Proposed Congressional Tax Plans: Implications for Nevada

INTRODUCTION

In late fall of 2017, the U.S. Congress took action to amend the Internal Revenue Code (IRC), or modify certain existing federal income tax provisions as they pertain to individuals and businesses.[a] The U.S. House of Representatives passed legislation on November 16, 2017, referred to as the Tax Cuts and Jobs Act (TCJA).[1] Just over two weeks later, on December 2, 2017, the U.S. Senate passed its version of the TCJA.[2] As the House and Senate bills are not identical, the two pieces of legislation must be reviewed by a conference committee to reconcile the differences. If the single bill reported out of committee passes both chambers, it may be sent to the president for his signature or a veto. If the president signs the bill, it becomes law, beginning with the 2018 tax year.

This policy brief discusses major provisions in the congressional proposals as they relate to Nevada and to individual taxpayers only.

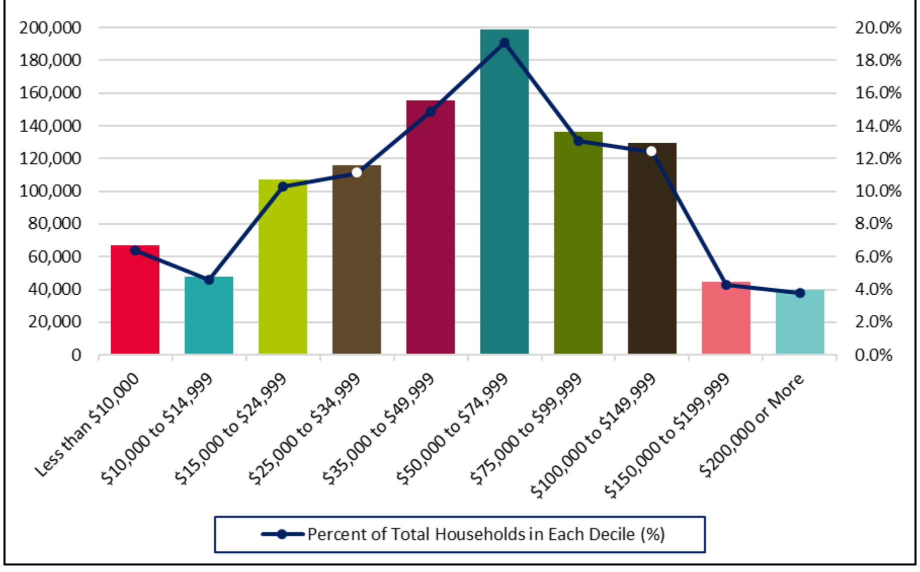
INDIVIDUAL INCOME

Overview

While the House and Senate tax plans differ in meaningful ways, both seek to amend the individual income tax provisions of the IRC. We examine the most significant proposed changes in the House- and Senate-passed legislation below. First, we present data on the distribution of household income in Nevada and selected tax statistics for the state. Both provide a sense of the universe of households and taxpayers.

As Figure 1 shows, household income is normally distributed, with the greatest number of households

Figure 1. Household Income Distribution in Nevada (2015)



[a] Codified in Title 26 of the United States Code (26 U.S.C.). Available: https://www.gpo.gov/fdsys/pkg/USCODE-2011-title26/pdf/USCODE-2011-title26.pdf.

(199,034; 19.1 percent) concentrated in the sixth decile, or the $50,000 to $74,999 income range.[3] 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).

Table 1 provides a breakdown of selected federal income tax statistics, according to filing status (single, joint, and head of household), total adjusted gross income (AGI), and taxable income, by size of AGI.[b, 4] It is a profile of selected taxpayers in Nevada for the 2015 tax year and does not reflect all returns filed.[c]

The greatest number of returns—single, joint, and head of household, combined—were filed by those in the lowest AGI bracket of less than $24,999 (480,050; 36.7 percent); the fewest number of returns (combined, by filing status) were filed by those in the highest AGI bracket of $200,000 or more (41,190; 3.2 percent). Those with an AGI of less than $24,999 have the least combined total taxable income (about $1.3 billion; 2.2 percent of the state total), while those with an AGI of $200,000 or more have the highest combined total taxable income (roughly $23.2 billion; 39.1 percent of the state total). Therefore, the smallest number/share of taxpayers in Nevada have the highest amount/share of total taxable income.

Table 1. Selected Federal Income Tax Statistics for Nevada for 2015 Tax Year

Size of Adjusted Gross Income (AGI)	Single Returns (#)	Joint Returns (#)	Head of Household Returns (#)	Total Adjusted Gross Income (AGI) ($)	Total Taxable Income ($)
Less than $24,999	325,460	54,570	100,020	$6,480,431,000	$1,309,982,000
$25,000-$49,999	183,130	86,150	90,770	$13,191,050,000	$6,553,056,000
$50,000-$74,999	73,080	82,210	24,750	$11,298,745,000	$7,291,493,000
$75,000-$99,999	29,550	70,020	9,190	$9,524,896,000	$6,731,342,000
$100,000-$199,999	23,130	107,300	6,650	$18,472,017,000	$14,222,201,000
$200,000 or More	6,920	33,060	1,210	$26,547,691,000	$23,212,559,000
Total	**641,270**	**433,310**	**232,590**	**$85,514,830,000**	**$59,320,633,000**

[b] AGI is total income, less certain deductions, which include, but are not limited to: educator expenses, moving expenses, the student loan interest deduction, domestic production activities, et cetera. See, for example: U.S. Department of the Treasury, Internal Revenue Service. "2016 Form 1040." Available: https://www.irs.gov/pub/irs-pdf/f1040.pdf.

[c] While various data sources were used in the compilation of this report, all federal income tax metrics for Nevada are based on Internal Revenue Service (IRS) data for the 2015 tax year, unless otherwise noted and/or cited.

Modification of Rates

Pursuant to the American Taxpayer Relief Act (ATRA) of 2012, 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).[d, 5] (See Appendix A for a definition of statutory tax rates.)

Tables 2A, 2B, and 2C detail the proposed changes to the brackets and statutory tax rates for single returns, joint returns, and head of household returns, relative to current law.[e, 6] (Note that they apply to *all* individual taxpayers, not just those residing in Nevada.)

Table 2A. Current Law vs. Proposed Legislation for Single Returns: Brackets and Statutory Tax Rates

Current Law			Senate-Passed Legislation			House-Passed Legislation		
Taxable Income (Over)	Taxable Income (But Not Over)	Statutory Tax Rate	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%	–	$45,000	12.0%
$9,325	$37,950	15.0%	$9,525	$38,700	12.0%			
$37,950	$91,900	25.0%	$38,700	$70,000	22.0%	$45,000	$200,000	25.0%
$91,900	$191,650	28.0%	$70,000	$160,000	24.0%			
$191,650	$416,700	33.0%	$160,000	$200,000	32.0%	$200,000	$500,000	35.0%
$416,700	$418,400	35.0%	$200,000	$500,000	35.0%			
$418,400	–	39.6%	$500,000	–	38.5%	$500,000	–	39.6%

Table 2B. Current Law vs. Proposed Legislation for Joint Returns: Brackets and Statutory Tax Rates

Current Law			Senate-Passed Legislation			House-Passed Legislation		
Taxable Income (Over)	Taxable Income (But Not Over)	Statutory Tax Rate	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%	–	$90,000	12.0%
$18,650	$75,900	15.0%	$19,050	$77,400	12.0%			
$75,900	$153,100	25.0%	$77,400	$140,000	22.0%	$90,000	$260,000	25.0%
$153,100	$233,350	28.0%	$140,000	$320,000	24.0%			
$233,350	$416,700	33.0%	$320,000	$400,000	32.0%	$260,000	$1,000,000	35.0%
$416,700	$470,700	35.0%	$400,000	$1,000,000	35.0%			
$470,700	–	39.6%	$1,000,000	–	38.5%	$1,000,000	–	39.6%

[d] Once enacted, tax rates are fixed. They typically are codified, though new law can supersede the IRC, as under ATRA. The new law either may either be codified or added to the U.S.C. as a statutory note, then later codified, amended, or repealed. However, while the brackets are defined initially in statute, they are adjusted for inflation annually by the IRS, beginning with the tax year prescribed by the law. See: U.S. Department of the Treasury, Internal Revenue Service. "Revenue Procedure 2016-55." Available: https://www.irs.gov/pub/irs-drop/rp-16-55.pdf; U.S. Department of the Treasury, Internal Revenue Service. 2016. "In 2017, Some Tax Benefits Increase Slightly Due to Inflation Adjustments, Others Are Unchanged." Available: https://www.irs.gov/newsroom/in-2017-some-tax-benefits-increase-slightly-due-to-inflation-adjustments-others-are-unchanged.

[e] "Current Law" refers to the 2017 brackets, as determined by the IRS, and the statutory tax rates established under ATRA. Each the "Senate-Passed Legislation" and the "House-Passed Legislation" refers to the brackets and statutory tax rates for the 2018 tax year, as delineated in the respective bills.

Table 2C. Current Law vs. Proposed Legislation for Head of Household Returns: Brackets and Statutory Tax Rates

Current Law			Senate-Passed Legislation			House-Passed Legislation		
Taxable Income (Over)	Taxable Income (But Not Over)	Statutory Tax Rate	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%	–	$67,500	12.0%
$13,350	$50,800	15.0%	$13,600	$51,800	12.0%			
$50,800	$131,200	25.0%	$51,800	$70,000	22.0%	$67,500	$200,000	25.0%
$131,200	$212,500	28.0%	$70,000	$160,000	24.0%			
$212,500	$416,700	33.0%	$160,000	$200,000	32.0%	$200,000	$500,000	35.0%
$416,700	$444,550	35.0%	$200,000	$500,000	35.0%			
$444,550	–	39.6%	$500,000	–	38.5%	$500,000	–	39.6%

Both chambers' tax plans would modify the statutory tax rates, albeit in different ways. The House-passed legislation would reduce the number of tax brackets to four, with statutory tax rates of 12 percent, 25 percent, 35 percent, and 39.6 percent.[7] The modification of rates under the House plan would be made permanent.[8] The Senate bill would retain the seven-bracket structure but would establish the statutory tax rates at 10 percent, 12 percent, 22 percent, 24 percent, 32 percent, 35 percent, and 38.5 percent, respectively.[9] (Statutory tax rates for the bottom bracket and sixth-highest bracket would be preserved, while the other five would be lowered.) Unlike the House-passed legislation, the modification of rates for individuals in the Senate plan would sunset (or expire) after the 2025 tax year.[10] They would revert to the current statutory rates, unless new legislation is enacted either to amend them or make them permanent.

If the Senate bill is approved, some taxpayers would fall into different brackets than they would under current law. For example, a taxpayer filing a single return with a taxable income of $80,000 would fall in the third bracket in 2017 but the fourth bracket in 2018. However, because statutory tax rates decrease for most brackets, that same individual would have a tax rate of 24.0 percent, rather than 25.0 percent. The lower statutory tax rates in the Senate legislation could help many individual taxpayers see a reduction in their federal income taxes, as a result of the rate modifications. Some taxpayers at the margins of the brackets could pay more, and the advantages that accrue from the changes to the rates may be offset by other proposed amendments to the IRC.

The House-passed legislation reduces the number of brackets to four, as previously noted. Three of the four preexisting tax rates are unchanged, with only the lowest statutory tax rate designed to increase by two percentage points, from 10.0 percent to 12.0 percent. How taxable income is distributed across the brackets diverges most noticeably from current law and differs somewhat from the Senate bill.

Consider, for example, a taxpayer whose filing status is single and whose taxable income is $40,000. Under current law, the statutory rate is 25.0 percent; under the Senate plan, the statutory tax rate would be 22.0 percent; and under the House plan, the statutory tax rate would be 12.0 percent. This taxpayer could realize the greatest benefit from the House-passed legislation versus either current law or the Senate version. By comparison, if this same taxpayer had a taxable income of $9,300, the statutory tax rate would increase to 12.0 percent, over the 10.0 percent s/he would pay under current law or the Senate plan.

Some taxpayers may pay more under the House plan, while some may pay less. The interaction between one's income, filing status, and statutory tax rate likely would determine the net effect. Actual outcomes for any given taxpayer would be contingent on the relationship between the modification of rates and other provisions in the legislation.

Above-the-Line Deductions

Above-the-line deductions are those adjustments to income that, when "subtracted from total income…establish the AGI."[11] While there are several, this subsection examines three selected income adjustments that are subject to change under either the House plan, the Senate plan, or both: educator expenses, the student loan interest deduction, and tuition and fees. (See Appendix A for the complete list for the 2016 tax year.)

Educator Expenses

Under current law, eligible educators:

> …can deduct up to $250 ($500 if married filing jointly and both spouses are eligible educators, but not more than $250 each) of unreimbursed trade or business expenses. Qualified expenses are amounts you paid or incurred for participation in professional development courses, books, supplies, computer equipment (including related software and services), other equipment, and supplementary materials that you use in the classroom.[f, 12]

The Senate bill would double the educator expenses deduction to $500 for a qualified educator for the 2018 through 2025 tax years.[g, 13] In contrast, the House-passed legislation proposes to repeal the educator expenses deduction entirely.[14]

Table 3, Figure 2A, and Figure 2B profile Nevadans who have taken this deduction previously and therefore may be affected by the proposed changes.[15] The number of returns filed with the educator expenses deduction is 24,690, representing less than two percent of all returns in 2015. The total amount of the deduction taken in the state was just under $6.5 million, which is a near-zero percentage of total AGI.

Table 3. Educator Expenses Deduction in Nevada for 2015 Tax Year

Size of Adjusted Gross Income (AGI)	Number of Returns with Deduction (#)	Total Number of Returns (#)	Percentage of Returns with Deduction (%)	Deduction Amount ($)	Total AGI (S)	Deduction ($) as a Percentage of Total AGI (%)
Less than $24,999	1,270	485,980	0.3%	$286,000	$6,480,431,000	0.0%
$25,000-$49,999	5,410	367,450	1.5%	$1,293,000	$13,191,050,000	0.0%
$50,000-$74,999	6,420	183,650	3.5%	$1,607,000	$11,298,745,000	0.0%
$75,000-$99,999	3,810	110,130	3.5%	$1,023,000	$9,524,896,000	0.0%
$100,000-$199,999	7,580	138,100	5.5%	$2,159,000	$18,472,017,000	0.0%
$200,000 or More	470	42,480	1.1%	$122,000	$26,547,691,000	0.0%
Total	**24,960**	**1,327,790**	**1.9%**	**$6,490,000**	**$85,514,830,000**	**0.0%**

[f] Eligible educators are defined as follows: "…if, for the tax year you're a kindergarten through grade 12 teacher, instructor, counselor, principal or aide for at least 900 hours a school year in a school that provides elementary or secondary education as determined under state law." See: U.S. Department of the Treasury, Internal Revenue Service. "Tax Topics–Topic No. 458-Educator Expense Deduction." Available: https://www.irs.gov/taxtopics/tc458.

[g] The Senate legislation does not specify whether the deduction would increase to $1,000 for taxpayers who are married, filing jointly, where both spouses are eligible educators.

Figure 2A. Number and Percentage of Returns with Educator Expense Deduction in Nevada (2015 Tax Year)

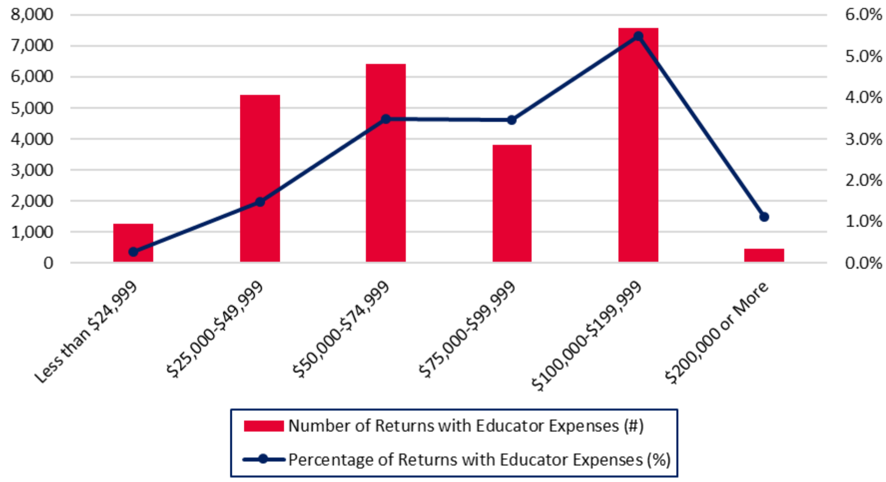
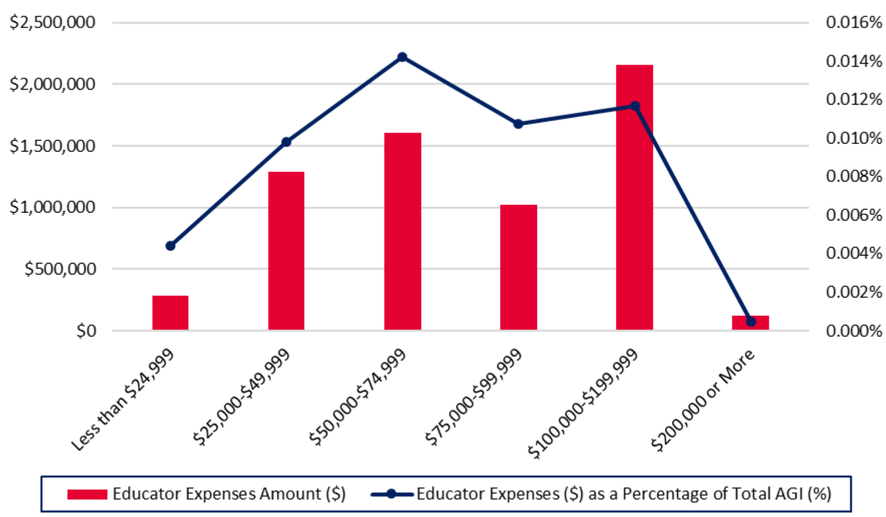


Figure 2B. Educator Expenses Deduction Amount and as a Percentage of AGI in Nevada (2015 Tax Year)



Student Loan Interest Deduction

Under current law, "Student loan interest is interest you paid during the year on a qualified student loan. It includes both required and voluntarily pre-paid interest payments. You may deduct the lesser of $2,500 or the amount of interest you actually paid during the year."[h, 16] This means that if a taxpayer's student

[h] Note that, "The deduction is gradually reduced and eventually eliminated by phaseout when your modified adjusted gross income (MAGI) amount reaches the annual limit for your filing status." See: U.S. Department of the Treasury, Internal Revenue Service. "Tax Topics–Topic Number: 456 - Student Loan Interest Deduction." Available: https://www.irs.gov/taxtopics/tc456. For additional information on the phaseout limit on MAGI, see: U.S. Department of the Treasury, Internal Revenue Service. "Publication 970 (2016), Tax Benefits for Education." Chapter 4. Available: https://www.irs.gov/publications/p970#en_US_2016_publink1000178230.

loan interest is less than or equal to $2,500, s/he can deduct the actual interest amount; if it exceeds $2,500, s/he can deduct only $2,500. The House-passed version would eliminate the student loan interest deduction.[17] The Senate-passed legislation does not contain language that would affect the current law as it pertains to the student loan interest deduction.[18]

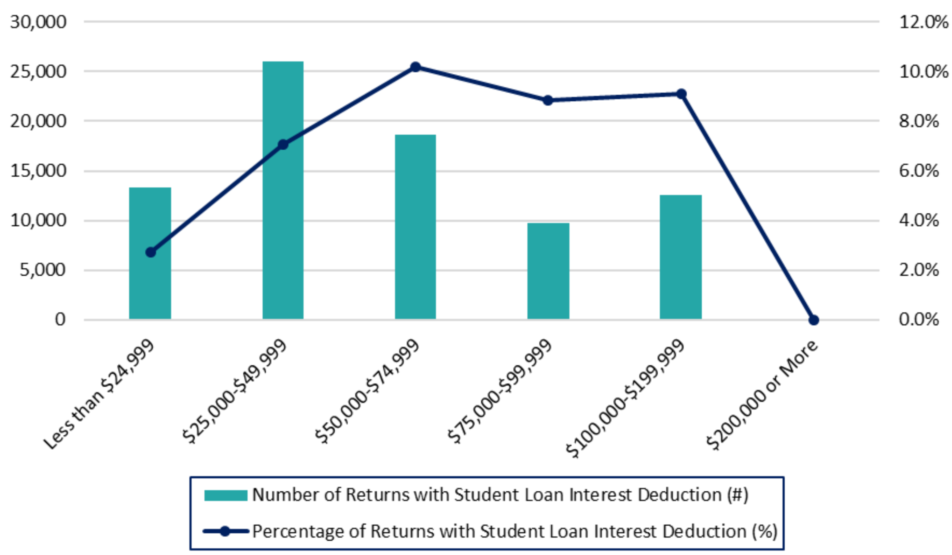
Table 4, Figure 3A, and Figure 3B present data on Nevadans who took the student loan interest deduction in 2015.[19] Six percent of all Nevada returns—80,030 returns—were filed with the student loan interest deduction. With a total amount of over $81 million, this deduction comprises 0.1 percent of total AGI. Filers in the bottom five AGI categories took advantage of the student loan interest deduction; in the top AGI category, no returns contained this income adjustment.

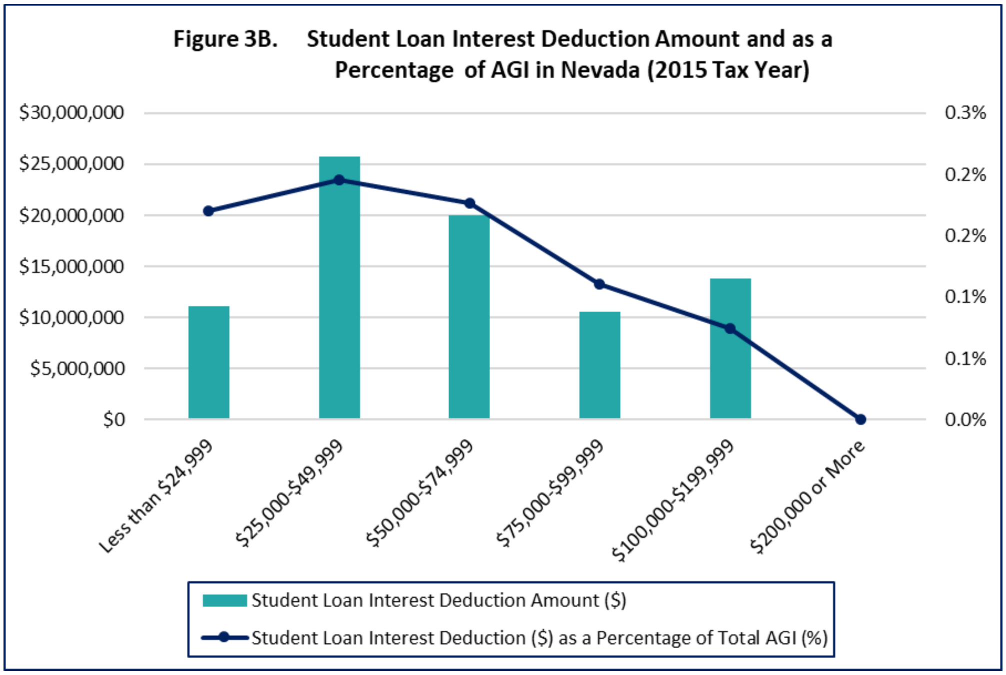
If a bill were to be enacted that did not repeal the student loan interest deduction, as in the Senate plan, Nevadans who use this income adjustment would continue to see the benefit of the reduction to AGI. However, if the provision in the House bill were enacted, Nevadans could no longer reduce AGI through this particular deduction.

Table 4. Student Loan Interest Deduction in Nevada for 2015 Tax Year

Size of Adjusted Gross Income (AGI)	Number of Returns with Deduction (#)	Total Number of Returns (#)	Percentage of Returns with Deduction (%)	Deduction Amount ($)	Total AGI (S)	Deduction ($) as a Percentage of Total AGI (%)
Less than $24,999	13,340	485,980	2.7%	$11,046,000	$6,480,431,000	0.2%
$25,000-$49,999	25,970	367,450	7.1%	$25,766,000	$13,191,050,000	0.2%
$50,000-$74,999	18,680	183,650	10.2%	$19,978,000	$11,298,745,000	0.2%
$75,000-$99,999	9,740	110,130	8.8%	$10,541,000	$9,524,896,000	0.1%
$100,000-$199,999	12,600	138,100	9.1%	$13,815,000	$18,472,017,000	0.1%
$200,000 or More	0	42,480	0.0%	$0	$26,547,691,000	0.0%
Total	**80,330**	**1,327,790**	**6.0%**	**$81,146,000**	**$85,514,830,000**	**0.1%**

Figure 3A. Number and Percentage of Returns with Student Loan Interest Deduction in Nevada (2015 Tax Year)





Tuition and Fees

The tuition and fees deduction is an adjustment to income for qualified education expenses, which are defined as, "tuition and certain related expenses required for enrollment or attendance at an eligible educational institution."[20] The deduction is "based on qualified education expenses you pay for yourself, your spouse, or a dependent for whom you claim an exemption on your tax return."[21] Under current law, the maximum benefit is $4,000.[22] The House bill would repeal the deduction.[23] The Senate bill would leave the tuition and fees deduction unchanged.[24]

Table 5, Figure 4A, and Figure 4B provide data on Nevada taxpayers who have taken the tuition and fees deduction.[25] Relative to the educator expenses deduction or the student loan interest deduction, comparatively few Nevadans adjust their income for tuition and fees: just 11,160 returns (0.8 percent) in the 2015 tax year contained the deduction. As such, while relatively few taxpayers would be affected by a potential elimination of the tuition and fees deduction, those that do take it could see a sizable effect. The greatest number of returns with the deduction were in the bottom AGI category (4,300; 0.9 percent), though the highest percentage of returns was in the $100,000-$199,999 category (2,800; 2.0 percent); none in the top AGI category took the deduction.

Table 5. Tuition and Fees Deduction in Nevada for 2015 Tax Year						
Size of Adjusted Gross Income (AGI)	Number of Returns with Deduction (#)	Total Number of Returns (#)	Percentage of Returns with Deduction (%)	Deduction Amount ($)	Total AGI ($)	Deduction ($) as a Percentage of Total AGI (%)
Less than $24,999	4,300	485,980	0.9%	$11,135,000	$6,480,431,000	0.2%
$25,000-$49,999	1,400	367,450	0.4%	$2,855,000	$13,191,050,000	0.0%
$50,000-$74,999	2,560	183,650	1.4%	$4,644,000	$11,298,745,000	0.0%
$75,000-$99,999	100	110,130	0.1%	$184,000	$9,524,896,000	0.0%
$100,000-$199,999	2,800	138,100	2.0%	$5,130,000	$18,472,017,000	0.0%
$200,000 or More	0	42,480	0.0%	$0	$26,547,691,000	0.0%
Total	**11,160**	**1,327,790**	**0.8%**	**$23,948,000**	**$85,514,830,000**	**0.0%**

Figure 4A. Number and Percentage of Returns with Tuition and Fees Deduction in Nevada (2015 Tax Year)

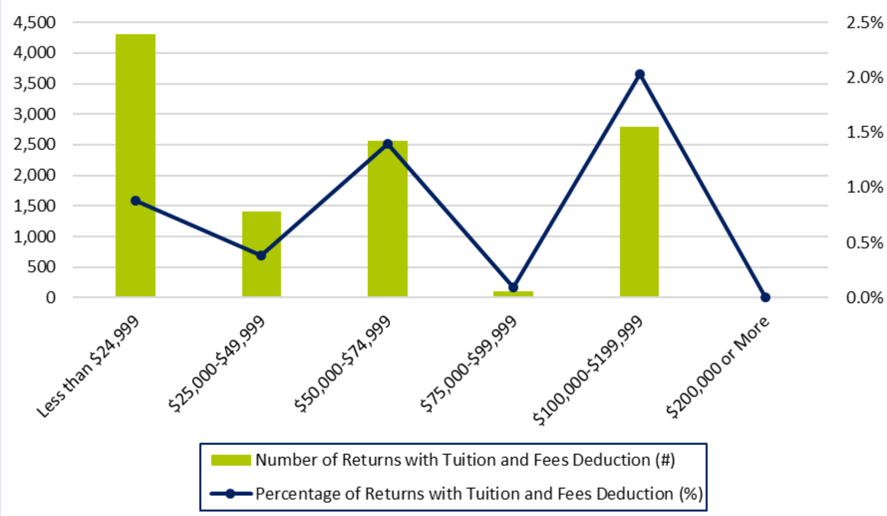
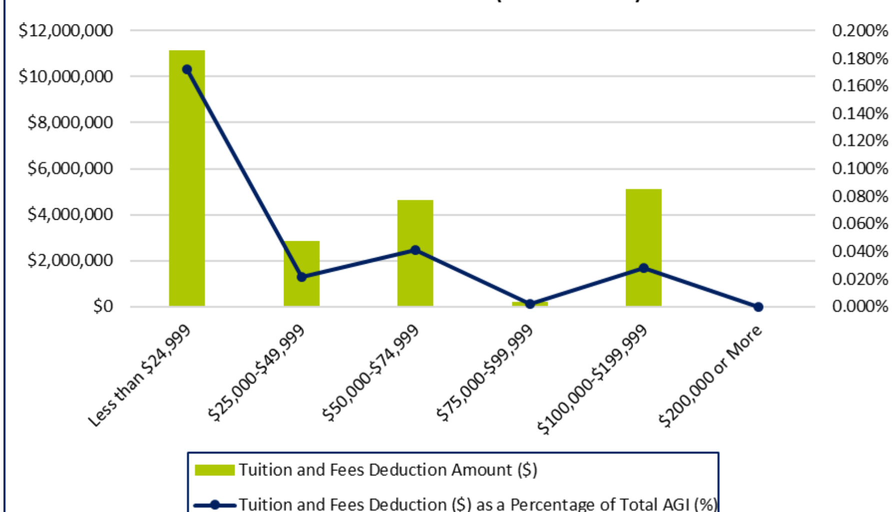


Figure 4B. Tuition and Fees Deduction Amount and as a Percentage of AGI in Nevada (2015 Tax Year)



Below-the-Line Deductions

Below-the-line deductions "are applied *after* AGI is calculated to arrive at taxable income."[26] These are the standard deduction or itemized deductions, though personal exemptions qualify, as well. Both the House and Senate bills would increase the standard deduction, though each treats certain itemized deductions differently. We will define each below and assess the implications of the proposed changes for Nevada's taxpayers.

Standard Deduction

The standard deduction "is a specific dollar amount that reduces the amount of income on which you're taxed. Your standard deduction consists of the sum of the basic standard deduction and any additional standard deductions for age and/or blindness. In general, the standard deduction is adjusted each year for inflation and varies according to your filing status, whether you're 65 or older and/or blind, and whether another taxpayer can claim you as a dependent. The standard deduction isn't available to certain taxpayers. You can't take the standard deduction if you itemize your deductions."[i, 27] (See discussion below on itemized deductions.) It is deducted from AGI and thus factors into the computation of taxable income.

For the 2017 tax year, the standard deduction for single returns is $6,350; it is $12,700 for joint returns, and $9,350 for head of household returns.[28] Both the House and Senate tax plans would increase the standard deduction, though all filers would see a slightly greater benefit under the House legislation.

Under the House bill, the standard deduction would increase to $12,200 for single returns (and all other taxpayers but those filing joint returns/surviving spouse returns or heads of household returns), $24,400 for joint returns/surviving spouse returns, and $18,300 for head of household returns.[29] For the 2018-2025 tax years, the Senate bill would increase the standard deduction to $12,000 for single returns (and all other taxpayers but those filing joint returns/surviving spouse returns or heads of household returns), $24,000 for joint returns/surviving spouse returns, and $18,000 for head of household returns.[30]

Irrespective of whether the House version or the Senate version were to be enacted, taxpayers could see significant reductions to taxable income as a result of the nearly-doubling of the standard deduction for each filing status. However, the benefit of these proposed enhancements may be counterbalanced by the potential elimination of personal exemptions. (For more on personal exemptions, see Appendix A.) The net effect hinges on whether the increased standard deduction, with zero personal exemptions, is greater than the current standard deduction, plus the personal exemption(s). Depending on family size, filing status, and AGI, some taxpayers could see a reduced tax burden, while the opposite would be true for other taxpayers.

[i] Applicable to all individual taxpayers, not just those residing in Nevada.

Itemized Deductions

Like the standard deduction, itemized deductions are deducted from AGI to calculate taxable income.[j] Unlike the standard deduction, which is a fixed dollar amount for each filing status, itemized deductions are a set of deductible, actual expenses that may be taken *in lieu* of the standard deduction. Itemized deductions currently include, amongst others: state and local sales and income taxes; real estate taxes; home mortgage interest; charitable contributions; et cetera.[31] We address the major proposed legislative changes in this sub-subsection.

Before doing so, however, two points should be taken into consideration. First, some analysts have suggested that the proposed increases to the standard deduction could mean that certain taxpayers would choose not to itemize their deductions, insofar as the higher standard deduction may provide a greater reduction than would itemized deductions.[32] Moreover, some of the proposed changes to the set of itemized deductions may minimize the cost savings that some taxpayers realize from itemizing their deductions, reinforcing the decision to take the standard deduction instead. As we shall see, if some taxpayers who previously itemized are more likely to take the standard deduction—this shift could have broad economic consequences.[33]

Second, research has shown that "the higher a household's income, the more likely it is to itemize deductions."[34] As Table 6, Figure 5A, and Figure 5B show, this tendency holds true in Nevada.[35]

Table 6. Itemized Deductions in Nevada, by Size of AGI (2015 Tax Year)

Size of Adjusted Gross Income (AGI)	Returns with Itemized Deductions (#)	Total Returns (#)	Total Returns with Itemized Deductions as a Percentage of Total Returns (%)	Total Itemized Deductions Amount ($)
Less than $24,999	29,250	485,980	6.0%	$444,168,000
$25,000-$49,999	70,340	367,450	19.1%	$1,132,027,000
$50,000-$74,999	66,590	183,650	36.3%	$1,228,185,000
$75,000-$99,999	51,040	110,130	46.3%	$1,072,484,000
$100,000-$199,999	85,810	138,100	62.1%	$2,209,424,000
$200,000 or More	34,210	42,480	80.5%	$2,786,380,000
Total	**337,240**	**1,327,790**	**25.4%**	**$8,872,668,000**

The greatest number of returns with itemized deductions were filed by those in the $100,000-$199,999 AGI category. In general, Nevada taxpayers with an AGI of less than $100,000 for the 2015 tax year filed 217,220 returns that were itemized, or 18.9 percent of all returns for the bottom four AGI categories; those with an AGI of $100,000 or more filed 120,020 itemized returns, or 66.5 percent of all returns for the top two AGI categories.

The potential changes to itemized deductions may have a greater impact on higher income taxpayers than lower income taxpayers in Nevada. However, given that a not-insignificant number of taxpayers across all

[j] Applicable to all individual taxpayers, not just those residing in Nevada.

sizes of AGI forgo the standard deduction in favor of itemizing, the statistics on itemized returns provide some context for the subsequent analysis. (See Appendix A for a description of the limits on itemization.)

Figure 5A. Number of Returns with Itemized Deductions in Nevada, by Size of AGI (2015 Tax Year)

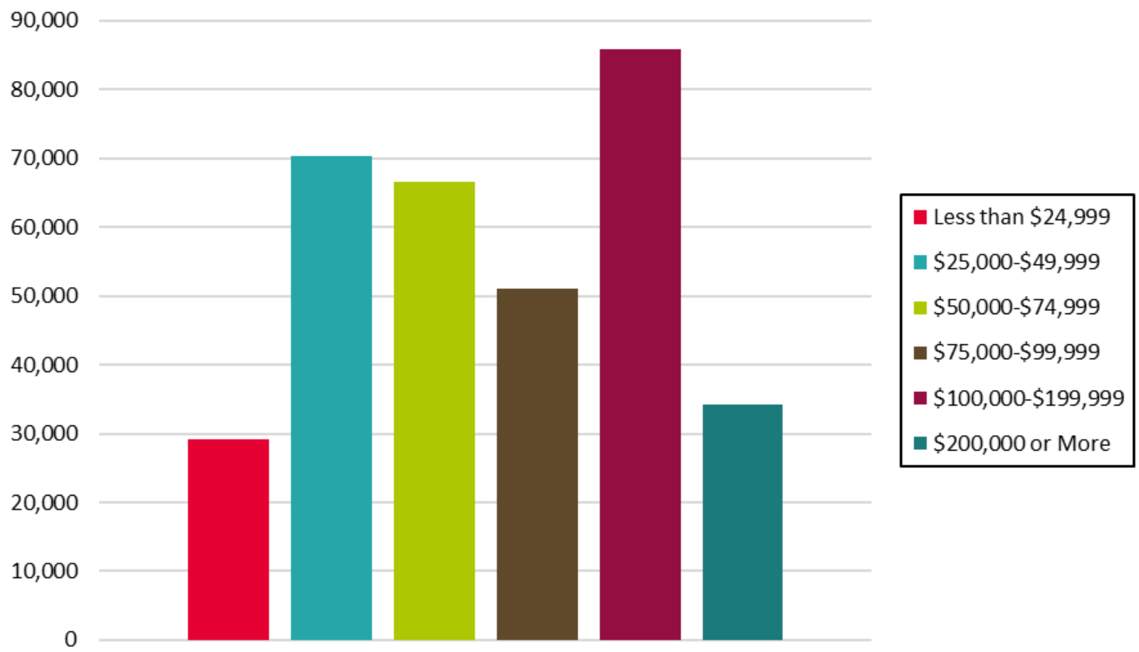
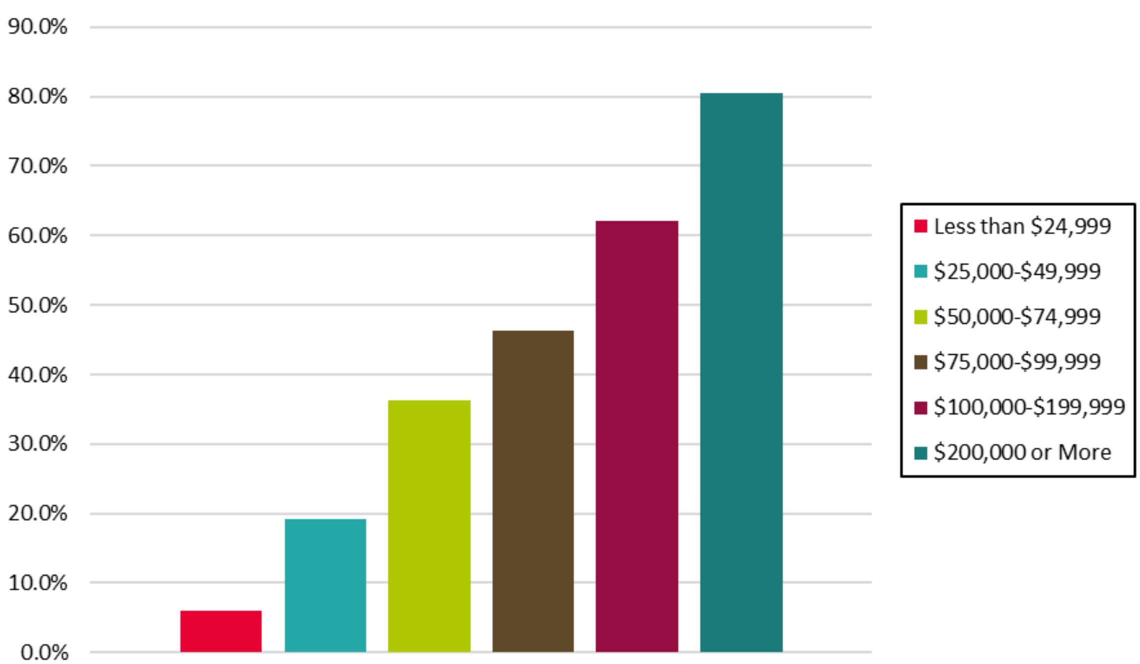


Figure 5B. Total Returns with Itemized Deductions as a Percentage of Total Returns in Nevada, by Size of AGI (2015 Tax Year)



State and Local Taxes (SALT)

For those taxpayers who itemize their returns, current law permits four types of deductible nonbusiness taxes: state, local, and foreign income taxes; state and local general sales taxes; state, local, and foreign real estate taxes; and state and local personal property taxes.[k, 36] Taxpayers "can elect to deduct state and local general sales taxes instead of state and local income taxes, but…can't deduct both."[37] It is assumed that the filer will likely choose the option that provides the greatest reduction to taxable income.

Both the House and Senate tax plans have identical provisions: with the exception of real estate taxes (i.e., taxes on real property, or "property taxes"), which would be retained—though capped at $10,000—SALT would be repealed.[l, 38] Nevada taxpayers' use of these deductions is evaluated below.[m]

A. State and Local General Sales Tax Deduction

Table 7, Figure 6A, and Figure 6B present data on the state and local general sales tax deduction in Nevada for the 2015 tax year.[39]

Table 7. State and Local General Sales Tax Deduction in Nevada for 2015 Tax Year

Size of Adjusted Gross Income (AGI)	Number of Returns with Deduction (#)	Total Number of Returns (#)	Percentage of Returns with Deduction (%)	Deduction Amount ($)	Total AGI (S)	Deduction ($) as a Percentage of Total AGI (%)
Less than $24,999	21,640	485,980	4.5%	$18,654,000	$6,480,431,000	0.3%
$25,000-$49,999	55,120	367,450	15.0%	$70,634,000	$13,191,050,000	0.5%
$50,000-$74,999	51,910	183,650	28.3%	$78,786,000	$11,298,745,000	0.7%
$75,000-$99,999	39,880	110,130	36.2%	$69,996,000	$9,524,896,000	0.7%
$100,000-$199,999	68,290	138,100	49.4%	$150,067,000	$18,472,017,000	0.8%
$200,000 or More	25,550	42,480	60.1%	$91,042,000	$26,547,691,000	0.3%
Total	**262,390**	**1,327,790**	**19.8%**	**$479,179,000**	**$85,514,830,000**	**0.6%**

As previously noted, while the propensity to itemize deductions is increasing in size of AGI, it does not follow, necessarily, that any given itemized deduction is limited to higher income taxpayers. Such is the case with the state and local general sales tax deduction. A number of taxpayers across all AGI groups

[k] While foreign taxes are mentioned, these deductions commonly are referred to as state and local taxes, or SALT.
[l] The SALT changes would be made permanent under the House plan, beginning with the 2018 tax year, and would apply to tax years 2018-2025 under the Senate plan.
[m] We note the following in advance: (1) the dataset for the 2015 tax year identifies these taxes as state and local, with no indication that foreign taxes are included, and we do not presume otherwise; (2) while data is available for state and local income taxes, it is not presented here—there is no state or local income tax in Nevada, and, as such, its taxpayers only pay state and local income taxes if they work in other states and pay income taxes to those states, which means it is not a germane metric for a Nevada analysis; (3) IRS data is not available for personal property taxes, and we did not collect it from an alternative source to ensure comparability across other individual income tax data presented herein (which is from a single IRS dataset); and (4) for state and local sales taxes and real estate taxes, we compare Nevada to the other 49 states and the District of Columbia, as it has been suggested that the near-entire repeal of SALT would have a differential impact across states.

could feel the effects of the proposed legislative change. In fact, nearly one-fifth of all returns—262,390 returns—filed by Nevada's taxpayers in 2015 contained the deduction.

Figure 6A. Number and Percentage of Returns with State and Local General Sales Tax Deduction in Nevada (2015 Tax Year)

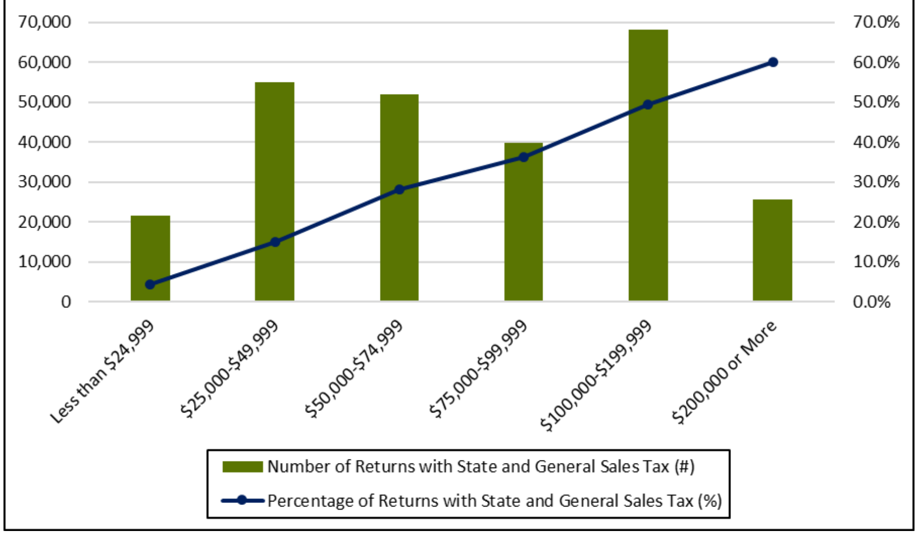
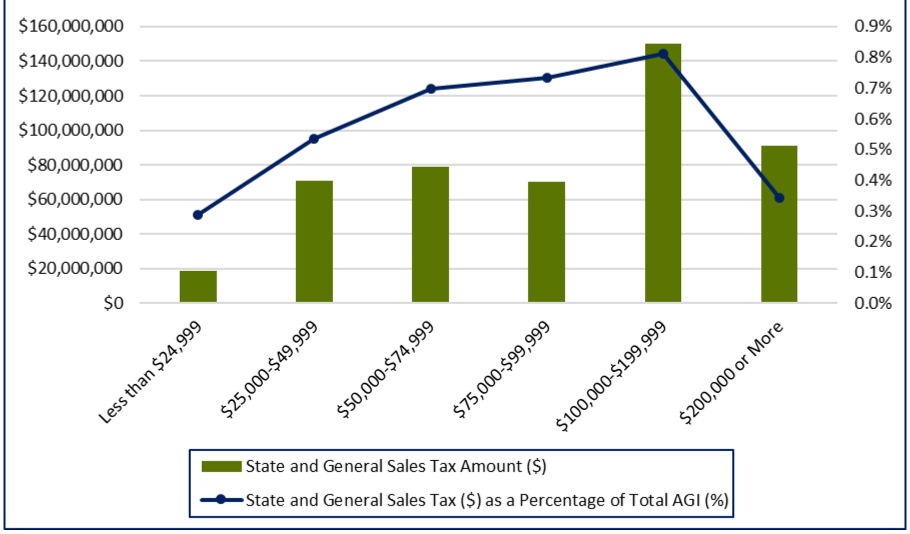


Figure 6B. State and Local General Sales Tax Deduction Amount and as a Percentage of AGI in Nevada (2015 Tax Year)



The total state and local general sales tax deduction for Nevada in 2015 amounted to nearly $480 million, or 0.6 percent of total AGI.

Analysts have suggested that Iif the House or Senate provision to eliminate the state and local general sales tax deduction prevails, and taxpayers choose to take the standard deduction, one possible outcome is decreased consumer spending in the state. One analysis observes, "Deductions for state and local taxes lower the federal liability for individuals who claim them, resulting in additional disposable income for the filers. Higher disposable income generally boosts economic activity."[40] Similarly, a resolution recently introduced in the General Assembly of Pennsylvania states that, "…the sales tax deduction provides…incentives for encouraging consumer spending which causes economic growth[.]"[41] And the Government Finance Officers Association (GFOA), which represents public finance officials throughout the United States and Canada, concurs: "The sales tax deduction provides similar incentives for encouraging spending — which facilitates economic growth."[42]

Thus, while it has been suggested that the enticement of deductible sales taxes may encourage consumer spending, it is uncertain whether the opposite is true: that is, would Nevada taxpayers confronting the absence of the deduction and, simultaneously, a potentially higher tax burden, despite the increased standard deduction, decide to limit purchases? This effect could result from taxpayers having less money overall to spend if their income taxes increase and/or from the nature of the provision itself, which might deter spending if taxes on these expenses cannot be "written off."

Earlier, we quoted the IRS on the utility of the state and local general sales tax deduction to taxpayers in states that do not levy income taxes. Along with Alaska, Florida, South Dakota, Texas, Washington, and Wyoming, Nevada does not have an individual income tax.[43] As Nevada taxpayers, by and large, cannot claim the state and local income taxes deduction, if they do decide to itemize, when presented with the choice to select the higher of the two, there is no option but to take the state and local general sales tax deduction.

As Table 8 indicates, Nevada ranks sixth of all states and the District of Columbia on the metric, "% of Amount Claimed," which is the deduction as a percentage of the total amount of the deduction nationwide.[44] (Table 8 includes only Nevada, the Intermountain West states, and the U.S. totals and percentages; for the full table, see Appendix B.)

Table 8. State and Local General Sales Tax Deduction, Intermountain West States (2015 Tax Year)

State Name	# of Returns with Deduction	# of Returns	% of Returns with Deduction	% of Returns in the State	Amount of Deduction	Total AGI in the State	% of Amount Claimed	Deduction as a % of State AGI	Rank
Texas	2,194,460	11,991,090	23.4%	18.3%	$4,729,360,000	$824,818,827,000	29.2%	0.6%	1
California	956,690	17,470,510	10.2%	5.5%	$1,443,572,000	$1,406,604,166,000	8.9%	0.1%	4
Nevada	**262,390**	**1,327,790**	**2.8%**	**19.8%**	**$479,179,000**	**$85,514,830,000**	**3.0%**	**0.6%**	**6**
Arizona	184,390	2,857,440	2.0%	6.5%	$312,806,000	$176,370,572,000	1.9%	0.2%	9
Colorado	73,970	2,578,060	0.8%	2.9%	$89,530,000	$192,108,408,000	0.6%	0.0%	21
Utah	30,330	1,247,750	0.3%	2.4%	$40,019,000	$80,827,366,000	0.2%	0.0%	33
New Mexico	24,230	901,280	0.3%	2.7%	$29,402,000	$47,385,811,000	0.2%	0.1%	38
United States	**9,377,470**	**146,918,270**	**100.0%**	**6.4%**	**$16,196,286,000**	**$10,201,187,957,000**	**100.0%**	**0.2%**	**–**

Note: Ranked by the Guinn Center on % of Amount Claimed (highest to lowest).

That Texas (1st), Florida (2nd), and Washington (3rd)—per Appendix B—join Nevada in the top 10 is unsurprising, given that it conforms to the expectation that taxpayers in those states without individual income taxes are more likely to claim the state and local general sales tax deduction.[45] Intermountain West states figure prominently in the top 10 of Percent of Amount Claimed: Texas, ranked first, with nearly one-third of the total deduction claimed (29.2 percent), California (8.9 percent; 4th), Nevada (3.0 percent; 6th), and Arizona (1.9 percent; 9th).

There is consensus that the proposed elimination of SALT would have consequences for state budgets. The general sense is that states, particularly those affected most deeply by potential repeal, would have difficulty raising state and/or local taxes, and may face pressure to lower such taxes.[46] Some have criticized the House and Senate tax proposals, asserting that:

> …the SALT deduction helps state and local governments fund public services that provide widely shared benefits. That's because, with this deduction, higher-income filers are more willing to support state and local taxes. Repealing the deduction would almost certainly make it harder for states and localities — many of which already face serious budget strains — to raise sufficient revenues in the coming years to fund K-12 and higher education, health care, and other services.[47]

Others contend that SALT "encourages state and local governments to raise their taxes higher than they would without it. If [the deduction were eliminated], state and local governments would face stronger pressure to keep their taxes low."[48]

While the preceding claims apply to SALT in the broadest sense, not just the state and local general sales tax deduction, it is the possible repeal of the state and local general sales tax deduction that could be most consequential for Nevada's ability to finance its operations. As previously mentioned, Nevada has no state income tax. This means that it has relatively few available fiscal instruments to raise revenue. [We will discuss real estate taxes next, but it should be noted here that property taxes primarily fund local governments; in fact, in fiscal year (FY) 2016, just 5.4 percent of property tax revenue was distributed to the state, and it was used to service debt.[49]] A balanced state tax system is understood typically as one in which income, sales, and real estate taxes are relatively equal contributors to revenue.[50]

Given that Nevada lacks a state income tax and sees the bulk of real estate taxes directed to sub-state jurisdictions, the burden shifts to the sales tax as a state funding source. In fact, Nevada is highly dependent on the state sales and use tax. It is a major fund, defined as "one in which "total assets, liabilities, revenues, or expenditures/expenses…are at least 10 percent of the corresponding total for all funds of that category or type."[51] Sales tax revenues are deposited in the General Fund, along with the following: the Gaming Percentage Fee Tax; the Live Entertainment Tax–Gaming; the Commerce Tax; the Cigarette Tax; the Modified Business Tax (for each Nonfinancial Businesses, Financial Businesses, and Mining Businesses); the Insurance Premium Tax; and the Real Property Transfer Tax.[n]

For the current fiscal year—Fiscal Year (FY) 2018—the total state sales and use tax is forecasted at nearly $1.2 billion, or 30.6 percent of total General Fund revenue after tax credits (approximately $3.9 billion).[52] To put the sales and use tax into perspective, the next-highest revenue source deposited in the General Fund is the Gaming Percentage Fee Tax, at about $746.8 million (19.0 percent of total General Fund revenue after tax credits).[53] As a funding source, the sales and use tax represents roughly 9.2 percent of the approximately $13.1 billion legislatively approved budget for FY 2018.[54]

[n] The General Fund is a governmental fund "…used to receive all revenues and account for all expenditures not otherwise provided by law to be accounted for in any other fund." See: Nevada Revised Statutes. § 353.323(2). Available: http://www.leg.state.nv.us/nRs/NRS-353.html#NRS353Sec323. It is the state's major operating fund.

A confluence of factors—the potential for decreased spending if the standard deduction is a more attractive option to Nevada taxpayers than itemized deductions, less disposable income if the proposed tax changes imposes an increased burden on taxpayers, in combination with the state's reliance on the sales and use tax as a major source of revenue—could mean that the potential repeal of the state and local general sales tax deduction could have significant impacts for the state and its residents.

B. Real Estate Taxes Deduction

The House and Senate tax proposals do not eliminate the real estate taxes deduction. However, both would place a ceiling of $10,000 on the deductible amount, which means that property tax deductions in excess of $10,000 would not be allowable.[55] Information on Nevada taxpayers who have claimed the real estate taxes deduction is presented in Table 9 and displayed in Figures 7A and 7B.[56] The distribution of use closely mirrors that of the state and local general sales deduction. However, real estate tax deductions are considerably higher than state and local general sales tax deduction.

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 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). Hence, a good portion of taxpayers claim the real estate taxes deduction, regardless of AGI size, meaning that a cap is likely to affect Nevada's taxpayers across the income spectrum. That said, the proportion of taxpayers who claim the deduction increases with size of AGI, so the proposed legislative change might be felt more acutely among higher income taxpayers, particularly those whose property taxes exceed the threshold, to the extent that they live in relatively more expensive homes.

Table 9. Real Estate Taxes Deduction in Nevada for 2015 Tax Year

Size of Adjusted Gross Income (AGI)	Number of Returns with Deduction (#)	Total Number of Returns (#)	Percentage of Returns with Deduction (%)	Deduction Amount ($)	Total AGI (S)	Deduction ($) as a Percentage of Total AGI (%)
Less than $24,999	18,220	485,980	3.7%	$37,271,000	$6,480,431,000	0.6%
$25,000-$49,999	46,240	367,450	12.6%	$80,831,000	$13,191,050,000	0.6%
$50,000-$74,999	52,940	183,650	28.8%	$102,939,000	$11,298,745,000	0.9%
$75,000-$99,999	43,970	110,130	39.9%	$98,258,000	$9,524,896,000	1.0%
$100,000-$199,999	78,300	138,100	56.7%	$234,208,000	$18,472,017,000	1.3%
$200,000 or More	31,870	42,480	75.0%	$255,703,000	$26,547,691,000	1.0%
Total	**271,540**	**1,327,790**	**20.5%**	**$809,210,000**	**$85,514,830,000**	**0.9%**

Figure 7A. Number and Percentage of Returns with Real Estate Taxes Deduction in Nevada (2015 Tax Year)

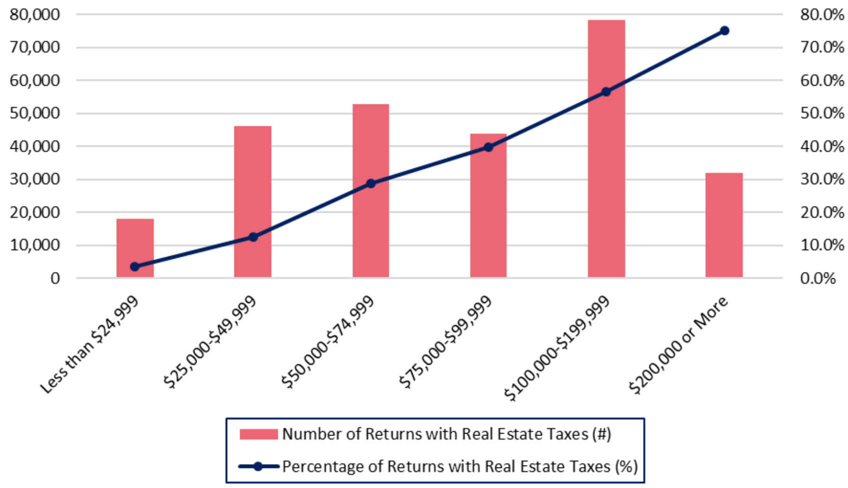
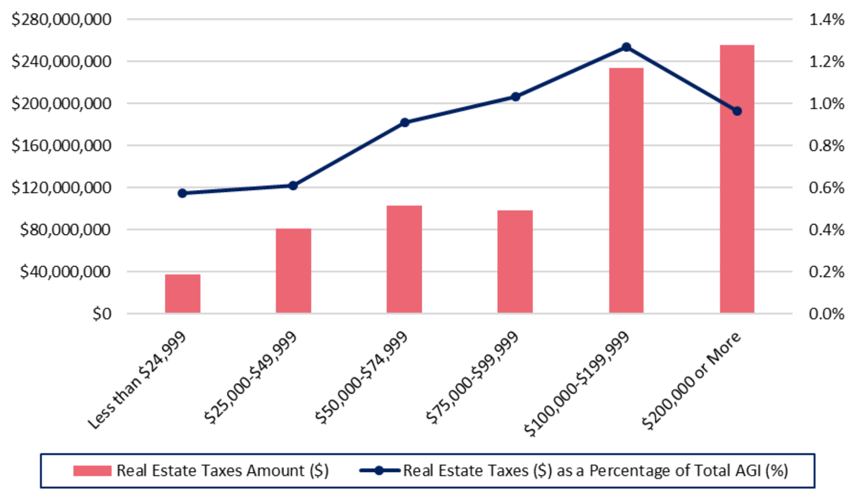


Figure 7B. Real Estate Taxes Deduction Amount and as a Percentage of AGI in Nevada (2015 Tax Year)



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).

Due to a variety of structural features in Nevada's property tax system, residents enjoy a low property burden per capita.[57] An analysis released in 2017 by the Guinn Center—in conjunction with the Department of Economics (College of Business), University of Nevada, Reno—showed that property tax revenue per capita for 2014 was $953; this ranked Nevada 39th of all states and the District of Columbia, with rank determined by highest property tax revenue per capita (1) to lowest property tax revenue per capita (51).[58]

This bears out in a comparison of Nevada to other states' income tax returns with the real estate taxes deduction, as we show in Table 10.[59] (Table 10 includes only Nevada, the Intermountain West states, and the U.S. totals and percentages; for the full table, see Appendix C.)

Table 10. Real Estate Taxes Deduction, Intermountain West States (2015 Tax Year)

State Name	# of Returns with Deduction	# of Returns	% of Returns with Deduction	% of Returns in the State	Amount of Deduction	Total AGI in the State	% of Amount Claimed	Deduction as a % of State AGI	Rank
California	4,813,230	17,470,510	12.9%	27.6%	$28,274,459,000	$1,406,604,166,000	15.2%	2.0%	1
Texas	2,320,590	11,991,090	6.2%	19.4%	$14,758,360,000	$824,818,827,000	7.9%	1.8%	4
Colorado	755,530	2,578,060	2.0%	29.3%	$1,983,480,000	$192,108,408,000	1.1%	1.0%	20
Arizona	722,050	2,857,440	1.9%	25.3%	$1,937,596,000	$176,370,572,000	1.0%	1.1%	22
Utah	401,130	1,247,750	1.1%	32.1%	$972,586,000	$80,827,366,000	0.5%	1.2%	30
Nevada	**271,540**	**1,327,790**	**0.7%**	**20.5%**	**$809,210,000**	**$85,514,830,000**	**0.4%**	**0.9%**	**34**
New Mexico	176,390	901,280	0.5%	19.6%	$467,808,000	$47,385,811,000	0.3%	1.0%	39
United States	**37,391,540**	**146,918,270**	**100.0%**	**25.5%**	**$186,461,619,000**	**$10,201,187,957,000**	**100.0%**	**1.8%**	**–**

Note: Ranked by the Guinn Center on % of Amount Claimed (highest to lowest).

Nevada ranks thirty-fourth of all states and the District of Columbia on the metric, "% of Amount Claimed," which is the deduction as a percentage of the total amount of the deduction nationwide. Of the Intermountain West states, only California (15.2 percent; 1st) and Texas (7.9 percent; 4th) rank in the top 10. At 0.4 percent, Nevada's percent of amount claimed is fairly low.

There is a seeming contradiction of sorts: a near-equal number of Nevadans claim the real estate taxes deduction as they do the state and local general sales tax deduction, and the amounts claimed for the former exceed the latter. Yet, Nevadans enjoy a relatively low property tax burden, which registers clearly in its rank of 34th on the deduction as a percentage of the total amount of the deduction nationwide, versus 6th for the same metric for the state and local general sales tax deduction.

There are two possible explanations for this discrepancy: (1) as previously observed, Nevada's taxpayers claim the state and local general sales tax deduction at a much higher rate than other states, given that few can take the state and local income taxes deduction—this propels the state toward the top of the rankings; and/or (2) taxpayers in all states can take the real estate taxes deduction, along with either state and local general sales tax or state and local income tax, which suggests that these rankings turn more directly on highest to lowest taxes (rather than the decision over type of deduction)—as an example, New Jersey ranks third on "% of Amount Claimed," with a total deduction amount statewide of $14.9 billion, which corresponds to its ranking second on property tax revenue per capita ($3,065 for 2014).[60]

Data is not available on the number of Nevada taxpayers whose property taxes are greater than $10,000.[61] But for those that pay real estate taxes in excess of the proposed cap, the additional amount would no longer be deductible. And the limit on property taxes is set below the amended standard deduction amounts in the House and Senate tax plans. As with the state and local general sales tax deduction, this means that, for all taxpayers, the real estate taxes deduction would need to be combined with other itemized deductions such that the total exceeds the standard deduction. Similarly, it raises the following question: if the property tax deduction is not cost effective—either alone, or in combination with other itemized deductions—and Nevada taxpayers choose to take the standard deduction, what are the implications?

Some analysts have asserted that the cap on the real estate taxes deduction would discourage home ownership, particularly if fewer taxpayers choose to itemize. The argument is that limits on property tax deductibility "sap the incentive value of the property tax deduction."[62] In other words, home ownership is an attractive option only to the extent that some of the associated costs can be offset. If real estate taxes exceed the standard deduction amount, the difference would translate into an effective increase in the cost of ownership, at least for current owners. Prospective buyers might offer less when shopping for homes, as they would need to account for the effect of tax changes in their bids.[63] This could result in a paradoxical outcome: home owners may face increased costs to ownership, while home values decline. This has raised the specter of another housing crisis.[64]

The counterclaim is that, if the property tax deduction were retained in its current form:

> ...the policy would only encourage state and local governments to raise their property taxes, hurting low and middle-income Americans, most of whom don't deduct their property taxes from their federal taxes. Most low and middle-income households don't itemize their deductions at all. This means that higher property taxes would not be offset with relief from a federal property tax deduction for many of the most vulnerable taxpayers.[65]

Still others have argued that, "For taxpayers over the limit, the deduction's value would fall, reducing support for local property taxes and adding further to the pressure over time on local government finances."[66]

Thus, the potential effects of the real estate taxes deduction cap are varied and contingent, with some disagreement over outcomes. For Nevada, if the provision resulted in a devaluation of homes, it would occur just as the housing market—most notably, in Las Vegas—is enjoying a fragile recovery from its nadir during the Great Recession.[67] And were local jurisdictions unable to increase property taxes (or perhaps need to decrease them), it would coincide with the current belief statewide, held by many, that property tax revenue has become insufficient to support local governments' operations.[68] In fact, some state legislators introduced measures in the 79th (2017) session that would help increase property tax dollars, though none directly raised taxes.[69]

Home Mortgage Interest Deduction

The home mortgage interest deduction is another itemized deduction that affects many of Nevada's taxpayers. Some observers have stressed that it is the combination of the proposed limit on property taxes and the possible changes to the home mortgage interest deduction that would produce the outcomes discussed above.[70]

The IRS defines home mortgage interest as "…any interest you pay on a loan secured by your home (main home or a second home).[71] The loan may be a mortgage to buy your home, a second mortgage, a line of credit, or a home equity loan." Under current law, most taxpayers can deduct all of their home mortgage interest.[o, 72] Specifically, taxpayers who itemize their deductions are able to deduct qualifying residence interest on: (1) up to $1,000,000 of debt used to acquire, construct, or substantially improve up to two homes; and (2) up to $100,000 of home equity debt.

The House bill would retain itemized deductions for interest on existing acquisition debt up to $1,000,000 for homes acquired by November 2, 2017, but for homes purchased after that time, the cap on qualifying acquisition debt would be reduced to $500,000.[73] In addition, the deduction would apply only to taxpayers' primary residences (i.e., the mortgage interest deduction could not be claimed on second homes), and the deduction for home equity loans would be repealed.[74] The Senate bill would eliminate only the latter provision, that is, the deduction for home equity interest indebtedness, for tax years 2018-2025.[75]

As Table 11, Figure 8A, and Figure 8B demonstrate, 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 AGI).[76] 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 percentage of returns increased by size of AGI, with the lowest percentage in the bottom AGI category (15,660; 3.2 percent) and the highest percentage in the top AGI category (26,440; 62.2 percent). The total deduction amount, by size of AGI, is highest for those with an AGI of $100,000-$199,999, at $760.4 million (4.1 percent).

Table 11. Home Mortgage Interest Deduction in Nevada for 2015 Tax Year

Size of Adjusted Gross Income (AGI)	Number of Returns with Deduction (#)	Total Number of Returns (#)	Percentage of Returns with Deduction (%)	Deduction Amount ($)	Total AGI (S)	Deduction ($) as a Percentage of Total AGI (%)
Less than $24,999	15,660	485,980	3.2%	$113,555,000	$6,480,431,000	1.8%
$25,000-$49,999	43,000	367,450	11.7%	$293,775,000	$13,191,050,000	2.2%
$50,000-$74,999	49,340	183,650	26.9%	$376,867,000	$11,298,745,000	3.3%
$75,000-$99,999	40,920	110,130	37.2%	$353,542,000	$9,524,896,000	3.7%
$100,000-$199,999	72,310	138,100	52.4%	$760,352,000	$18,472,017,000	4.1%
$200,000 or More	26,440	42,480	62.2%	$415,456,000	$26,547,691,000	1.6%
Total	**247,670**	**1,327,790**	**18.7%**	**$2,313,547,000**	**$85,514,830,000**	**2.7%**

[o] The mortgage must be a secured debt on a qualified home and meet certain criteria. For additional information, see: U.S. Department of the Treasury, Internal Revenue Service. "Publication 936 (2016), Home Mortgage Interest Deduction." Available: https://www.irs.gov/publications/p936.

Figure 8A. Number and Percentage of Returns with Home Mortgage Interest Deduction in Nevada (2015 Tax Year)

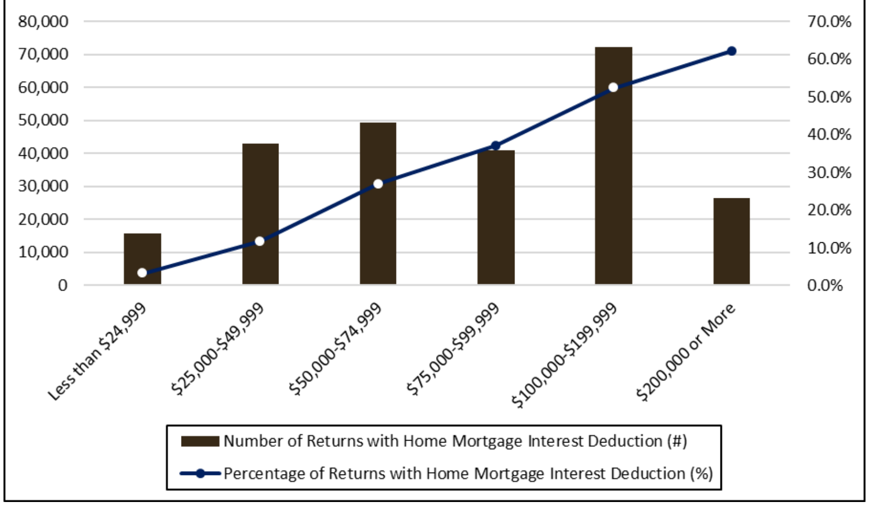
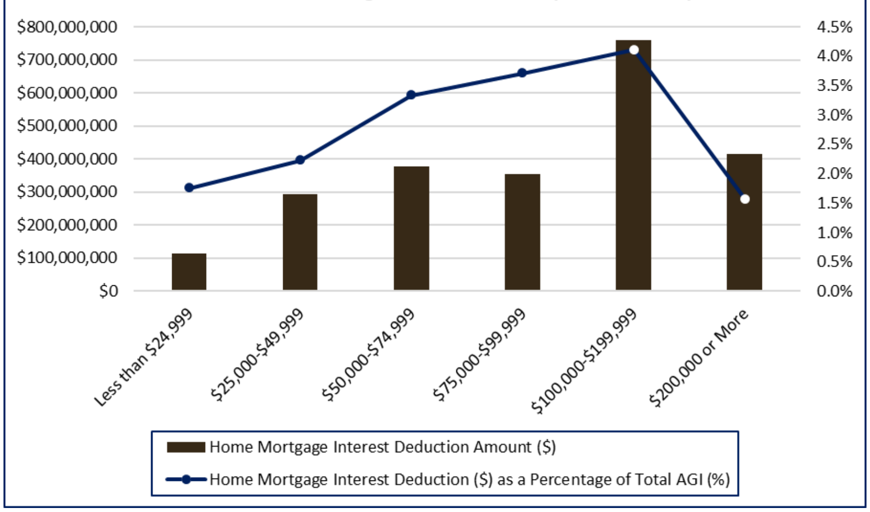


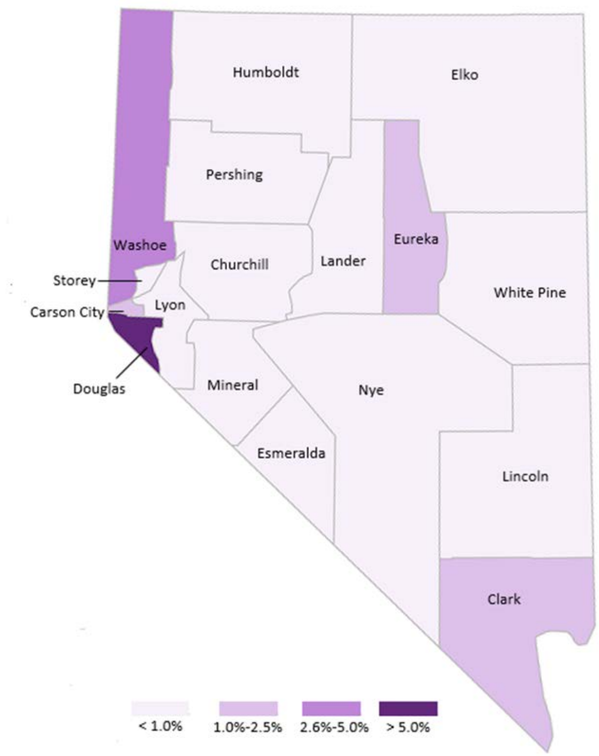
Figure 8B. Home Mortgage Interest Deduction Amount and as a Percentage of AGI in Nevada (2015 Tax Year)



As noted, one of the House plan's provisions would reduce the cap on qualifying acquisition debt to $500,000 on homes purchased after November 2, 2017, which means that homes acquired prior to that date would be "grandfathered in." If the change did not prevent some Nevadans from obtaining mortgages that exceeded the limit—perhaps by choice, or as a result of inflation, or due to a tight housing market—and the number of homes that required mortgages of above $500,000 remained the same as that in 2015, would some counties be more affected than others? Figure 9 suggests that that might be the case.[77]

The effect would be most pronounced in Douglas County, where 6.8 percent of homes have mortgages in excess of $500,000. It is followed by Washoe County (3.6 percent) and then by Eureka County (2.3 percent), Clark County (1.9 percent), and Carson City (1.0 percent). The other 12 counties have fewer than one percent of homes with mortgages above $500,000; Esmeralda County, Lander County, Lincoln County, Mineral County, Pershing County, and White Pine County have zero homes with mortgages that exceed the threshold.

Figure 9. Percent of Mortgages Over $500,000 in Nevada Counties (2015)



Tax Credits

Tax credits are amounts that are subtracted from the actual tax owed.[p, 78] The major change to the IRC, discussed below, is the child tax credit.

Child Tax Credit (eligibility criteria/refundability)

Current law permits a tax credit of up to $1,000 per qualifying child.[79] There are several changes related to the credit in each the House- and Senate-passed legislation. The House bill would increase the child tax credit to $1,600 and the AGI phaseout thresholds to $230,000 for joint returns and $115,000 for all other filing statuses.[80] The Senate bill would increase the child tax credit to $2,000 and the AGI phaseout threshold to $500,000 for all taxpayers.[81] (See Appendix A for a delineation of the provisions.)

[p] "There are two types of tax credits: A nonrefundable tax credit means you get a refund only up to the amount you owe. A refundable tax credit means you get a refund, even if it's more than what you owe." See: U.S. Department of the Treasury, Internal Revenue Service. "Credits & Deductions for Individuals." Available: https://www.irs.gov/credits-deductions-for-individuals.

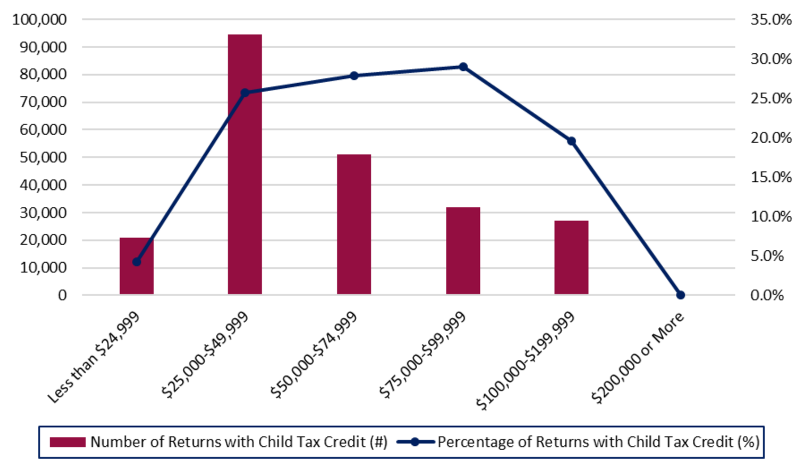
In general, the Senate tax plan may provide greater benefits than the House tax plan, as it doubles the tax credit, whereas the House bill provides for a 60-percent increase over current law.[q] The Senate bill has an income threshold phaseout that is more than double that in the House bill, regardless of filing status, which allows more households with qualifying children to take the credit. On the other hand, the House legislation would make the increase permanent, while the Senate legislation applies only to tax years 2018-2025. And even though the Senate proposal would increase the age of qualifying children (from 16 to 17), which could help households with children in this age group, it would sunset after the 2024 tax year. In both cases, the increase(s) to the child tax credit may not offset losses associated with the potential repeal of personal exemptions. (For more on personal exemptions, see Appendix A.)

Table 12, Figure 10A, and Figure 10B present data on Nevada taxpayers who have taken the child tax credit.[82]

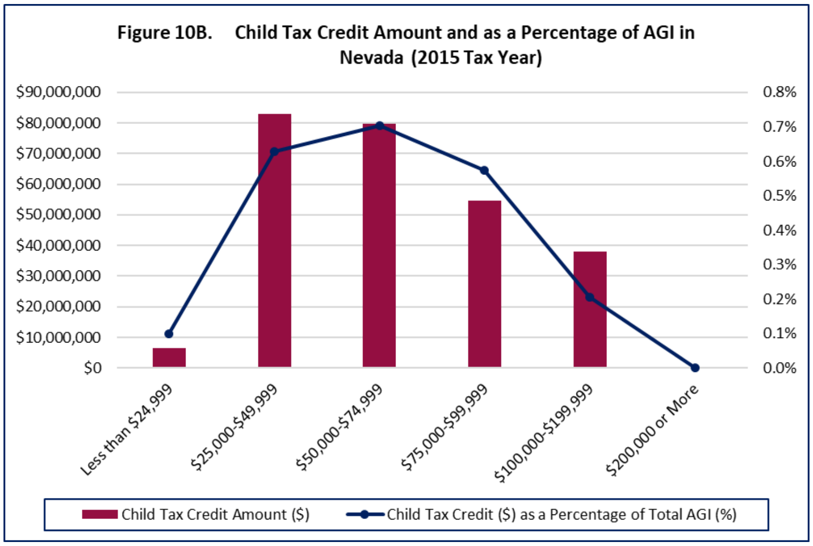
Table 12. Child Tax Credit in Nevada for 2015 Tax Year

Size of Adjusted Gross Income (AGI)	Number of Returns with Credit (#)	Total Number of Returns (#)	Percentage of Returns with Credit (%)	Credit Amount ($)	Total AGI (S)	Credit ($) as a Percentage of Total AGI (%)
Less than $24,999	20,860	485,980	4.3%	$6,442,000	$6,480,431,000	0.1%
$25,000-$49,999	94,530	367,450	25.7%	$83,011,000	$13,191,050,000	0.6%
$50,000-$74,999	51,140	183,650	27.8%	$79,604,000	$11,298,745,000	0.7%
$75,000-$99,999	31,980	110,130	29.0%	$54,699,000	$9,524,896,000	0.6%
$100,000-$199,999	27,080	138,100	19.6%	$37,893,000	$18,472,017,000	0.2%
$200,000 or More	0	42,480	0.0%	$0	$26,547,691,000	0.0%
Total	**225,590**	**1,327,790**	**17.0%**	**$261,649,000**	**$85,514,830,000**	**0.3%**

Figure 10A. Number and Percentage of Returns with Child Tax Credit in Nevada (2015 Tax Year)



[q] The initial version of the Senate tax bill raised the child tax credit to $1,650. But an amendment filed by Nevada Senator Dean Heller and South Carolina Senator Tim Scott, which was included in the Senate-passed legislation, increased the child tax credit to $2,000. See: Office of Dean Heller, U.S. Senator for Nevada. "Heller, Scott Amendment to Double the Child Tax Credit Included in Senate's Updated Tax Relief Bill." November 14. 2017. Available: https://www.heller.senate.gov/public/index.cfm/pressreleases?ID=ADAE007F-013A-4ADE-B306-8BF1465069EC.



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). In the bottom AGI category, few returns were filed with the credit: just 20,860, or 4.3 percent. This may be explained by the fact that the credit is partially refundable, which means that it "phases in after a taxpayer hits the minimum earnings threshold of $3,000...[and]...[a] family with two kids, for example, needs to make $16,333 in annual yearnings to receive the full $2,000 credit."[83] Some households with an AGI of less than $24,999 may not have reached the phase-in threshold to qualify for the credit.

Similarly, 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 (0.6 percent of total AGI for that AGI category), after which both number of returns and tax credit amounts decreased in size of AGI.

Miscellaneous Tax Provisions

Alternative Minimum Tax (AMT)

Per the IRS, "The alternative minimum tax (AMT) applies to taxpayers with high economic income by setting a limit on those benefits. It helps to ensure that those taxpayers pay at least a minimum amount of tax."[84] It is effectively a secondary tax system, whereby taxpayers calculate their regular tax and then compute a separate tax—the AMT—in which certain exclusions and deductions are eliminated or reduced; the AMT is owed if it exceeds the regular tax.[85] The difference between the two is reported as an additional tax.[86] Important to the understanding of the AMT and the proposed changes are exemptions and phaseouts. Once the AMT is calculated, a taxpayer can subtract a fixed exemption amount, as determined by filing status; however, the exemption phases out when taxable income exceeds the threshold for each filing status—it is reduced by a certain amount for every dollar in taxable income over the threshold.[87]

The House tax plan would repeal the individual AMT permanently, beginning with the 2018 tax year.[88] The Senate tax plan preserves the individual AMT but would increase the exemption amounts and phaseout thresholds for the 2018-2025 tax years.[89] The AMT was instituted to ensure that higher income taxpayers did not exploit tax breaks to decrease their taxable income nearly to zero, that is, "…to prevent the wealthy from artificially reducing their tax bill through the use of tax preference items. The idea was that people who had very high incomes should not be able to use certain deductions to lower their tax bill below what should be reasonably expected for taxpayers at their income level."[90]

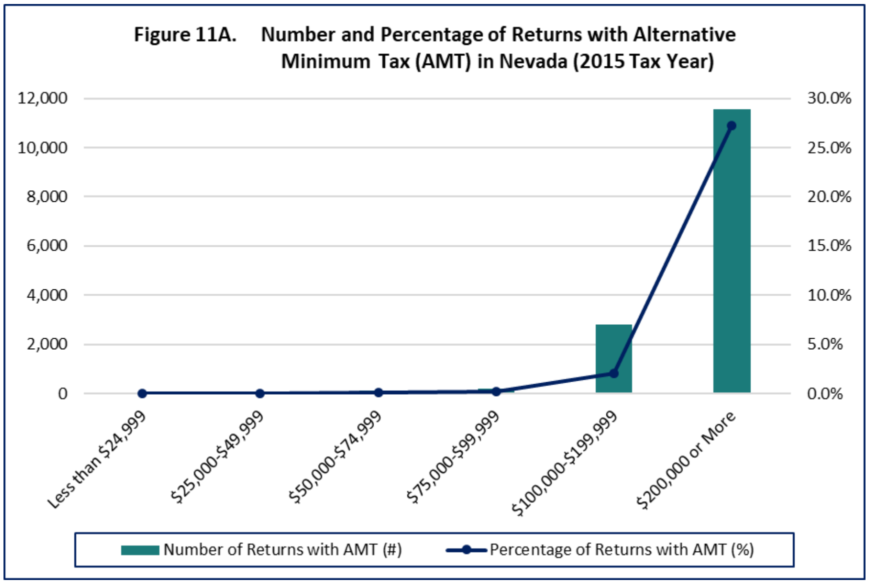
Whether the full repeal under the House-passed legislation would result in higher income taxpayers having near-zero tax bills is uncertain, as other provisions throughout the bill might stifle the effects (for example, if these taxpayers are more likely to take the standard deduction than in previous years, their tax liability may increase irrespective of the elimination of the AMT). The Senate's retention of the AMT suggests that some legislators believe that it is a meaningful guardrail in the tax system, and the increases to the exemption amounts and phaseout thresholds seem designed to reinforce its applicability to higher income taxpayers.

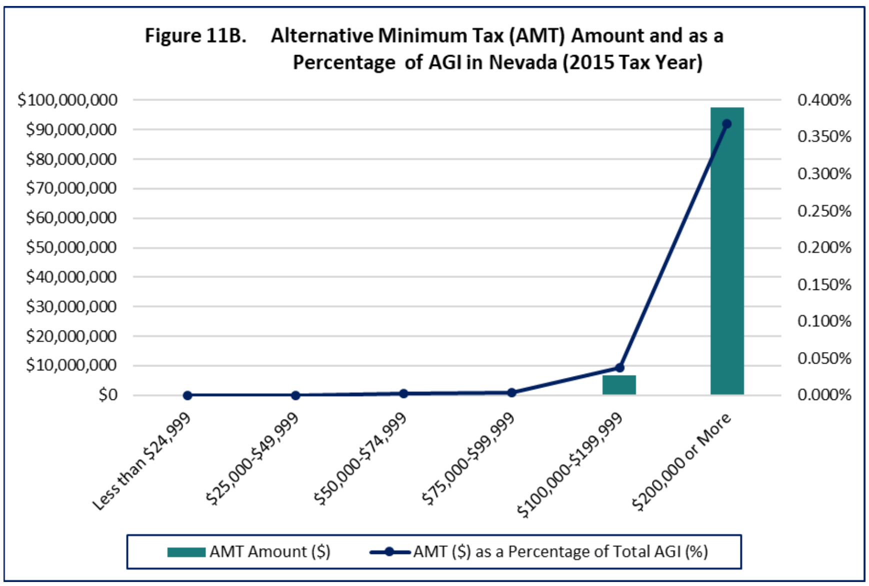
Table 13, Figure 11A, and Figure 11B indicate that the AMT fell disproportionately on those with relatively high AGI in the 2015 tax year.[91] Just 14,690 returns were filed with the AMT, or 1.1 percent of all returns. The total AMT amount was about $105.1 million, for 0.1 percent of total AGI. No taxpayers in the bottom two AGI categories filed returns with the AMT, likely as a result of the exemption amounts. Few taxpayers in the next two AGI categories paid the AMT either.

While those in the top AGI category were affected most deeply, and to a somewhat lesser extent, those in the $100,000-$199,999 AGI category, the numbers of returns with the AMT are not high: 2,790 for taxpayers in the $100,000-$199,999 AGI category, or 2.0 percent of returns; and 11,560 for taxpayers in the $200,000 or More AGI category, or more than a quarter of all returns for that AGI category (27.2 percent). However, those in the top AGI paid a total AMT amount of roughly $97.7 million (0.4 percent), which is more than 14 times that of the total for taxpayers in the second-highest AGI category (about $6.8 million; 0.0 percent).

Table 13. Alternative Minimum Tax (AMT) in Nevada for 2015 Tax Year

Size of Adjusted Gross Income (AGI)	Number of Returns with AMT (#)	Total Number of Returns (#)	Percentage of Returns with AMT (%)	AMT Amount ($)	Total AGI (S)	AMT ($) as a Percentage of Total AGI (%)
Less than $24,999	0	485,980	0.0%	$0	$6,480,431,000	0.0%
$25,000-$49,999	0	367,450	0.0%	$0	$13,191,050,000	0.0%
$50,000-$74,999	130	183,650	0.1%	$202,000	$11,298,745,000	0.0%
$75,000-$99,999	210	110,130	0.2%	$385,000	$9,524,896,000	0.0%
$100,000-$199,999	2,790	138,100	2.0%	$6,831,000	$18,472,017,000	0.0%
$200,000 or More	11,560	42,480	27.2%	$97,668,000	$26,547,691,000	0.4%
Total	**14,690**	**1,327,790**	**1.1%**	**$105,086,000**	**$85,514,830,000**	**0.1%**





Health Care Individual Responsibility Payment

The Patient Protection and Affordable Care Act (ACA) of 2010 amended the IRC by adding a chapter which requires individuals to maintain minimum essential health coverage or pay a penalty on his, her, or their federal income tax return.[92] It is often referred to as the individual mandate. "The individual shared responsibility provision requires that, for each month during the year, you and all members of your family: [h]ave minimum essential coverage (MEC); [q]ualify for an exemption; or [m]ake a shared responsibility payment when you file your…federal income tax return…."[93] If a taxpayer does not meet one of the first two requirements specified above, that individual pays a penalty, or the shared responsibility payment; currently, it is the higher of 2.5 percent of household income that is above that taxpayer's income tax return filing threshold or a flat dollar amount set by the IRS.[94] The penalty is added to the calculated tax (along with certain other taxes, as relevant) to arrive at total tax.[95]

The House bill does not make any changes to the health care individual responsibility payment.[96] The Senate legislation would zero out (i.e., eliminate) the individual shared responsibility payment permanently, beginning with the 2019 tax year.[97]

As shown in Table 14, Figure 12A, and Figure 12B, Nevada taxpayers across all sizes of AGI have been subject to this penalty, though the burden has fallen more heavily on those in the bottom AGI brackets.[98] 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 AGI). In the top AGI category, a mere 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. Those with the greatest numbers of returns were in the second-lowest AGI category of $25,000-$49,999 (29,710; 8.1 percent); the total payment amount was highest for this category, as well, at about $11.8 million (0.1 percent).

Table 14. Health Care Individual Responsibility Payment in Nevada for 2015 Tax Year

Size of Adjusted Gross Income (AGI)	Number of Returns with Payment (#)	Total Number of Returns (#)	Percentage of Returns with Payment (%)	Payment Amount ($)	Total AGI (S)	Payment ($) as a Percentage of Total AGI (%)
Less than $24,999	28,430	485,980	5.9%	$8,018,000	$6,480,431,000	0.1%
$25,000-$49,999	29,710	367,450	8.1%	$11,805,000	$13,191,050,000	0.1%
$50,000-$74,999	8,990	183,650	4.9%	$6,172,000	$11,298,745,000	0.1%
$75,000-$99,999	3,330	110,130	3.0%	$3,595,000	$9,524,896,000	0.0%
$100,000-$199,999	2,070	138,100	1.5%	$3,621,000	$18,472,017,000	0.0%
$200,000 or More	60	42,480	0.1%	$139,000	$26,547,691,000	0.0%
Total	**72,590**	**1,327,790**	**5.5%**	**$33,350,000**	**$85,514,830,000**	**0.0%**

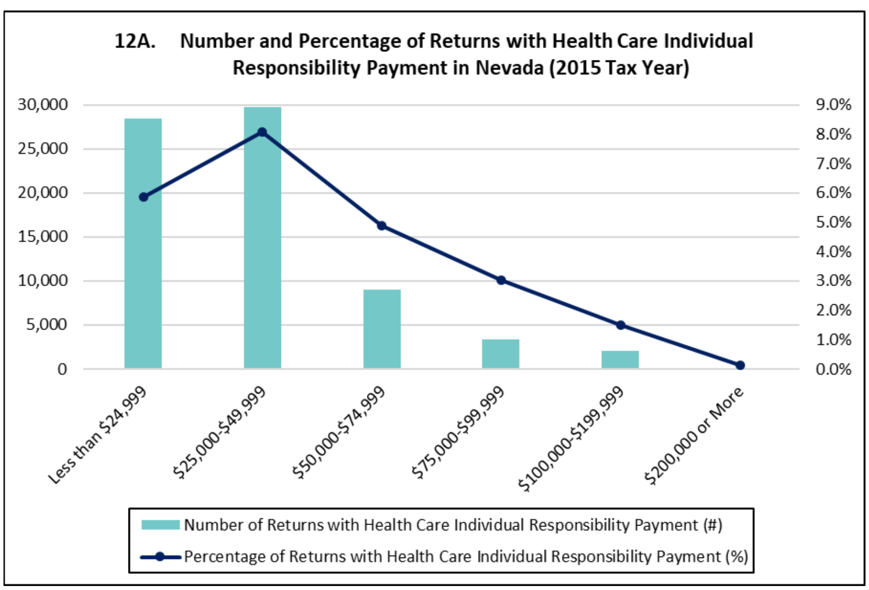
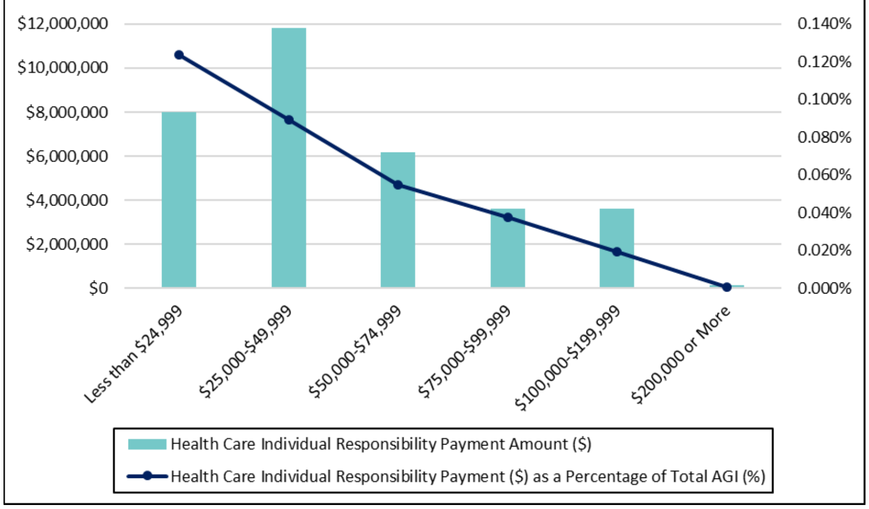


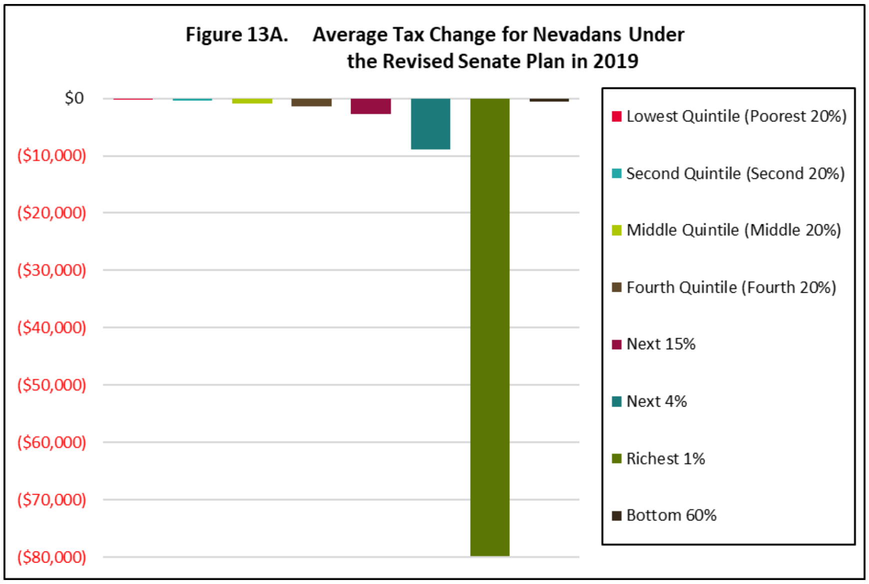
Figure 12B. Health Care Invididual Responsibility Payment Amount and as a Percentage of AGI in Nevada (2015 Tax Year)

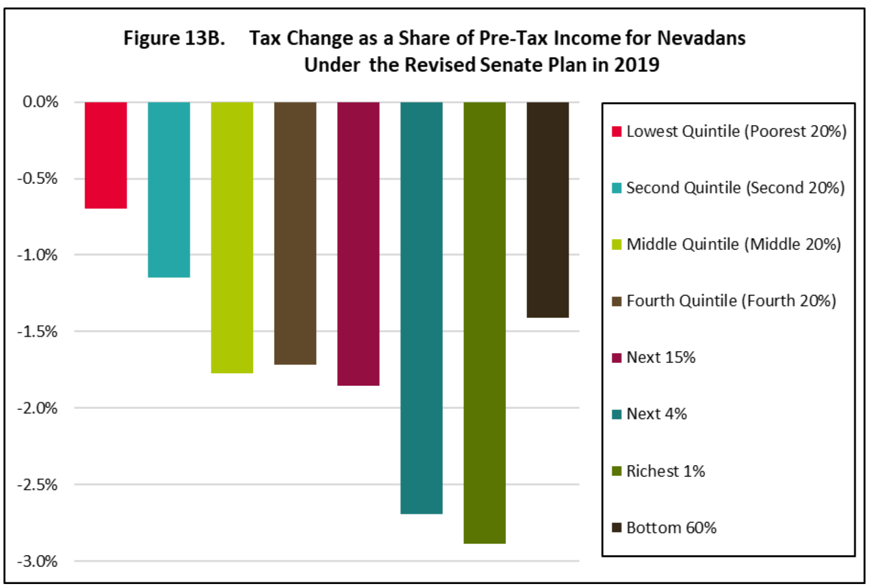


The elimination of the individual responsibility payment means that taxpayers would no longer be penalized for not having health coverage. From a cost-savings perspective, it could be beneficial for many, particularly those in lower income households. However, the Congressional Budget Office (CBO), a nonpartisan federal legislative agency, has estimated that a repeal of the individual mandate or the elimination of the penalty itself, would produce similar results: by 2027, an additional 13 million individuals would be uninsured nationwide.[99] According to the report, in the absence of a penalty for non-compliance, "…healthier people would be less likely to obtain insurance and because, especially in the nongroup market, the resulting increases in premiums would cause more people to not purchase insurance."[100] **Another analysis has found that the elimination of the penalty could result in significant coverage losses in rural states—in particular, Nevada, along with Alaska, Iowa, Missouri, Nebraska, and Wyoming (and parts of other states)**; populations in these areas tend to be older and sicker, with few insurers in the marketplaces, who may need to raise prices or exit the markets if the penalty elimination results in fewer healthy individuals purchasing health insurance plans.[101]

CONCLUSION

The net effect of the tax plans on Nevada's taxpayers can be difficult to discern, given the multiplicity of provisions and the ways in which they intersect. Some may be beneficial, while others may be unfavorable. Outcomes are contingent on the interaction between many variables. The Institute on Taxation and Economic Policy (ITEP), a nonprofit and nonpartisan research organization, has employed its Microsimulation Tax Model to estimate the distributional consequences of the Senate tax proposal for individuals in all 50 states and the District of Columbia in the short term (2019) and the long term (2027).[r] We replicate and extend their figures for Nevada, and the full set of metrics for the state is reformatted and presented in Appendix D.[s] Figures 13A and 13B, for 2019, and Figures 14A and 14B, for 2027, are displayed below.[102]





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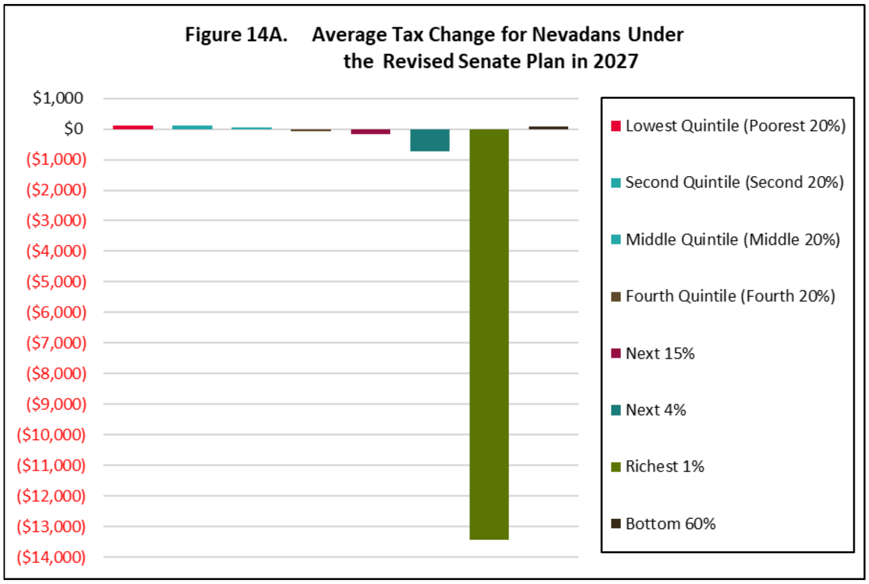
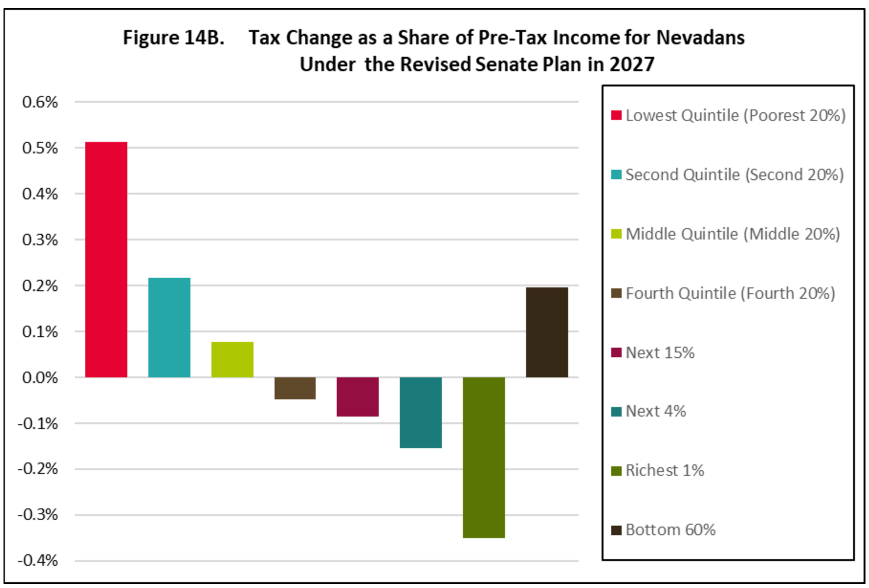
[r] Note: "Corporations are not lumped together with people in these distributional tables. But the corporate tax changes do show up in the tables because they flow through to people: mostly to owners of capital (especially in the short-run), but to a lesser extent to workers as well (at least in the long-run)." Guinn Center conversation with Carl Davis, Research Director, Institute on Taxation and Economic Policy, on December 14, 2017.

[s] Replication of figures by the Guinn Center for 2027, and extension of figures by the Guinn Center for 2019. See: Institute on Taxation and Economic Policy. 2017. "How the Revised Senate Tax Bill Would Affect Nevada Residents' Federal Taxes." Available: https://itep.org/senatetaxplannv/.

In 2019, Nevada taxpayers across all income percentiles, on average, would enjoy a decrease in their federal income taxes. Overall, the average tax change would be a decrease of $2,130, for a -2.1 percent change as a percentage of pre-tax income. The analysis suggests, however, that the bulk of the tax changes, in terms of average total dollars is tilted more heavily toward higher income taxpayers. Those in the top one percent would see an average decrease of $79,810, while those in the bottom 60 percent would have an average tax decrease of $480. That said, while the metric "Change as a % of Pre-Tax Income" is greater for those in the upper income brackets, relative to those in the lower income brackets, there is not much variation, which suggests that the impact of the changes (i.e., decreases) would be felt somewhat equally across all income percentiles.





By 2027, the distributional consequences become more pronounced, as some Nevadans will begin to see average tax increases, perhaps as a result of the majority of the individual income tax provisions sunsetting in the Senate legislation after 2025. All taxpayers would face decreased tax relief, compared to 2019, and those in the lowest quintile, second quintile, and middle quintile will face average tax increases of $110, $100, and $60, respectively. The fourth quintile, the next 15 percent, the next 4 percent, and the richest 1 percent would continue to see decreases, though their average tax change(s) would be lower than in 2019: $60, $180, $730, and $13,440, respectively. For the top earners—the richest 1 percent—the average tax change would decrease 83.2 percent over that in 2019, meaning that they would not realize the same benefits from the changes in the long term as they do in the short term.

Appendix A. Additional Detail on Selected Provisions

Statutory Tax Rates

"Statutory rates are the tax rates applied to taxable income that falls within a given range or tax bracket. The federal income tax system is designed to be progressive, meaning that higher tax rates are applied at higher income levels. By design, only income that falls within each tax bracket is taxed at that tax rate."[103]

Above-the-Line Deductions for the 2016 Tax year

Educator expenses; certain business expenses of reservists, performing artists, and fee-basis government officials; health savings account deduction; moving expenses; deductible part of self-employment tax; self-employed SEP, SIMPLE, and qualified plans; self-employed health insurance deduction; penalty on early withdrawal of savings; alimony paid; IRA deduction; student loan interest deduction; tuition and fees; and domestic production activities deduction.[104]

Personal Exemptions

Personal exemptions are fixed dollar amounts that reduce taxable income. They are summed with either the standard deduction amount or the itemized deductions amount and subtracted from AGI to arrive at taxable income.[105] A taxpayer can take an exemption for himself/herself, a spouse (e.g., one exemption each for self and spouse on a joint return, for a total of two), and for each person that the taxpayer can claim as a dependent.[106] For example, a family of five may have five exemptions, so the total amount of exemptions would equal: 5 × exemption amount.)[107] Pursuant to the IRC, the IRS adjusts the personal exemption annually for inflation.[108] For the 2017 tax year, the personal exemption is $4,050.[109] Both the House- and Senate-passed legislation propose the repeal of personal exemptions (permanently, under the House plan; for tax years 2018-2025 in the Senate bill); if they are eliminated, they would not adjust AGI to reduce taxable income.[110]

Limits to Itemized Deductions

The Tax Policy Center, a joint venture of the Urban Institute and Brookings Institution, provides an instructive description of the limits on itemized returns. Although the context for the discussion is state and local taxes (SALT), it applies to itemization more broadly, as well. Quoted in full:

"Two tax provisions place limits on the SALT deduction. A general limit on itemized deductions applies to higher-income taxpayers. If a taxpayer's adjusted gross income (AGI) exceeds a threshold…itemized deductions, with some exceptions, are reduced by 3 percent of income in excess of the thresholds. The amount of the reduction is limited to 80 percent of the deductions claimed.

The individual [alternative minimum tax] AMT also limits the deduction. The AMT is a parallel income tax system with fewer exemptions, deductions, and tax rates than the regular income tax. Taxpayers potentially subject to the AMT must calculate their taxes under both the regular income tax and the AMT and pay the higher amount. Taxpayers cannot claim the SALT deduction when calculating their AMT liability and the disallowance of the deduction is a major reason taxpayers pay the AMT. Of the approximately 4 million taxpayers who currently pay the AMT, about 80 percent would not do so if they could claim the SALT deduction under the AMT."[111]

(Continued next page)

Appendix A (cont'd). Additional Detail on Selected Provisions

Child Tax Credit

The Joint Committee on Taxation, a nonpartisan congressional committee, has provided a succinct breakdown of the child tax credit-related provisions in each bill, quoted in full here.

"House Bill

- Increases the child tax credit to $1,600.
- Increases the adjusted gross income phaseout thresholds to $230,000 for married taxpayers filing joint returns and $115,000 for other individuals.
- The credit is refundable up to $1,100 in 2018 (indexed). Earned income threshold unchanged from present law ($3,000).
- Any qualifying child claimed for the credit is required to use a Social Security number as that child's taxpayer identification number. The entire credit with respect to that qualifying child (refundable and nonrefundable portion) is denied if no SSN is provided.

Senate Amendment

- Increases the child tax credit to $2,000.
- Increases the adjusted gross income phaseout thresholds to $500,000 for all taxpayers.
- The credit is refundable up to $1,100 in 2018 (indexed). Earned income threshold is lowered to $2,500 (from present law $3,000).
- Increases age for qualifying child by one year (children under age 18). This change expires one year earlier than other expiring provisions (for taxable years beginning after December 31, 2024).
- Any qualifying child claimed for the credit is required to use a Social Security number as that child's taxpayer identification number. Only the refundable portion of the credit is denied if no SSN is provided."[112]

Appendix B. State and Local General Sales Tax Deduction, by State (2015 Tax Year)[113]

State Name	# of Returns with Deduction	# of Returns	% of Returns with Deduction	% of Returns in the State	Amount of Deduction	Total AGI in the State	% of Amount Claimed	Deduction as a % of State AGI	Rank
Texas	2,194,460	11,991,090	23.4%	18.3%	$4,729,360,000	$824,818,827,000	29.2%	0.6%	1
Fla.	1,727,100	9,447,390	18.4%	18.3%	$2,784,807,000	$630,386,008,000	17.2%	0.4%	2
Wash.	822,470	3,385,440	8.8%	24.3%	$2,163,116,000	$260,184,886,000	13.4%	0.8%	3
Calif.	956,690	17,470,510	10.2%	5.5%	$1,443,572,000	$1,406,604,166,000	8.9%	0.1%	4
Tenn.	451,740	2,929,910	4.8%	15.4%	$1,107,520,000	$170,389,189,000	6.8%	0.6%	5
Nev.	**262,390**	**1,327,790**	**2.8%**	**19.8%**	**$479,179,000**	**$85,514,830,000**	**3.0%**	**0.6%**	**6**
N.Y.	343,900	9,491,740	3.7%	3.6%	$412,268,000	$798,082,183,000	2.5%	0.1%	7
Ill.	260,050	6,087,930	2.8%	4.3%	$356,168,000	$447,043,725,000	2.2%	0.1%	8
Ariz.	184,390	2,857,440	2.0%	6.5%	$312,806,000	$176,370,572,000	1.9%	0.2%	9
N.J.	249,290	4,332,100	2.7%	5.8%	$232,951,000	$370,489,463,000	1.4%	0.1%	10
Ga.	127,120	4,378,660	1.4%	2.9%	$140,126,000	$270,829,849,000	0.9%	0.1%	11
Penn.	162,180	6,128,720	1.7%	2.6%	$139,780,000	$405,661,574,000	0.9%	0.0%	12
La.	60,070	1,969,430	0.6%	3.1%	$126,319,000	$114,538,731,000	0.8%	0.1%	13
Kans.	67,040	1,320,460	0.7%	5.1%	$124,407,000	$84,648,212,000	0.8%	0.1%	14
Ohio	113,010	5,533,850	1.2%	2.0%	$118,660,000	$325,175,665,000	0.7%	0.0%	15
Mich.	118,670	4,654,100	1.3%	2.5%	$117,284,000	$279,387,399,000	0.7%	0.0%	16
Ala.	83,270	2,027,110	0.9%	4.1%	$116,201,000	$112,912,500,000	0.7%	0.1%	17
Miss.	60,510	1,227,760	0.6%	4.9%	$95,629,000	$60,019,582,000	0.6%	0.2%	18
N.C.	101,030	4,398,080	1.1%	2.3%	$92,894,000	$264,749,297,000	0.6%	0.0%	19
S.D.	54,420	408,090	0.6%	13.3%	$92,714,000	$25,527,229,000	0.6%	0.4%	20
Colo.	73,970	2,578,060	0.8%	2.9%	$89,530,000	$192,108,408,000	0.6%	0.0%	21
Mo.	71,250	2,747,320	0.8%	2.6%	$81,623,000	$164,447,821,000	0.5%	0.0%	22
Okla.	51,830	1,617,460	0.6%	3.2%	$68,568,000	$97,195,693,000	0.4%	0.1%	23
Wyo.	44,490	273,810	0.5%	16.2%	$64,601,000	$21,031,599,000	0.4%	0.3%	24
Va.	71,120	3,868,180	0.8%	1.8%	$60,559,000	$291,614,741,000	0.4%	0.0%	25
S.C.	59,630	2,140,740	0.6%	2.8%	$54,563,000	$120,691,419,000	0.3%	0.0%	26
Ark.	34,560	1,211,380	0.4%	2.9%	$53,638,000	$67,349,559,000	0.3%	0.1%	27
Minn.	48,480	2,693,930	0.5%	1.8%	$48,754,000	$194,445,381,000	0.3%	0.0%	28
Wis.	63,350	2,803,760	0.7%	2.3%	$44,038,000	$175,497,247,000	0.3%	0.0%	29
Md.	52,360	2,932,730	0.6%	1.8%	$43,449,000	$223,741,004,000	0.3%	0.0%	30
Conn.	51,910	1,739,340	0.6%	3.0%	$42,740,000	$167,734,603,000	0.3%	0.0%	31
Mass.	57,570	3,358,250	0.6%	1.7%	$40,490,000	$301,034,673,000	0.2%	0.0%	32
Utah	30,330	1,247,750	0.3%	2.4%	$40,019,000	$80,827,366,000	0.2%	0.0%	33
Ky.	43,460	1,884,510	0.5%	2.3%	$38,386,000	$103,706,099,000	0.2%	0.0%	34
Iowa	36,690	1,434,900	0.4%	2.6%	$34,727,000	$88,931,596,000	0.2%	0.0%	35
Idaho	28,090	707,990	0.3%	4.0%	$33,718,000	$40,335,488,000	0.2%	0.1%	36
Ind.	23,550	3,068,510	0.3%	0.8%	$29,841,000	$174,603,830,000	0.2%	0.0%	37
N.M.	24,230	901,280	0.3%	2.7%	$29,402,000	$47,385,811,000	0.2%	0.1%	38
Nebr.	19,700	886,290	0.2%	2.2%	$25,321,000	$55,851,711,000	0.2%	0.0%	39
Alaska	21,210	358,650	0.2%	5.9%	$23,394,000	$25,157,134,000	0.1%	0.1%	40
Hawaii	23,130	676,540	0.2%	3.4%	$21,795,000	$42,272,793,000	0.1%	0.1%	41
N.D.	14,660	363,770	0.2%	4.0%	$16,127,000	$25,709,491,000	0.1%	0.1%	42
R.I.	8,230	521,620	0.1%	1.6%	$7,945,000	$33,572,468,000	0.0%	0.0%	43
Maine	10,030	636,740	0.1%	1.6%	$5,963,000	$35,852,683,000	0.0%	0.0%	44
D.C.	4,350	340,430	0.0%	1.3%	$3,696,000	$32,439,475,000	0.0%	0.0%	45
W. Va.	3,060	771,730	0.0%	0.4%	$2,494,000	$39,646,175,000	0.0%	0.0%	46
Oreg.	1,460	1,843,820	0.0%	0.1%	$1,763,000	$119,077,803,000	0.0%	0.0%	47
Vt.	3,010	320,230	0.0%	0.9%	$1,615,000	$19,072,331,000	0.0%	0.0%	48
N.H.	1,270	684,840	0.0%	0.2%	$1,094,000	$49,482,905,000	0.0%	0.0%	49
Del.	490	448,050	0.0%	0.1%	$428,000	$29,016,248,000	0.0%	0.0%	50
Mont.	200	488,060	0.0%	0.0%	$244,000	$28,020,515,000	0.0%	0.0%	51
U.S.	**9,377,470**	**146,918,270**	**100.0%**	**6.4%**	**$16,196,286,000**	**$10,201,187,957,000**	**100.0%**	**0.2%**	**–**

Note: Ranked by the Guinn Center on % of Amount Claimed (highest to lowest). Intermountain West states shaded in green.

Appendix C. Real Estate Taxes Deduction, by State (2015 Tax Year)[114]

State Name	# of Returns with Deduction	# of Returns	% of Returns with Deduction	% of Returns in the State	Amount of Deduction	Total AGI in the State	% of Amount Claimed	Deduction as a % of State AGI	Rank
Calif.	4,813,230	17,470,510	12.9%	27.6%	$28,274,459,000	$1,406,604,166,000	15.2%	2.0%	1
N.Y.	2,390,400	9,491,740	6.4%	25.2%	$20,863,502,000	$798,082,183,000	11.2%	2.6%	2
N.J.	1,567,090	4,332,100	4.2%	36.2%	$14,863,743,000	$370,489,463,000	8.0%	4.0%	3
Texas	2,320,590	11,991,090	6.2%	19.4%	$14,758,360,000	$824,818,827,000	7.9%	1.8%	4
Ill.	1,717,590	6,087,930	4.6%	28.2%	$11,594,431,000	$447,043,725,000	6.2%	2.6%	5
Fla.	1,777,390	9,447,390	4.8%	18.8%	$9,058,663,000	$630,386,008,000	4.9%	1.4%	6
Penn.	1,588,390	6,128,720	4.2%	25.9%	$8,192,460,000	$405,661,574,000	4.4%	2.0%	7
Mass.	1,117,540	3,358,250	3.0%	33.3%	$6,964,635,000	$301,034,673,000	3.7%	2.3%	8
Ohio	1,287,470	5,533,850	3.4%	23.3%	$5,424,618,000	$325,175,665,000	2.9%	1.7%	9
Va.	1,263,380	3,868,180	3.4%	32.7%	$5,141,815,000	$291,614,741,000	2.8%	1.8%	10
Conn.	658,140	1,739,340	1.8%	37.8%	$5,014,720,000	$167,734,603,000	2.7%	3.0%	11
Md.	1,078,840	2,932,730	2.9%	36.8%	$4,743,493,000	$223,741,004,000	2.5%	2.1%	12
Mich.	1,140,480	4,654,100	3.1%	24.5%	$4,578,172,000	$279,387,399,000	2.5%	1.6%	13
Wash.	948,480	3,385,440	2.5%	28.0%	$4,439,856,000	$260,184,886,000	2.4%	1.7%	14
Wis.	808,370	2,803,760	2.2%	28.8%	$3,771,240,000	$175,497,247,000	2.0%	2.1%	15
Ga.	1,193,090	4,378,660	3.2%	27.2%	$3,669,192,000	$270,829,849,000	2.0%	1.4%	16
N.C.	1,141,200	4,398,080	3.1%	25.9%	$3,394,100,000	$264,749,297,000	1.8%	1.3%	17
Minn.	863,190	2,693,930	2.3%	32.0%	$3,122,081,000	$194,445,381,000	1.7%	1.6%	18
Oreg.	598,600	1,843,820	1.6%	32.5%	$2,467,377,000	$119,077,803,000	1.3%	2.1%	19
Colo.	755,530	2,578,060	2.0%	29.3%	$1,983,480,000	$192,108,408,000	1.1%	1.0%	20
Mo.	645,380	2,747,320	1.7%	23.5%	$1,975,886,000	$164,447,821,000	1.1%	1.2%	21
Ariz.	722,050	2,857,440	1.9%	25.3%	$1,937,596,000	$176,370,572,000	1.0%	1.1%	22
N.H.	203,580	684,840	0.5%	29.7%	$1,496,559,000	$49,482,905,000	0.8%	3.0%	23
Ind.	631,300	3,068,510	1.7%	20.6%	$1,452,319,000	$174,603,830,000	0.8%	0.8%	24
Tenn.	503,400	2,929,910	1.3%	17.2%	$1,418,321,000	$170,389,189,000	0.8%	0.8%	25
Iowa	382,150	1,434,900	1.0%	26.6%	$1,384,042,000	$88,931,596,000	0.7%	1.6%	26
S.C.	523,580	2,140,740	1.4%	24.5%	$1,134,431,000	$120,691,419,000	0.6%	0.9%	27
Kans.	303,540	1,320,460	0.8%	23.0%	$1,089,629,000	$84,648,212,000	0.6%	1.3%	28
Ky.	435,660	1,884,510	1.2%	23.1%	$1,041,369,000	$103,706,099,000	0.6%	1.0%	29
Utah	401,130	1,247,750	1.1%	32.1%	$972,586,000	$80,827,366,000	0.5%	1.2%	30
Nebr.	216,410	886,290	0.6%	24.4%	$890,326,000	$55,851,711,000	0.5%	1.6%	31
R.I.	158,620	521,620	0.4%	30.4%	$857,985,000	$33,572,468,000	0.5%	2.6%	32
Okla.	325,190	1,617,460	0.9%	20.1%	$852,700,000	$97,195,693,000	0.5%	0.9%	33
Nev.	**271,540**	**1,327,790**	**0.7%**	**20.5%**	**$809,210,000**	**$85,514,830,000**	**0.4%**	**0.9%**	**34**
Maine	164,870	636,740	0.4%	25.9%	$717,939,000	$35,852,683,000	0.4%	2.0%	35
La.	326,380	1,969,430	0.9%	16.6%	$712,042,000	$114,538,731,000	0.4%	0.6%	36
Ala.	426,360	2,027,110	1.1%	21.0%	$611,170,000	$112,912,500,000	0.3%	0.5%	37
Vt.	82,320	320,230	0.2%	25.7%	$488,991,000	$19,072,331,000	0.3%	2.6%	38
N.M.	176,390	901,280	0.5%	19.6%	$467,808,000	$47,385,811,000	0.3%	1.0%	39
Idaho	181,800	707,990	0.5%	25.7%	$466,196,000	$40,335,488,000	0.3%	1.2%	40
Miss.	217,230	1,227,760	0.6%	17.7%	$442,735,000	$60,019,582,000	0.2%	0.7%	41
Ark.	222,750	1,211,380	0.6%	18.4%	$429,444,000	$67,349,559,000	0.2%	0.6%	42
D.C.	86,890	340,430	0.2%	25.5%	$393,099,000	$32,439,475,000	0.2%	1.2%	43
Mont.	124,780	488,060	0.3%	25.6%	$353,814,000	$28,020,515,000	0.2%	1.3%	44
Hawaii	154,700	676,540	0.4%	22.9%	$352,253,000	$42,272,793,000	0.2%	0.8%	45
Del.	127,890	448,050	0.3%	28.5%	$338,620,000	$29,016,248,000	0.2%	1.2%	46
Alaska	71,440	358,650	0.2%	19.9%	$316,260,000	$25,157,134,000	0.2%	1.3%	47
S.D.	58,410	408,090	0.2%	14.3%	$234,607,000	$25,527,229,000	0.1%	0.9%	48
W. Va.	111,490	771,730	0.3%	14.4%	$186,712,000	$39,646,175,000	0.1%	0.5%	49
N.D.	52,350	363,770	0.1%	14.4%	$177,204,000	$25,709,491,000	0.1%	0.7%	50
Wyo.	52,970	273,810	0.1%	19.3%	$139,369,000	$21,031,599,000	0.1%	0.7%	51
U.S.	**37,391,540**	**146,918,270**	**100.0%**	**25.5%**	**$186,461,619,000**	**$10,201,187,957,000**	**100.0%**	**1.8%**	**–**

Note: Ranked by the Guinn Center on % of Amount Claimed (highest to lowest). Intermountain West states shaded in green.

Appendix D. Amended Senate Tax Proposal Distributional Tables for Nevada in 2019 and 2027[115]

Appendix Table D1. Impacts of the Senate Tax Plan (Revised w/Amendments) in 2019 in Nevada

Income			All Taxpayers (Includes ACA Individual Mandate Repeal)				Taxpayers	Taxpayers with Tax Cut			Taxpayers with Tax Hike		
Income Percentile	**Income Range**	**Average Income**	**Total Change**	**Average Tax Change**	**Change as a % of Pre-Tax Income**	**Share of Tax Change**	**Total Taxpayers**	**Share with Tax Cut**	**Total Taxpayers with Cut**	**Average Cut**	**Share with Tax Hike**	**Total Taxpayers with Hike**	**Average Hike**
Lowest Quintile (Poorest 20%)	Less than $23,670	$15,400	($27,800,000)	($110)	-0.7%	0.9%	228,800	82.6%	213,000	($150)	6.1%	15,800	$40
Second Quintile (Second 20%)	$23,670-$42,020	$31,900	($109,200,000)	($370)	-1.2%	3.6%	286,800	88.1%	263,000	($460)	8.0%	23,800	$310
Middle Quintile (Middle 20%)	$42,020-$64,880	$53,300	($261,800,000)	($950)	-1.8%	8.7%	274,800	96.7%	268,000	($1,020)	2.5%	6,800	$930
Fourth Quintile (Fourth 20%)	$64,880-$106,790	$84,500	($406,000,000)	($1,450)	-1.7%	13.5%	278,800	90.3%	253,000	($1,700)	9.2%	25,800	$700
Top Quintile (Top 20%)													
Next 15%	$106,790-$213,490	$145,600	($563,400,000)	($2,700)	-1.9%	18.7%	207,700	90.9%	190,000	($3,080)	8.5%	17,700	$1,140
Next 4%	$213,490-$614,760	$331,200	($494,600,000)	($8,920)	-2.7%	16.5%	55,100	92.0%	51,000	($9,820)	7.5%	4,100	$1,570
Richest 1%	$614,760 & Higher	$2,762,400	($1,142,300,000)	($79,810)	-2.9%	38.0%	14,000	99.6%	14,000	($80,270)	0.3%	0	$42,460
ALL	–	**$99,100**	**($3,005,000,000)**	**($2,130)**	**-2.1%**	–	**1,346,000**	**89.1%**	**1,252,000**	**($2,450)**	**6.7%**	**94,000**	**$650**
Bottom 60%	Less than $64,880	$33,900	($398,800,000)	($480)	-1.4%	13.3%	790,400	89.2%	744,000	($580)	5.6%	46,400	$310

Note: Taxpayers with Tax Cut and Taxpayer with Tax Hikes figures do not include the impact of repealing the ACA individual mandate. *Source*: Institute on Taxation and Economic Policy Microsimulation Tax Model, updated November 17, 2017.

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Appendix D (cont'd). Amended Senate Tax Proposal Distributional Tables for Nevada in 2019 and 2027

Appendix Table D2. Impacts of the Senate Tax Plan (Revised w/Amendments) in 2027 in Nevada

Income			All Taxpayers (Includes ACA Individual Mandate Repeal)			Tax-payers	Taxpayers with Tax Cut			Taxpayers with Tax Hike		
Income Percentile	**Income Range**	**Average Income**	**Total Change**	**Average Tax Change**	**Change as a % of Pre-Tax Income**	**Total Taxpayers**	**Share with Tax Cut**	**Total Taxpayers with Cut**	**Average Cut**	**Share with Tax Hike**	**Total Taxpayers with Hike**	**Average Hike**
Lowest Quintile (Poorest 20%)	Less than $32,660	$21,700	$41,700,000	$110	0.5%	361,400	54.9%	205,000	($20)	41.8%	156,400	$100
Second Quintile (Second 20%)	$32,660-$59,650	$46,500	$37,500,000	$100	0.2%	368,200	66.1%	247,000	($40)	32.5%	121,200	$180
Middle Quintile (Middle 20%)	$59,650-$96,810	$77,100	$19,300,000	$60	0.1%	318,400	60.2%	194,000	($60)	38.5%	124,400	$80
Fourth Quintile (Fourth 20%)	$96,810-$153,770	$120,900	($20,000,000)	($60)	0.0%	341,800	70.5%	243,000	($110)	28.7%	98,800	$80
Top Quintile (Top 20%)												
Next 15%	$153,770-$304,470	$209,800	($42,600,000)	($180)	-0.1%	233,900	71.9%	170,000	($220)	27.0%	63,900	$60
Next 4%	$304,470-$889,960	$476,200	($46,600,000)	($730)	-0.2%	63,000	84.0%	53,000	($860)	15.7%	10,000	$280
Richest 1%	$889,960 & Higher	$3,843,500	($206,800,000)	($13,440)	-0.3%	15,000	99.9%	15,000	($13,290)	0.0%	0	$680
ALL	–	**$131,600**	**($214,700,000)**	**($120)**	**-0.1%**	**1,701,700**	**65.5%**	**1,127,000**	**($300)**	**32.7%**	**574,700**	**$110**
Bottom 60%	Less than $96,810	$47,100	$98,500,000	$90	0.2%	1,048,000	60.4%	646,000	($40)	37.6%	402,000	$120

Note: Taxpayers with Tax Cut and Taxpayer with Tax Hikes figures do not include the impact of repealing the ACA individual mandate. *Source*: Institute on Taxation and Economic Policy Microsimulation Tax Model, updated November 17, 2017.

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