



**SUMMARY AND ANALYSIS OF THE TAX CUTS AND JOBS ACT  
AS APPROVED BY THE SENATE**

**DECEMBER 4, 2017**

The Tax Cuts and Jobs Act approved by the Senate Finance Committee on November 16 would reduce the taxes paid by U.S. corporations and certain individual taxpayers and implement a wide range of changes to the Internal Revenue Code. As allowed under the fiscal year 2018 budget resolution, the legislation would increase federal deficits by \$1.5 trillion over ten years.

While the legislation's proposed corporate tax changes would be permanent, the provisions affecting individual taxpayers (with the exception of using a less generous measure of inflation to adjust income tax rates and other tax parameters in the future) would sunset on December 31, 2025 in order to comply with Senate rules about increasing deficits beyond a ten-year window. The measure's largest single cost to the government is the reduction of the top corporate tax rate from 35% to 20%, effective in 2019, which would reduce federal tax revenue by \$1.33 trillion over ten years.

Additionally, the bill would permanently repeal the Affordable Care Act provision that imposes a tax penalty on individuals without health care coverage, a change which would expand federal tax revenue by \$318.4 billion over ten years while increasing the number of uninsured Americans by an estimated 13 million.

**FEEDING AMERICA TAX AND FISCAL POLICY PRINCIPLES**

As the nation's largest private response to domestic hunger, and the country's third largest charitable organization, Feeding America works to advance public policy outcomes that support food insecure individuals and families, and expand the resources necessary for them to access nutritious food. These goals are best advanced through fiscally responsible policies that balance encouraging Americans to give generously to charity while ensuring government has the resources necessary to meet our collective obligations to provide for the health and well-being of our neighbors and our communities.

Feeding America has evaluated The Tax Cuts and Jobs Act's impact on food insecure individuals and families in the United States, as well as both public and private nutrition assistance efforts. Specifically, this analysis is based on the extent to which the legislation:

- prioritizes support for those individuals and families most at risk of being food insecure;
- supports short- and long-term funding for federal nutrition assistance programs; and
- preserves tax incentives for the contribution of both food and money, and maintains current levels of charitable giving.

## SUMMARY AND ANALYSIS OF KEY PROVISIONS

### Individual Taxpayer Provisions

#### Marginal Tax Rates

The legislation would maintain the seven individual marginal tax rates in current law, adjusting some of the rates and income thresholds as outlined in the excerpts below from a Tax Foundation table:

| Single Filers      |                     |                    |                     | Joint Filers       |                     |                    |                       |
|--------------------|---------------------|--------------------|---------------------|--------------------|---------------------|--------------------|-----------------------|
| <u>Current Law</u> |                     | <u>Senate Bill</u> |                     | <u>Current Law</u> |                     | <u>Senate Bill</u> |                       |
| 10%                | \$0-\$9,525         | 10%                | \$0-9,525           | 10%                | \$0-\$19,050        | 10%                | \$0-\$19,050          |
| 15%                | \$9,525-\$38,700    | 12%                | \$9,525-\$38,700    | 15%                | \$19,051-\$77,400   | 12%                | \$19,050-\$77,400     |
| 25%                | \$38,700-\$93,700   | 22%                | \$38,700-\$70,000   | 25%                | \$77,400-\$156,150  | 22%                | \$77,400-\$140,000    |
| 28%                | \$93,700-\$195,450  | 24%                | \$70,000-\$160,000  | 28%                | \$156,150-\$237,950 | 24%                | \$140,000-\$320,000   |
| 33%                | \$195,451-\$424,950 | 32%                | \$160,000-\$200,000 | 33%                | \$237,950-\$424,950 | 32%                | \$320,000-\$400,000   |
| 35%                | \$424,951-\$426,700 | 35%                | \$200,000-\$500,000 | 35%                | \$424,950-\$480,050 | 35%                | \$400,000-\$1,000,000 |
| 39.6%              | \$426,701+          | 38.5%              | \$500,000+          | 39.6%              | \$480,051+          | 38.5%              | \$1,000,000+          |

These changes to individual marginal tax rates, would reduce federal tax revenue by \$1.17 trillion over ten years.

#### Standard Deduction

The standard deduction would be increased to \$12,000 for single filers and \$24,000 for joint filers, up from current levels of \$6,350 and \$12,700, respectively.

#### Itemized Deductions

Most individual itemized deductions would be repealed, with exceptions including deductions for home mortgage interest, charitable contributions, up to \$10,000 in property taxes, and medical expenses that exceed 7.5% of a taxpayer's adjusted gross income, down from the 10% threshold in current law.

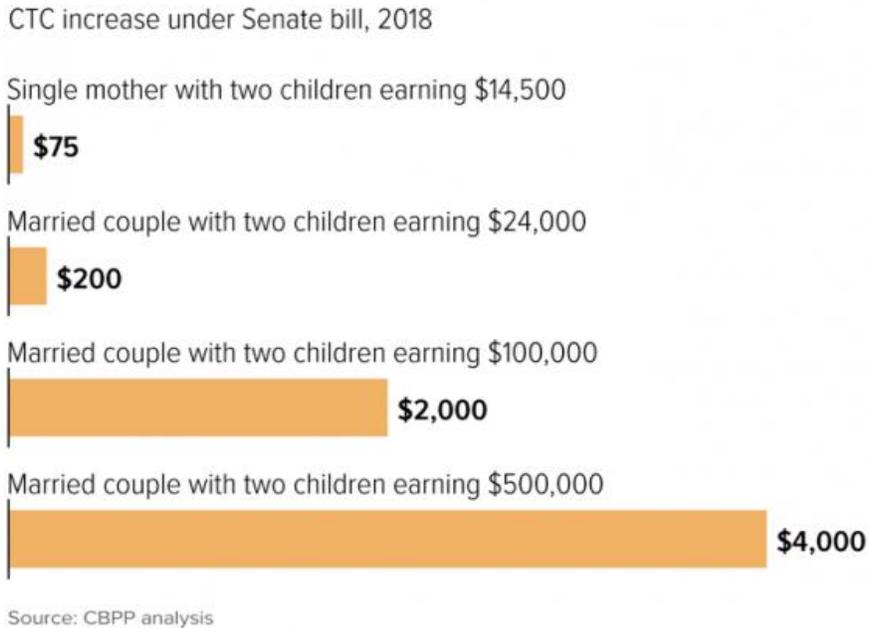
#### Personal Exemption

The measure would repeal the personal exemption, which reduces a taxpayer's tax bill by \$4,050 for each individual in the household, up to certain income thresholds. Repealing the personal exemption would effectively eliminate the tax benefit of an increased standard deduction for families of three or more who are not able to itemize their tax returns.

Child Tax Credit

The child tax credit would be expanded from \$1,000 to \$2,000, with the first \$1,000 of the credit remaining refundable, and the earned income threshold for the refundable portion reduced from \$3,000 to \$2,500. The bill would also provide an additional \$500 credit for a non-child dependent, and increase the income levels at which the credit phases out from \$110,000 to \$500,000 for all taxpayers.

The following table depicts the Center for Budget and Policy Priorities’ estimate of the distributional benefits of the expanded child tax credit as proposed in the Senate bill.



Alternative Minimum Tax

The exemption amounts for the Alternative Minimum Tax, which affects 4.5 million taxpayers with incomes predominantly between \$200,000 and \$1 million per year, would be increased by approximately 40%.

Estate Tax

The threshold for the federal estate tax, which is estimated to affect 0.2 percent of estates in the U.S., would be doubled from \$5.5 million to \$11 million for single filers, and from \$11 million to \$22 million for joint filers.

## **Provisions Affecting Charitable Giving**

### Availability of Charitable Deduction

The increased standard deduction, combined with the elimination of a number of itemized deductions, would significantly reduce the percentage of taxpayers who file itemized tax returns. The practical effect is that tens of millions of taxpayers would lose the ability to deduct charitable contributions, likely resulting in a substantial decline in giving. Indiana University has estimated that changes similar to those in H.R. 1 could decrease charitable giving by as much as \$10 billion per year.

### Estate Tax

Doubling the federal estate tax exemption amount effectively eliminates the charitable giving incentive for single filing taxpayers with estates valued between \$5.5 million and \$11 million with, and between \$11 million and \$22 million for joint filers.

### Increased Contribution Limits

The current limitation on cash contributions to public charities would be increased from 50% to 60% of adjusted gross income, and the 5-year carry forward provision for contributions that exceed that limit would be retained.

## **Exempt Organization Provisions**

### Political Activity

Unlike the House-passed legislation, the Senate measure preserves the Johnson Amendment, a statutory provision which has since 1954 prohibited charitable organizations from engaging in partisan political activities.

### Other Provisions

The legislation would:

- impose a 20% excise tax on compensation of certain employees paid by tax-exempt employers in excess of \$1,000,000 per year;
- impose a 1.4% excise tax on the net investment income of private colleges and universities with over 500 students and assets in excess of \$500,000 per student;
- repeal tax-exempt status for professional sports leagues,
- repeal the special rule that provides a charitable deduction of 80 percent of the amount paid for the right to purchase tickets for collegiate athletic events; and
- treat as unrelated business income, and therefore subject to tax, the revenue derived from the sale or licensing an organization's name or logo.

## **IMPACT ON FOOD INSECURE INDIVIDUALS AND FAMILIES**

Based on a review of key provisions outlined above, the Tax Cuts and Jobs Act, as reported by the Senate Finance Committee, would likely provide little direct benefit to food insecure individuals in the United States. At the same time, the legislation would undermine efforts to provide both public and private nutrition assistance to those individuals and families who struggle with adequate access to food.

**The revenue provisions of the Tax Cuts and Jobs Act do not generally prioritize support for those individuals and families most at risk of being food insecure.**

The legislation would reduce the burden on corporate and certain individual taxpayers by approximately \$5.2 trillion over ten years, alongside changes that would generate \$3.7 in additional revenue over the same time period. The tax reductions provided in the legislation are not generally targeted to taxpayers most at risk of being food insecure, while many of its revenue raising proposals would reduce or eliminate current tax provisions that benefit lower income and disadvantaged individuals.

The following table, from the Joint Committee on Taxation’s estimate of the distributional effects of the legislation, highlights the fact that the average tax rates paid by lower income taxpayers would actually increase.

| Income category          | 2021<br>Average Tax Rate |                 | 2027<br>Average Tax Rate |                 |
|--------------------------|--------------------------|-----------------|--------------------------|-----------------|
|                          | Present<br>Law           | GOP<br>Proposal | Present<br>Law           | GOP<br>Proposal |
|                          | Less than \$10,000       | 8.2%            | 8.1%                     | 4.7%            |
| \$10,000 to \$20,000     | -1.4%                    | -0.6%           | -0.8%                    | 0.7%            |
| \$20,000 to \$30,000     | 3.7%                     | 4.2%            | 4.1%                     | 5.1%            |
| \$30,000 to \$40,000     | 7.6%                     | 7.4%            | 7.6%                     | 8.2%            |
| \$40,000 to \$50,000     | 10.9%                    | 10.4%           | 11.0%                    | 11.5%           |
| \$50,000 to \$75,000     | 14.7%                    | 13.7%           | 14.5%                    | 14.6%           |
| \$75,000 to \$100,000    | 16.8%                    | 15.6%           | 16.3%                    | 16.3%           |
| \$100,000 to \$200,000   | 20.9%                    | 19.6%           | 20.7%                    | 20.6%           |
| \$200,000 to \$500,000   | 26.5%                    | 24.5%           | 26.6%                    | 26.5%           |
| \$500,000 to \$1 million | 31.0%                    | 28.2%           | 30.8%                    | 30.5%           |
| \$1 million and over     | 32.4%                    | 20.9%           | 32.1%                    | 31.7%           |

Additionally, the Congressional Budget Office has estimated the total distributional effect of the bill by examining the impact on both revenues and direct spending. The CBO analysis is depicted in the following table.

**Allocation of Changes in Net Federal Revenues and Spending Under the Tax Cuts and Jobs Act**

Millions of Dollars

| Income Category             | 2019            | 2021            | 2023            | 2025            | 2027          |
|-----------------------------|-----------------|-----------------|-----------------|-----------------|---------------|
| Less than \$10,000          | 1,540           | 5,870           | 7,440           | 8,680           | 10,070        |
| \$10,000 to \$20,000        | 960             | 9,050           | 11,400          | 12,180          | 16,060        |
| \$20,000 to \$30,000        | 80              | 9,000           | 10,200          | 12,210          | 16,720        |
| \$30,000 to \$40,000        | -3,920          | 770             | 2,440           | 2,560           | 7,610         |
| \$40,000 to \$50,000        | -6,040          | -2,660          | -1,800          | -1,530          | 5,270         |
| \$50,000 to \$75,000        | -22,270         | -19,470         | -16,940         | -17,380         | 3,980         |
| \$75,000 to \$100,000       | -21,520         | -21,260         | -18,470         | -19,540         | -1,390        |
| \$100,000 to \$200,000      | -64,240         | -63,990         | -52,900         | -55,470         | -5,340        |
| \$200,000 to \$500,000      | -59,570         | -60,110         | -50,010         | -54,530         | -5,190        |
| \$500,000 to \$1,000,000    | -24,880         | -24,080         | -18,690         | -20,000         | -1,940        |
| \$1,000,000 and over        | -34,100         | -28,690         | -13,100         | -15,810         | -5,780        |
| <b>Total, All Taxpayers</b> | <b>-233,950</b> | <b>-195,570</b> | <b>-140,400</b> | <b>-148,620</b> | <b>40,110</b> |

Source: Staff of the Joint Committee on Taxation and the Congressional Budget Office.

**The Tax Cuts and Jobs Act does not support short- and long-term funding for federal nutrition assistance programs.**

The increased deficits created by the legislation, and the resulting additional debt that must be financed, will together place downward pressure on federal spending in both the short and long term. It has been our experience that such pressure results in disproportionate cuts to programs like those intended to provide nutrition assistance to food insecure Americans. At a time when the aggregate annual food budget shortfall for all food insecure families in the United States has grown to more than \$22.25 billion, federal nutrition assistance programs should be expanded, not contracted.

**The Tax Cuts and Jobs Act does not preserve tax incentives for contributions to charitable organizations, and would likely cause a decline in charitable giving.**

The legislation would eliminate for tens of millions of individual taxpayers the deduction for charitable contributions that has for more than a century encouraged gifts to charity. Additionally, doubling the exemption amount for the federal estate tax would remove for certain taxpayers one of the tax code's most effective charitable giving incentives. The loss of these giving incentives would result in a significant loss of revenue that makes possible a wide range of charitable programs and services, including those that provide assistance to food insecure individuals and families.