



California Budget  
& Policy Center

# The Implications of Federal Budget and Tax Proposals for California

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CALIFORNIA PHILANTHROPY WEBINAR

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# Key Provisions for California in the House and Senate Bills

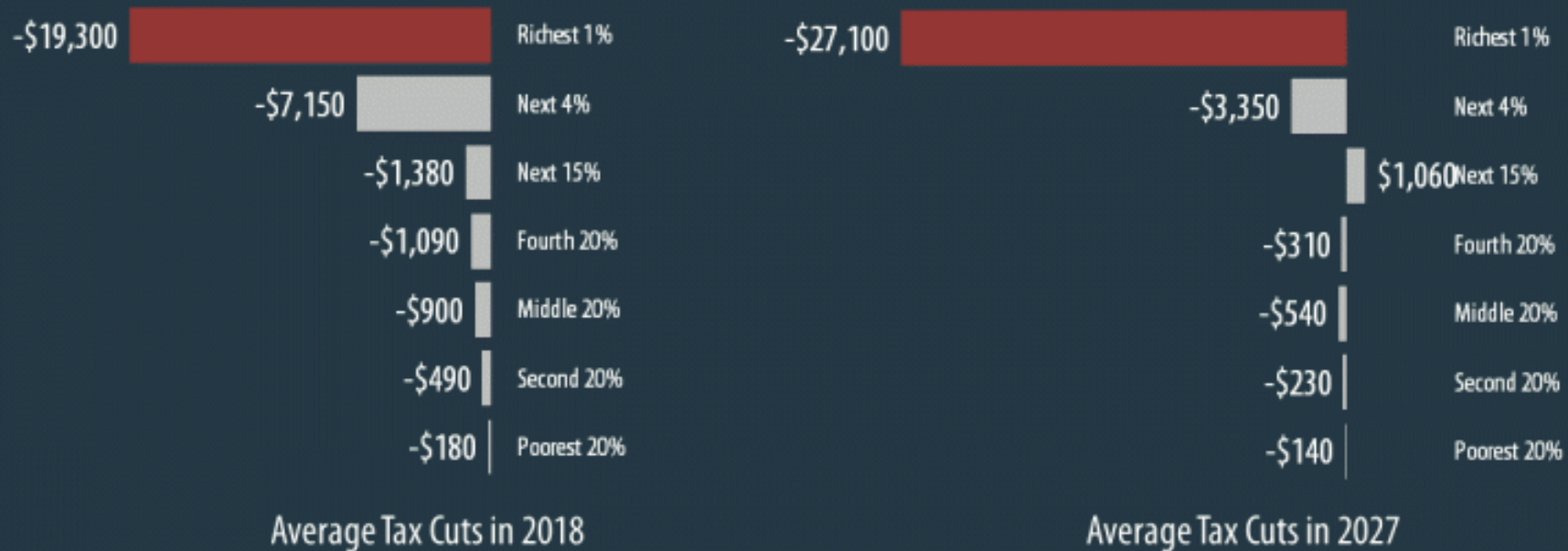
| House Tax Bill  | Senate Tax Bill   |
|---|---|
| SALT Deduction: Repealed for income and sales taxes; property tax capped at \$10,000                                | SALT Deduction: Repealed for income and sales taxes; property tax capped at \$10,000*                 |
| Mortgage Interest Deduction: Capped at \$500,000 debt level for principal residence                                 | Mortgage Interest Deduction: Capped at \$1 million debt level for principal and one other residence.* |
| ACA Individual Mandate: No change   | ACA Individual Mandate: Repealed  |
| Estate Tax: Exemption doubled to estate value of \$11.2 million (\$22.4 million couples); repealed entirely in 2024 | Estate tax: Exemption doubled to estate value of \$11.2 million (\$22.4 million couples)*             |

\*Sunsets in 2025



# Average Tax Cuts to Top 1% of California Taxpayers Dwarf Those Going to All Other Income Groups Under the House Tax Proposal in 2018 and 2027

*Average Tax Cut For Every Other Income Group Decreases Between 2018-2027; One Income Group Sees An Average Hike*



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# Richest 1% of California Taxpayers Receive the Largest Average Tax Cut Under the Revised Senate Plan in 2027, the Average Taxpayer in the Bottom 60% Faces a Tax Hike

*Includes Impact of ACA Individual Mandate Repeal*



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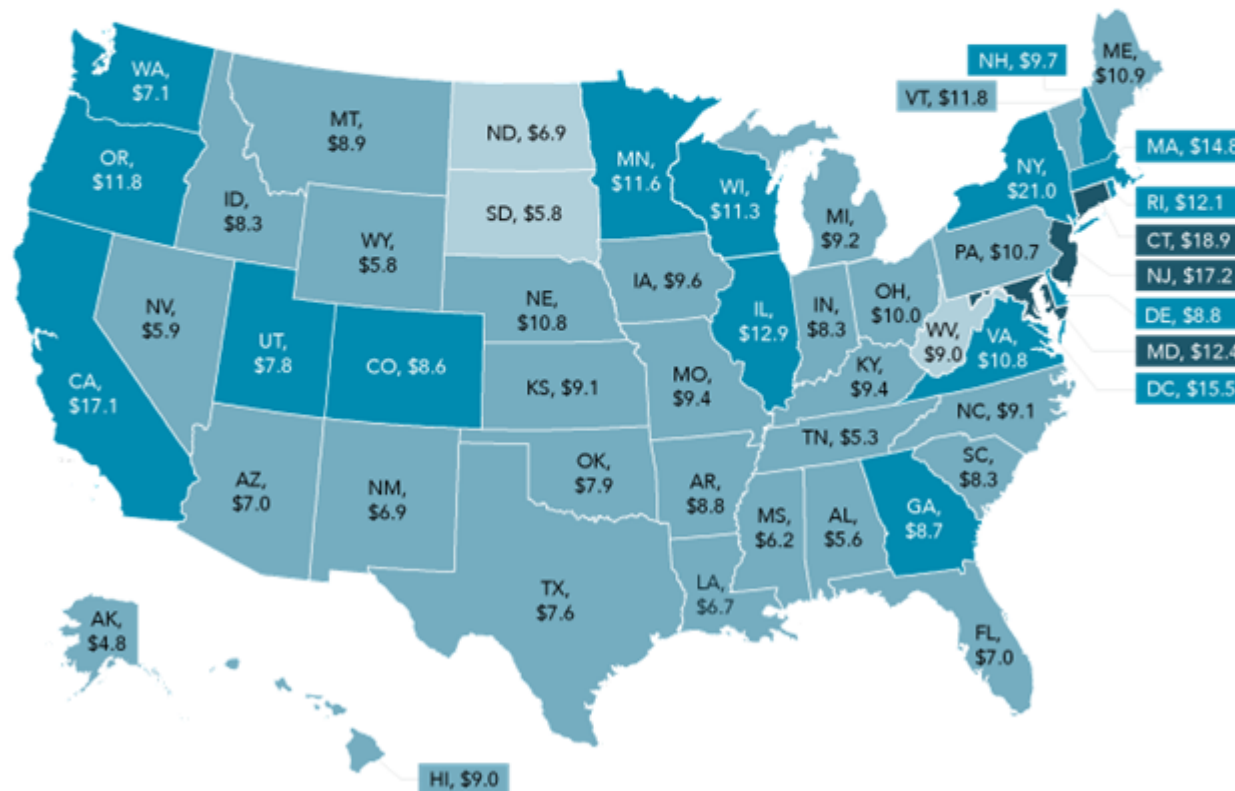
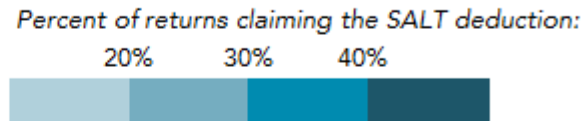
# What would the changes to the State and Local Tax (SALT) deduction mean for California?



FIGURE 2

# Returns Claiming the State and Local Tax Deduction and Average Deduction Claimed by State

Average deduction in thousands of dollars, 2014



Source: Urban-Brookings Tax Policy Center based on data from the IRS: SOI Tax Stats - Historic Table 2. Tax Year 2014.

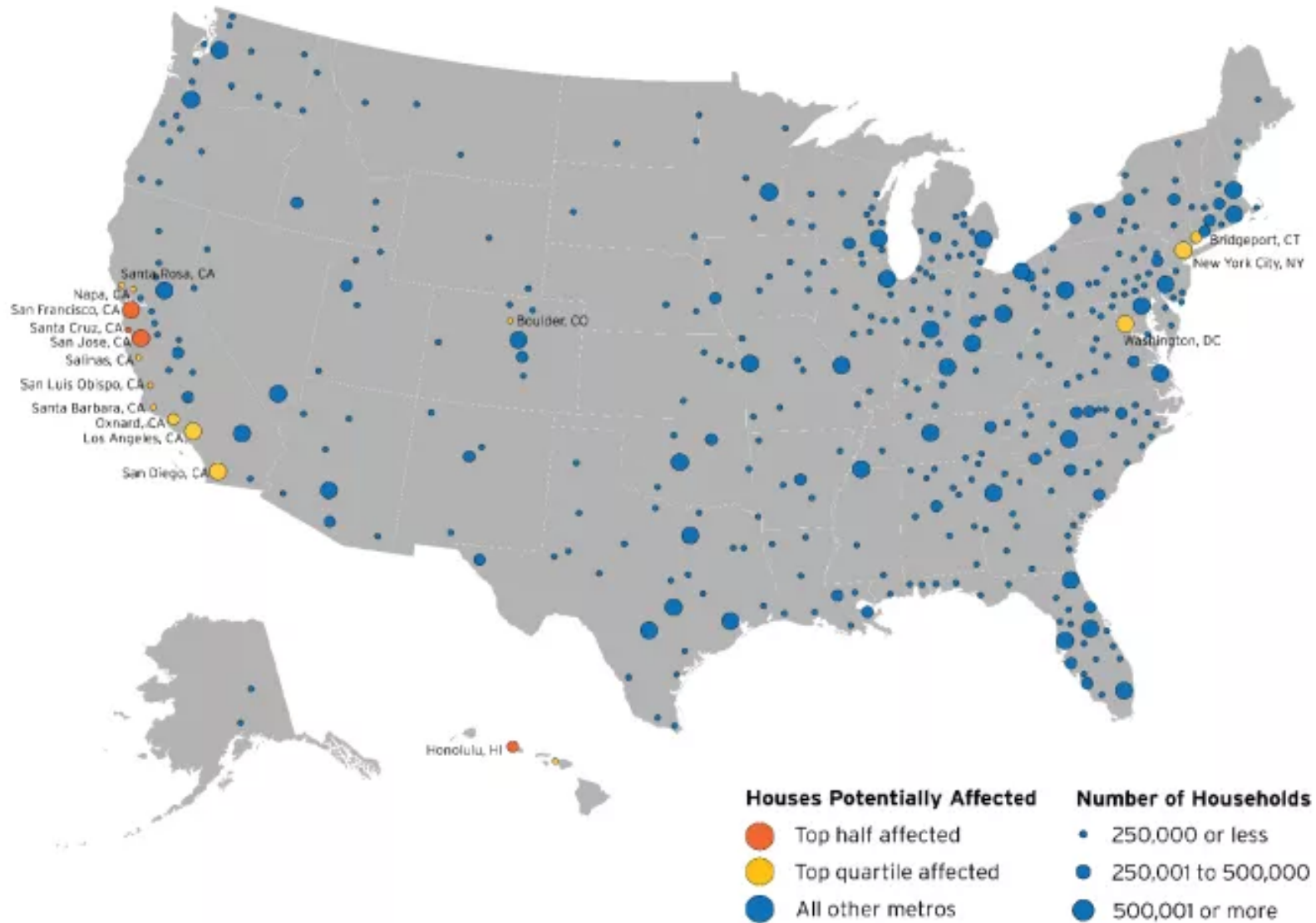


# What would the changes to the Mortgage Interest Deduction (MID) mean for California?



# Metropolitan areas with greatest exposure to a reduced MID cap

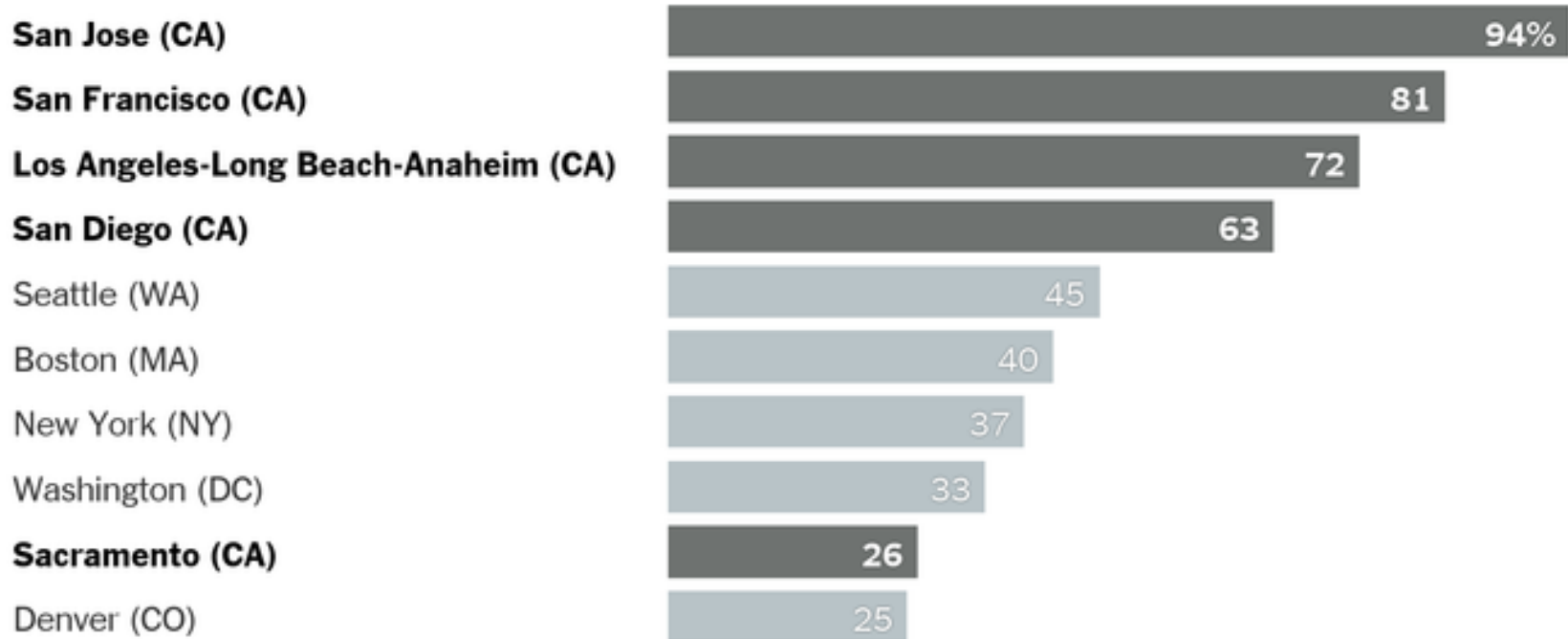
2016





## \$500,000 and Up

California metropolitan areas have the highest share of homes valued over \$500,000.



By The New York Times | Source: Zillow



| CA Congressional District           | % of Returns Claiming SALT, 2015 | % of Mortgages Over \$500,000, 2017 |
|-------------------------------------|----------------------------------|-------------------------------------|
| 45 <sup>th</sup> – Mimi Walters     | 47%                              | 48%                                 |
| 4 <sup>th</sup> – Tom McClintock    | 45%                              | 8%                                  |
| 48 <sup>th</sup> – Dana Rohrabacher | 42%                              | 52%                                 |
| 49 <sup>th</sup> – Darrell Issa     | 42%                              | 44%                                 |
| 42 <sup>nd</sup> – Ken Calvert      | 42%                              | 5%                                  |
| 25 <sup>th</sup> – Steven Knight    | 42%                              | 17%                                 |
| 39 <sup>th</sup> – Ed Royce         | 40%                              | 31%                                 |
| 50 <sup>th</sup> – Duncan Hunter    | 37%                              | 20%                                 |
| 23 <sup>rd</sup> – Kevin McCarthy   | 34%                              | 1%                                  |
| 10 <sup>th</sup> – Jeff Denham      | 31%                              | 2%                                  |
| 1 <sup>st</sup> – Doug LaMalfa      | 31%                              | 2%                                  |
| 22 <sup>nd</sup> – Devin Nunes      | 30%                              | 2%                                  |
| 8 <sup>th</sup> – Paul Cook         | 29%                              | 2%                                  |
| 21 <sup>st</sup> – David Valadao    | 18%                              | 1%                                  |

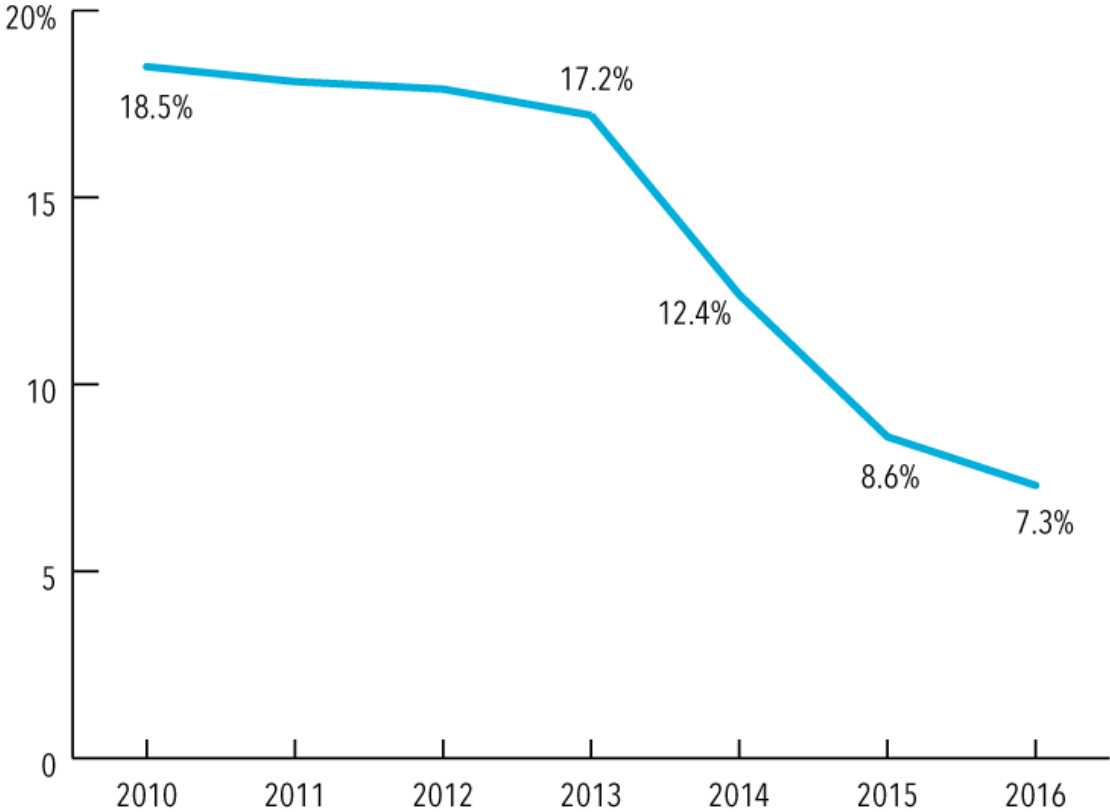


# **What would the repeal of the individual mandate in the Affordable Care Act (ACA) mean for California?**



# 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



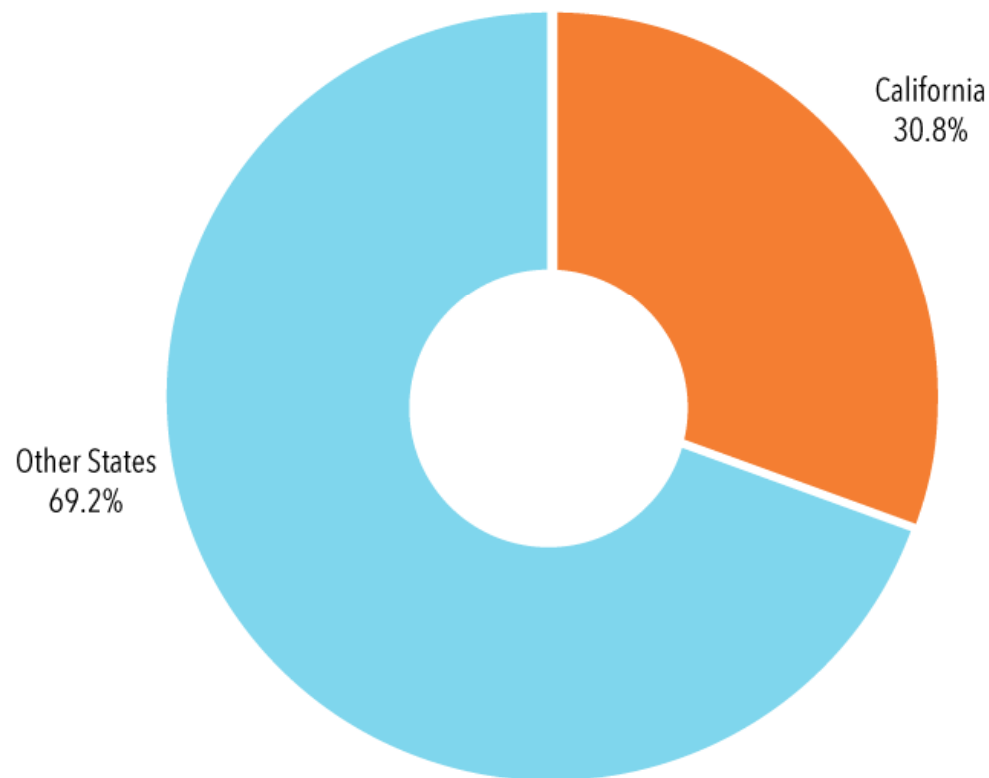
Note: Estimates are based on survey respondents' health care coverage status at the time of the interview.  
Source: US Census Bureau, American Community Survey



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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

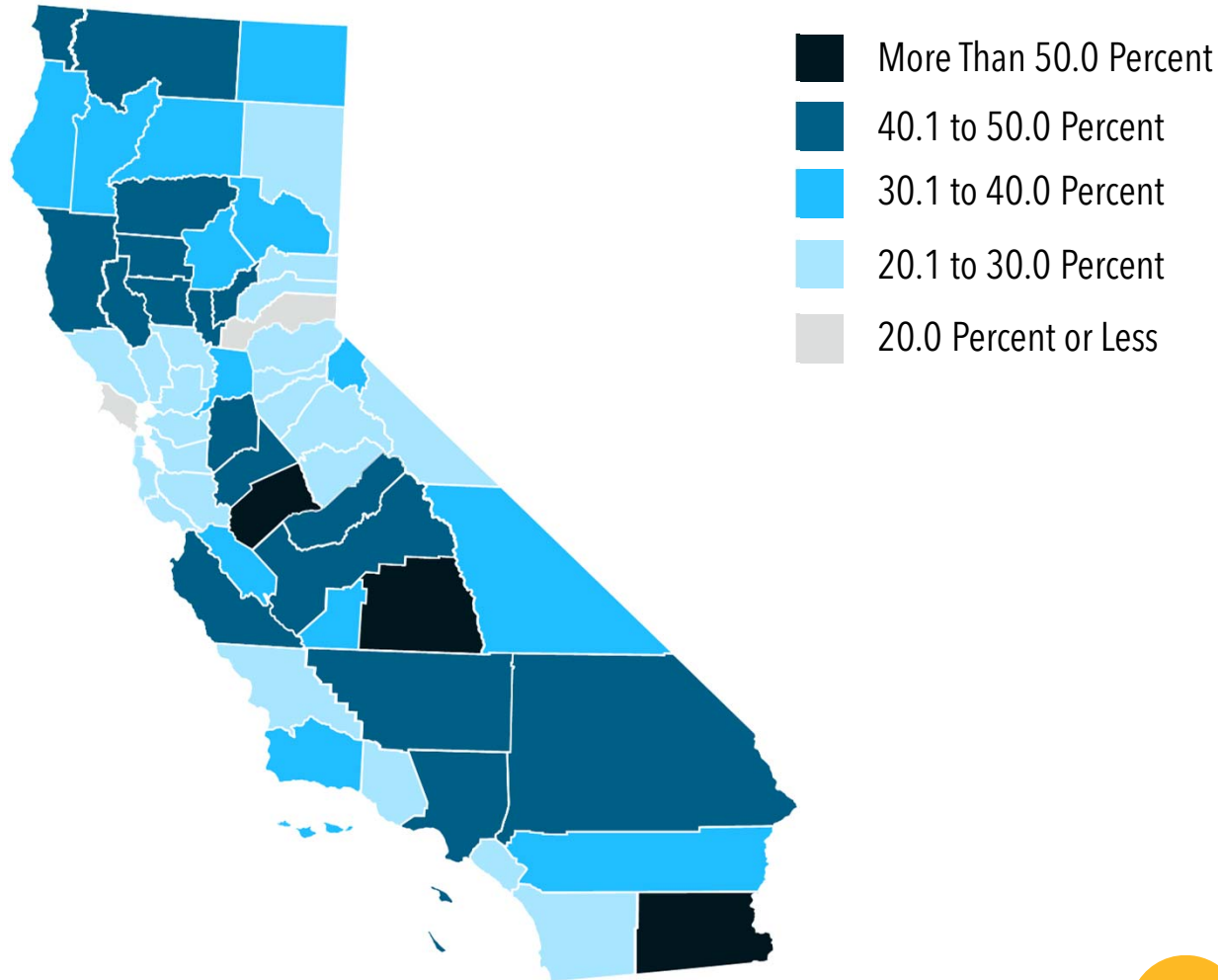


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# The Share of Residents Enrolled in Medi-Cal Exceeds 40 Percent in 20 Out of 58 Counties

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



## What would changes to the federal estate tax mean for California?

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- Increase in estate value exemption continues a long-term trend.
  - In 1996, the share of estates subject to the federal estate tax was 2.2% in California – 5,017 estates.
  - By 2015, the share of estates subject to the federal estate tax was 0.4% in California – 975 estates.
- Californians paid \$3.9 billion in estate taxes in 2016 – more than 20 percent of total federal estate tax revenue.
- More than one 1 out of every 5 Americans who paid estate taxes in 2016 resided in California.



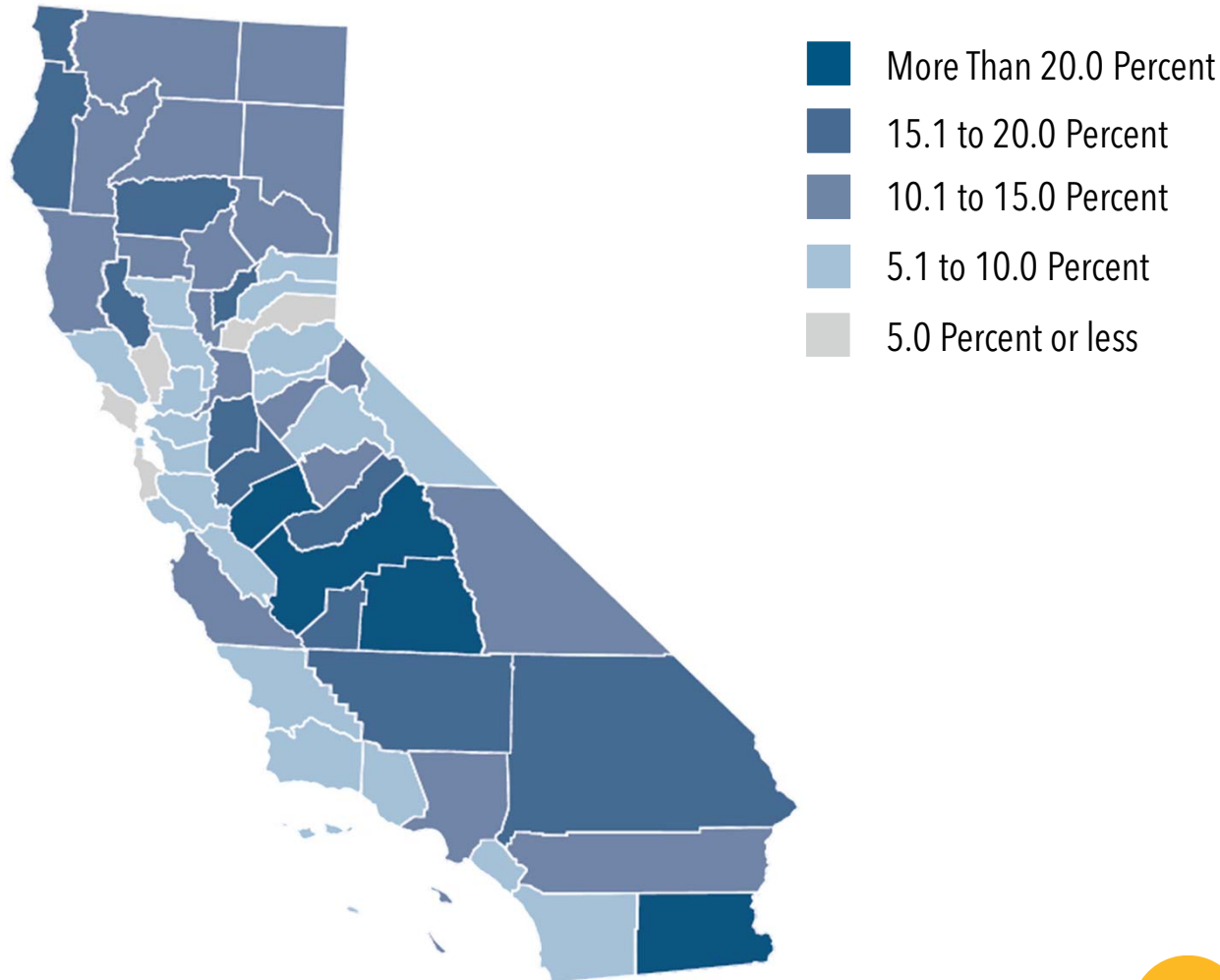
# What would federal budget and tax cuts mean for California?





# Use of Food Assistance Varies Across California, but Is the Highest in the San Joaquin Valley

Estimated CalFresh Participation as a Share of the Population, 2016-17



Note: Estimates are based on CalFresh participation during the first four months of the 2016-17 state fiscal year.

Source: Budget Center analysis of data from the Department of Finance and Department of Social Services





“Evil in the extreme...”

“They’re throwing a wrench into the engine of our economy”

“The most immediate evil of this cynical maneuver called the tax bill is to further divide America when we’re at one of our most divisive periods in history.”

Sources: *LA Times*, *San Francisco Chronicle*, *San Jose Mercury News*, December 5, 2017.





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