

California: Impact of “Tax Cuts and Jobs Act” on Latinos

In California today, the Hispanic population numbers approximately 15 million, about two out of every five people in the state.¹ The Hispanic community’s size, work ethic, and resilience have contributed to the state’s economic resurgence following the Great Recession.² Nevertheless, a considerable portion of Latinos continue to lag behind, struggling to put food on their tables and a roof over their heads. In 2015, about 27% of Latinos in California were living under the supplemental poverty threshold, compared to 19% of Californians overall.³

Instead of helping Californians working hard and struggling to make ends meet, the “Tax Cuts and Jobs Act” would threaten to push them into or deeper into poverty, through increased taxes and decreased spending on crucial assistance programs. Under the bill:

- By 2027, one out of every two Latino households (more than 7.5 million) will see their taxes go up, by an average of \$150 per year, due to expiration of increases to standard deduction and from using chained CPI to measure inflation.⁴
 - More than one-third of households facing a tax increase (almost three million) have incomes of less than \$50,000 per year.⁵
- More than 250,000 low-income households will receive zero benefit from the nonrefundable expanded Child Tax Credit.⁶ When combined with the changes to health care, these households will incur a net loss from the “Tax Cuts and Jobs Act.”⁷
- Four out of 10 Latino households (more than six million households) will lose an average annual deduction of \$17,100 from elimination of state and local tax deductions.⁸ Once increases to the standard deduction expire, these households will see a significant increase in their tax liability.
 - Almost two million low- to moderate-income Latino households will lose more than \$7,000 in state and local tax deductions.⁹

- By 2027, Latino households with incomes less than \$75,000 (8.6 million households) will face an average higher annual tax burden of almost \$9,000 (either through tax increases or reductions in benefits).¹⁰
 - This burden is 67% higher for the lowest-income Latino households (incomes less than \$20,000).¹¹

The above figures do not include the effects of repealing the individual health care mandate, and therefore underestimate the adverse impact of the “Tax Cuts and Jobs Act” on Latino households. Further, the figures do not include the adverse impact that repeal of the state and local tax deductions will have on the public finances of state and local governments.¹²

¹ U.S. Census Bureau, “American FactFinder: Selected Population Profile in the United States: 2016 American Community Survey 1-Year Estimates,” https://factfinder.census.gov/faces/tableservices/jsf/pages/productview.xhtml?pid=ACS_16_1YR_S0201&prodType=table, Table S0201 (accessed November 2017).

² Renato Rocha, “Latinos in California: Protecting and Defending Progress in the Golden State” (Washington, DC: UnidosUS, 2017), <http://publications.unidosus.org/handle/123456789/1778> (accessed November 2017).

³ UnidosUS analysis of 2016 data from Census Bureau’s Current Population Survey, Annual Social and Economic Supplement & Supplemental Poverty Measure public use files <https://www.census.gov/programs-surveys/cps.html> (accessed November 2017).

⁴ UnidosUS calculations using data from Census Bureau’s Current Population Survey, Annual Social and Economic Supplement, 2017, <https://www.census.gov/cps/data/cpstablecreator.html> and TPC Staff; *Distributional Analysis of the Tax Cuts and Jobs Act as Passed by the Senate Finance Committee*, (Washington, DC: Tax Policy Center, 2017), http://www.taxpolicycenter.org/sites/default/files/publication/148831/2001605-distributional-analysis-of-the-tax-cuts-and-jobs-act-as-passed-by-the-senate-finance-committee_1.pdf (accessed November 2017).

⁵ Ibid.

⁶ UnidosUS calculations and J. Scott Moody and Scott Hodge, “The Growing Class of Americans Who Pay No Federal Income Taxes,” April 14, 2004, *Tax Foundation*, <https://taxfoundation.org/growing-class-americans-who-pay-no-federal-income-taxes/> (accessed November 2017).

⁷ Dylan Matthews, “The Senate Republican tax plan, explained,” November 27, 2017, *Vox.com*, <https://www.vox.com/2017/11/9/16620290/senate-republican-tax-plan-orrin-hatch-mitch-mcconnell> (accessed November 2017).

⁸ UnidosUS calculations and Tax Policy Center, “Briefing Book, State and Local Taxes,” <http://www.taxpolicycenter.org/briefing-book/how-does-deduction-state-and-local-taxes-work> (accessed November 2017).

⁹ Ibid.

¹⁰ UnidosUS calculations and Congressional Budget Office, “Reconciliation Recommendations of the Senate Committee on Finance,” November 26, 2017, *Congressional Budget Office*, <https://www.cbo.gov/system/files/115th-congress-2017-2018/costestimate/reconciliationrecommendationssfc.pdf> (accessed November 2017).

¹¹ Ibid.

¹² Tax Policy Center, “Briefing Book, State and Local Taxes.”