The Implications of Federal Budget & Tax Proposals for California

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calbudgetcenter.org
Federal Budget and Tax Proposals: Timelines, Proposals, and Implications for California
## Key Provisions in the Latest Federal Tax Proposals

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<tr>
<td>Repeal the Alternative Minimum Tax (AMT)</td>
<td>Reduce corporate tax rate from 35 to 20 percent</td>
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<tr>
<td>Set income tax rates at 12, 25, and 35 percent (possible 4&lt;sup&gt;th&lt;/sup&gt; level)</td>
<td>Reduce the maximum tax-rate on pass-through businesses to 25 percent</td>
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<td>Increase standard deduction to $12,000 for single filers, $24,000 for joint filers</td>
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<td>Repeal all personal exemptions for taxpayers and dependents</td>
<td>Key Other Provisions</td>
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<tr>
<td>Repeal most itemized deductions (&lt;sup&gt;including SALT&lt;/sup&gt;), except Mortgage Interest and charitable contributions</td>
<td>Repeal the estate tax</td>
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<td>Increase the child credit</td>
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<td>Create $500 nonrefundable credit for non-child dependents</td>
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<tr>
<td>Repeal “other” exemptions, deductions, and credits - unspecified</td>
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Federal Budget Cuts Outlined in the U.S. House and U.S. Senate Budget Resolutions for Fiscal year 2018

<table>
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<tr>
<th>Programs</th>
<th>House Budget Resolution</th>
<th>Senate Budget Resolution</th>
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<tr>
<td>Medicaid</td>
<td>$1.5 trillion</td>
<td>$1.3 trillion</td>
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<tr>
<td>Medicare</td>
<td>$487 billion</td>
<td>$473 billion</td>
</tr>
<tr>
<td>Other unspecified entitlement</td>
<td>$500 billion - $1 trillion</td>
<td>$653 billion + $1 trillion</td>
</tr>
<tr>
<td>Non-Defense Discretionary Programs</td>
<td>$1.3 trillion</td>
<td>Unspecified</td>
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Share of GOP Tax Cuts by Income Group

- Poorest 20%: 1.3%
- Lowest 20%: 3.6%
- Middle 20%: 6.5%
- Fourth 20%: 8.4%
- Next 15%: 2.1%
- Next 4%: 10.6%
- Top 1%: 67.4%
Californians' Share of GOP Tax Cuts by Income Group

- Poorest 20%: 2.2%
- Lowest 20%: 6.0%
- Middle 20%: 8.5%
- Fourth 20%: 0.3%
- Next 15%: -15.3%
- Next 4%: 16.6%
- Top 1%: 81.7%
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
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

California 30.8%
Other States 69.2%

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

- Mortgage Interest Deduction
- Real Property Tax Deduction
- Research and Development Credit*
- Single Sales Factor Apportionment
- Like-Kind Exchanges*
- Water’s Edge Election
- EZ Replacement Incentives
- Film Tax Credit**
- CA Earned Income Tax Credit
- Renter’s Credit
- Student Loan Interest Deduction
- Child and Dependent Care Credit

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