NATIONAL LGBTQ TASK FORCE

Congressional Tax Plans: What Do They Mean for LGBTQ People?

Because LGBTQ people – especially LGBTQ women, transgender people, and LGBTQ people of color - are more likely to have low incomes, it's important for us to understand how the tax bills proposed by the House and Senate will impact low- and middle-income households. Below, you'll find information about some of the most critical parts of the bills that have been introduced in the House and Senate, along with a brief explanation of who benefits the most or loses the most from the proposed changes to the tax code. **In a nutshell, the tax plans delivers a huge tax cut to the richest 1% and wealthy corporations; those cuts are funded by increasing the deficit by $1.5 trillion and slashing support for Medicare, Medicaid, education, and other programs critical to low- and middle-income people.**

Keep in mind that some of the changes that *weren't* proposed are as telling as those that were. Many tax deductions that primarily help white, upper-middle-class or wealthy people – like the home interest deduction and the retirement savings credit – went unmentioned in both the House and Senate bills. Similarly, the current tax code disfavors families that have two income earners, who are disproportionately lower-income and people of color. The tax bills don't include provisions that would ameliorate that problem.

Though the changes to tax rates, credits, and deductions are important, there's another impact that is hidden behind these bills. All of these plans make the total budget for the federal government much tighter, which means that Congress will need to cut funding for programs like SNAP (aka food stamps), public housing, Medicaid, public schools, and job training. LGBTQ people are among the groups that have the most need for programs like these. So not only will these plans hurt our families in the immediate future, they'll hurt our families on the back end too.

***Please note as the House and Senate continue to work on their bills provisions can be added, removed, or modified. This analysis is up-to-date as of November 13, 2017. ***

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Provision	What is it?	Who wins?	Who loses?	Is the provision in the:	
				House bill?	Senate bill?
Planned: Repeal of the Obamacare mandate	*News is circulating that the Senate version of the bill will include a provision that repeals the individual health care mandate*	*NA*	*It is estimated that if the mandate were repealed, the number of people without insurance would increase by 13 million*	*No*	*Planned*
Corporate tax cut	The tax rates paid by corporations are cut steeply in both versions of the tax bill. Currently, businesses with less than $50,000 of income pay a corporate tax rate of 15%, while all other businesses paid between 25% and 35%. The bills would cap the corporate tax rate at 20%.	Primarily large corporations	Us! Though legislators argue that the cuts to corporate income taxes will "trickle down" to workers and the public, when this strategy was tried in the 80s it just increased the income and wealth gaps.	Yes	Yes, but delayed by one year
Tax bracket changes	Our tax system is built on the concept that people who have benefitted from our systems and therefore can afford to pay more tax pay taxes at a higher rate. People with lower incomes pay less. In both versions of the bill, tax rates are lowered for the wealthiest people but remain more static for lower- and middle-income people.	People with high incomes (>$500,000 for single people or >$1 million for married)	People with lower incomes (under $500,000)	Yes, provides bigger cuts for high-income people	Yes, provides slightly smaller cuts for wealthy people
Tax cut for large inheritances (over $5million)	People who inherit very large sums of money (over $5 million) are subject to tax on that inheritance. The House bill eliminates this tax entirely, the Senate bill limits the tax to people with inheritances over $10 million.	Very wealthy people (only 4,700 people paid this tax in 2013)	NA	Yes	Yes, limited

Increase in standard deduction, removal of personal exemption	Most of us are allowed to not pay taxes on the first several thousand dollars of our income – we call this our standard deduction and personal exemption. The amount of our standard deduction is based on our filing status, while exemptions are based on the number of people in our house. Proponents of the new bills are saying that an increase in the standard deduction will help everyone, but that isn't true. Many families, especially the lowest-income families, won't see any benefit – for single people earning under $10k, for example, there will be no change in refund. And because the personal exemption is repealed, families with multiple children may actually pay tax on more of their income.	Some low- and middle-income people, most high-income people	People with the lowest incomes, people with multiple children	Yes	Yes
Changes to child tax credit	Currently, there is a $1,000 credit available for up to three children claimed on a tax return. This credit is partially refundable, meaning it's available for even low-income filers. The new bills increases the amount of credit available for each child, and more dependents are eligible for the credit. However, the refundable portion of the credit isn't increased, which means that lower-income families won't see any difference in their returns. Both bills impose a new requirement that the dependents have a social security number, meaning that immigrants who do not have an SSN but used to be eligible would no longer be able claim the credit.	Middle- and high-income families	Lower-income families still benefit from the credit, but they may not see any increases in their returns; immigrant families	Yes	Yes
"Kiddie Tax" changes	The "Kiddie Tax" is meant to ensure that wealthy families are not avoiding paying taxes on their income by putting the income in their children's names. The changes in the bills would make it	Wealthy families with children	NA	Yes	Yes

	easier for wealth families to shield a portion of their income from taxation.				
Repealing deductions for state and local income taxes paid	We are currently allowed to subtract the amount of taxes we pay to states and localities from our taxable income. The Senate bill would repeal this deduction entirely, while the House bill would limit the deduction to $10,000. This change could incentivize states and localities to reduce their tax rates, leading to a reduction of funding and services available at the state and local level.	NA	People from states and cities with high state and local taxes; middle- and high-income people who take this deduction	Yes, limited	Yes
Repealing student loan interest deduction	Currently, people earning under $80,000 ($160,000 for couples) can subtract up to $2,500 of student loan interest paid in a given year from their taxable income. The House bill would repeal this deduction, which was claimed by 12 million people in 2015, or 3 in 10 of the 44 million Americans with student loans.	NA	People with outstanding student load debt, esp. lower-middle class people	Yes	No
Other changes to education tax credits	The House bill eliminates the Lifetime Learning Credit, a tax credit that provides up to $2000 a year to help pay for a broad range of education programs, including graduate school, part-time programs, and job training programs. The bill does allow people to claim the American Opportunity Tax Credit for an additional year, but eligibility for that credit is limited, and the value of that credit is reduced in the final year. The House bill would treat tuition reductions from institutions, like those received by grad students in return for teaching courses, as taxable income.	NA	Students – would increase the cost of attending college >$65 billion over the next decade	Yes	No
Repealing deduction for casualty loss	We are currently allowed to deduct a portion of our losses from casualty or theft, like when your home sustains major damage in a storm or your house gets robbed. Both bills repeal this	NA	People who suffer a major loss of property	Yes	Yes

	deduction unless you suffered the loss in a Presidentially declared disaster area.				
Repealing medical expense deduction	We are currently allowed to subtract a portion of the cost of out-of-pocket medical expenses from our taxable income.	NA	People with high out-of-pocket medical expenses, like people living with HIV, transgender people who undergo transition-related surgery, or people in long-term care	Yes	No
Repealing deduction for moving expenses	We're currently allowed to deduct a portion of the cost of moving expenses related to a job from our taxable income. Both bills repeal this deduction unless you are a member of the military.	NA	People who move for a new or better job, especially people experiencing employment instability	Yes	Yes
Repeal of other itemized deductions	We're allowed to deduct a portion of a number of other costs from our taxable income, including unreimbursed business expenses, union dues, work related education, and teacher expenses. Both bills repeal these deductions.	NA	People who claim these deductions like teachers, union members, and people who work from home.	Yes	Yes
Repeal of limits on itemized deductions	Currently, the amount of expenses people with very high incomes (over $250,000 per year) can subtract from their taxable income is limited. Both bills remove these limits, so people with high incomes will pay taxes on less income.	People with incomes over $250,000	NA	Yes	Yes
Repeal of Alternative Minimum Tax	The AMT makes sure people are paying a minimum amount of tax on their incomes regardless of what deductions and credits they attempt to claim, in order to ensure that people with high incomes aren't shielding excessive amounts of their income from being taxed. Both bills repeal this tax system.	People with incomes over $93k or $187k (single or joint)	Though the threshold for this tax kicking in is low, the biggest benefits go to people with the highest incomes.	Yes	Yes
For more information, or to let your Members of Congress know where you stand on these proposals, go to: QueerOurTaxes.org.					