

# New Federal Tax Law Largely Benefits the Wealthy

In 2017, Congress and President Donald Trump enacted significant deficit-increasing tax cuts that largely benefit profitable corporations and wealthy taxpayers and provide little benefit to the rest of us. Ultimately, this tax plan increases taxes on many Michigan residents while putting services we all rely on—healthcare, food assistance, housing and education—at risk.

## TAX CUTS HEAVILY SKEWED TOWARD THE TOP

The Tax Cuts and Jobs Act enacted sweeping changes over a number of different tax policies, including taxes impacting families and individuals, the estate tax, the repeal of the mandate to carry health coverage (including the penalties for not carrying coverage and the credits to help taxpayers with low incomes afford coverage), taxes on pass-through entities, and the corporate income tax. However, most of the tax changes disproportionately benefit high-income earners. For example, the estate tax changes will only benefit about 100 of the wealthiest estates in Michigan (about 0.1% of estates). Only about a quarter of the corporate income tax cuts are likely to flow to workers—most will benefit share-

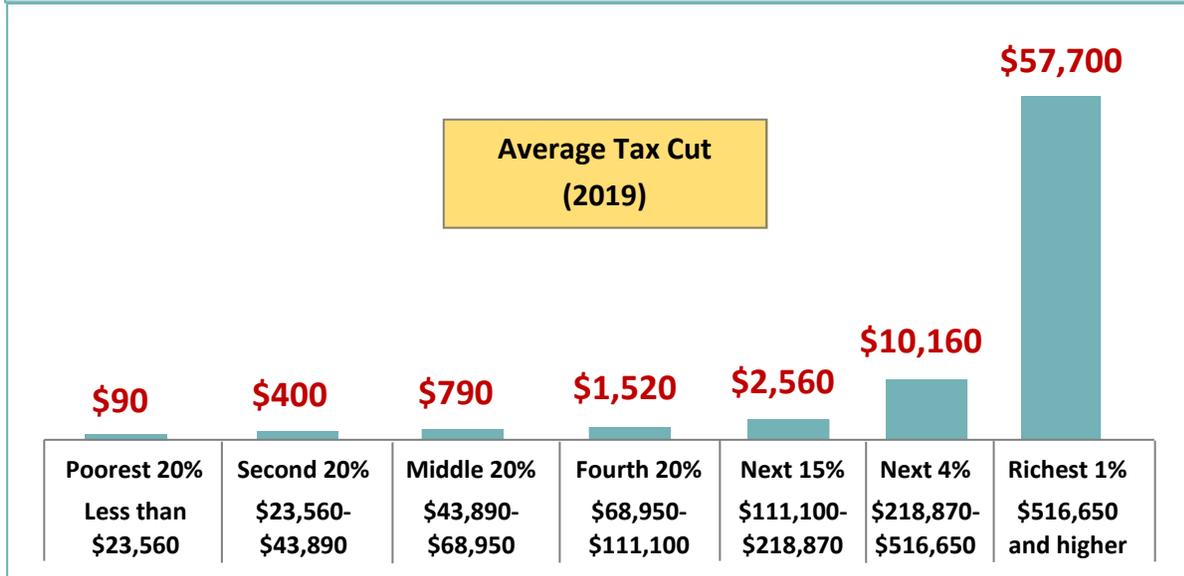
holders, high-level executives or managers, or be put back into the company. And while the changes for corporations were made permanent, many of the changes impacting individuals were temporary, meaning the tax cuts enacted will disappear over time.

### Major Tax Changes (list not exhaustive)

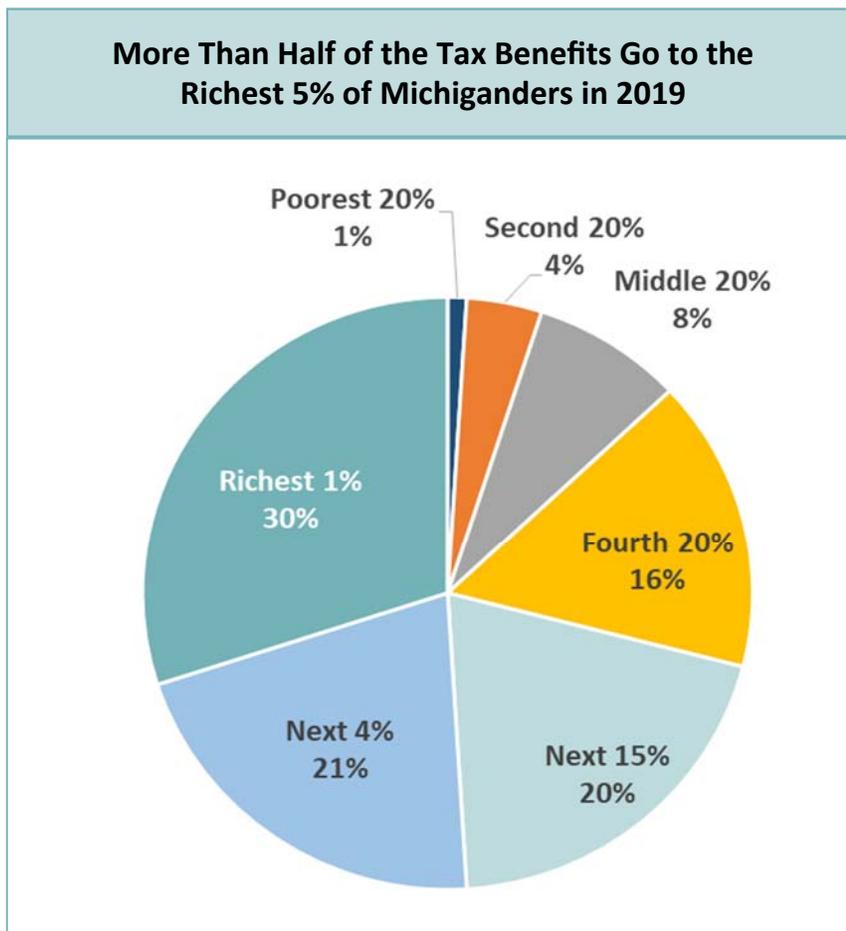
TAX CHANGE	TEMPORARY VS. PERMANENT
<b>Families and Individuals</b>	
• New personal income tax rates and brackets .....	<b>TEMPORARY</b>
• Increase standard deduction .....	<b>TEMPORARY</b>
• Repeal personal exemptions .....	<b>TEMPORARY</b>
• Increase Child Tax Credit .....	<b>TEMPORARY</b>
• \$10,000 cap on state and local deductions .....	<b>TEMPORARY</b>
• Expand exemption from alternative minimum tax (AMT) .....	<b>TEMPORARY</b>
• Slower rate of inflation .....	<b>PERMANENT</b>
<b>Estate Tax</b>	
• Reduce estate tax by doubling exemption .....	<b>TEMPORARY</b>
<b>Repeal of Health Insurance Mandate</b>	
• Reduction of tax credits to pay health insurance premiums .....	<b>PERMANENT</b>
• Elimination of penalty for not obtaining health insurance .....	<b>PERMANENT</b>
<b>Pass-Through Businesses</b>	
• 20% deduction, with limits, for income .....	<b>TEMPORARY</b>
<b>Corporate Income Tax</b>	
• Reduce statutory corporate tax rate to 21%; repeal AMT.....	<b>PERMANENT</b>

Sources: Institute on Taxation and Economic Policy; Center on Budget and Policy Priorities; Center for American Progress.

## Richest Michigan Taxpayers Receive Outsized Tax Benefits



## More Than Half of the Tax Benefits Go to the Richest 5% of Michiganders in 2019



Sources: Institute on Taxation and Economic Policy; Center on Budget and Policy Priorities; Center for American Progress.

### Average Change of Components of Tax Cuts and Jobs Act (2019)

Income Group	Families & Individuals	Estate Tax	Health Mandate	Pass-Through Entities	Corporations
Poorest 20%	-\$80	—	\$20	—	-\$30
Second 20%	-\$330	—	\$20	-\$10	-\$70
Middle 20%	-\$610	—	\$20	-\$20	-\$200
Fourth 20%	-\$1,180	—	\$20	-\$50	-\$310
Next 15%	-\$1,770	—	—	-\$250	-\$540
Next 4%	-\$6,490	—	—	-\$1,670	-\$2,000
<b>Richest 1%</b>	<b>-\$12,660</b>	<b>-\$3,210</b>	<b>—</b>	<b>-\$22,620</b>	<b>-\$19,220</b>

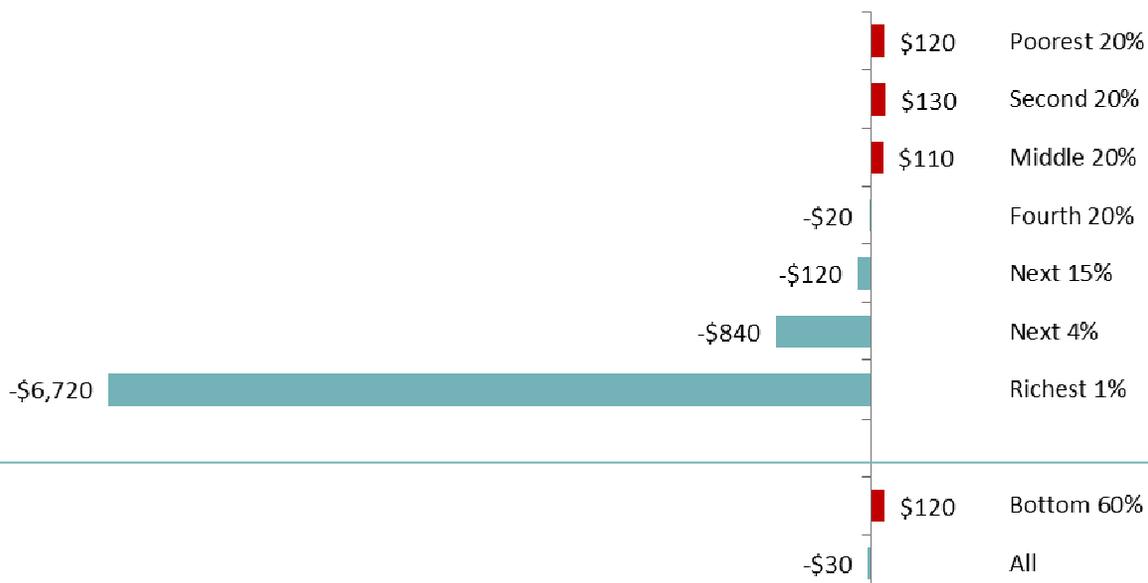


### TAXES WILL RISE FOR MANY MICHIGAN TAXPAYERS BY 2027

Because most of the personal income tax benefits under the new tax law are temporary, many Michigan residents

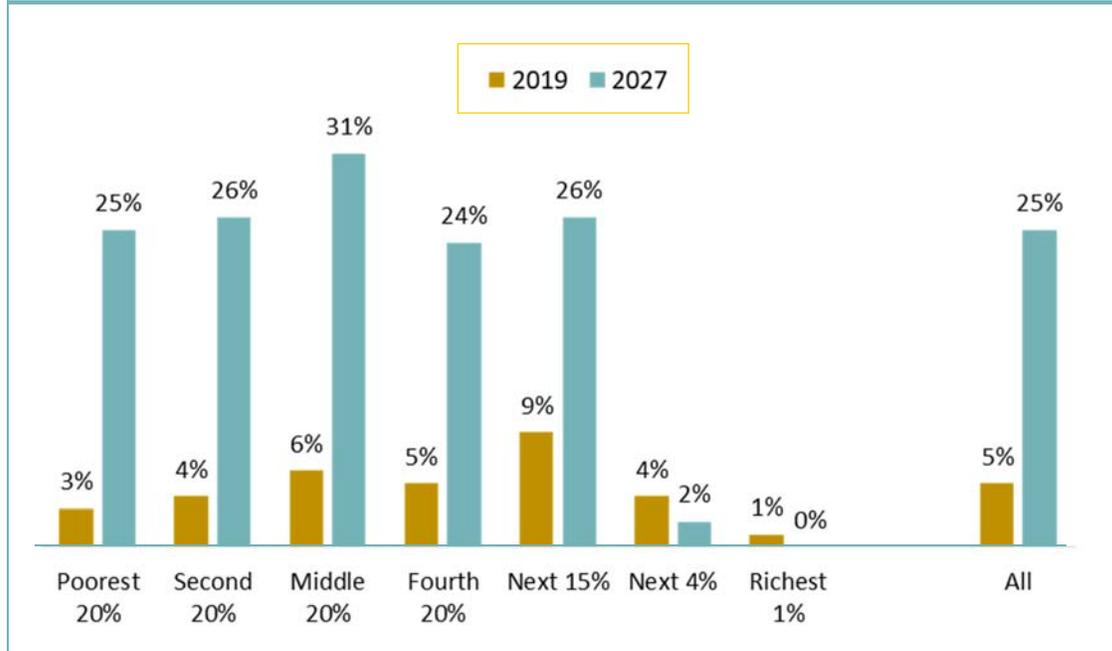
will start seeing their tax cuts shrink over the next couple of years, and by 2027, more Michigan residents will pay higher taxes. In fact, by 2027, taxes will rise on more taxpayers with low to middle incomes, but fewer wealthy taxpayers will see tax increases.

### Richest Michiganders continue to see outsized tax cuts in 2027 while the average taxpayer in the bottom 60% faces a tax hike.



Sources: Institute on Taxation and Economic Policy; Center on Budget and Policy Priorities; Center for American Progress.

**While share of low- and middle-income taxpayers facing a tax hike increases significantly between 2019 and 2027, the share of high-income taxpayers facing hikes goes down.**



**SERVICES WE ALL RELY ON WILL BE NEGATIVELY IMPACTED**

The Tax Cuts and Jobs Act tax bill is a one-two punch: tax cuts to the wealthy will result in fewer services being available to the rest of us. The bill is also likely to in-

crease the federal deficit by over \$1 trillion over the next decade. As the deficit increases, we will likely see cuts to services we all care about—such as housing assistance, food assistance, education, highways and bridges, and healthcare.

**Impact of Repeal of Individual Mandate (family of four)**



**Average Increase in Premium on Market Place in 2019** → **\$1,520**

**Increase in Uninsured in 2025** → **398,000**

The bill itself repealed the health insurance mandate. Not only did the bill eliminate the penalty for not having health insurance—which will result in fewer Michiganders choosing to sign up for healthcare—but also reduced the credits available for taxpayers with low incomes to pay health insurance premiums, so fewer will be able to afford healthcare. Ultimately, hospitals will start seeing an increase in uncompensated care costs as more people have to use emergency rooms instead of primary care physicians.

Sources: Institute on Taxation and Economic Policy; Center on Budget and Policy Priorities; Center for American Progress.