Payroll Tax in Response to Federal Tax Changes

Policy Briefing - January 22, 2019

Introduction

In December 2017, the U.S. Congress passed the Tax Cuts and Jobs Act (TCJA), which made significant modifications to the federal tax code, including implementing a $10,000 limit on a widely utilized personal income tax deduction for state and local taxes (SALT) paid.[1] Prior to the enactment of this cap, taxpayers who itemized their deductions could reduce their federal tax liability by the full value of their paid state and local taxes. This federal tax change is expected to negatively impact taxpayers in Connecticut, which is one of several states with a significant percentage of residents who itemize deductions, allowing them to reduce their tax liability accordingly.

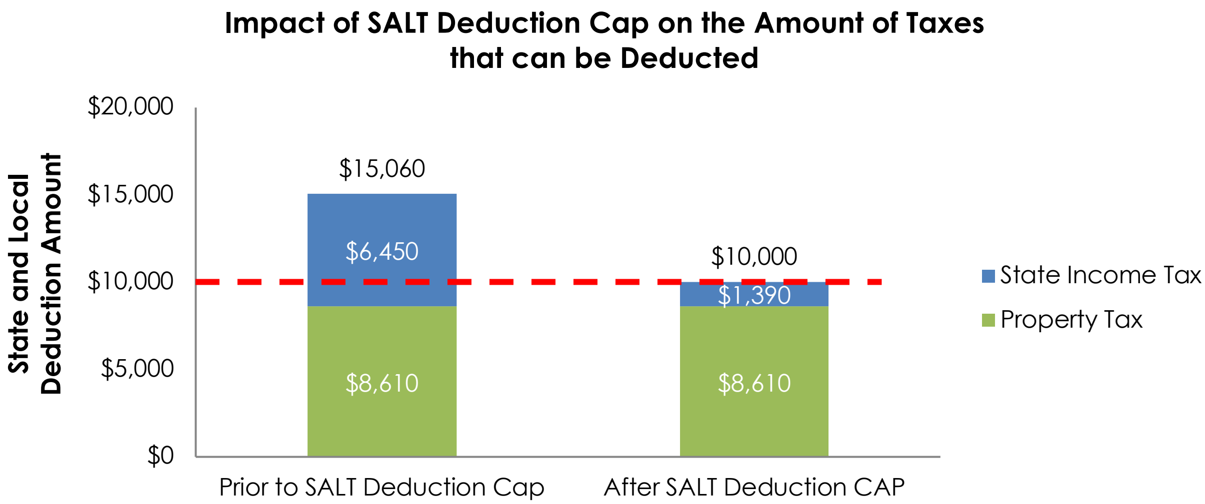
This policy briefing introduces and examines how the State of Connecticut can replace a portion of the state income tax with a payroll tax on all W-2 wages to mitigate the negative impacts of federal tax changes on Connecticut taxpayers, and potentially yield more state revenue while reducing the federal tax liabilities of Connecticut residents.

Federal Action Negatively Impacts Connecticut Taxpayers

While approximately 30 percent of Americans nationally itemize deductions, the portion of taxpayers in Connecticut who itemize has been significantly higher — at over 40 percent — with an average deduction of approximately $18,900 in 2016.[2] Connecticut's Department of Revenue Services has estimated that as a result of federal changes made as part of the TCJA, approximately 170,000 Connecticut taxpayers are projected to lose, combined, an estimated $10.3 billion in state and local taxes that those taxpayers can no longer deduct, resulting in an increased federal income tax liability increase of $2.8 billion.[3] Income year 2018, which began on January 1, 2018, will be the first year Connecticut taxpayers who pay more than $10,000 in state and local property taxes will be subject to the $10,000 SALT deduction cap, thereby resulting in an increased federal income tax liability (the filing deadline for these returns is April 15, 2019).

Figure 1 below details the estimated impact of the SALT deduction cap on a sample Connecticut taxpayer by showing the decrease in the amount of state and local taxes that can be deducted under each scenario. The sample taxpayers used for this example are married and filing jointly, have an adjusted gross income (AGI) of $120,000, and own a home valued at $300,000 in West Hartford. With the SALT deduction cap, these taxpayers are only able to deduct $1,390 of their $6,450 in state personal income taxes on their federal tax return — a difference of $5,060.[4,5,6]

Figure 1: Impact of SALT Deduction Cap on a Sample Connecticut Taxpayer[7,8,9]



Given the significant negative impact on Connecticut taxpayers, which will be felt by taxpayers no later than April 2019, Connecticut's policymakers should seek to find ways to help Connecticut taxpayers mitigate this additional tax burden. One potential strategy to mitigate the impact on Connecticut taxpayers of the SALT deduction cap is through the implementation of a payroll tax as a partial replacement for the income tax.

What is a Payroll Tax? How Can a Payroll Tax Reduce Connecticut Taxpayers' Overall Tax Liability?

The State of Connecticut can reform its tax code to ensure the State does not lose crucial tax revenue while simultaneously providing a reduction in federal income tax liability for many Connecticut residents. This can be achieved by replacing a portion of the state income tax with a payroll tax on all W-2 wages. The payroll tax would be paid by employers to the State of Connecticut.

Payroll taxes are taxes that employees and/or employers must pay based on wages and tips earned and salaries paid to employees.[10] Unlike personal income taxes, which are directly paid by the individual who earned income, payroll taxes are paid by employers to the government. Examples of payroll taxes that Connecticut employers currently pay to the federal government include federal unemployment taxes and FICA taxes (i.e. social security and Medicare).[A,11] The assumption of payroll taxes by employers will not have an impact on the employers' tax liabilities, as all taxes paid by businesses to the government are fully deductible when calculating a business' tax liability.[12]

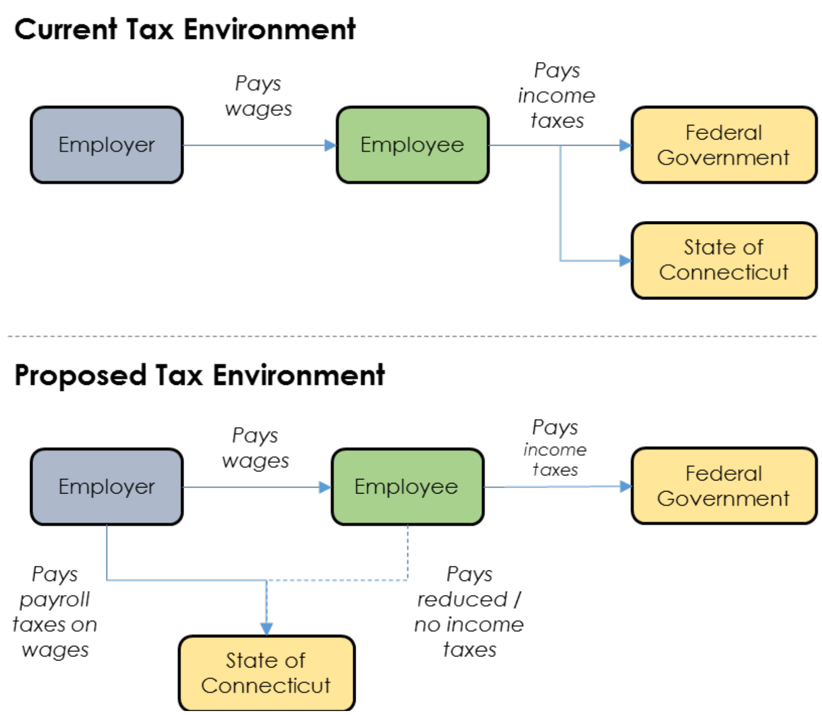
[A] FICA is a payroll tax that is paid in part by the employer and in part by the employee (through payroll check withholdings). The federal unemployment tax is a payroll tax paid solely by the employer.

If a payroll tax were enacted in Connecticut, employers would presumably reduce employees' wages by an amount equal to the payroll tax in order to keep themselves whole financially. However, because of the challenges associated with employers attempting to lower employees' wages, it is recommended the payroll tax be phased in at the rate of cost-of-living (COLA) increases. For example, a 5 percent payroll tax would be phased in over a two-year period at a rate of 2.5 percent a year. During this two-year period, employers would implement the payroll tax, rather than giving COLA increases.

The U.S. Department of Labor's Bureau of National Statistics reported wages and salaries increased by 2.9 percent for the 12-month period from September 2017 to September 2018.[13] If a payroll tax were to be enacted at 2.5 percent per year, for two years, with similar wage growth, employees would realize a wage increase of approximately 0.05 percent with the payroll tax being fully paid for by the employee and no reduction being made to take home pay.

The following graphic simplifies how a payroll tax could work in Connecticut.

Figure 2: Proposed Modifications to the Tax Environment



A necessary component of the payroll tax option is either an elimination of personal income taxation by the State or a commensurate rate reduction in the rate with which an individual's income is taxed. The rate impact to each filer is determined by the filer's income tax bracket. Table 1 below shows the Connecticut state personal income tax rates if a 5 percent payroll tax were enacted with a commensurate rate reduction in state personal income tax rates.

Table 1: Current and Proposed Income Taxes for Connecticut Residents[14]

AGI Single Filer	AGI Joint Filers	2017 Personal Income Tax Rate	Possible Payroll Tax	Income Tax Rate with Payroll Tax
$0	$0	3.00%	5.00%	0.00%
$10,000	$20,000	5.00%	5.00%	0.00%
$50,000	$100,000	5.50%	5.00%	0.50%
$100,000	$200,000	6.00%	5.00%	1.00%
$200,000	$400,000	6.50%	5.00%	1.50%
$250,000	$500,000	6.90%	5.00%	1.90%
$500,000	$1,000,000	6.99%	5.00%	1.99%

Beneficial Impact to Connecticut Residents

As shown in the above table, the positive financial impact to state taxpayers is not from a reduction in overall state tax liability, rather it is generated by limiting increases in Connecticut residents' adjusted gross incomes for federal income tax purposes. This would result in a reduction in federal tax liability for Connecticut taxpayers.

In addition to reducing federal income tax liability, the implementation of a payroll tax will also help to mitigate the impact of the SALT deduction cap on taxpayers who itemize deductions on their federal tax returns. Reducing or eliminating the amount of state personal income tax that is paid by residents to the State means Connecticut residents will be able to devote less of their SALT deduction to personal income taxes and potentially have room under the deduction cap to deduct all or a larger portion of their local property taxes.

The following table contains estimates of the tax impact from enacting a 5 percent payroll tax with a commensurate reduction in personal income tax rates. Please note these estimates were generated utilizing publicly available data from the Connecticut Department of Revenue Services. The table and estimates also do not take into account the potential additional benefit of the mitigation of the SALT deduction cap because this cannot be determined through publicly available data.

Table 2: Estimated Impact to Connecticut Taxpayers with a Commensurate Income Tax Rate Reduction[15,16,17,18]

Single Filers

		Current Law				Payroll Tax Structure, Income Tax Rate Changes				
Current CT AGI		CT Income Tax Due	Est. Federal Income and Payroll Taxes Due (Standard Deduction)	Total		CT Income and Payroll Taxes Due	Est. Federal Income and Payroll Taxes Due (Standard Deduction)	Total		Projected Change in Tax Due
$20,000		$60	$2,330	$2,390		$1,000	$2,154	$3,154		**$764**[B]
$30,000		$468	$4,265	$4,732		$1,500	$3,970	$5,470		**$738**[C]
$40,000		$1,395	$6,230	$7,625		$2,000	$5,837	$7,837		**$212**[D]
$50,000		$2,070	$8,195	$10,265		$2,500	$7,703	$10,203		**-$61**
$60,000		$2,583	$11,090	$13,673		$3,032	$10,200	$13,232		**-$441**
$80,000		$4,050	$17,020	$21,070		$4,130	$15,834	$19,964		**-$1,106**
$100,000		$5,230	$23,060	$28,290		$5,225	$21,477	$26,702		**-$1,588**
$150,000		$8,250	$37,545	$45,795		$8,175	$35,637	$43,812		**-$1,983**
$250,000		$15,400	$71,025	$86,425		$15,033	$66,357	$81,389		**-$5,036**
$500,000		$34,450	$164,400	$198,850		$33,975	$155,063	$189,038		**-$9,813**
$1,000,000		$69,850	$360,910	$430,760		$68,855	$341,235	$410,090		**-$20,670**

[B] This projected change in tax is due to the assumption that employers would presumably reduce employees' wages by an amount equal to the payroll tax in order to keep themselves whole financially. These taxpayers would not have additional federal or state income tax liabilities as a result of the implementing a payroll tax. Additionally, Connecticut's Earned Income Tax Credit, or the creation of a new tax credit for lower-income taxpayers, could be implemented to mitigate any negative impact on these taxpayers.

[C] Ibid.

[D] Ibid.

Table 3: Estimated Impact to Connecticut Taxpayers with a Commensurate Income Tax Rate Reduction[19,20,21,22]

Married, Filing Jointly

		Current Law				Payroll Tax Structure, Income Tax Rate Changes				
Current CT AGI		**CT Income Tax Due**	**Est. Federal Income and Payroll Taxes Due (Standard Deduction)**	**Total**		**CT Income and Payroll Taxes Due**	**Est. Federal Income and Payroll Taxes Due (Standard Deduction)**	**Total**		**Projected Change in Tax Due**
$40,000		$312	$4,660	$4,972		$2,000	$4,307	$6,307		**$1,335**[E]
$60,000		$1,800	$8,529	$10,329		$3,000	$7,940	$10,940		**$611**[F]
$80,000		$3,240	$12,459	$15,699		$4,000	$11,673	$15,673		**-$26**
$100,000		$4,508	$16,389	$20,897		$5,000	$15,407	$20,407		**-$491**
$120,000		$5,860	$23,322	$29,182		$6,070	$21,543	$27,613		**-$1,569**
$160,000		$8,300	$33,223	$41,523		$8,260	$31,347	$39,607		**-$1,916**
$200,000		$10,500	$42,823	$53,323		$10,450	$40,278	$50,728		**-$2,595**
$300,000		$16,500	$69,898	$86,398		$16,350	$65,945	$82,295		**-$4,103**
$500,000		$30,800	$137,758	$168,558		$30,065	$128,420	$158,485		**-$10,073**
$1,000,000		$68,900	$324,508	$393,408		$67,950	$305,833	$373,783		**-$19,625**
$2,000,000		$139,700	$717,528	$857,228		$137,710	$678,178	$815,888		**-$41,340**

Mitigating the Impact on Low-income Taxpayers

As evident by the above tables, low-income taxpayers may be negatively impacted if employers choose to reduce wages and proper adjustments to the Connecticut tax code are not made. Similar to a necessary reduction in the personal income tax rates overall, if a payroll tax is enacted it is essential to protect low-income taxpayers by either expanding Connecticut's Earned Income Tax Credit (EITC) or creating a new tax credit that will ensure individuals in the lower tax brackets are not negatively impacted with higher taxes by the creation of a new payroll tax against their wages. The current EITC is projected to receive approximately $95 million in refund requests in fiscal year 2019.[23] Based on publicly released data, the ETIC would need to be expanded by an estimated $390 million to hold all taxpayers harmless who might otherwise be negatively impacted.

[E] This projected change in tax is due to the assumption that employers would presumably reduce employees' wages by an amount equal to the payroll tax in order to keep themselves whole financially. These taxpayers would not have additional federal or state income tax liabilities as a result of the implementing a payroll tax. Additionally, Connecticut's Earned Income Tax Credit, or the creation of a new tax credit for lower-income taxpayers, could be implemented to mitigate any negative impact on these taxpayers.

[F] Ibid.

Opportunity to Raise Additional State Revenue

Given the significant tax break that would be realized by many of Connecticut taxpayers, the proposed modification to the state's tax code presents the opportunity to increase the progressivity of the state's personal income tax. Because Connecticut taxpayers with AGIs over $40,000 will realize an overall tax reduction, policymakers can decide not to provide the full 5 percent reduction against all tax brackets.

Table 4: Potential Adjustments to Connecticut Income Tax Rates Over 5%

AGI Single Filer	AGI Joint Filers	2017 Personal Income Tax Rate	Possible Payroll Tax	Proposed New Income Tax Rate with Payroll Tax
$0	$0	3.00%	5.00%	0.00%
$10,000	$20,000	5.00%	5.00%	0.00%
$50,000	$100,000	5.50%	5.00%	0.50%
$100,000	$200,000	6.00%	5.00%	1.00%
$200,000	$400,000	6.50%	5.00%	2.50%
$250,000	$500,000	6.90%	5.00%	2.90%
$500,000	$1,000,000	6.99%	5.00%	2.99%

Even with an increased overall tax rate, Connecticut taxpayers will still pay less taxes overall and the State of Connecticut can realize hundreds of millions of dollars in additional General Fund revenue. The following table details the potential estimated benefit to the State of Connecticut.

As Tables 5 and 6 below demonstrate, even with increasing the progressivity of the state personal income tax, state taxpayers are still estimated to save significantly on their federal income tax liability in addition to the potential benefits of mitigating the SALT deduction cap. Please note those filers with an increased tax liability as reflected in the below tables would have their increased liability credited to them through the expanded EITC or through a new credit for low-income taxpayers.

Table 5: Potential Impact to Single Filers[24,25,26,27]

Current CT AGI		CT Income Tax Due	Est. Federal Income and Payroll Taxes Due (Standard Deduction)	Total		CT Income and Payroll Taxes Due	Est. Federal Income and Payroll Taxes Due (Standard Deduction)	Total		Projected Change in Tax Due
		Current Law				**Payroll Tax Structure, Income Tax Rate Changes**				
$20,000		$60	$2,330	$2,390		$1,000	$2,154	$3,154		**$764**[G]
$30,000		$468	$4,265	$4,732		$1,500	$3,970	$5,470		**$738**[H]
$40,000		$1,395	$6,230	$7,625		$2,000	$5,837	$7,837		**$212**[I]
$50,000		$2,070	$8,195	$10,265		$2,500	$7,703	$10,203		**-$61**
$60,000		$2,583	$11,090	$13,673		$3,032	$10,200	$13,232		**-$441**
$80,000		$4,050	$17,020	$21,070		$4,130	$15,834	$19,964		**-$1,106**
$100,000		$5,230	$23,060	$28,290		$5,225	$21,477	$26,702		**-$1,588**
$150,000		$8,250	$37,545	$45,795		$8,175	$35,637	$43,812		**-$1,983**
$250,000		$15,400	$71,025	$86,425		$15,408	$66,357	$81,764		**-$4,661**
$500,000		$34,450	$164,400	$198,850		$36,725	$155,063	$191,788		**-$7,063**
$1,000,000		$69,850	$360,910	$430,760		$76,355	$341,235	$417,590		**-$13,170**

[G] This projected change in tax is due to the assumption that employers would presumably reduce employees' wages by an amount equal to the payroll tax in order to keep themselves whole financially. These taxpayers would not have additional federal or state income tax liabilities as a result of the implementing a payroll tax. Additionally, Connecticut's Earned Income Tax Credit, or the creation of a new tax credit for lower-income taxpayers, could be implemented to mitigate any negative impact on these taxpayers.
[H] Ibid.
[I] Ibid.

Table 6: Potential Impact to Joint Filers (Married, Filing Jointly)[28,29,30,31]

	Current Law			Payroll Tax Structure, Income Tax Rate Changes			
Current CT AGI	**CT Income Tax Due**	**Est. Federal Income and Payroll Taxes Due (Standard Deduction)**	**Total**	**CT Income and Payroll Taxes Due**	**Est. Federal Income and Payroll Taxes Due (Standard Deduction)**	**Total**	**Projected Change in Tax Due**
$40,000	$312	$4,660	$4,972	$2,000	$4,307	$6,307	**$1,335**[J]
$60,000	$1,800	$8,529	$10,329	$3,000	$7,940	$10,940	**$611**[K]
$80,000	$3,240	$12,459	$15,699	$4,000	$11,673	$15,673	**-$26**
$100,000	$4,508	$16,389	$20,897	$5,000	$15,407	$20,407	**-$491**
$120,000	$5,860	$23,322	$29,182	$6,070	$21,543	$27,613	**-$1,569**
$160,000	$8,300	$33,223	$41,523	$8,260	$31,347	$39,607	**-$1,916**
$200,000	$10,500	$42,823	$53,323	$10,450	$40,278	$50,728	**-$2,595**
$300,000	$16,500	$69,898	$86,398	$16,350	$65,945	$82,295	**-$4,103**
$500,000	$30,800	$137,758	$168,558	$30,815	$128,420	$159,235	**-$9,323**
$1,000,000	$68,900	$324,508	$393,408	$73,450	$305,833	$379,283	**-$14,125**
$2,000,000	$139,700	$717,528	$857,228	$152,710	$678,178	$830,888	**-$26,340**

Expanding Upon Efforts Previously Enacted

Connecticut Public Act 18-49 of the 2018 legislative session modified how pass-through entities are taxed by the state.[32] The legislation was in response to the negative impact to state taxpayers as a result of the TCJA. The bill shifted the taxation of pass-through entities from the individual level under the personal income tax to the entity level under the new pass-through entity tax.[33] Individual partners or members of the entities then receive a credit against their personal income tax liability to reflect taxes paid by the entity on their earned income.[34] This significant revenue neutral modification to how pass-through entities are taxed was estimated to return an estimated $222 million to Connecticut taxpayers which would have otherwise be lost due to the SALT deduction cap.[35]

Taxing income on the entity level rather than the individual level accomplished the same goal as the proposed payroll tax, which would extend this benefit to W-2 employees. Similar to the pass-through entity tax, the payroll tax allows Connecticut to respond to federal legislation and help state taxpayers reduce their federal adjusted gross incomes, and therefore their federal tax liabilities, while preserving state revenue.

[J] This projected change in tax is due to the assumption that employers would presumably reduce employees' wages by an amount equal to the payroll tax in order to keep themselves whole financially. These taxpayers would not have additional federal or state income tax liabilities as a result of the implementing a payroll tax. Additionally, Connecticut's Earned Income Tax Credit, or the creation of a new tax credit for lower-income taxpayers, could be implemented to mitigate any negative impact on these taxpayers.

[K] Ibid.

Additional Considerations for the State of Connecticut

Any significant modification to the state's tax code is not a simple feat. If there is opposition to bifurcating the personal income tax structure and lowering the rates on W-2 employees as is contemplated in this policy briefing, a tax credit system can be established similar to the current credit method employed under the new pass-through entity tax.

The state's business community will likely be opposed to making the necessary adjustments to how they compensate their employees and pay taxes to the State. The initial opposition is understandable, however, as previously mentioned, business taxes paid are fully deductible by the business entity. In addition, the proposed phase-in of the payroll tax would make the transition to the new system easier for employers without impacting their bottom line.

Policymakers will also need to decide how to handle state employees' wages. It does not make sense for the state to pay the payroll tax to itself; however, one can appreciate it would be problematic to treat state employees differently than all other Connecticut taxpayers. As a result, it is recommended that should the State of Connecticut enact these tax changes, it do so for all taxpayers and forgo the 5 percent payroll tax revenue that would be paid on state employee wages if the current income tax structure remained in place.

Lastly, to the extent Connecticut residents have reduced adjusted gross incomes, it is possible that enacting this proposal may result in additional individuals being eligible for Medicaid.

New York State Payroll Tax Initiative

In April 2018, the State of New York enacted an optional payroll tax system. The Employer Compensation Expense Program (ECEP) was proposed by New York Governor Andrew Cuomo as a way to protect New York residents from the new federal limit on state and local property tax deductibility.[36] The optional Employer Compensation Expense Tax (ECET) is available to employers if they have employees that earn over $40,000 annually in wages and compensation.[37] The ECEP is phased-in over a three-year period and increases from 1.5 percent of employee wages in its first year of inception to 5 percent of employee wages in FY 2021 and thereafter.[38] A total of 220 employers have opted into the program as of December 2018.[39]

Conclusion

Replacing a portion of Connecticut's state income tax with a payroll tax on all W-2 wages is an option for the State of Connecticut to mitigate the negative impacts on resident taxpayers of recent federal tax changes. By reforming its tax code and implementing a payroll as described above, the State of Connecticut can ensure the State does not lose crucial tax revenue all while reducing the federal tax liability for its residents and mitigating the impact of the SALT deduction cap on taxpayers who itemize deductions on their federal tax returns.

Instituting a payroll tax as outlined in this policy briefing will require significant modifications to Connecticut's tax code as well as an expansion of an existing tax credit program, or the creation of a new credit, to hold low-income taxpayers harmless. However, along with these challenges, the payroll tax presents opportunities for the State of Connecticut to increase the progressivity of the state's personal income tax and raise additional revenue, while still lowering residents' federal tax bills and saving Connecticut taxpayers money.

Endnotes

[1] Tax Cuts and Jobs Act, Pub. L. No. 115-97, 131 Stat. 2054 (2017).
[2] U.S. Department of the Treasury, Internal Revenue Service. (2018). *Tax Year 2016: Historic Table 2*. Available from https://www.irs.gov/statistics/soi-tax-stats-historic-table-2.
[3] Pinho, R. (2018). *Issue Brief: Connecticut's Response to Federal Tax Reform* (2018-R-0283). Hartford, CT: Connecticut General Assembly, Office of Legislative Research. Retrieved from https://www.cga.ct.gov/2018/rpt/pdf/2018-R-0283.pdf.
[4] Tax Cuts and Jobs Act, Pub. L. No. 115-97, 131 Stat. 2054 (2017).
[5] U.S. Department of the Treasury, Internal Revenue Service. (2018). *Tax Year 2016: Historic Table 2*. Available from https://www.irs.gov/statistics/soi-tax-stats-historic-table-2.
[6] State of Connecticut, Office of Policy and Management. (2018). *Mill Rates 2017 Grand List Year 2019 Fiscal Year*. Retrieved from https://www.ct.gov/opm/cwp/view.asp?a=2987&q=385976.
[7] Tax Cuts and Jobs Act, Pub. L. No. 115-97, 131 Stat. 2054 (2017).
[8] U.S. Department of the Treasury, Internal Revenue Service. (2018). *Tax Year 2016: Historic Table 2*. Available from https://www.irs.gov/statistics/soi-tax-stats-historic-table-2.
[9] State of Connecticut, Office of Policy and Management. (2018*). Mill Rates 2017 Grand List Year 2019 Fiscal Year*. Hartford, CT: Author. Retrieved from https://www.ct.gov/opm/cwp/view.asp?a=2987&q=385976.
[10] Bankrate. (n.d.). Glossary: Payroll taxes. Retrieved from https://www.bankrate.com/glossary/p/payroll-taxes/.
[11] U.S. Department of the Treasury, Internal Revenue Service. (2018, April 23). Understanding Employment Taxes. Retrieved from https://www.irs.gov/businesses/small-businesses-self-employed/understanding-employment-taxes.
[12] U.S. Department of the Treasury, Internal Revenue Service. (2018). *Publication 535: Business Expenses, For use in preparing 2017 Returns* (Cat. No. 15065Z). Washington, DC: U.S. Government Printing Office. Retrieved from https://www.irs.gov/pub/irs-pdf/p535.pdf.
[13] U.S. Department of Labor, Bureau of Labor Statistics. (2018, October 31). *Employment Cost Index Summary – September 2018* [News release]. Retrieved from https://www.bls.gov/news.release/eci.nr0.htm.
[14] Conn. Gen. Statutes ch. 229, § 12-700.
[15] Connecticut School Finance Project analysis.
[16] Tax Cuts and Jobs Act, Pub. L. No. 115-97, 131 Stat. 2054 (2017).
[17] Conn. Gen. Statutes ch. 229, § 12-700.
[18] State of Connecticut, Department of Revenue Services. (2018). 2016 Individual Income Tax Data Reports. Available from https://portal.ct.gov/DRS/DRS-Reports/Income-Tax-Reports/2016-Individual-Income-Tax-Reports.
[19] Connecticut School Finance Project analysis.
[20] Tax Cuts and Jobs Act, Pub. L. No. 115-97, 131 Stat. 2054 (2017).
[21] Conn. Gen. Statutes ch. 229, § 12-700.
[22] State of Connecticut, Department of Revenue Services. (2018). 2016 Individual Income Tax Data Reports. Available from https://portal.ct.gov/DRS/DRS-Reports/Income-Tax-Reports/2016-Individual-Income-Tax-Reports.
[23] Barnes, B., & Ayers, N. (2018). *Consensus Revenue - November 13, 2018*. Hartford, CT: State of Connecticut, Office of Policy and Management. Retrieved from https://portal.ct.gov/-/media/OPM/Bud-Other-Projects/Reports/Consensus_Revenue/FINAL_CONSENSUS_NOV13_2018.pdf?la=en.
[24] Connecticut School Finance Project analysis.
[25] Tax Cuts and Jobs Act, Pub. L. No. 115-97, 131 Stat. 2054 (2017).
[26] Conn. Gen. Statutes ch. 229, § 12-700.
[27] State of Connecticut, Department of Revenue Services. (2018). 2016 Individual Income Tax Data Reports. Available from https://portal.ct.gov/DRS/DRS-Reports/Income-Tax-Reports/2016-Individual-Income-Tax-Reports.
[28] Connecticut School Finance Project analysis.
[29] Tax Cuts and Jobs Act, Pub. L. No. 115-97, 131 Stat. 2054 (2017).
[30] Conn. Gen. Statutes ch. 229, § 12-700.
[31] State of Connecticut, Department of Revenue Services. (2018). 2016 Individual Income Tax Data Reports. Available from https://portal.ct.gov/DRS/DRS-Reports/Income-Tax-Reports/2016-Individual-Income-Tax-Reports.
[32] Conn. Acts 18-49.
[33] Ibid.

[34] Ibid.
[35] Barnes, B. (2018, March 2). *Testimony Supporting Senate Bill No. 11: An Act Concerning Connecticut's Response to Federal Tax Reform*. Hartford, CT: Connecticut General Assembly, Finance, Revenue and Bonding Committee. Retrieved from https://www.cga.ct.gov/2018/FINdata/Tmy/2018SB-00011-R000302-Barnes,%20Benjamin,%20Secretary,%20Office%20of%20Policy%20and%20Management-TMY.PDF.
[36] State of New York, Office of the Governor. (2018, April 17). *Governor Cuomo Signs Bill to Protect New York Taxpayers from Federal Tax Increases on Tax Day* [Press release]. Retrieved from https://www.governor.ny.gov/news/governor-cuomo-signs-bill-protect-new-york-taxpayers-federal-tax-increases-tax-day.
[37] State of New York, Department of Taxation and Finance. (2018, December 19). Employer Compensation Expense Program (ECEP). Retrieved from https://www.tax.ny.gov/bus/ecep/ecepdx.htm.
[38] Ibid.
[39] Vielkind, J. (2018, December 2). Few N.Y. Businesses Sign Up for State Program to Bypass Trump Tax Limits. *The Wall Street Journal*. Retrieved from https://www.wsj.com/articles/few-n-y-businesses-sign-up-for-state-program-to-bypass-trump-tax-limits-1543766400.