



Who Benefits From Simplification Proposed in the Republican Tax Reform Framework?

*Millions of Americans that Take the Standard Deduction, Use the Child Tax Credit, or
Pay the Alternative Minimum Tax, are Better off Under the GOP Tax Reform
Framework.*

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Millions of American families from every state benefit from the reforms in the GOP tax reform blueprint. The plan doubles the standard deduction, expands the child tax credit, and repeals the AMT. Each of these changes will be beneficial to thousands – or millions of taxpayers in every state, according to recently released IRS data.

The unified tax reform framework released by President Donald Trump and Republicans in Congress outlines four goals: 1) making the tax code simpler, 2) giving American families more take-home pay, 3) creating more jobs, and 4) allowing trillions of dollars stranded overseas to come back to the U.S. economy.

The framework achieves the first goal – tax simplification for individuals and families – through several reforms to the code.

First, the plan folds the seven brackets into three, 12 percent, 25 percent and 35 percent.

Second, the framework doubles the standard deduction to \$12,000 for an individual and \$24,000 for a family. This tax reduction ensures that those currently in the 10 percent tax bracket see their taxes go down to zero.

Third, the plan expands the child tax credit while folding other deductions into this structure.

Finally, the framework repeals the Alternative Minimum Tax, simplifying tax compliance for millions of Americans.

Today, the tax code is absurdly complex. Since 1985 the tax code has doubled, and it has increased six fold since 1955. Today, the code totals 2.4 million words. This complexity costs Americans millions of hours and billions of dollars in lost productivity. According to the Tax Foundation, Americans will spend more than 8.9 million hours complying with the tax code, costing \$409 billion. 2.6 billion hours will be spent complying with individual income taxes, costing \$98 billion each year. Similarly, the National Taxpayers Union Foundation estimates that taxpayers spend 1.8 billion hours on 1040 forms a year, costing \$262 billion every year.

As noted in this report, the policy changes proposed by the Republican framework – specifically the doubling of the standard deduction, repeal of the AMT, and the expansion of the child tax credit – benefit millions of Americans across every state, leading to tax cuts and simplification.

These reforms will enable the majority of American families to file their taxes on a postcard.

The GOP Framework Repeals the Alternative Minimum Tax

The Republican Tax Reform Framework proposes full repeal of the Alternative Minimum Tax. According to the most recently available IRS data, 4,464,430 taxpayers paid this tax in 2015.

Any taxpayer whose income exceeds the AMT threshold is required to calculate their regular tax burden and the AMT, then pay the higher amount. As a result, the AMT is one of the drivers of complexity in the code.

The AMT was legislated through the Tax Reform Act of 1969. The tax was in response to 155 high-income Americans that paid no federal income taxes. Congress responded by passing the AMT as a “solution.”

Over time, the AMT has expanded in scope to hit a far larger percentage of Americans than was ever intended. In 1970, the tax hit just 20,000 taxpayers, but now it hits almost 4.5 million Americans. Because wages are continuously increasing, the AMT will only continue to impact more taxpayers over time.

As noted in figure 1, the AMT today affects taxpayers in every state. More than 900,000 taxpayers pay the AMT in California and more than 500,000 pay it in New York. In Texas, nearly 250,000 taxpayers pay this tax, while 166,000 pay it in Pennsylvania. The full state breakdown of who pays the AMT can be found in figure 1.

Figure 1: Number of Taxpayers That Pay the Alternative Minimum Tax

State	Number of filers	State	Number of filers
United States	4,464,430	Montana	9,730
Alabama	22,740	Nebraska	20,550
Alaska	3,890	Nevada	15,480
Arizona	48,170	New Hampshire	16,370
Arkansas	19,730	New Jersey	279,740
California	901,370	New Mexico	12,270
Colorado	70,890	New York	513,490
Connecticut	103,330	North Carolina	102,000
Delaware	10,720	North Dakota	5,340
Florida	156,410	Ohio	122,050
Georgia	109,540	Oklahoma	28,000
Hawaii	14,750	Oregon	59,230
Idaho	12,720	Pennsylvania	166,590
Illinois	194,780	Rhode Island	15,270
Indiana	46,720	South Carolina	38,870
Iowa	29,910	South Dakota	4,680
Kansas	24,940	Tennessee	28,410
Kentucky	33,890	Texas	236,780
Louisiana	32,200	Utah	24,870
Maine	14,530	Vermont	8,060
Maryland	144,510	Virginia	149,290
Massachusetts	173,500	Washington	67,100
Michigan	91,450	West Virginia	10,550
Minnesota	92,700	Wisconsin	63,380
Mississippi	14,510	Wyoming	3,480
Missouri	54,400	D.C. and Territories	40,590

Source: IRS Statistics of Income, Tax Year 2015

Republicans Propose Doubling the Standard Deduction

The Joint Republican framework proposes doubling the standard deduction. Under this reform, the first \$12,000 earned by an individual and the first \$24,000 earned by a family is tax free.

This policy change is a key driver of tax simplification, because the increased size of the deduction will mean that taxpayers will choose it over itemizing deductions. Based on some estimates, the number of filers that take the standard deduction will increase from roughly 66 percent of taxpayers to 95 percent of taxpayers.

Doubling the standard deduction will also result in significant tax cuts for the more than 105 million taxpayers that currently choose to take the standard deduction over itemizing when they file their taxes.

Currently, over 9 million taxpayers take the standard deduction in Texas, while more than 7 million taxpayers in Florida choose to take it, according to IRS data. More than 3 million filers in North Carolina and Michigan also take the standard deduction. These taxpayers are one of the biggest winners from the tax reform framework. They are already choosing to take the standard deduction instead of the more complex method of itemizing deductions, and so receive significant tax reduction.

Figure 2: Number of Taxpayers that Take the Standard Deduction

State	Number of filers	State	Number of filers
United States	105,055,150	Montana	356,280
Alabama	1,520,920	Nebraska	650,230
Alaska	281,390	Nevada	1,013,060
Arizona	2,076,930	New Hampshire	476,010
Arkansas	954,510	New Jersey	2,574,770
California	11,639,810	New Mexico	710,020
Colorado	1,764,070	New York	6,285,820
Connecticut	1,032,700	North Carolina	3,160,340
Delaware	308,230	North Dakota	300,820
Florida	7,381,270	Ohio	4,130,020
Georgia	2,977,270	Oklahoma	1,246,880
Hawaii	487,460	Oregon	1,193,960
Idaho	518,820	Pennsylvania	4,418,190
Illinois	4,231,140	Rhode Island	354,070
Indiana	2,396,920	South Carolina	1,575,650
Iowa	1,024,420	South Dakota	344,070
Kansas	997,220	Tennessee	2,383,180
Kentucky	1,412,530	Texas	9,284,760
Louisiana	1,532,990	Utah	816,410
Maine	466,830	Vermont	236,940
Maryland	1,604,370	Virginia	2,449,420
Massachusetts	2,142,350	Washington	2,393,070
Michigan	3,463,240	West Virginia	648,040
Minnesota	1,777,460	Wisconsin	1,956,470
Mississippi	953,720	Wyoming	217,580
Missouri	2,057,890	D.C. and Territories	874,630

Source: IRS Statistics of Income, Tax Year 2015

The Joint Framework Expands and Strengthens the Child Tax Credit

Currently, the Child Tax Credit allows taxpayers a \$1,000 reduction in taxes per child. The child tax credit is key toward ensuring the tax code is pro-family.

The tax reform framework released last week does not specify a level to increase the child tax credit. However, Senator Marco Rubio and special advisor to the President Ivanka Trump have proposed increasing the credit to \$2,500.

Expanding the child tax credit will help millions of Americans across every state. According to the most recent IRS data (figure 3), more than 22 million Americans used the child tax credit in 2015. Under the GOP tax reform framework, these families would see significant tax reduction and simplification. Tax reduction because of the expanded child tax credit, and simplification because they can receive their tax relief through one source rather than having to use multiple deductions and credits.

Figure 3: Number of Taxpayers that Take the Child Tax Credit

State	Number of filers	State	Number of filers
United States	22,324,780	Montana	72,100
Alabama	331,870	Nebraska	157,910
Alaska	65,540	Nevada	226,030
Arizona	478,000	New Hampshire	90,820
Arkansas	207,730	New Jersey	563,170
California	2,701,370	New Mexico	150,070
Colorado	400,830	New York	1,151,020
Connecticut	220,450	North Carolina	708,990
Delaware	65,890	North Dakota	59,230
Florida	1,244,430	Ohio	830,770
Georgia	690,130	Oklahoma	294,920
Hawaii	104,070	Oregon	268,640
Idaho	134,800	Pennsylvania	840,120
Illinois	884,790	Rhode Island	69,950
Indiana	514,550	South Carolina	338,400
Iowa	246,080	South Dakota	67,410
Kansas	230,830	Tennessee	466,410
Kentucky	318,720	Texas	2,092,560
Louisiana	321,160	Utah	278,420
Maine	87,670	Vermont	42,460
Maryland	407,120	Virginia	571,710
Massachusetts	407,210	Washington	529,080
Michigan	647,610	West Virginia	119,890
Minnesota	412,780	Wisconsin	430,860
Mississippi	211,210	Wyoming	48,160
Missouri	431,660	D.C. and Territories	42,450

Source: IRS Statistics of Income, Tax Year 2015