115TH CONGRESS, 1ST SESSION

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Honorable Richard E. Neal
U.S. House of Representatives
341 Cannon HOB
Washington, D.C. 20515

NOV 07 2017

Dear Ranking Member Neal:

This letter is in response to your request of November 6, 2017, for additional information on the size of the tax change for each income class under the Chairman's Amendment in the Nature of a Substitute to H.R. 1, the "Tax Cut and Jobs Act."

The enclosed table shows for each income class the percentage of tax returns that fall into one of five categories reflecting the size of the tax change that would occur under the "Tax Cut and Jobs Act." The five categories of tax change are: (a) a tax decrease greater than $500: (b) a tax decrease between $100 and $500; (c) a tax change [either an increase or decrease] of less than $100; (d) a tax increase between $100 and $500; and (e) a tax increase of greater than $500.

The analysis generally follows our current methodology for distributing Federal taxes to individuals, including allocating business taxes to individuals.[1]

The analysis is provided for tax years 2019, 2021, 2023, 2025, and 2027. To account for the impact of inflation, the $100 and $500 thresholds measuring the size of the tax change are indexed for inflation.

I hope this information is helpful to you. If we can be of further assistance in this matter, please let me know.

Sincerely,

Thomas A. Barthold

Thomas A. Barthold

Enclosure: Table #D-17-44

[redacted]

[1] See JCX-14-13 (October 16, 2013) *Modeling the Distribution of Taxes on Business Income*, for an explanation of how the staff of the Joint Committee on Taxation distributes business taxes.

A DISTRIBUTION OF RETURNS BY THE SIZE OF THE TAX CHANGE FOR THE CHAIRMAN'S AMENDMENT IN THE NATURE OF A SUBSTITUTE TO H.R.1, THE "TAX CUTS AND JOBS ACT," SCHEDULED FOR MARKUP BY THE COMMITTEE ON WAYS AND MEANS ON NOVEMBER 6, 2017

Calendar Year 2019

INCOME CATEGORY (2)	Percentage of Returns				
	Tax Decrease		Tax Change	Tax Increase	
	Greater Than $500	$100-$500	Less than $100	$100-$500	Greater Than $500
Less than $10,000	0.7%	6.6%	92.1%	0.4%	0.2%
$10,000 to $20,000	2.8%	34.7%	59.7%	0.9%	2.0%
$20,000 to $30,000	8.4%	35.8%	51.4%	1.4%	3.0%
$30,000 to $40,000	28.8%	29.6%	35.5%	2.4%	3.7%
$40,000 to $50,000	47.5%	22.6%	21.9%	3.2%	4.7%
$50,000 to $75,000	65.3%	14.0%	11.0%	3.6%	6.0%
$75,000 to $100,000	75.1%	8.7%	4.8%	3.6%	7.8%
$100,000 to $200,000	78.8%	4.6%	2.3%	3.4%	10.9%
$200,000 to $500,000	76.0%	4.0%	1.4%	3.0%	15.6%
$500,000 to $1,000,000	76.3%	1.2%	0.7%	1.0%	20.7%
$1,000,000 and over	75.7%	0.2%	0.3%	0.2%	23.6%
Total, All Taxpayers	**43.5%**	**17.5%**	**30.7%**	**2.4%**	**5.9%**

Source: Joint Committee on Taxation
Detail may not add to total due to rounding.

(1) This table is a distributional analysis of the proposal in revenue table JCX-47-17, excluding the following sections under I Tax Reform for Individuals: B 2 c., C.2 , C.3 , E 1 - E.6 , F 1 - F.6., and H.

(2) The income concept used to place tax returns into income categories is adjusted gross income (AGI) plus [1] tax-exempt interest, [2] employer contributions for health plans and life insurance, [3] employer share of FICA tax, [4] worker's compensation, [5] nontaxable Social Security benefits, [6] insurance value of Medicare benefits, [7] alternative minimum tax preference items, [8] individual share of business taxes, and [9] excluded income of U S citizens living abroad Categories are measured at 2017 levels.

(3) The categories reflecting the size of tax change are indexed for inflation.

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Calendar Year 2021

INCOME CATEGORY (2)	Percentage of Returns				
	Tax Decrease		Tax Change	Tax Increase	
	Greater Than $500	$100-$500	Less than $100	$100-$500	Greater Than $500
Less than $10,000	0.4%	4.2%	94.6%	0.5%	0.3%
$10,000 to $20,000	1.7%	34.4%	60.8%	1.0%	2.1%
$20,000 to $30,000	6.6%	35.5%	53.1%	1.8%	3.0%
$30,000 to $40,000	25.3%	29.0%	39.0%	3.0%	3.8%
$40,000 to $50,000	44.2%	23.4%	23.3%	3.8%	5.4%
$50,000 to $75,000	61.8%	14.9%	12.4%	4.1%	6.8%
$75,000 to $100,000	71.8%	9.0%	5.5%	4.3%	9.3%
$100,000 to $200,000	75.7%	4.8%	2.4%	3.9%	13.2%
$200,000 to $500,000	70.0%	3.9%	2.0%	3.5%	20.6%
$500,000 to $1,000,000	69.9%	1.4%	0.7%	1.4%	26.6%
$1,000,000 and over	70.7%	0.3%	0.2%	0.3%	28.4%
Total, All Taxpayers	40.9%	17.3%	31.9%	2.9%	7.0%

Source: Joint Committee on Taxation
Detail may not add to total due to rounding.

(1) This table is a distributional analysis of the proposal in revenue table JCX-47-17, excluding the following sections under I Tax Reform for Individuals B.2.c., C.2., C.3., E.1.- E.6., F.1 - F.6., and H.

(2) The income concept used to place tax returns into income categories is adjusted gross income (AGI) plus: [1] tax-exempt interest, [2] employer contributions for health plans and life insurance, [3] employer share of FICA tax, [4] worker's compensation, [5] nontaxable Social Security benefits, [6] insurance value of Medicare benefits, [7] alternative minimum tax preference items, [8] individual share of business taxes, and [9] excluded income of U.S. citizens living abroad. Categories are measured at 2017 levels.

(3) The categories reflecting the size of tax change are indexed for inflation.

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Calendar Year 2023

INCOME CATEGORY (2)	Percentage of Returns				
	Tax Decrease		Tax Change	Tax Increase	
	Greater Than $500	$100-$500	Less than $100	$100-$500	Greater Than $500
Less than $10,000	0.2%	2.7%	94.5%	2.1%	0.4%
$10,000 to $20,000	0.5%	14.1%	72.2%	9.9%	3.3%
$20,000 to $30,000	0.8%	16.5%	66.9%	9.6%	6.3%
$30,000 to $40,000	1.9%	29.8%	49.1%	10.5%	8.6%
$40,000 to $50,000	17.7%	24.4%	35.0%	10.5%	12.5%
$50,000 to $75,000	36.1%	18.9%	19.2%	10.5%	15.3%
$75,000 to $100,000	43.9%	16.4%	10.8%	8.8%	20.1%
$100,000 to $200,000	59.4%	7.1%	3.4%	5.5%	24.6%
$200,000 to $500,000	52.8%	4.5%	2.6%	4.3%	35.7%
$500,000 to $1,000,000	54.3%	1.7%	0.8%	1.6%	41.7%
$1,000,000 and over	56.7%	0.3%	0.5%	0.3%	42.1%
Total, All Taxpayers	**25.6%**	**14.5%**	**38.1%**	**8.0%**	**13.9%**

Source: Joint Committee on Taxation

Detail may not add to total due to rounding.

(1) This table is a distributional analysis of the proposal in revenue table JCX-47-17, excluding the following sections under I Tax Reform for Individuals: B.2.c., C.2., C.3., E.1 - E.6., F.1 - F.6., and H

(2) The income concept used to place tax returns into income categories is adjusted gross income (AGI) plus: [1] tax-exempt interest, [2] employer contributions for health plans and life insurance, [3] employer share of FICA tax, [4] worker's compensation, [5] nontaxable Social Security benefits, [6] insurance value of Medicare benefits, [7] alternative minimum tax preference items, [8] individual share of business taxes, and [9] excluded income of U.S. citizens living abroad. Categories are measured at 2017 levels.

(3) The categories reflecting the size of tax change are indexed for inflation

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Calendar Year 2025

INCOME CATEGORY (2)	Percentage of Returns				
	Tax Decrease		Tax Change	Tax Increase	
	Greater Than $500	$100-$500	Less than $100	$100-$500	Greater Than $500
Less than $10,000	0.2%	4.5%	94.2%	0.6%	0.4%
$10,000 to $20,000	0.6%	20.9%	69.4%	5.9%	3.2%
$20,000 to $30,000	0.8%	17.3%	66.1%	9.2%	6.5%
$30,000 to $40,000	2.6%	25.3%	53.3%	10.4%	8.4%
$40,000 to $50,000	17.8%	20.5%	37.3%	11.7%	12.7%
$50,000 to $75,000	35.3%	16.7%	21.1%	10.9%	16.1%
$75,000 to $100,000	42.5%	15.0%	11.8%	9.3%	21.4%
$100,000 to $200,000	57.2%	7.1%	3.6%	5.5%	26.7%
$200,000 to $500,000	50.1%	4.7%	2.3%	4.8%	38.0%
$500,000 to $1,000,000	53.7%	1.8%	0.8%	1.7%	42.0%
$1,000,000 and over	57.6%	0.7%	0.2%	0.7%	40.9%
Total, All Taxpayers	**25.0%**	**14.3%**	**38.3%**	**7.5%**	**14.8%**

Source: Joint Committee on Taxation
Detail may not add to total due to rounding.

(1) This table is a distributional analysis of the proposal in revenue table JCX-47-17, excluding the following sections under I. Tax Reform for Individuals. B 2 c , C 2 , C 3 , E.1.- E 6., F.1 - F.6 , and H

(2) The income concept used to place tax returns into income categories is adjusted gross income (AGI) plus: [1] tax-exempt interest, [2] employer contributions for health plans and life insurance, [3] employer share of FICA tax, [4] worker's compensation, [5] nontaxable Social Security benefits, [6] insurance value of Medicare benefits, [7] alternative minimum tax preference items, [8] individual share of business taxes, and [9] excluded income of U.S. citizens living abroad Categories are measured at 2017 levels

(3) The categories reflecting the size of tax change are indexed for inflation.

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Calendar Year 2027

INCOME CATEGORY (2)	Percentage of Returns				
	Tax Decrease		Tax Change	Tax Increase	
	Greater Than $500	$100-$500	Less than $100	$100-$500	Greater Than $500
Less than $10,000	0.5%	6.9%	91.5%	0.6%	0.5%
$10,000 to $20,000	1.2%	23.0%	65.3%	7.0%	3.5%
$20,000 to $30,000	1.9%	21.9%	60.9%	8.8%	6.6%
$30,000 to $40,000	5.6%	30.5%	46.1%	9.3%	8.5%
$40,000 to $50,000	24.7%	22.9%	29.9%	10.8%	11.7%
$50,000 to $75,000	41.8%	18.2%	16.3%	9.4%	14.3%
$75,000 to $100,000	50.6%	15.2%	8.3%	7.6%	18.3%
$100,000 to $200,000	65.0%	6.1%	2.9%	4.9%	21.2%
$200,000 to $500,000	62.3%	4.0%	2.0%	3.5%	28.2%
$500,000 to $1,000,000	64.7%	1.2%	0.7%	1.2%	32.2%
$1,000,000 and over	66.1%	0.3%	0.3%	0.3%	32.9%
Total, All Taxpayers	**30.2%**	**16.0%**	**34.3%**	**6.9%**	**12.6%**

Source: Joint Committee on Taxation

Detail may not add to total due to rounding.

(1) This table is a distributional analysis of the proposal in revenue table JCX-47-17, excluding the following sections under I. Tax Reform for Individuals: B.2 c., C 2., C 3., E 1 - E 6., F.1 - F 6., and H

(2) The income concept used to place tax returns into income categories is adjusted gross income (AGI) plus [1] tax-exempt interest, [2] employer contributions for health plans and life insurance, [3] employer share of FICA tax, [4] worker's compensation, [5] nontaxable Social Security benefits, [6] insurance value of Medicare benefits, [7] alternative minimum tax preference items, [8] individual share of business taxes, and [9] excluded income of U.S. citizens living abroad. Categories are measured at 2017 levels.

(3) The categories reflecting the size of tax change are indexed for inflation