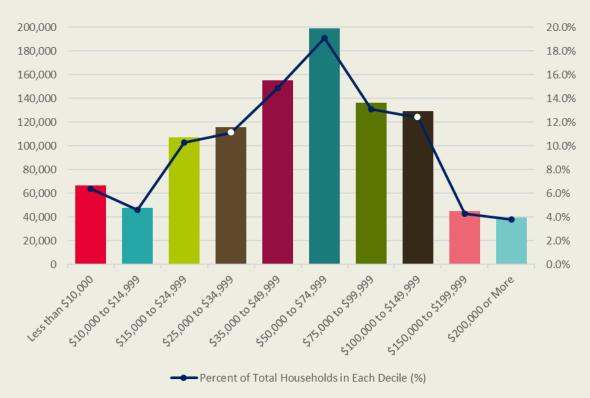
Household Income Distribution in Nevada



Source: U.S. Department of Commerce, Bureau of the Census: 2015

To provide a sense of the universe of households that would be affected by the Tax Cuts and Jobs Act (TCJA), data is presented on the distribution of household income in Nevada. Household income is normally distributed, with the greatest number of households (199,034; 19.1 percent) concentrated in the sixth decile, or the \$50,000 to \$74,999 income range. Comparatively fewer households are clustered in the lowest income decile of less than \$10,000 (66,692; 6.4 percent) or the highest of \$200,000 or more (39,598; 3.8 percent).



Modification of Rates: Current Law vs. Tax Cuts and Jobs Act (TCJA)

SINGLE RETURNS

<u>Current Law</u>			TCIA		
Taxable Income (Over)	Taxable Income (But Not Over)	Statutory Tax Rate	Taxable Income (Over)	Taxable Income (But Not Over)	Statutory Tax Rate
\$0	\$9,325	10.0%		\$9,525	10.0%
\$9,325	\$37,950	15.0%	\$9,525	\$38,700	12.0%
\$37,950	\$91,900	25.0%	\$38,700	\$82,500	22.0%
\$91,900	\$191,650	28.0%	\$82,500	\$157,500	24.0%
\$191,650	\$416,700	33.0%	\$157,500	\$200,000	32.0%
\$416,700	\$418,400	35.0%	\$200,000	\$500,000	35.0%
\$418,400	-	39.6%	\$500,000	-	37.0%

JOINT RETURNS

	<u>Current Law</u>			<u>TCJA</u>	
Taxable Income (Over)	Taxable Income (But Not Over)	Statutory Tax Rate	Taxable Income (Over)	Taxable Income (But Not Over)	Statutory Tax Rate
\$0	\$18,650	10.0%		\$19,050	10.0%
\$18,650	\$75,900	15.0%	\$19,050	\$77,400	12.0%
\$75,900	\$153,100	25.0%	\$77,400	\$165,000	22.0%
\$153,100	\$233,350	28.0%	\$165,000	\$315,000	24.0%
\$233,350	\$416,700	33.0%	\$315,000	\$400,000	32.0%
\$416,700	\$470,700	35.0%	\$400,000	\$600,000	35.0%
\$470,700	-	39.6%	\$600,000	-	37.0%

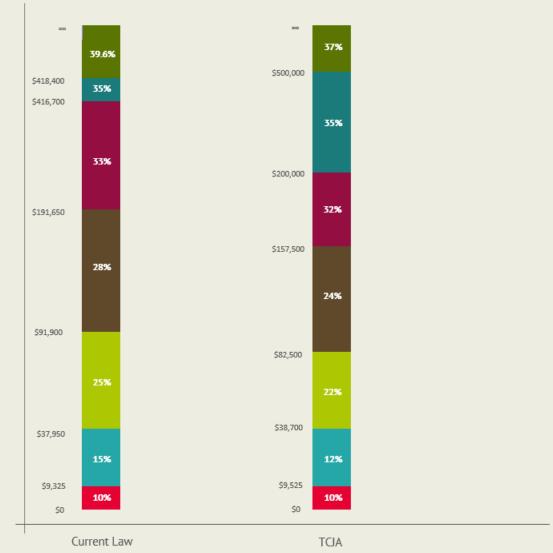
HEAD OF HOUSEHOLD RETURNS

	<u>Current Law</u>			<u>TCJA</u>	
Taxable Income (Over)	Taxable Income (But Not Over)	Statutory Tax Rate	Taxable Income (Over)	Taxable Income (But Not Over)	Statutory Tax Rate
\$0	\$13,350	10.0%		\$13,600	10.0%
\$13,350	\$50,800	15.0%	\$13,600	\$51,800	12.0%
\$50,800	\$131,200	25.0%	\$51,800	\$82,500	22.0%
\$131,200	\$212,500	28.0%	\$82,500	\$157,500	24.0%
\$212,500	\$416,700	33.0%	\$157,500	\$200,000	32.0%
\$416,700	\$444,550	35.0%	\$200,000	\$500,000	35.0%
\$444,550	-	39.6%	\$500,000	-	37.0%

Source: U.S. Department of the Treasury, Internal Revenue Service; 115th Congress, Conference Report, H.R. 1



Modification of Rates: Current Law vs. Tax Cuts and Jobs Act (TCJA), cont'd



Source: U.S. Department of the Treasury, Internal Revenue Service; 115th Congress, Conference Report, H.R. 1

Taxable federal income currently is divided into seven tax brackets, or income bounds, with seven corresponding statutory tax rates: 10 percent, 15 percent, 25 percent, 28 percent, 33 percent, 35 percent, and 39.6 percent. TCJA retains the seven-bracket structure but establishes the statutory tax rates at 10 percent, 12 percent, 22 percent, 24 percent, 32 percent, 35 percent, and 37 percent, respectively. The tables on the preceding slide and the figure on this slide (for single returns only) show that some taxpayers would fall into different brackets than they would under current law. The lower statutory tax rates under TCJA, versus current law, could help many individual taxpayers see a reduction in their federal income taxes, as a result of the rate modifications, though some individuals with taxable income at the margins of the brackets could pay more.



State and Local Taxes (SALT): State and Local General Sales Tax in Nevada



Source: U.S. Department of the Treasury, Internal Revenue Service. "SOI Tax Stats - Individual Income Tax Statistics - ZIP Code Data (SOI): 2015

Under current law, if a return is itemized, state and local taxes (SALT) are fully deductible, though there are limits on higher income taxpayers. SALT includes, amongst others, the state and local general sales tax, real estate taxes, and state and local income taxes. Taxpayers cannot take both the sales tax deduction and the income taxes deduction. Nevada does not have an income tax, so its residents tend to take the state and local general sales tax deduction, unless they work in other states and pay income taxes there. The Tax Cuts and Jobs Act (TCJA) caps the SALT deduction at \$10,000 for all these taxes combined for the 2018-2025 tax years. Nearly one-fifth of all returns—262,390 returns—filed by Nevada's taxpayers in 2015 contained the state and local sales tax deduction. The total amount of the deduction was \$480 million. In 2015, Nevada ranked 6th on the deduction as a percentage of the total amount of the deduction claimed nationwide.



State and Local Taxes (SALT), cont'd: Real Estates Taxes in Nevada



Source: U.S. Department of the Treasury, Internal Revenue Service. "SOI Tax Stats - Individual Income Tax Statistics - ZIP Code Data (SOI): 2015

For the 2015 tax year, the number of returns with the real estate taxes deduction was 271,540, or 20.5 percent of all returns filed. Those in the \$100,000-\$199,999 adjusted gross income (AGI) category filed the greatest number of returns with the deduction (78,300), while the highest percentage of returns with the deduction was in the top AGI category (31,870; 75.0 percent). The fewest returns with the deduction (and lowest percentage) were in the bottom AGI category (18,220; 3.7 percent). The total amount of the real estate taxes deduction for the 2015 tax year was slightly over \$809.2 million, which is about \$149.1 million shy of double the state and local general sales tax deduction for the same tax year. As with the state and local general sales tax deduction, the highest percentage claimed was by those in the \$100,000-\$199,999 AGI category (\$234.2 million; 1.3 percent).



Home Mortgage Interest Deduction in Nevada

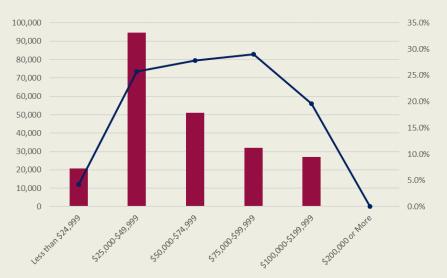


Source: U.S. Department of the Treasury, Internal Revenue Service. "SOI Tax Stats - Individual Income Tax Statistics - ZIP Code Data (SOI): 2015

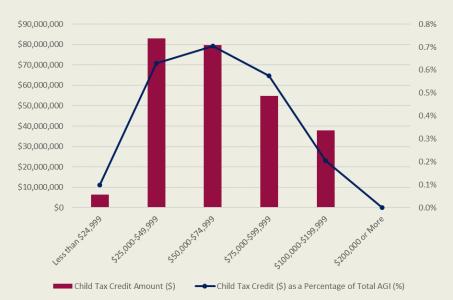
Under current law, taxpayers who itemize their returns can deduct nearly all of the mortgage interest on their homes. For the 2018-2025 tax years, the Tax Cuts and Jobs Act (TCJA) repeals the deduction for interest on home equity loans but retains itemized deductions for interest on existing acquisition debt. For homes purchased after December 15, 2017, the cap on qualifying acquisition debt is reduced to \$750,000. A substantial number of Nevada's taxpayers took the home mortgage interest deduction in the 2015 tax year, for a total amount in excess of \$2.3 billion (2.7 percent of total adjusted gross income [AGI]). Of all filed returns, 247,670 contained the deduction, or 18.7 percent. The greatest number of returns with the home mortgage interest deduction—72,310—was in the \$100,000-\$199,999 AGI category. The total deduction amount, by size of AGI, is highest for those in this category, as well, at \$760.4 million (4.1 percent).



Child Tax Credit in Nevada



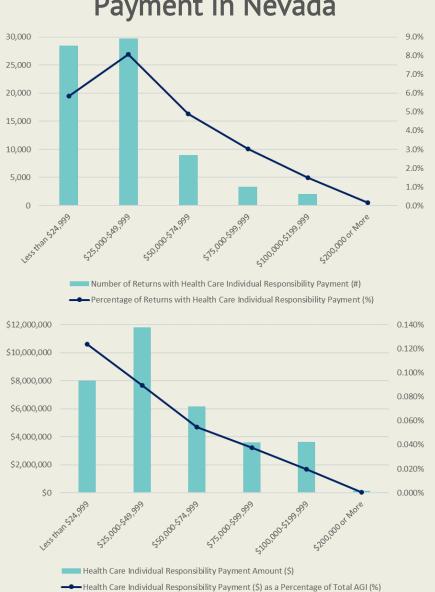
Number of Returns with Child Tax Credit (#) 🗕 Percentage of Returns with Child Tax Credit (%)



Source: U.S. Department of the Treasury, Internal Revenue Service. "SOI Tax Stats - Individual Income Tax Statistics - ZIP Code Data (SOI): 2015

Current law permits a tax credit of up to \$1,000 per qualifying child. The Tax Cuts and Jobs Act (TCJA) includes an amendment to the original Senate bill, filed by Nevada Senator Dean Heller and South Carolina Senator Tim Scott, that increases the child tax credit to \$2,000 for the 2018-2025 tax years. Under TCJA, the tax credit is refundable up to \$1,400, with adjusted gross income (AGI) phaseout thresholds of \$400,000 for married taxpayers filing joint returns and \$200,000 for all other taxpayers. In the 2015 tax year, 17.0 percent of returns were filed with the child tax credit, for a total of 225,590. The total credit amount was \$261.6 million (0.3 percent of total AGI). No returns were filed with the deduction in the top AGI category, which may be attributed to income phaseouts at higher thresholds. The greatest number of returns filed with the child tax credit were in the second AGI category of \$25,000-\$49,999 (94,530; 25.7 percent). Taxpayers in this AGI category claimed the largest amount of the credit, as well, at just over \$83.0 million.





Health Care Individual Responsibility Payment in Nevada

Source: U.S. Department of the Treasury, Internal Revenue Service. "SOI Tax Stats - Individual Income Tax Statistics - ZIP Code Data (SOI): 2015

Current law requires individuals to maintain minimum essential [health] coverage, qualify for an exemption, or pay a penalty. The Tax Cuts and Jobs Act (TCJA) zeroes out (i.e., eliminates) the individual shared responsibility payment permanently, beginning with the 2019 tax year. For the 2015 tax year, a total of 72,590 returns were filed with the payment, or 5.5 percent of all returns. The total payment amount was approximately \$33.4 million (0.0 percent of total adjusted gross income [AGI]). In the top AGI category, just 60 returns (0.1 percent) contained the health care individual responsibility payment, while in the bottom AGI category, 28,430 returns (5.9 percent) were filed with the payment. The elimination of the penalty could provide tax relief to many Nevadans but may leave some individuals in the state uninsured.

