The 2017 "Tax Cuts and Jobs Act" – signed into law during the first Trump administration – went into effect for the 2018 tax year. The Act cut *marginal tax rates* (MTRs) for most taxpayers; see **Table H.1** below. It also eliminated *exemptions*, doubled the *standard deduction*, and increased the *child tax credit*. For most Americans, the net result was a reduction in the income taxes they pay.

Eliminating exemptions and doubling the standard deduction simplifies the tax-filing process. Most taxpayers now use the standard deduction rather than *itemizing* their tax deductions.

The 2018 changes are set to expire at the end of 2025 unless Congress acts to extend them. Since Trump won the 2024 election and republicans now control the U.S. House and Senate, it's likely that the tax cuts will be extended beyond 2025.

Table H.1. Comparison of key tax law variables, **single taxpayers**

Item **Year →**	**2017**	**2018**	**2024**	**2025**
Standard deduction	$6,350	$12,000	$14,600	$15,000
Exemptions (each)	$4,050	n/a	n/a	n/a
Child tax credit (each)*	$1,000	$ 2,000	$2,000	$2,000
Highest marginal tax rate	39.6%	37%	37%	37%

[replaces Table 13.1 in-text]

* The child tax credit phases out with income. For 2017, the credit was reduced $50 per $1,000 income over $75,000. This meant that, if your taxable income was over $95,000, the entire tax credit was phased-out. Since 2018, however, the phaseout begins with income exceeding $200,000. This change obviously created a benefit for most parents.

Table H.2 shows how the 2017 Tax Cuts and Jobs Act reduced the MTRs for most taxpayers. To see this, compare the orange MTRs in 2017 to the green MTR for 2018, after the Act was implemented. The dollar amounts in each bracket (i.e., row indicating the income range for each MTR) are adjusted annually for inflation. For example, the 24% tax bracket in 2018 began at $82,501; in 2023 it was $95,376, and for 2025 it will be $101,351. We can calculate roughly the overall rate of inflation between 2018 and 2025: [$103,351 - $82,501] / $82,501, or 25.2%!

Table H.2. Federal income tax brackets, **single taxpayers**

Tax Bracket	**2017 - Obama**		**2018 - Trump** *Tax Cuts and Jobs Act*		**2023 - Biden** (same 2018 MTRs)	**2025 – Trump** (same 2018 MTRs)
	Taxable Income	**MTR**	**Taxable Income**	**MTR***	**Taxable Income**	**Taxable Income**
1	$0 – 9,325	10%	$0 – 9,525	10%	$0 – 11,000	$0 - $11,925
2	$9,326 – 37,950	15%	$9,526 – 38,700	12%	$11,001 – 44,725	$11,926 – 48,475
3	$37,951 – 91,900	25%	$38,701 – 82,500	22%	$44,726 – 95,375	$48,476 – 103,350
4	$91,901 – 191,650	28%	**$82,501** – 157,500	24%	$95,376 – 182,100	**$103,351** – 197,300
5	$191,651 – 416,700	33%	$157,501 – 200,000	32%	$182,101 – 231,250	$197,301 – 250,525
6	$416,701 – 418,400	35%	$200,001 – 500,000	35%	$231,251 – 578,125	$250,526 – 626,350
7	over $418,400	39.6%	over $500,000	37%	over $578,126	Over $626,351

[replaces Tables 13.3, 13.4 in-text]

* With the 2018 law the MTRs decreased for <u>all</u> income brackets below $200,000. This is shown in the green versus orange MTRs.

One interesting political issue to note is that, during each presidential election, it's common to hear about "tax cuts for the rich." These arguments relate to the top MTR; in 2018 it fell from 39.6% to 37%. That change has almost no effect on 99% of the public.

The map (**Figure H.1)** shows that South Carolinians also pay much higher *state* income taxes than our neighbors. Both Georgia and North Carolina have flat-rate taxes (5.5% and 4.5%, respectively).

In fact, SC has one of the *highest income taxes in the U.S.* – next to MN, WI, the northeast, and west coast.

As shown in **Table H.3** below, in 2025 SC had three income tax brackets.

Table H.3 2023 South Carolina	
Taxable Income	MTR
$0 – 3,560	0%
$3,561 – $17,830	3%
$17,830 and up	6.2%

Look at how low your income is to get into the top bracket! The federal poverty level is $15,650 for a single person; we basically have a 6.2% "flat tax" for anyone not in poverty.

On the bright side the highest MTR is scheduled to decrease until it reaches 6%.

Figure H.1. U.S. state income tax rate map (2024)

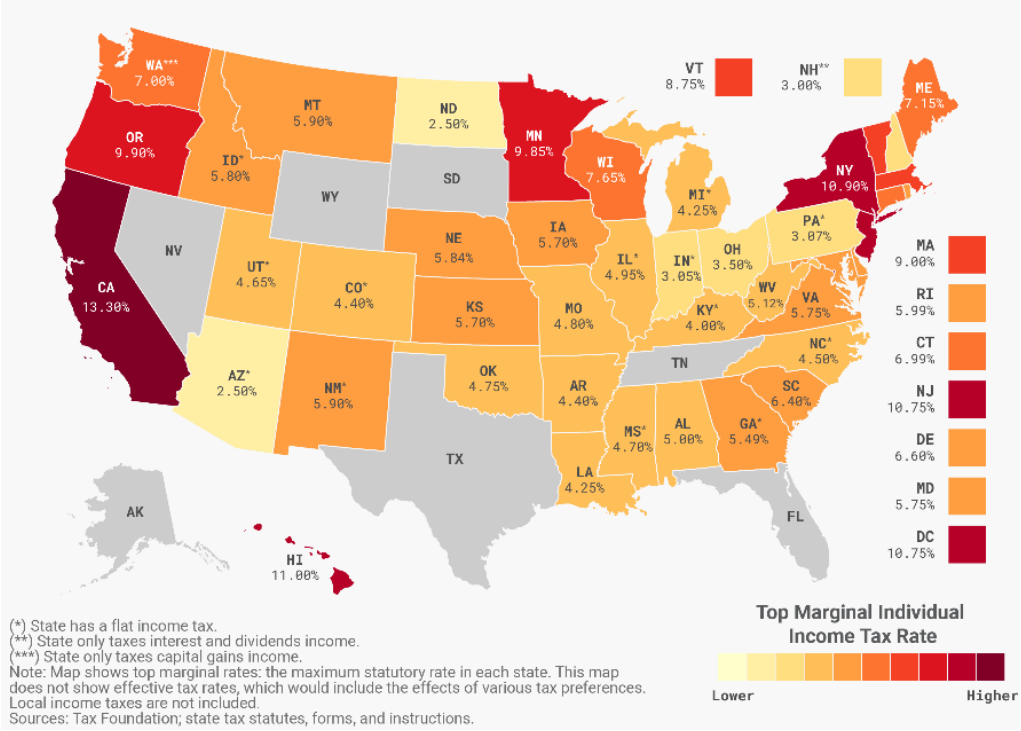
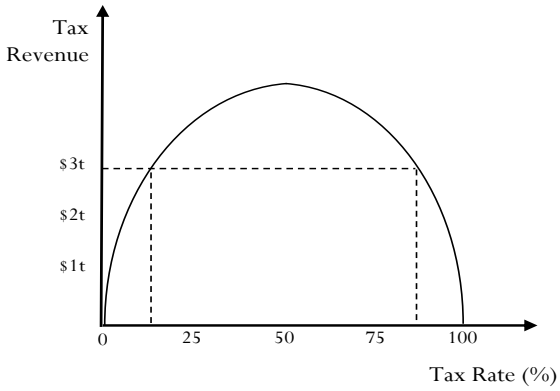


Figure H.2, at right, is the Laffer curve. It illustrates the idea that the incentive to work additional hours begins to fall the higher the MTR is. As a result, it's possible to raise the same amount of total tax revenue at two different MTRs. In this example, the government could raise $3t with either a 11% or 83% MTR.

Figure H.2. The Laffer curve



[identical to Figure 13.1 in-text]

Democrats often claim, "The rich should pay their fair share!" How much is "fair"?

Table H.4 (right) shows that the top 10% of income earners paid **75%** of all federal income taxes in 2021. The top 1% paid 45% of income taxes.

Is it fair that 50% of taxpayers collectively pay only 2% of all income taxes?

Table H.4. Share of federal income tax paid, % of taxpayers ranked by adjusted gross income (2021)

Percentages Ranked by AGI	AGI Threshold on Percentiles	Adjusted Gross Income Share	Share of Federal Personal Income Tax Paid	Ratio of Percentage of Personal Income Tax Paid to AGI Share
Top 1%	$682,577	26.3	45.78	1.74
Top 5%	$252,840	41.99	65.64	1.56
Top 10%	$169,800	52.61	75.81	1.44
Top 25%	$94,440	72.09	89.23	1.24
Top 50%	$46,637	89.6	97.66	1.09
Bottom 50%	<$46,637	10.4	2.34	0.22

Source: https://www.ntu.org/foundation/tax-page/who-pays-income-taxes

[replaces Table 13.6 in-text]