

Rhode Island's Highest-Income Households Get Federal Tax Cuts of More Than Twice SALT Losses

The federal government's tax bill results in very large tax cuts for higher-income earners, foreign investors, and corporations. The resulting loss of almost \$1.5 trillion in federal revenue is likely to lead to cuts in federal support for programs that are important to people in Rhode Island and to the state budget. Amid these deep tax cuts, a new federal limit on the deductibility of state and local taxes (SALT) has received a lot of attention. Households that itemize deductions and pay over \$10,000 in combined state and local taxes will no longer be able to deduct more than this amount when calculating their taxable income for federal taxes.

For Rhode Island's highest-income households – those with annual incomes over \$1 million – the average tax cuts from other federal changes in the law (\$105,000) are more than twice the average size of the impact from the loss of SALT deductibility (\$45,600). After accounting for the effects of the SALT changes, the average tax cut for these taxpayers will be \$59,400 (Figure 1).

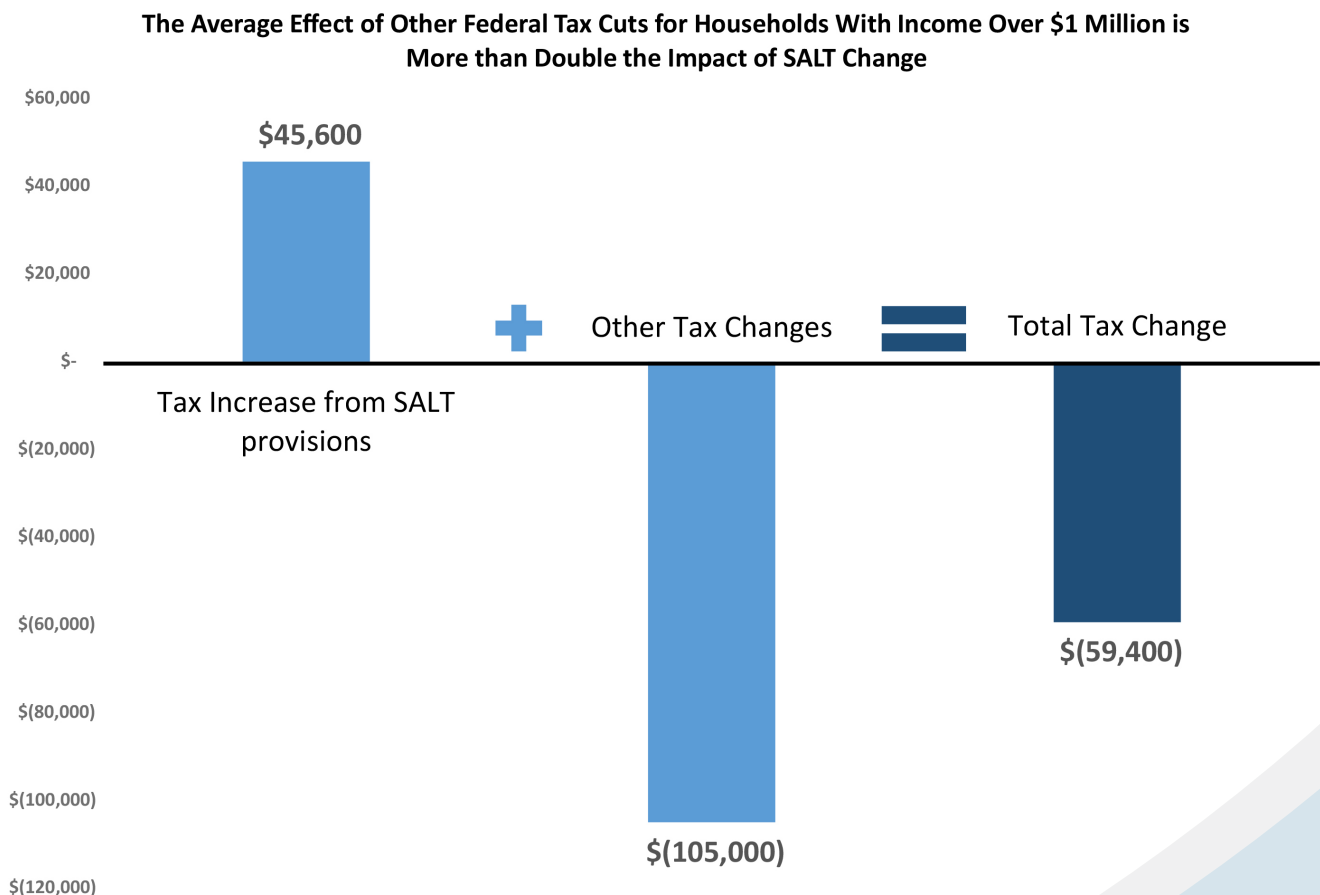


Figure 1 - Source: ITEP Microsimulation Model, 2018