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The Implications of Federal Budget & Tax Proposals for California

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BAY AREA ASSET FUNDERS NETWORK

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Federal Budget and Tax Proposals: Timelines, Proposals, and Implications for California



Key Provisions in the Latest Federal Tax Proposals

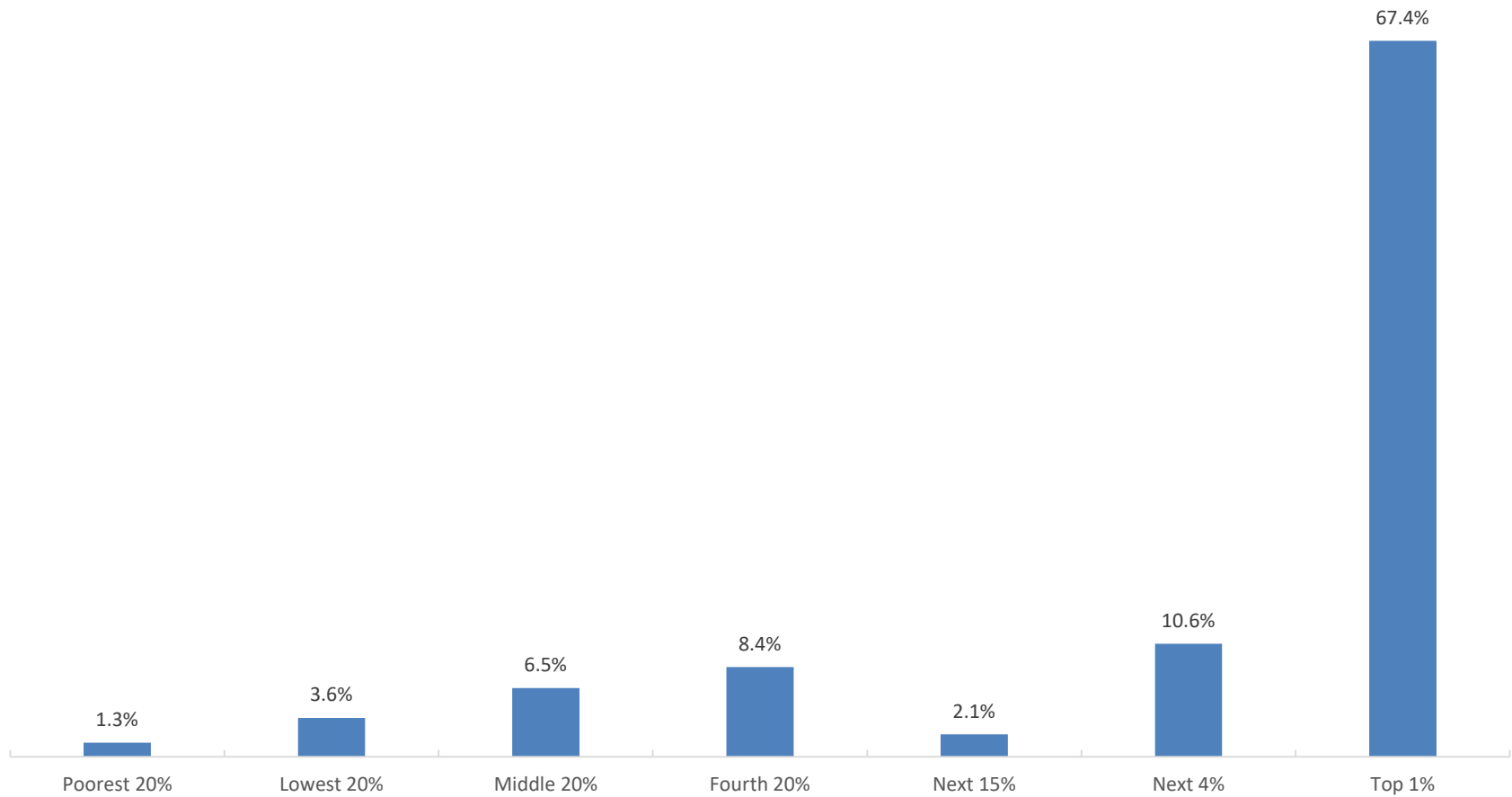
Key Individual Provisions	Key Business Provisions
Repeal the Alternative Minimum Tax (AMT)	Reduce corporate tax rate from 35 to 20 percent
Set income tax rates at 12, 25, and 35 percent (possible 4 th level)	Reduce the maximum tax-rate on pass-through businesses to 25 percent
Increase standard deduction to \$12,000 for single filers, \$24,000 for joint filers	
Repeal all personal exemptions for taxpayers and dependents	Key Other Provisions
Repeal most itemized deductions (<u>including SALT</u>), except Mortgage Interest and charitable contributions	Repeal the estate tax
Increase the child credit	
Create \$500 nonrefundable credit for non-child dependents	
Repeal “other” exemptions, deductions, and credits - unspecified	

Federal Budget Cuts Outlined in the U.S. House and U.S. Senate Budget Resolutions for Fiscal year 2018

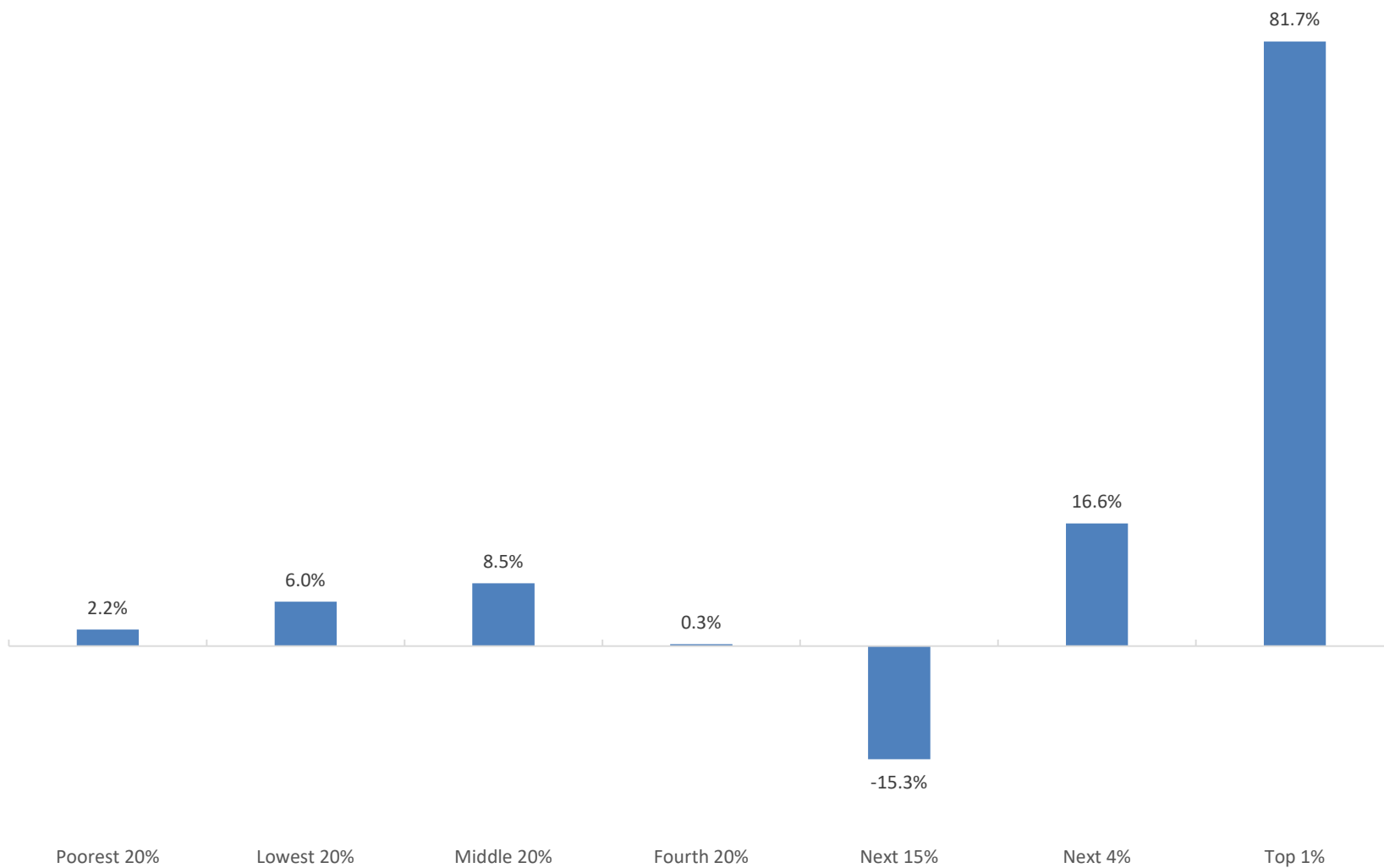
Programs	House Budget Resolution	Senate Budget Resolution
Medicaid	\$1.5 trillion	\$1.3 trillion
Medicare	\$487 billion	\$473 billion
Other unspecified entitlement	\$500 billion - \$1 trillion	\$653 billion + \$1 trillion
Non-Defense Discretionary Programs	\$1.3 trillion	Unspecified



Share of GOP Tax Cuts by Income Group



Californians' Share of GOP Tax Cuts by Income Group

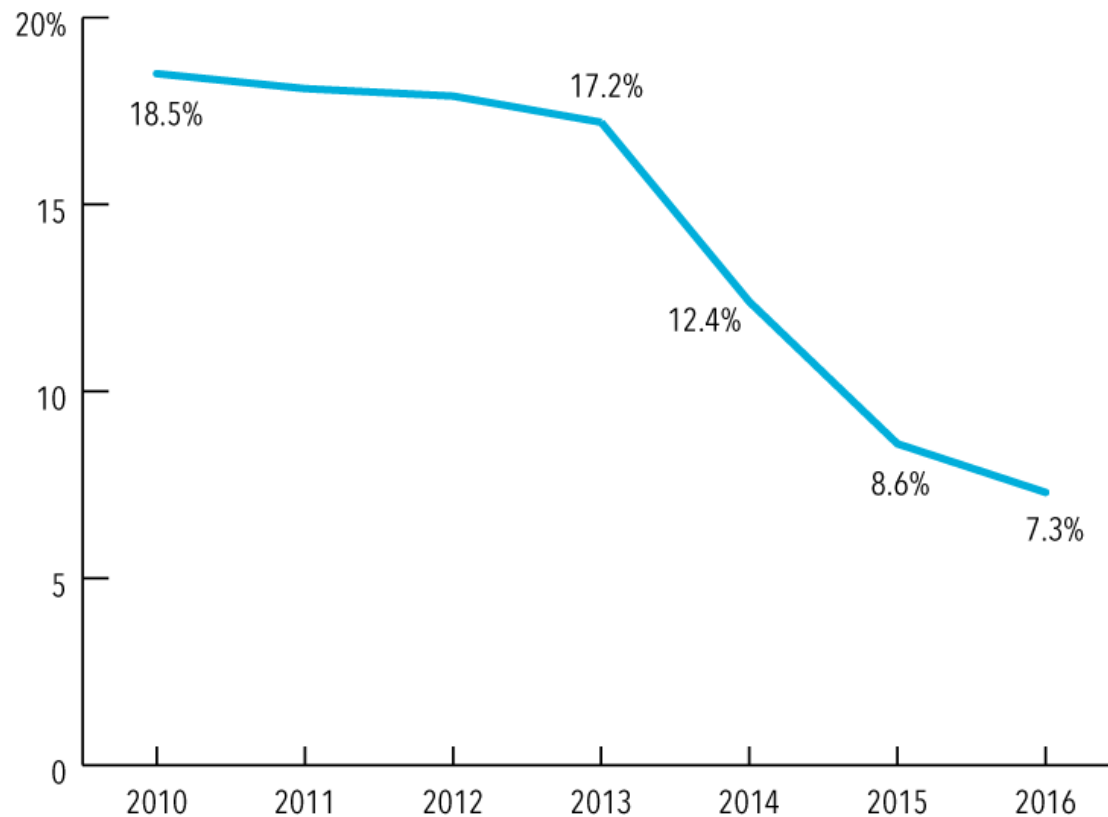


**Federal budget and tax
proposals threaten
California's progress and
target the most vulnerable.**



The Share of Californians Without Health Care Coverage Has Dropped by More Than Half Since 2013

California Fully Implemented Federal Health Care Reform in January 2014



Note: Estimates are based on survey respondents' health care coverage status at the time of the interview.

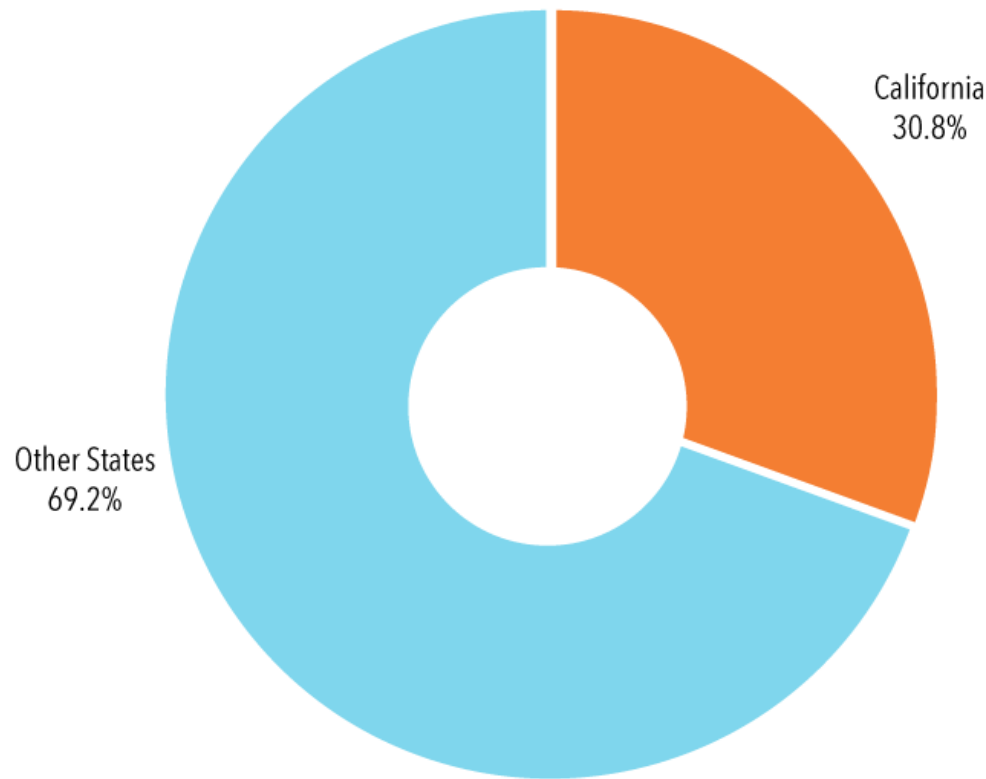
Source: US Census Bureau, American Community Survey



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California Accounts for More Than 3 in 10 of the Adults Enrolled in Medicaid Due to the ACA Expansion

Share of Newly Eligible Adults Enrolled in Medicaid (Medi-Cal in California), Fiscal Year 2016



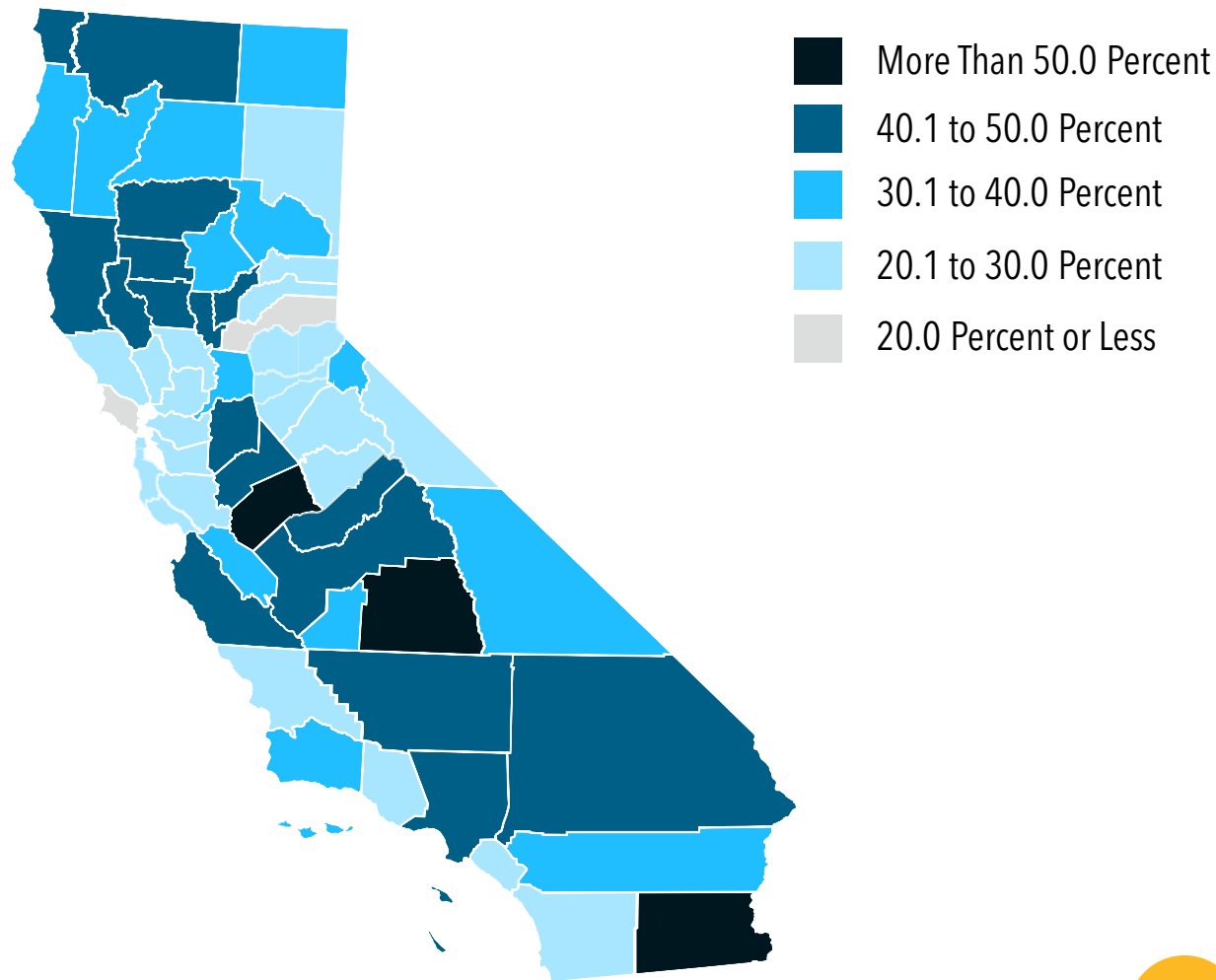
Note: ACA = the federal Affordable Care Act.
Source: Kaiser Family Foundation



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The Share of Residents Enrolled in Medi-Cal Exceeds 40 Percent in 20 Out of 58 Counties

Medi-Cal Enrollees as a Percentage of the Population, January 2016



Note: Percentages are estimates.

Source: Department of Finance and Department of Health Care Services

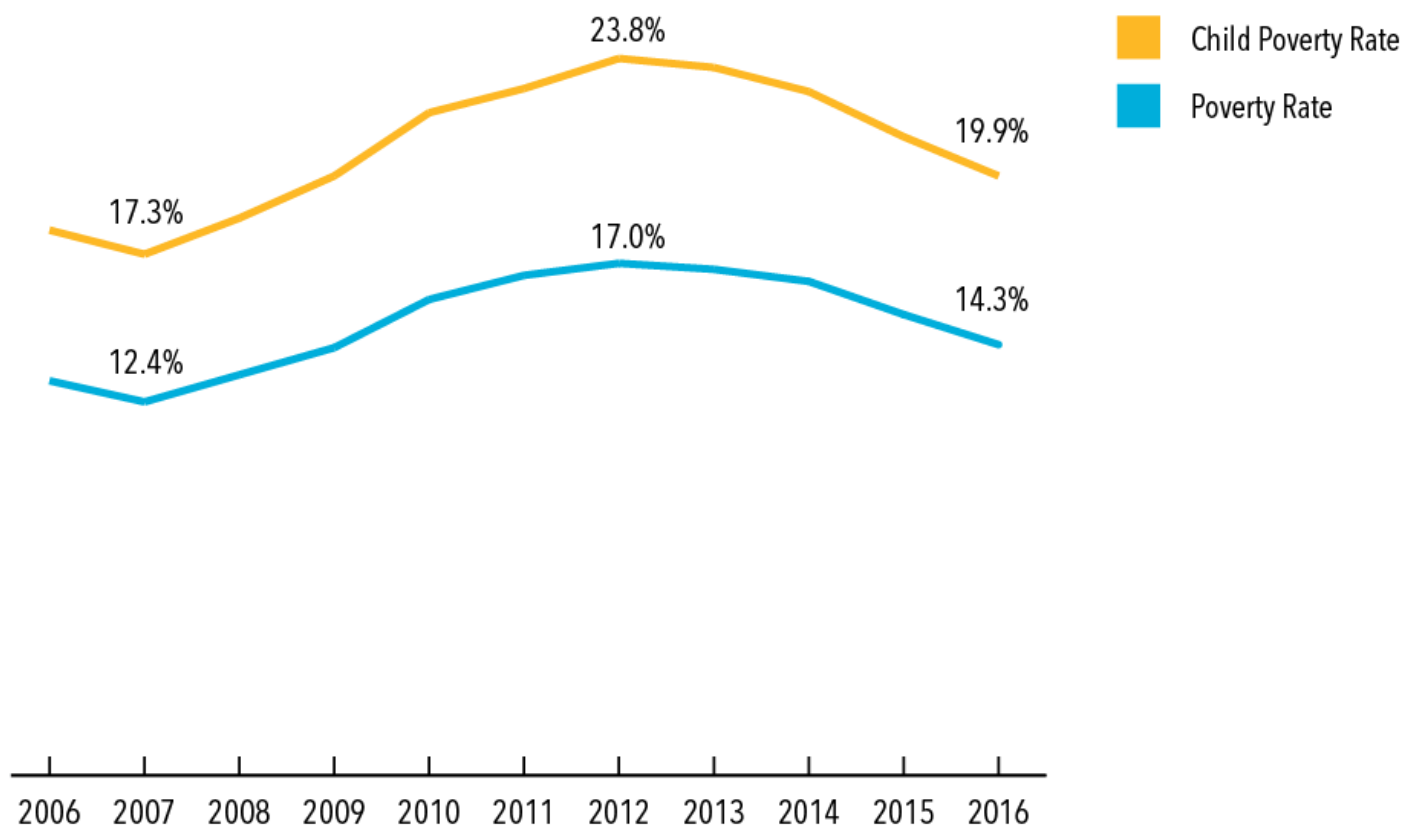


Federal proposals and poverty in California



California's Official Poverty Rate Continued to Decline in 2016, but Has Yet to Return to Its Pre-Recession Level

Percentage of Californians With Incomes Below the Official Federal Poverty Line



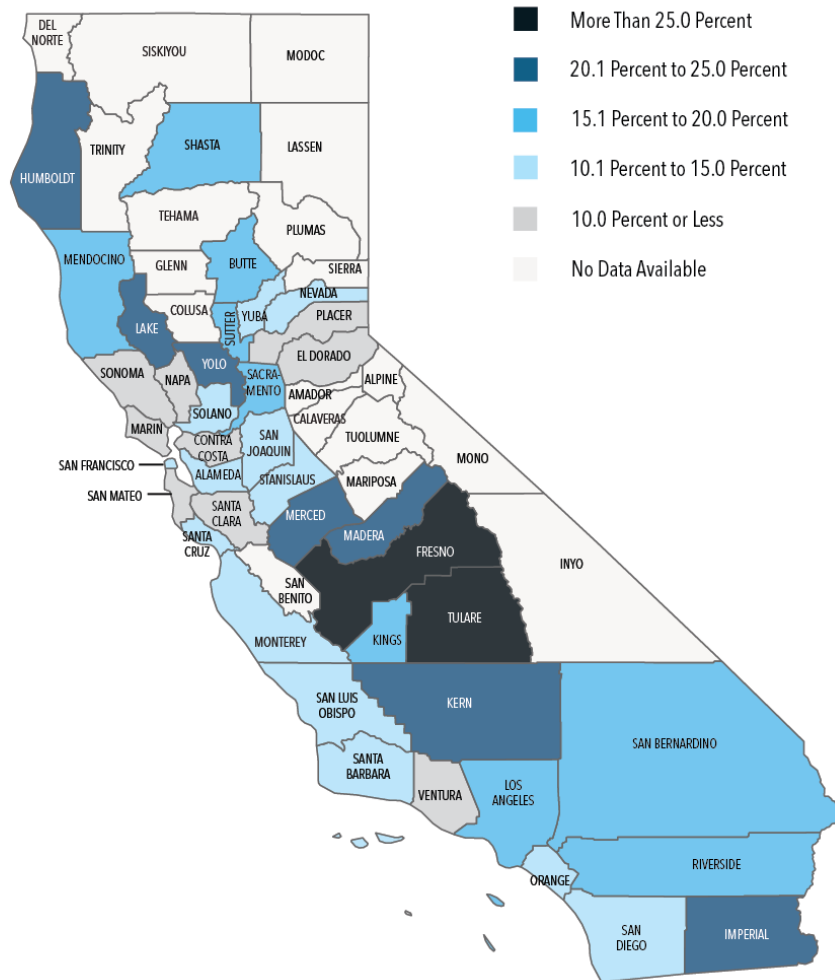
Source: US Census Bureau, American Community Survey



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Poverty Rates Are High in Many California Counties

Percentage of People Living in Poverty in 2016 Based on the Official Poverty Measure



Note: Data are not available for 18 of California's 58 counties.
Source: US Census Bureau, American Community Survey



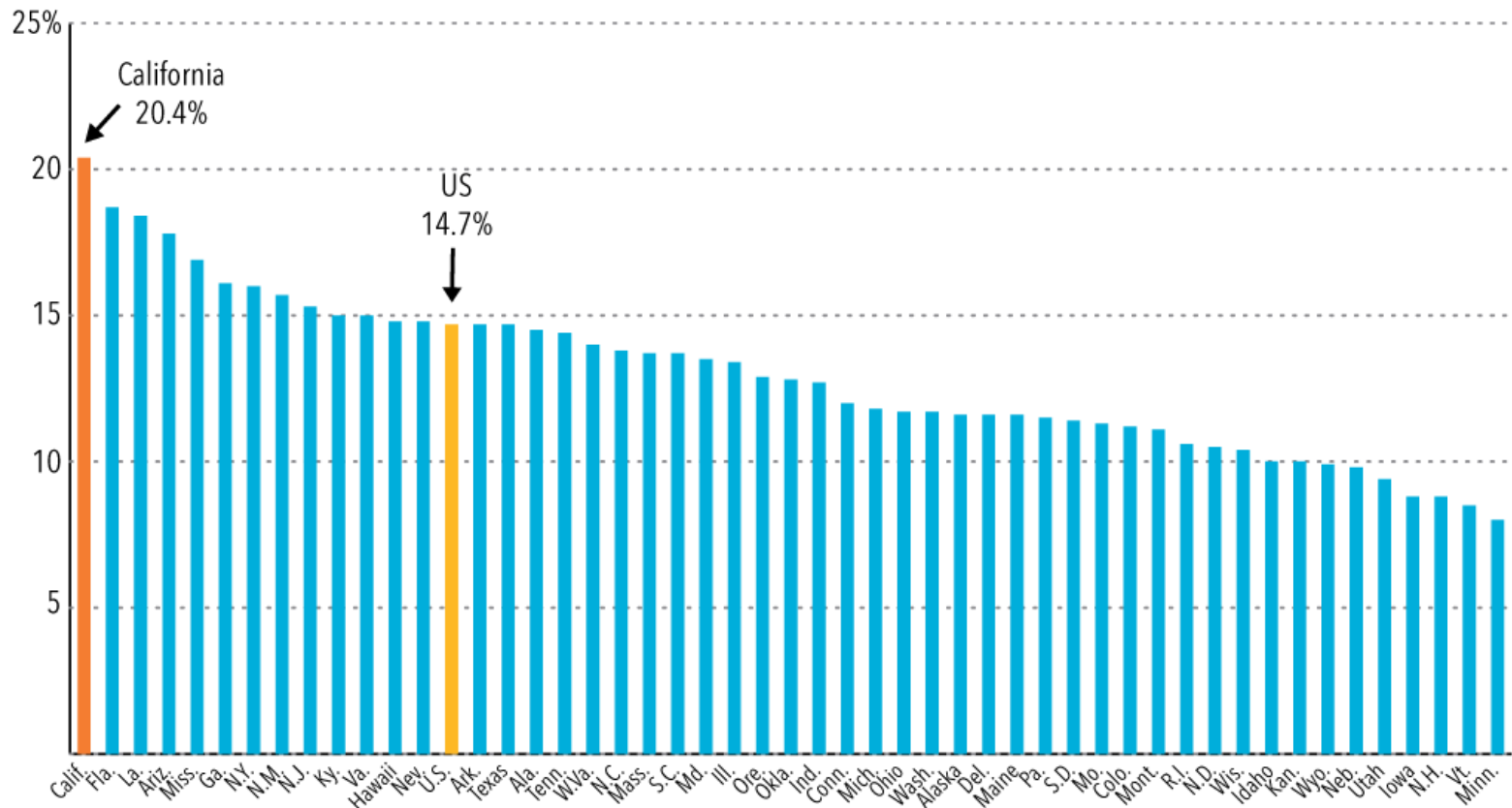
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California Has the Highest Poverty Rate of the 50 States Under the Supplemental Poverty Measure (SPM)

State Poverty Rate Under the SPM, 2014-2016



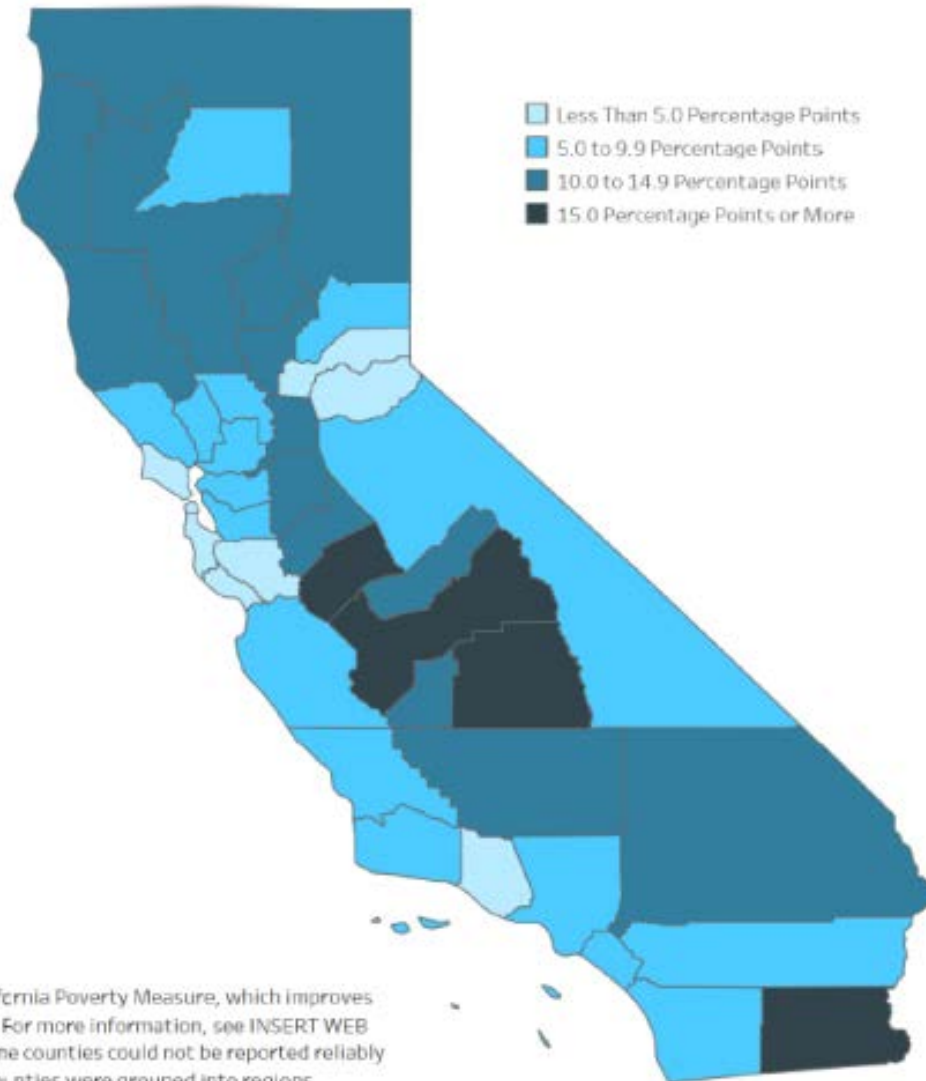
Source: US Census Bureau



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Public Supports Significantly Cut Poverty, Particularly in Central Valley Counties

Percentage Point Increase in Poverty Rate Without Public Supports, 2013-15

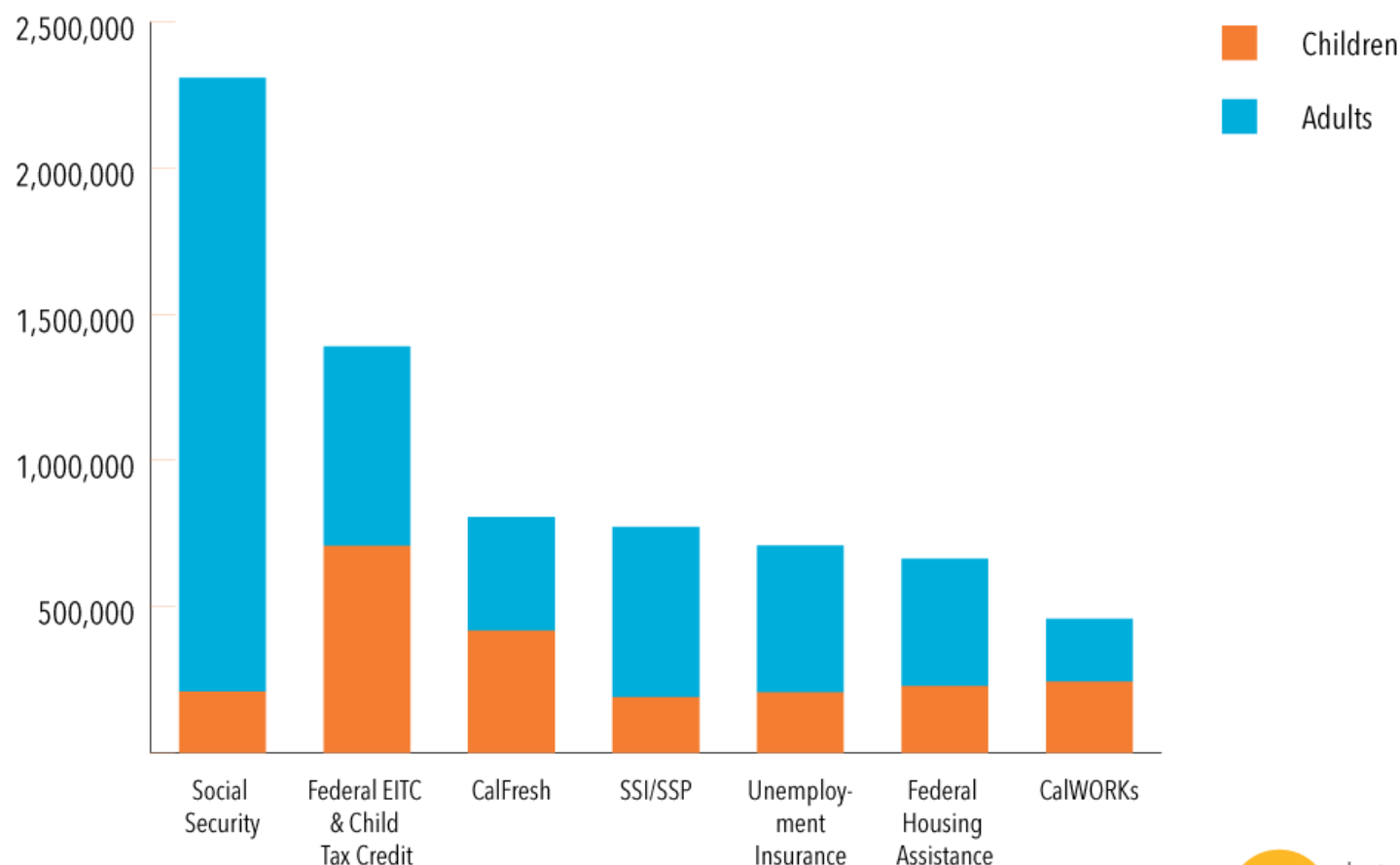


Note: Analysis is based on the California Poverty Measure, which improves upon the official poverty measure. For more information, see [INSERT WEB LINK TO PPIC REPORT](#). Data for some counties could not be reported reliably on their own. In these cases, the counties were grouped into regions.
Source: Public Policy Institute of California



Public Supports Lift Many Californians Out of Poverty Each Year

Average Annual Number of People Lifted Above the Poverty Line Between 2009 and 2012



Note: This analysis is based on the US Census Bureau's Supplemental Poverty Measure after correcting for underreported public supports using administrative data.

Source: Center on Budget and Policy Priorities



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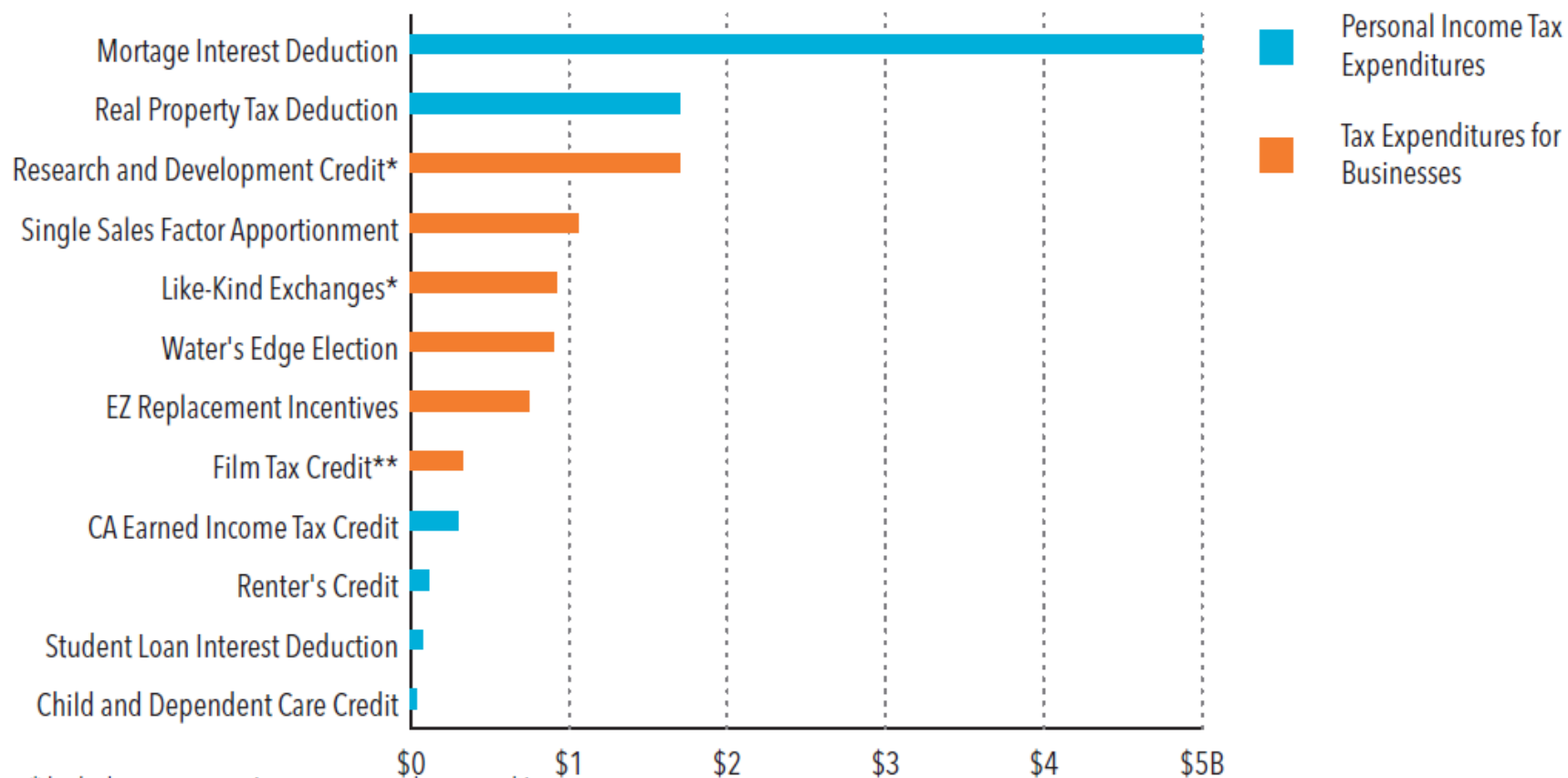
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How might California respond?



Tax Breaks Primarily Benefiting the Wealthy and Businesses Dwarf Those Targeted to Households of Less Means

Projected 2016-17 Revenue Loss by Tax Expenditure, in Billions



* Includes corporate income tax and personal income tax components.

** Includes corporate income tax, personal income tax, and sales tax exclusion components.

Note: Enterprise Zone (EZ) Replacement Incentives and Film Tax Credit reflect legislated caps rather than projected expenditures.

Source: Department of Finance, Franchise Tax Board, Legislative Analyst's Office, and California State Assembly floor analysis



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**Budgets and taxes are
statements about our values
and priorities.**





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