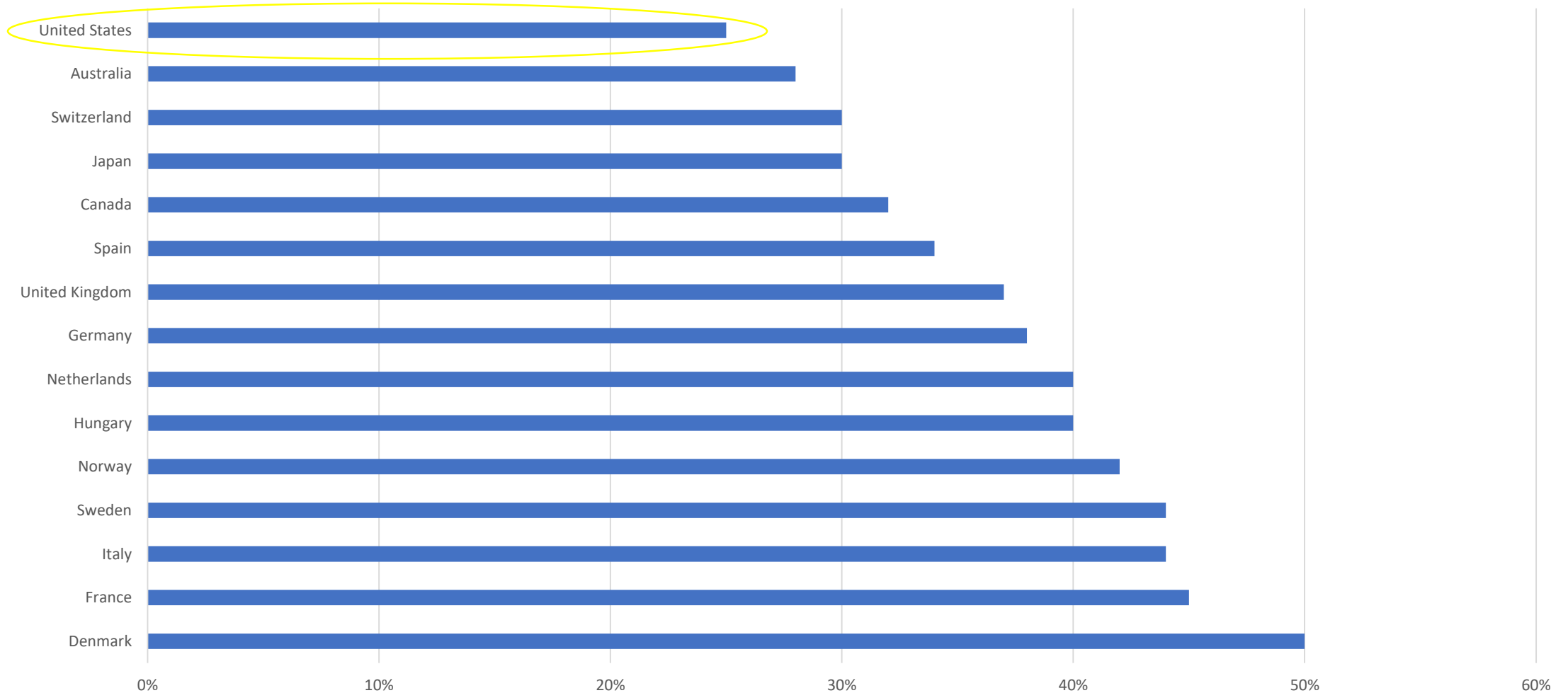
Context

Income Taxes are Single Largest Revenue Source for
Federal Government

Historically, a Progressive Tax System

Historically Low Tax Rates Compared to Other
Western Democratic Countries

Comparative Tax Rates (OECD, 2012)



Context

Revenue Decisions are **Political** and Based on **Social Values**

All Revenue and Expense Decisions Determine

- Who Gets (or Gives)
 - How Much
 - For What

• **There is No Free Lunch**

Standard Deductions and Personal Exemptions

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	2017	2018
Married		
Standard Deduction	\$12,700	\$24,000
Personal Exemption	\$4,050	\$0

Single		
Standard Deduction	\$6,350	\$12,000
Personal Exemption	\$4,050	\$0

2017 and 2018 Taxes (Single)

2017

2018

\$0 - \$9,325		10%		\$0 - \$9,525		10%
\$9,326 - \$37,950	\$932	15%		\$9,526 - \$38,700	\$952	12%
\$37,951 - \$91,900	\$5,226	25%		\$38,701 - \$82,500	\$4,454	22%
\$91,901 - \$191,650	\$18,714	28%		\$82,501 - \$157,500	\$14,090	24%
\$191,651 - \$416,700	\$46,644	33%		\$157,501 - \$200,000	\$32,090	32%
\$416,701 - \$418,400	\$120,910	35%		\$200,001 - \$500,000	\$45,690	35%
over \$418,400	\$121,505	39.60%		over \$500,000	\$150,690	37%

2017 and 2018 Taxes (Married)

2017

2018

\$0 - \$18,650		10%		\$0 - \$19,050		10%
\$18,651 - \$75,900	\$1,865	15%		\$19,051 - \$77,400	\$1,905	12%
\$75,901 - \$153,100	\$10,452	25%		\$77,401 - \$165,000	\$8,907	22%
\$153,101 - \$233,350	\$29,752	28%		\$165,001 - \$315,000	\$28,179	24%
\$233,351 - \$416,700	\$52,222	33%		\$315,001 - \$400,000	\$64,179	32%
\$416,701 - \$470,700	\$112,728	35%		\$400,001 - \$600,000	\$91,379	35%
over \$470,700	\$131,628	39.6%		over \$600,000	\$161,379	37%

Corporate Tax Rate Reduced

Corporate tax rate reduced from 35% to 21%.

Corporate tax changed from global system to territorial system. Pay taxes based on tax code of country where income earned.

95% of US businesses and corporations are partnerships or S Corporation, which means owners are taxed at individual, not corporate rate. New law reduces “pass-through” taxes via 20% deduction and then limits taxes to 29.6%

Examples of Impacts of Tax Changes

- | | |
|--------------------------------|-------------------------------|
| • 2017 | 2018 |
| • Single, \$65,000 per year | Single, \$65,000 per year |
| • Standard Deduction - \$6,350 | Standard Deduction - \$12,000 |
| • Personal Exemption - \$4,050 | Personal Exemption – None |
| • Taxable Income - \$54,600 | Taxable Income - \$53,000 |
| Taxes Due - \$9,389 (14.4%) | Taxes Due - \$7,599 (11.7%) |

Examples of Impacts of Tax Changes

- 2017

- Married, two children, \$65,000 per year

- Standard Deduction - \$12,700

- Personal Exemption - \$16,200

- Taxable Income - \$36,100

Taxes Due - \$4,483 (6.9%)

2018

Married, two children, \$65,000 per year

Standard Deduction - \$24,000

Personal Exemption – None

Taxable Income - \$41,000

Taxes Due - \$4,539 (7.0%)

Examples of Impacts of Tax Changes

• 2017	2018
• Single, \$105,000 per year	Single, \$105,000 per year
• Standard Deduction - \$6,350	Standard Deduction - \$12,000
• Personal Exemption - \$4,050	Personal Exemption – None
• Taxable Income - \$94,600	Taxable Income - \$93,000
Taxes Due - \$19,470 (18.5%)	Taxes Due - \$16,610 (15.8%)

Examples of Impacts of Tax Changes

- | | |
|--|--|
| • 2017 | 2018 |
| • Married, two children,
\$105,000 per year | Married, two children,
\$105,000 per year |
| • Standard Deduction -
\$12,700 | Standard Deduction - \$24,000 |
| • Personal Exemption - \$16,200 | Personal Exemption – None |
| • Taxable Income - \$76,100 | Taxable Income - \$81,000 |
| Taxes Due - \$10,503 (10.0%) | Taxes Due - \$9,699 (9.2%) |

Examples of Impacts of Tax Changes

• 2017	2018
• Single, \$250,000 per year	Single, \$250,000 per year
• Standard Deduction - \$6,350	Standard Deduction - \$12,000
• Personal Exemption - \$4,050	Personal Exemption – None
• Taxable Income - \$239,600	Taxable Income - \$238,000
Taxes Due - \$62,468 (25.0%)	Taxes Due - \$58,990 (23.6%)

Examples of Impacts of Tax Changes

• 2017	2018
• Married, no children, \$250,000 per year	Married, no children, \$250,000 per year
• Standard Deduction - \$12,700	Standard Deduction - \$24,000
• Personal Exemption - \$8,100	Personal Exemption – None
• Taxable Income - \$229,200	Taxable Income - \$226,000
Taxes Due - \$51,061 (20.4%)	Taxes Due - \$42,819 (17.1%)

Examples of Impacts of Tax Changes

• 2017	2018
• Single, \$525,000 per year	Single, \$525,000 per year
• Standard Deduction - \$6,350	Standard Deduction - \$12,000
• Personal Exemption - \$4,050	Personal Exemption – None
• Taxable Income - \$514,600	Taxable Income - \$513,000
Taxes Due - \$159,363 (30.4%)	Taxes Due - \$155,500 (29.6%)

Examples of Impacts of Tax Changes

• 2017	2018
• Married, four children, \$525,000 per year	Married, four children, \$525,000 per year
• Standard Deduction - \$12,700	Standard Deduction - \$24,000
• Personal Exemption - \$24,300	Personal Exemption – None
• Taxable Income - \$488,200	Taxable Income - \$501,000
Taxes Due - \$138,756 (26.4%)	Taxes Due - \$126,729 (24.1%)

Examples of Impacts of Tax Changes

• 2017	2018
• Single, Head of household, four children, \$30,000 per year	Single, head of household, four children, \$30,000 per year
• Standard Deduction - \$9,350	Standard Deduction - \$18,000
• Personal Exemption - \$20,350	Personal Exemption – None
• Taxable Income - \$300	Taxable Income - \$12,000
Taxes Due - \$30 (.1%)	Taxes Due - \$120 (.4%)

What Does It Mean

- Almost everyone pays less tax in 2018 than in 2017.
- Disproportionately less taxes paid by higher incomes. (If you make 8 times as much as a lower income person, you pay only about twice as high a tax rate.)
- Income tax is less progressive (high income earners pay more, but not as much more).
- Anti-large family (loss of personal exemptions).
- If you want to itemize, you need more than \$24,000 (married) or \$12,000 (single) in itemized deductions.
- **LESS REVENUE OVERALL!!**

Impact of Less Revenue

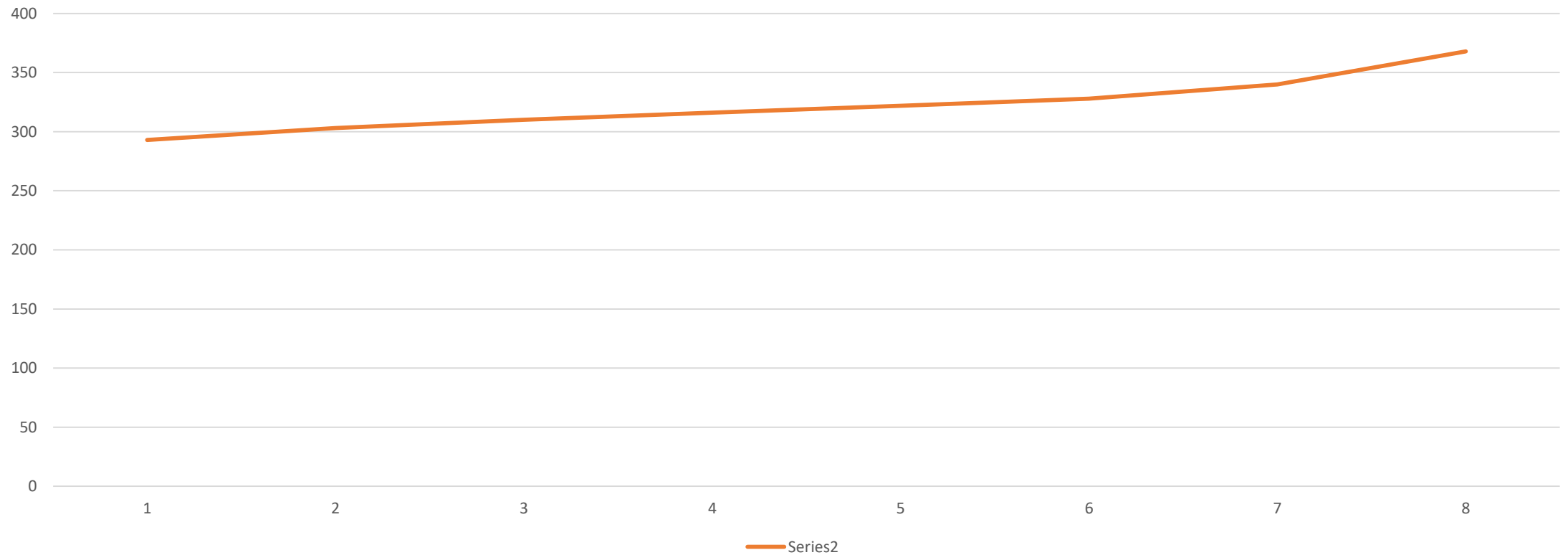
- Fewer Services
- Larger Deficit
- Increased Debt

CBO Estimates Deficit (NOT FULL DEBT) Will Exceed \$1 Trillion in 2020

- Even under the most optimistic estimates of GDP growth, increased economic growth only pays for 65% of loss of revenue.
- HUH? The deficit MIGHT only exceed \$350 billion in 2020.
- Deficit (not debt) has increased by 77% since Mitch McConnell became majority leader in 2015.
- Deficit in 2018 will reach \$804 billion; far greater than the debt in any year since just after World War II. Republicans propose to reduce Social Security, Medicare and Medicaid to reduce deficit.
- National debt is on track to reach 100% of GDP by 2028.

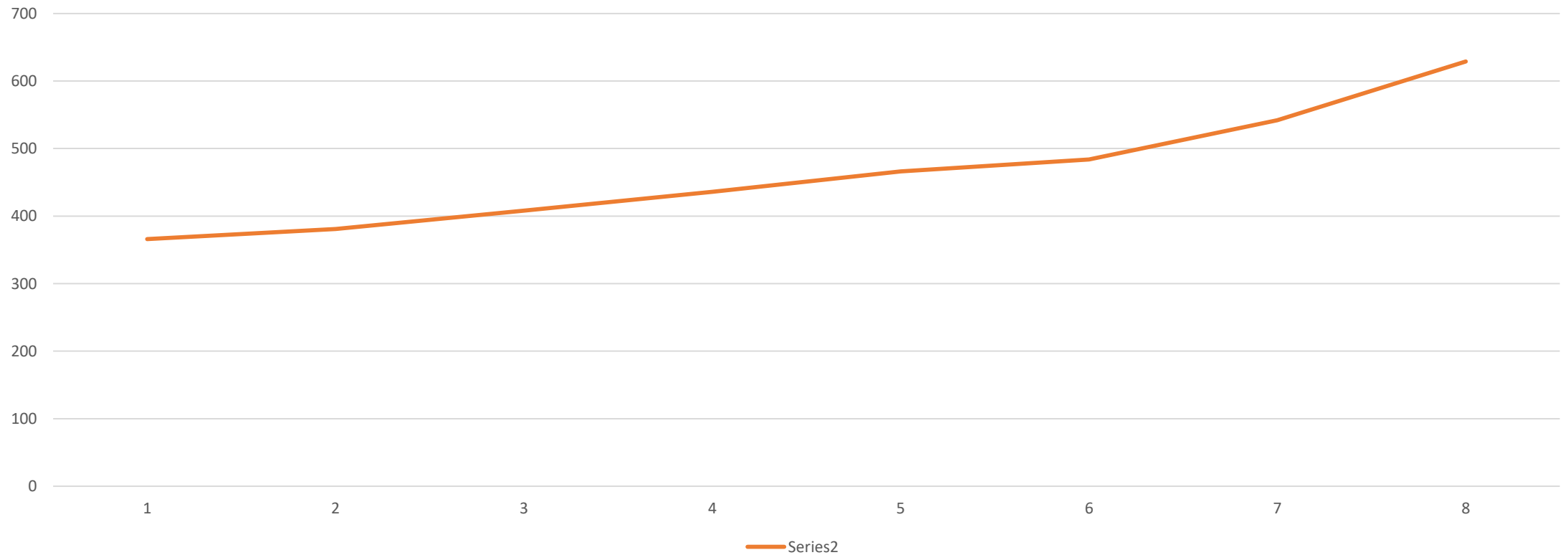
Debt by Party of President

Kennedy - Johnson years

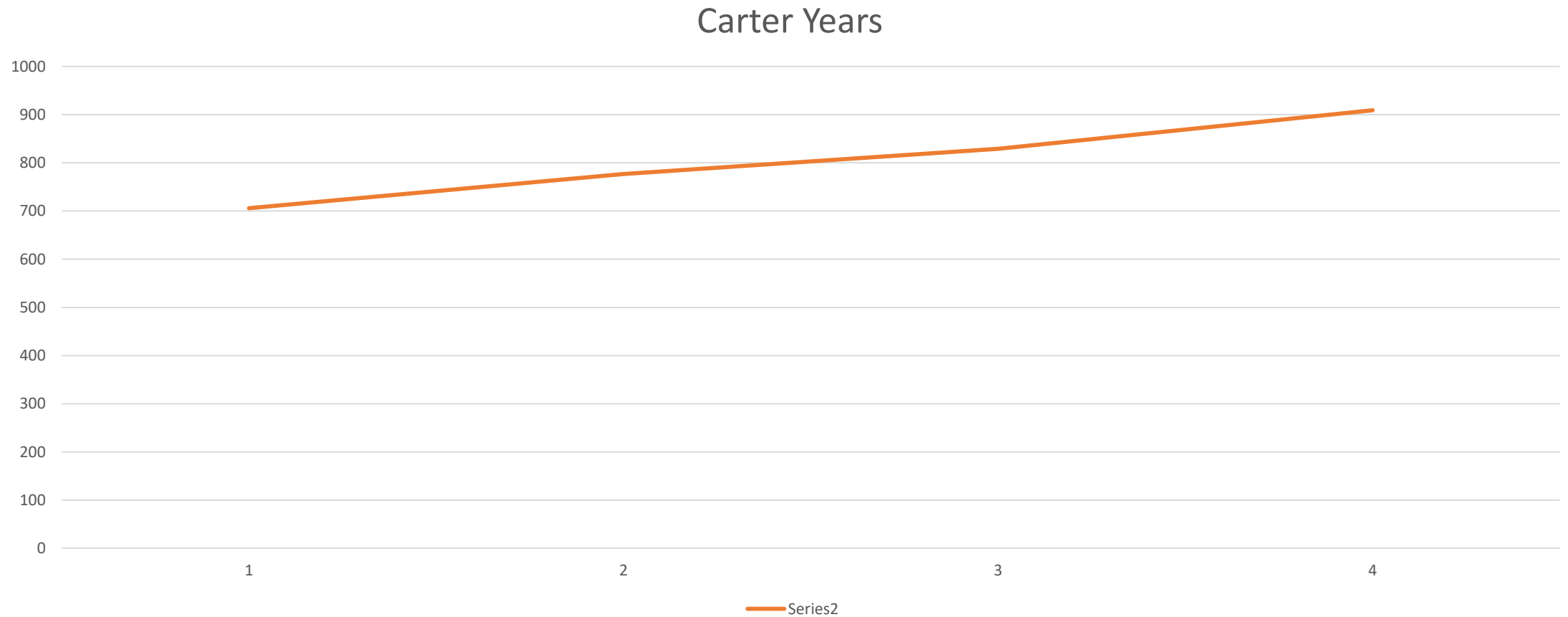


Debt by Party of President

Nixon-Ford Years

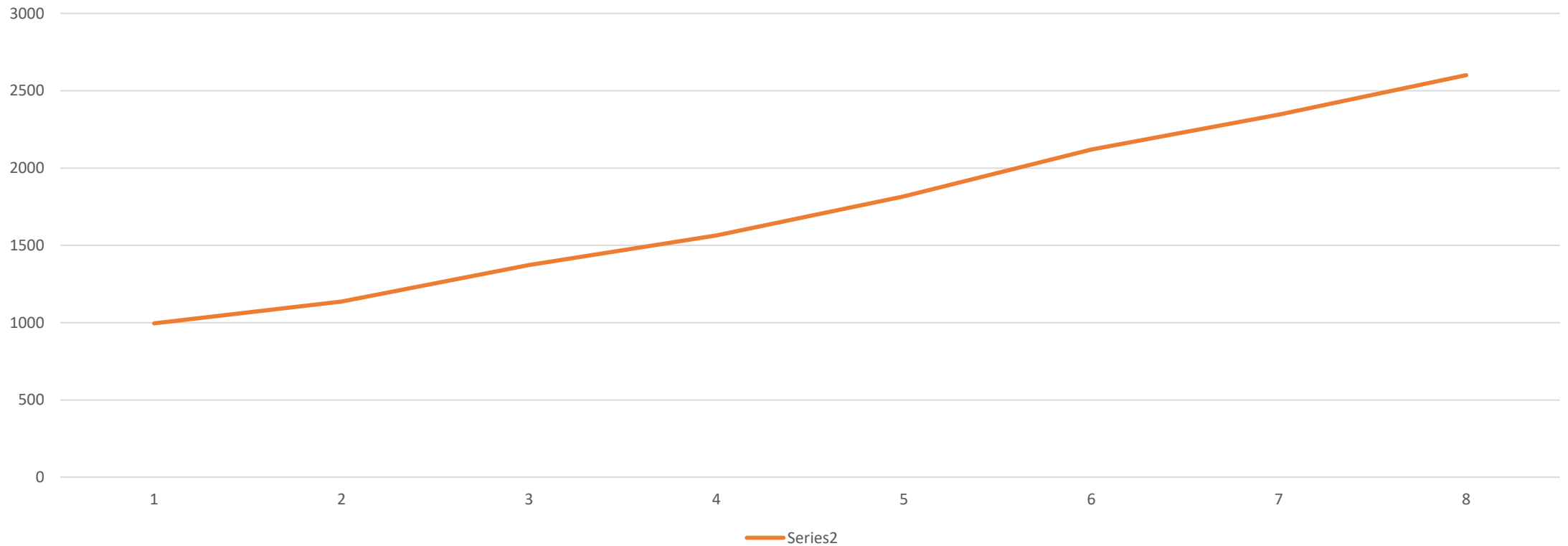


Debt by Party of President



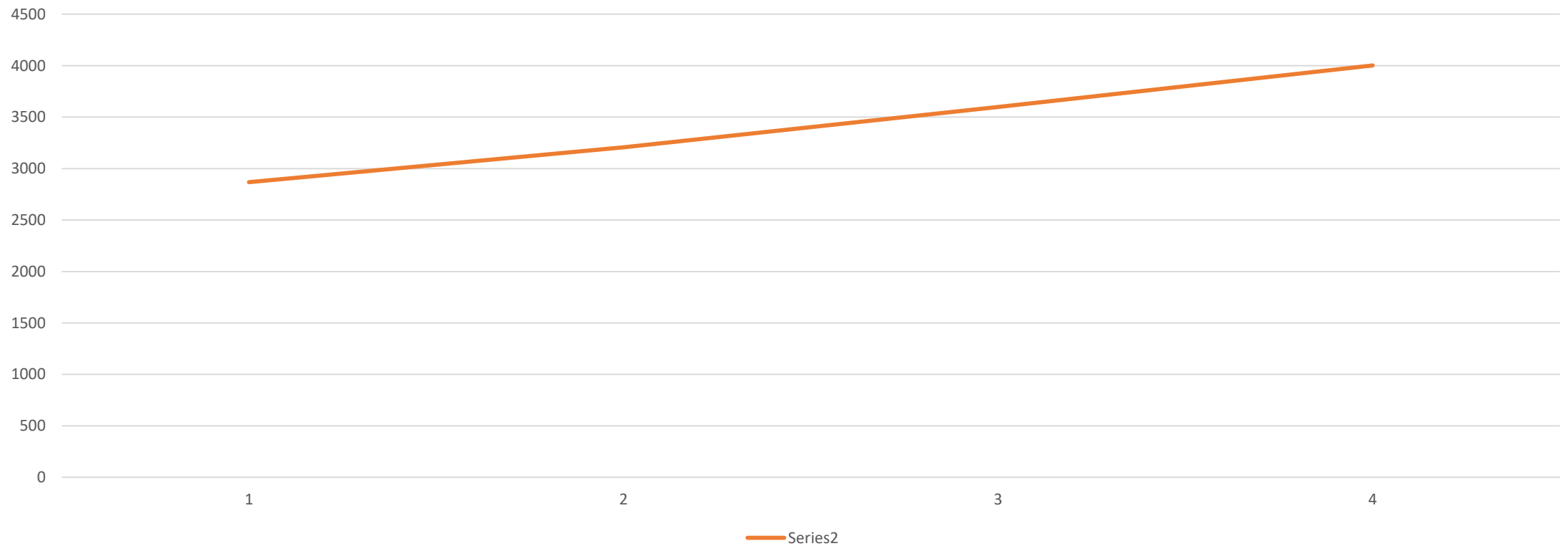
Debt by Party of President

Reagan Years



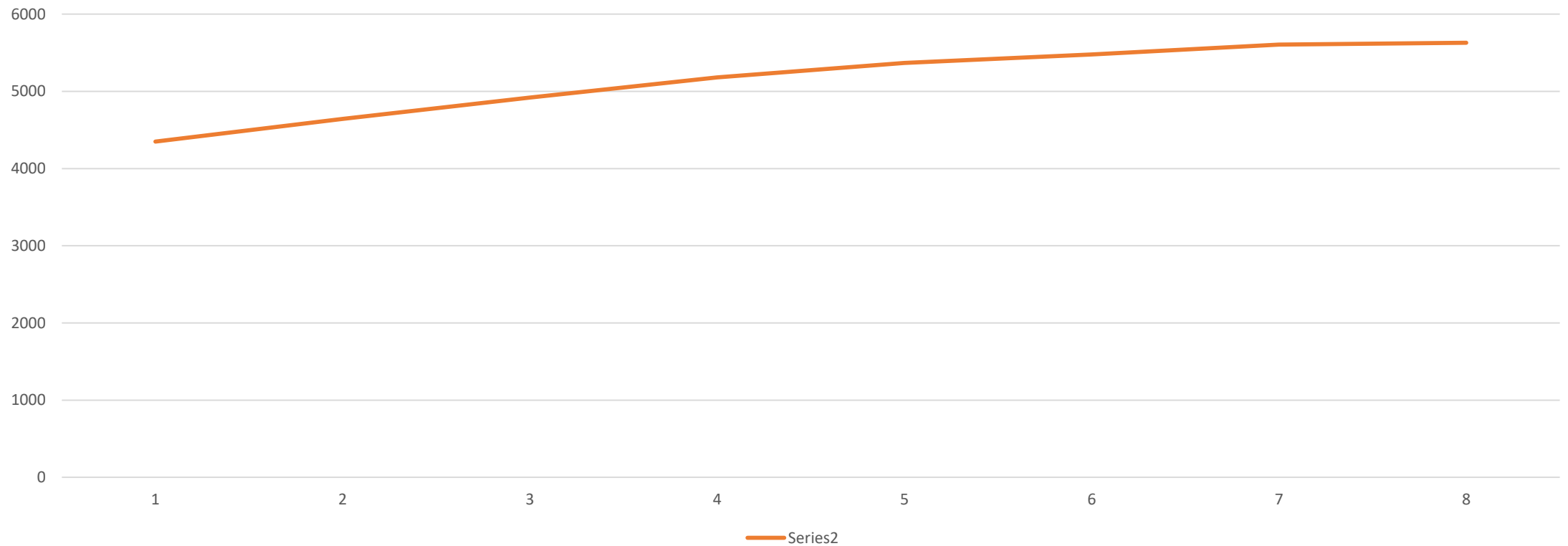
Debt by Party of President

H. G. R. Bush Years



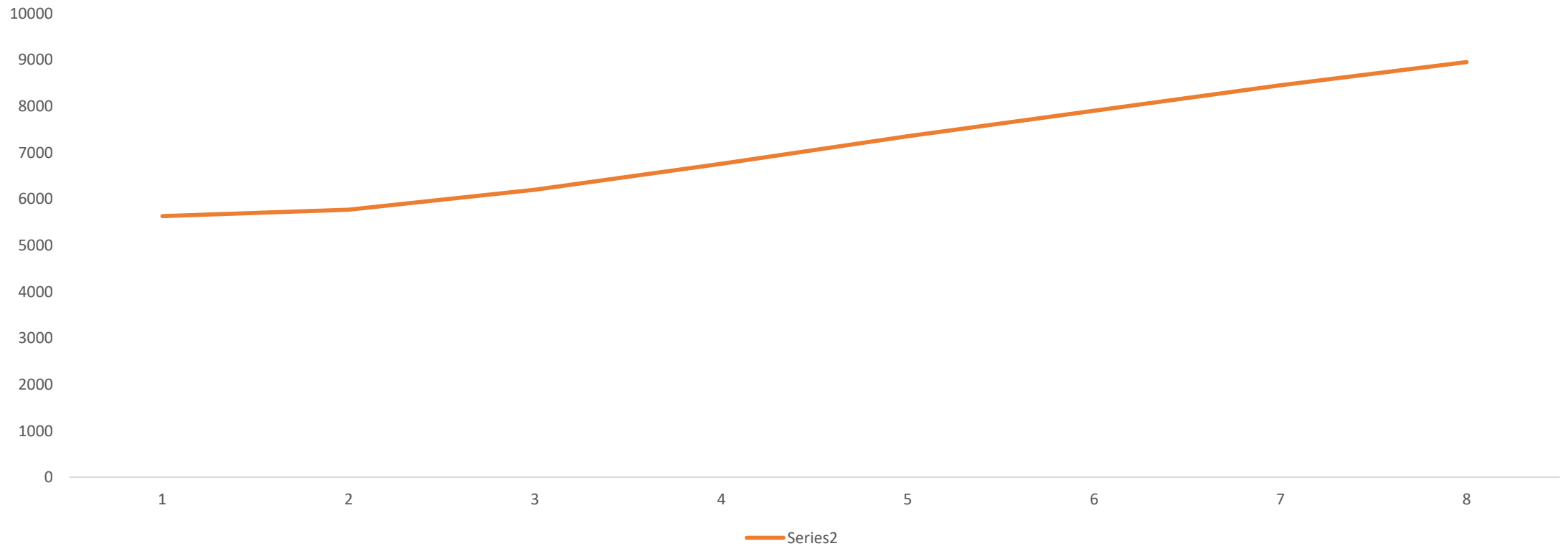
Debt by Party of President

Clinton Years



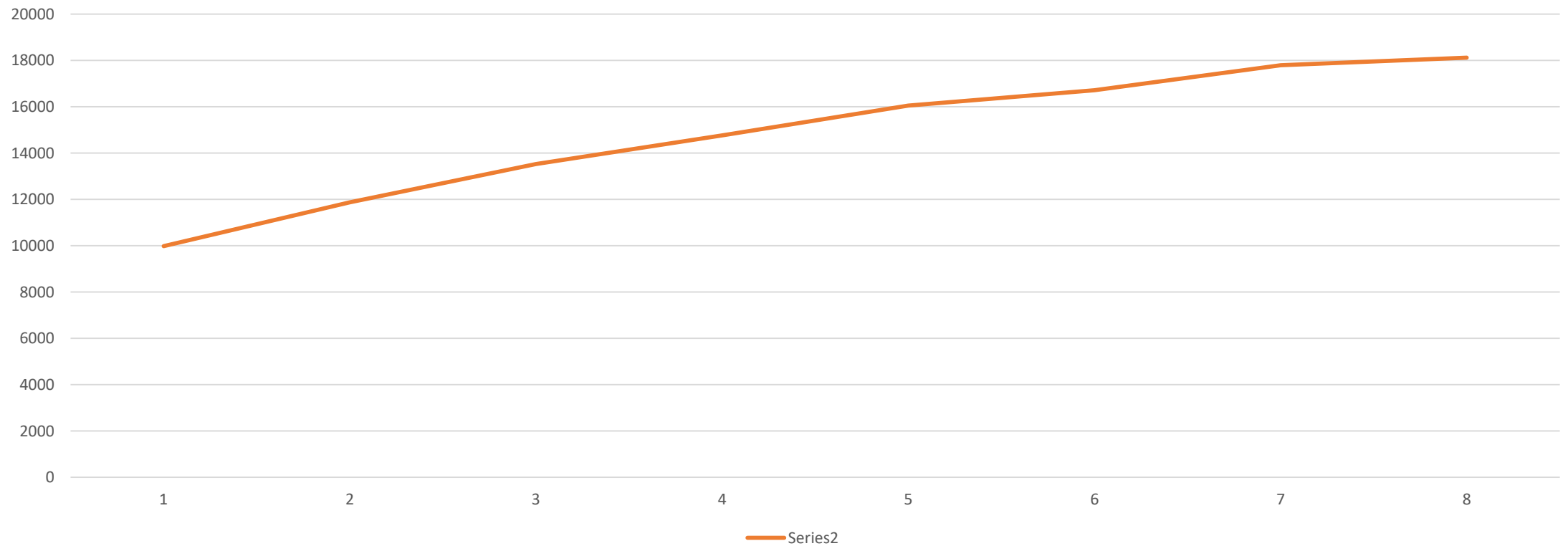
Debt by Party of President

G. W Bush Years



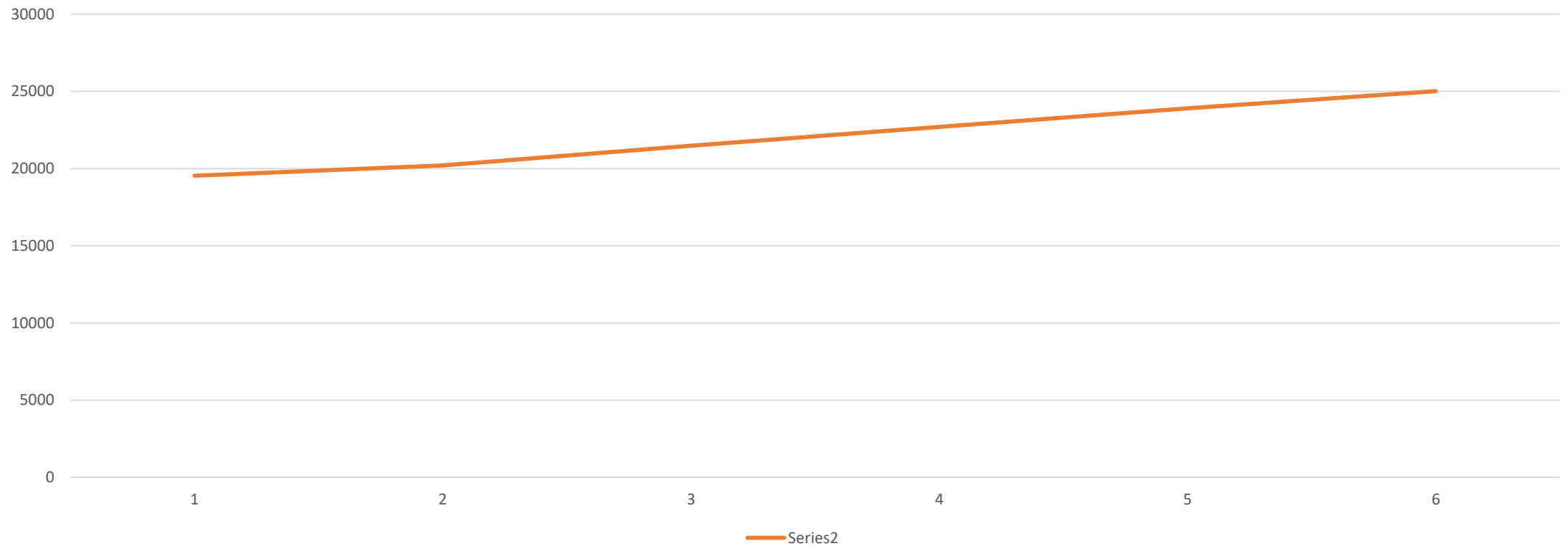
Debt by Party of President

ObamaYears



Debt by Party of President

Trump (CBO Projections)



Conclusion

- 2017 Tax Act MAY be “Good” for Most Individuals
- 2017 Tax Act is BAD for the Country – Increased Deficit and Debt
- **THERE IS NO FREE LUNCH – PAY NOW OR PAY LATER**