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- Model Results
- Conclusion
- Q&A

Tax Cut and Jobs Act (TCJA) of 2017

Personal Income Tax

- Limited previously uncapped SALT deduction to **$10,000**
- Increased standard deduction from **$6500** to **$12000** for individual filers

8 years later

- Decreased itemizers from **31%** to **9%** of total tax-filers
- Cost of SALT to federal government decreased from **$104 billion** in 2016 to **$13.5 billion** in 2020

Tax Cut and Jobs Act (TCJA) of 2017 Effects

California

- Population growth from 2010-2017
  0.75%
- Population growth from 2017-2025
  0.14%
- Net domestic migration 2010-2017
  -110,100 people / year
- Net domestic migration 2017-2025
  -249,500 people / year

Texas

- Population growth from 2010-2017
  1.50%
- Population growth from 2017-2025
  1.45%
- Net domestic migration 2010-2017
  130,000 people / year
- Net domestic migration 2017-2025
  144,000 people / year

2017		2022		2017		2022	
35.6%	$20,451	15.3%	$9,124	24.8%	$9,187	7.6%	$7,945

Percent claiming SALT, Average SALT claimed

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One Big Beautiful Bill Act

Background

President Trump signed the One Big Beautiful Big Act into law on **July 4th, 2025**

OBBBA **permanently extends** and expands upon provisions of the 2017 Tax Cuts and Jobs Act(TCJA).

Implication

SALT deduction cap from **$10,000 to $40,000**, effective beginning in 2025 for **taxpayers making under $500,000.**

Phase down the $40,000 SALT cap for individual taxpayers or couples making above $500,000 at a 30% rate.

Reverts to the **$10,000 limit** (previously set by TCJA) **in 2030**, with no income limits.

The phase down threshold **increases by 1% each year** through 2029

what does REMI say?[sm]

Categories of SALT Deductions

	Income Tax	Property Tax	Sales Tax
California	1% - 12.3% Progressive Tax Rate	1% Property Tax	7.25%-11.25% Sale Tax
Texas	No State Income Tax Rate	1.67% Property Tax	8.2% Sales Tax

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Potential Impacts

What it means for California

- For Individuals (Taxpayers)
  - High-income homeowners who itemize benefit the most
  - Could jump from $10K to $30K–$40K in deductions
  - Significant tax savings → increased disposable income
- For State
  - Higher after-tax income may increase CA consumption/spending
  - Migration Effect: Less incentive to leave CA for tax reasons

What it means for Texas

- For Individuals (Taxpayers)
  - Fewer benefits from property/sales tax
  - May remain below $10K even after cap increase
  - Minimal change → negligible income boost
- For State
  - Smaller gains in disposable income = limited stimulus
  - Migration Effect: Under our assumptions, the benefits are less to none for the state of Texas.

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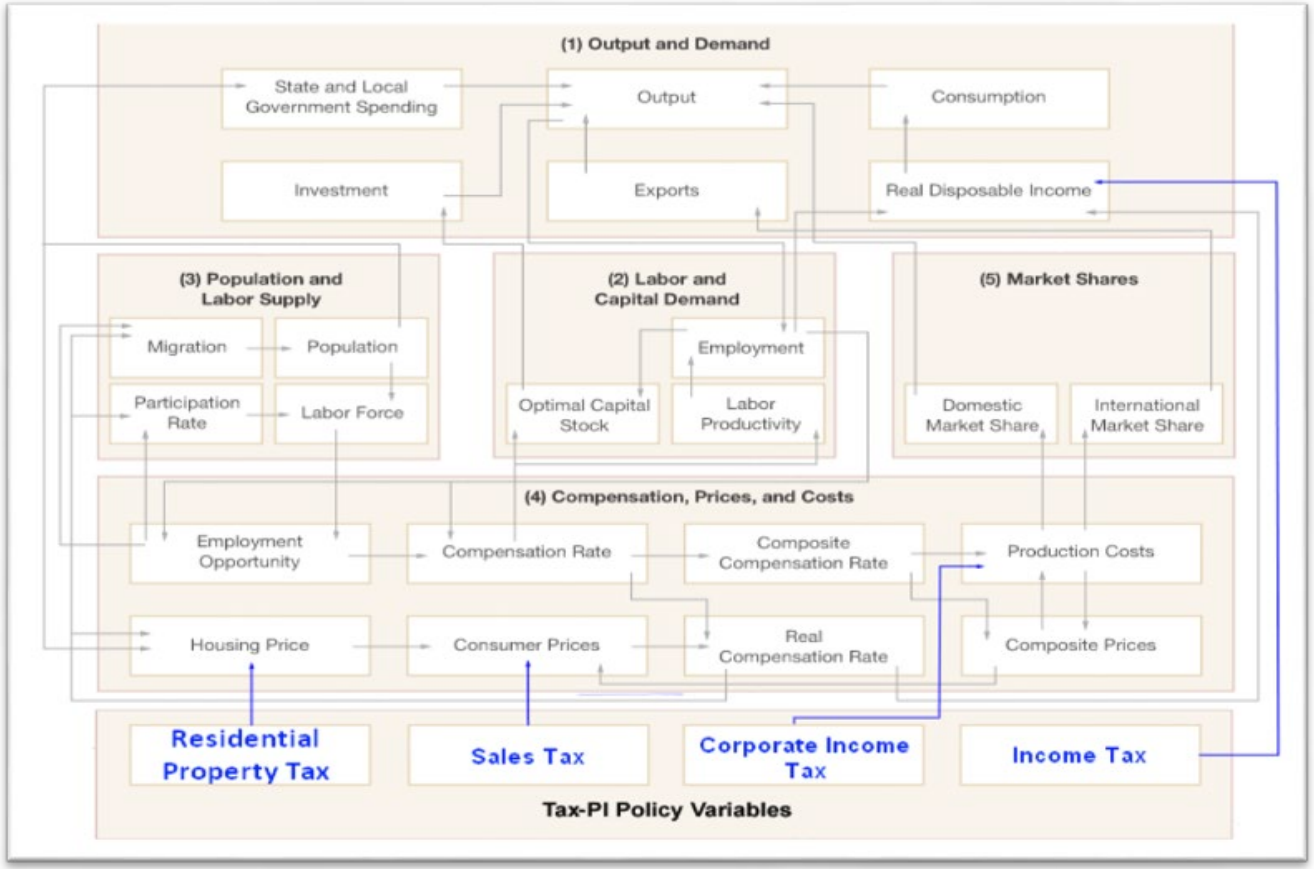
Model Simulation: REMI Tax-PI

Tax-PI

REMI Tax-PI is the only commercially available dynamic macroeconomic and fiscal impact analysis tool.

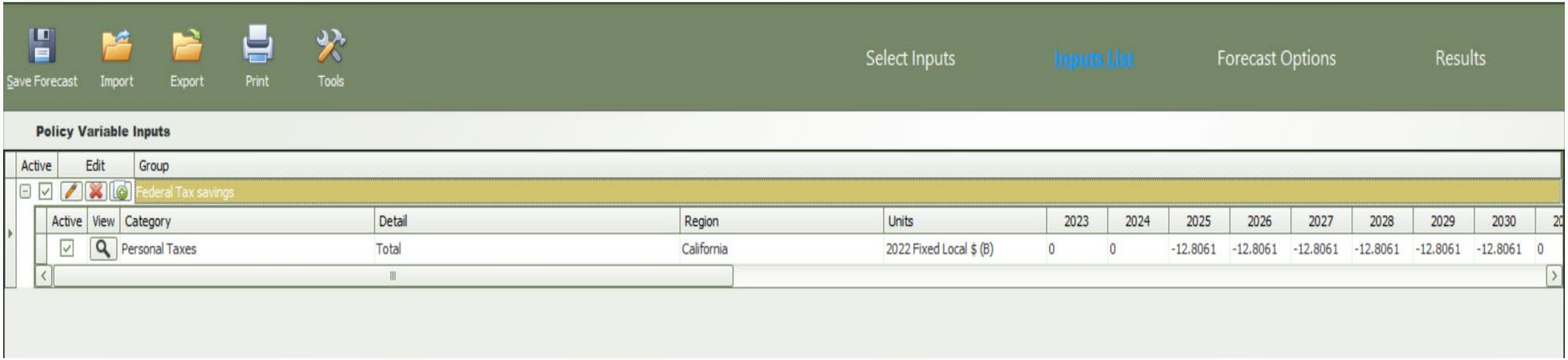
Tax-PI allows users to understand the deep linkages and relationship between a budget and its economic foundation



Model Inputs: Policy Variable

Personal Tax

- Federal Tax savings
  - Recorded as a negative personal tax



Estimating the value of the SALT cap increase

Methodology 1

2017 numbers on percent claiming SALT, average SALT claimed

- **Underestimates average SALT claim** as property values, property tax, income tax have increased
- **Overestimates percentage claiming SALT** since standard deduction remains markedly higher

Methodology 2

2022 numbers on percent claiming SALT, estimations for property, sales, and income tax

- Properly evaluates average SALT claim
- **Underestimates percentage claiming SALT** as more individuals may be willing to itemize their deductions due to the higher cap

California Calculation Methodology

Methodology 1

Federal Tax savings per user: ((Average SALT claimed in 2017) - 10,000) * Effective Tax Rate = ($20,451-$10,000) * 24% = **$2,617.2**
Number of users: Total tax filers (2024) * Percentage claiming SALT in 2017 = 18,600,000 * 35.6% = **6,621,600**
Total saving: Federal Tax savings per user * Number of users = 2617.2 * 6,621,600

$17.33 billion per annum

Methodology 2

Expected SALT claim: 90th percentile property tax + 90th percentile state income tax = 1,500,000 * 0.01% + $190,000 * 7.20% = **$28,715**
Federal Tax savings per user: ((Expected SALT claim) - 10,000) * Effective Tax Rate = ($28,715 - $10,000) * 24% = **$4,500**
Number of users: Total tax filers (2024) * Percentage claiming SALT in 2022 = 18,600,000 * 15.3% = **2,845,800**
Total saving: Tax Saving per user * Number of users = 4,500 * 2,845,800

$12.81 billion per annum

Texas Calculation Methodology

Methodology 1

Estimated SALT standard deviation: $1500 2017 SALT average: $8840
Percentage of users exceeding $10,000: 21.97% Average SALT claim exceeding 10,000: $10860
Federal tax savings per user: ((Average SALT claim exceeding 10,000) - 10,000) * Effective Tax Rate = ($10860-$10,000) * 24% = **$206.40**
Number of users: Total tax filers (2024) * Percentage claiming SALT (2017) * Percentage of users exceeding $10,000
= 13,600,000 * 24.8% * 21.97% = 717100.8
Total federal tax savings = Savings per user * Number of users = 494.88 * 893792

$148.01 million per annum

Methodology 2

Estimated SALT deduction = Sales tax ($35,000 discretionary spending, 8.2%) + Property tax ($400,000, 1.65%)= $4100+ $6600= **$9500**
Estimated SALT standard deviation: $2500
Percentage of users exceeding $10,000: 42.7% Average SALT claim exceeding 10,000: $11,824
Federal tax savings per user: ((Average SALT claim exceeding 10,000) - 10,000) * Effective Tax Rate = ($11824-$10,000) * 24% = **$437.76**
Number of users: Total tax filers (2024) * Percentage claiming SALT in 2022 * Percentage of users exceeding $10,000
= 13,600,000 * 7.6% * 42.7% = 441347
Total federal saving = Federal tax savings per user * Number of users = 494.88 * 893792

$193.20 million per annum

Different State Responses to One Federal Policy

Difference in State Responses to One Federal Policy			
California		Texas	
Under TCJA	Under OBBBA	Under TCJA	Under OBBBA
SALT Deduction Cap: $10,000	SALT Deduction Cap: $40,000	SALT Deduction Cap: $10,000	SALT Deduction Cap: $40,000
SALT paid: $28,715	SALT paid: $28,715	SALT paid: $9,500	SALT paid: $9,500
Federal standard deduction: $15,750	Federal standard deduction: $15,750	Federal standard deduction: $15,750	Federal standard deduction: $15,750
$15,750 > $10,000	$28,715 > $15,750	$15750 > $9500	$15750 > $9500
Tax Savings: $3,780	Tax Savings: $6892	Tax Savings: $3,780	Tax Savings: $3,780

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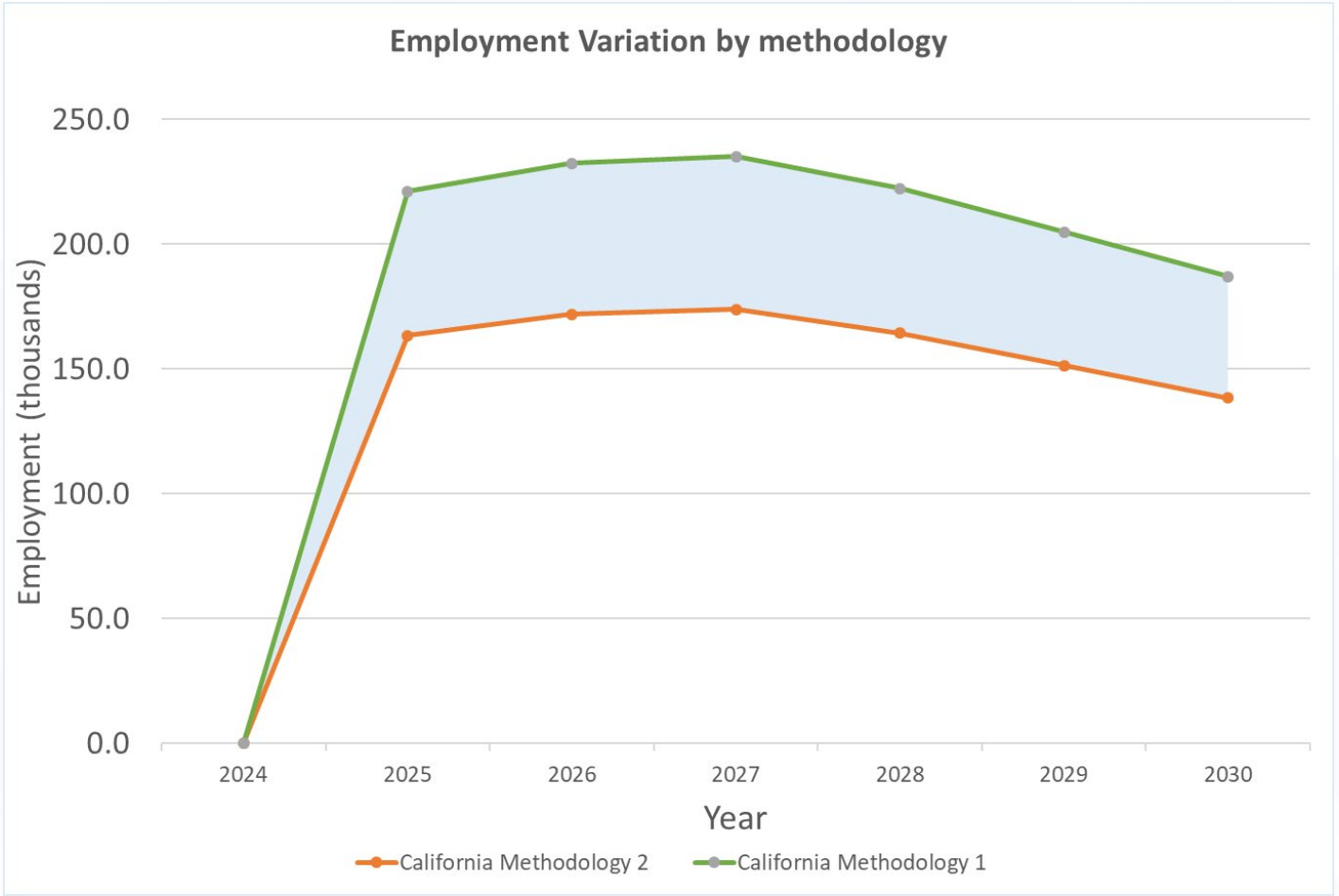
Key Economic Results in California: Employment

Slowing down starting 2027



what does REMI say?sm

From REMI Tax-PI

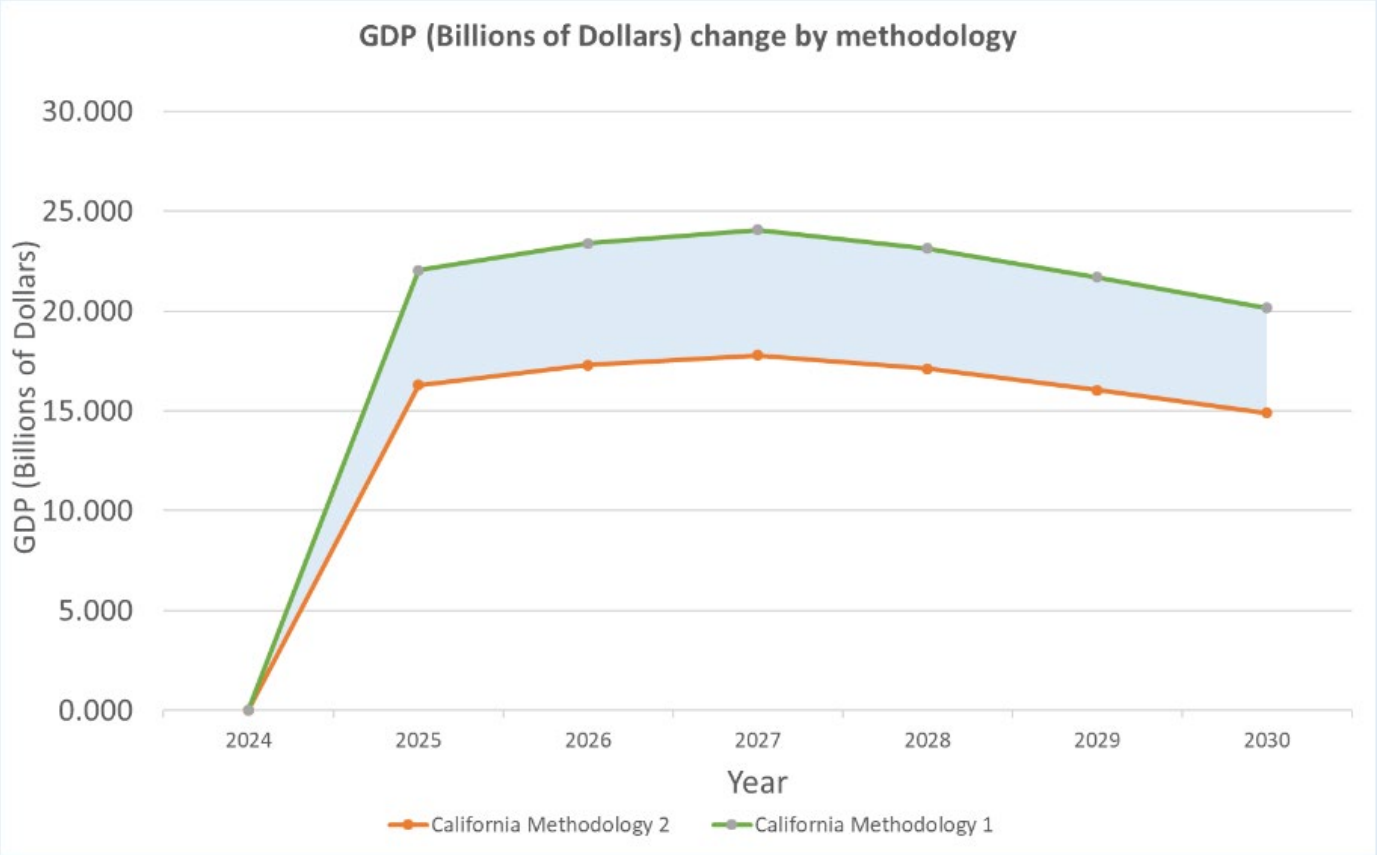
Key Economic Results in California: Employment

Long Term Effect : 10 Years Forecast after the cap reverts to $10,000 (2030)

Methodology 2, From REMI Tax-PI

Key Economic Results in California: GDP

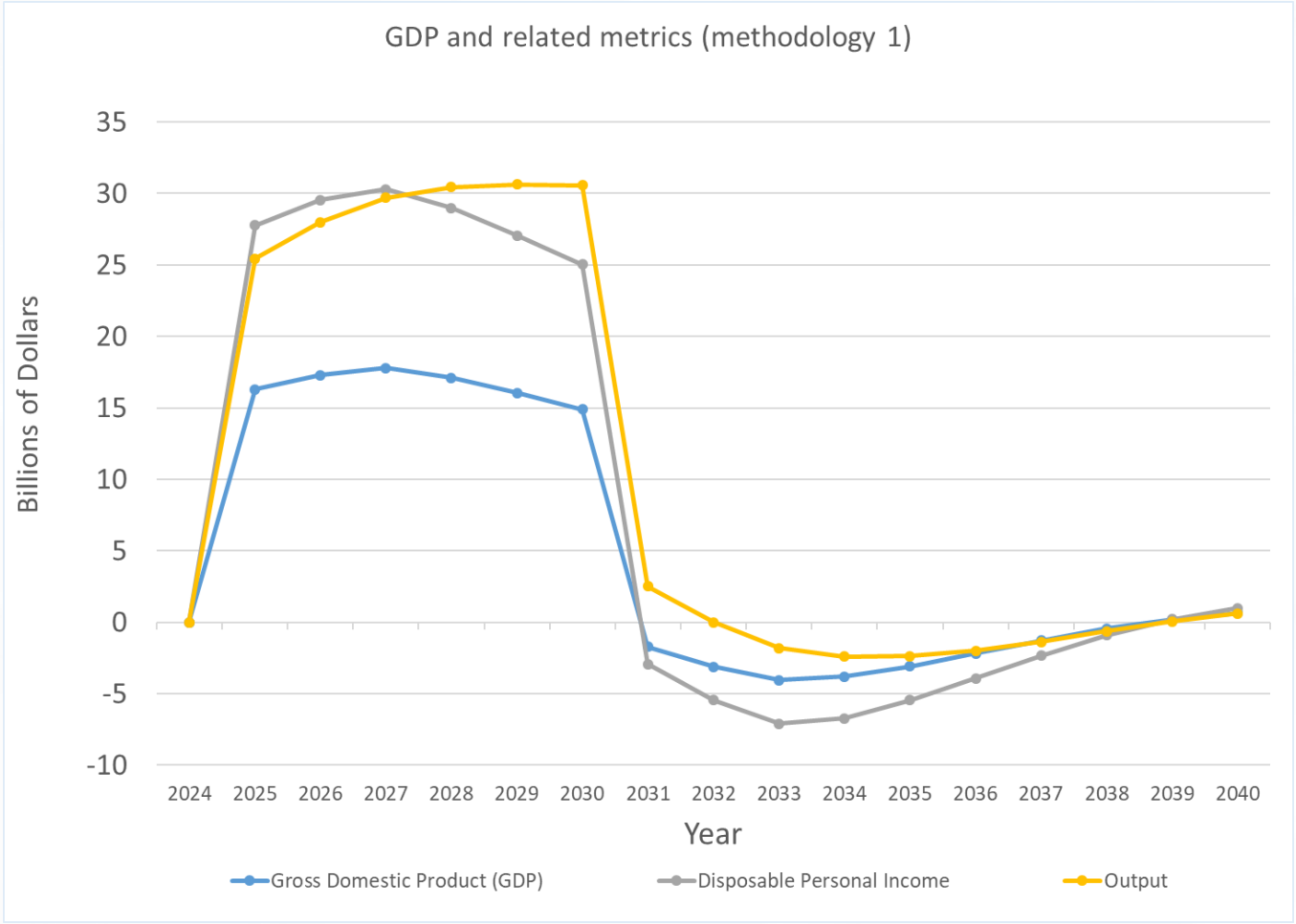
- Slowing down starting 2027
- Similar trend as employment
- Increase in employment will boost GDP



From REMI Tax-PI

Key Economic Results in California

- GDP and Disposable Personal Income
- Growth for the next 5 years
- Starts slowing down after the 5th year (2030)



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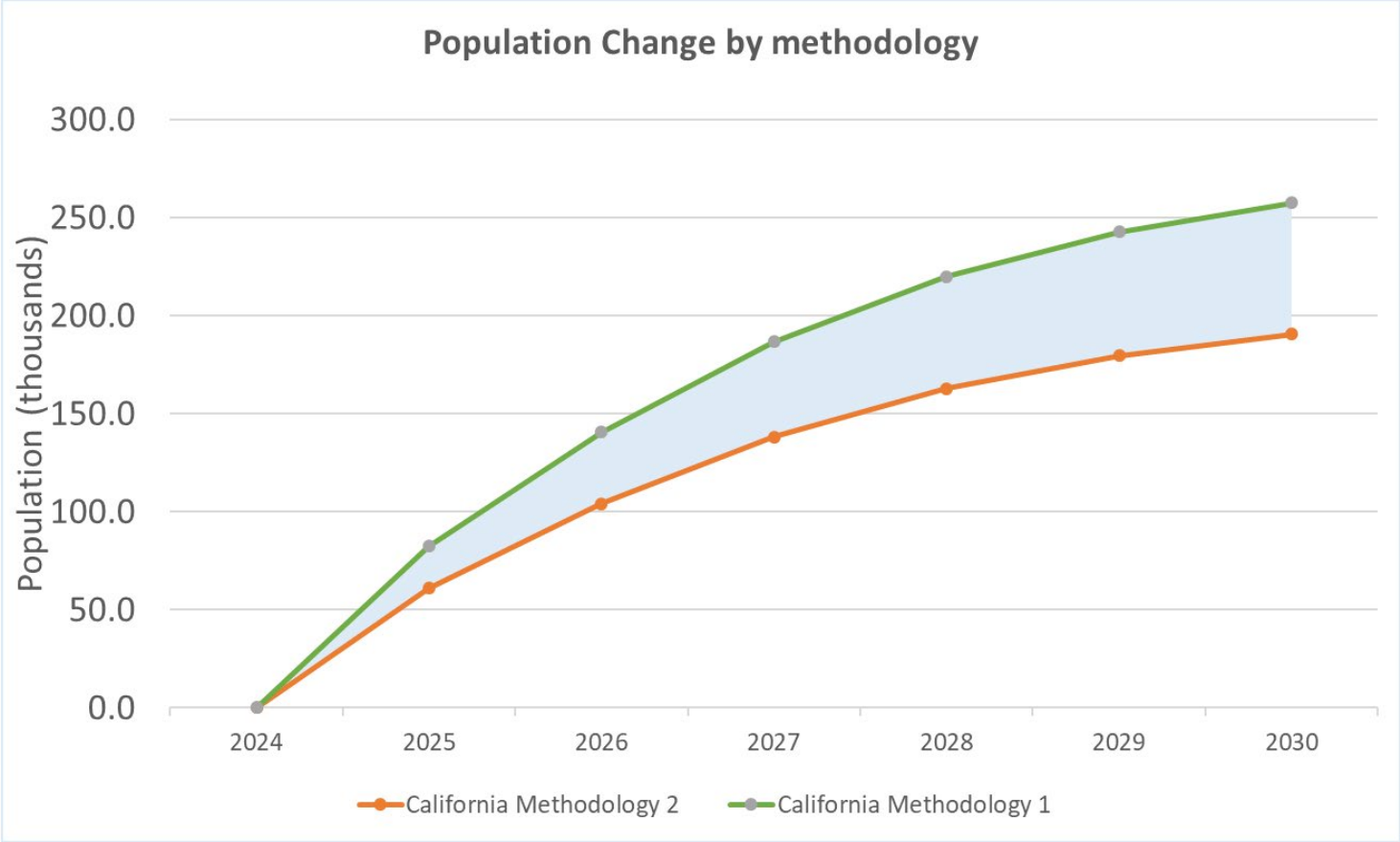
Methodology 2, From REMI Tax-PI

Key Demographic Results in California

- Economic Migration and Population
- Exponential growth for the next 5 years



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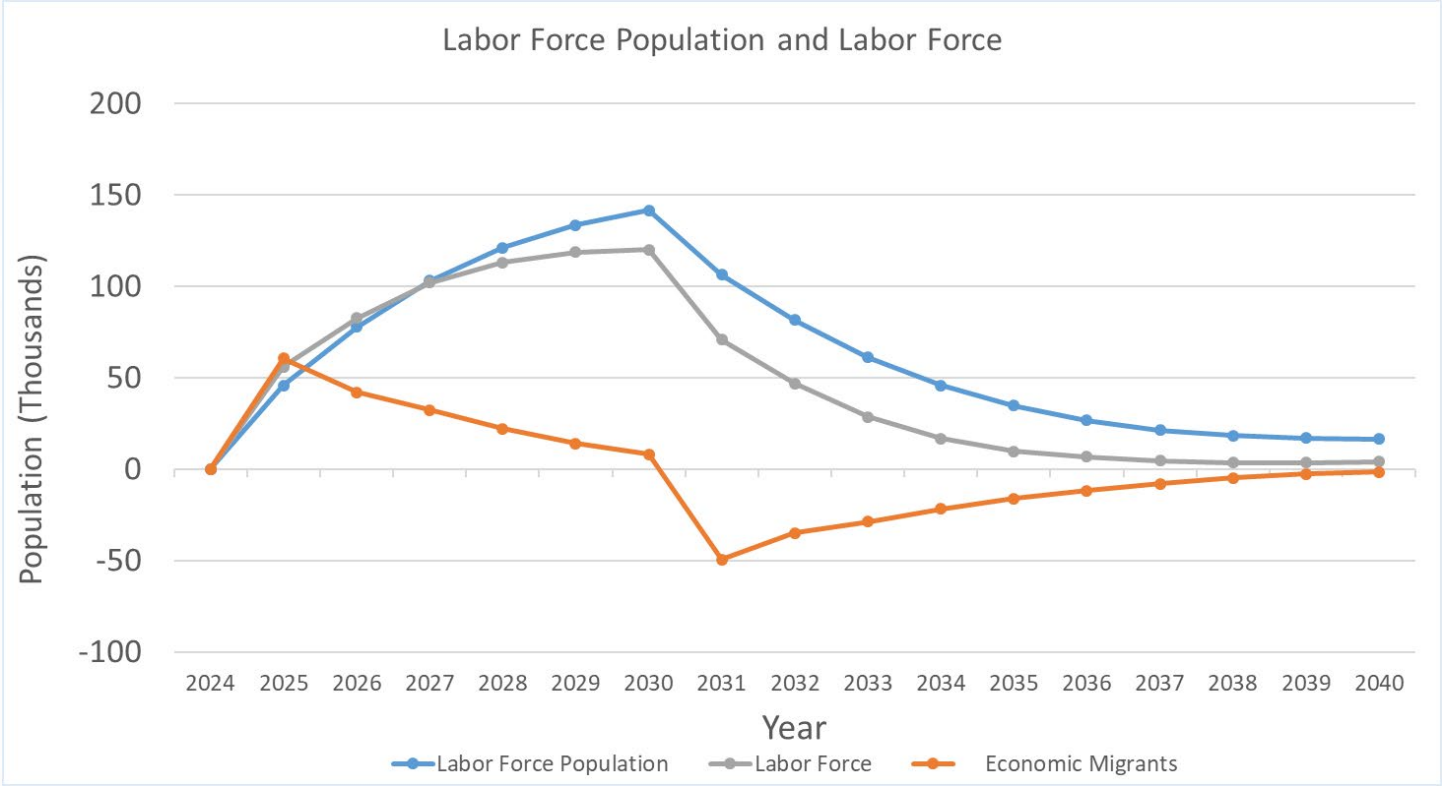
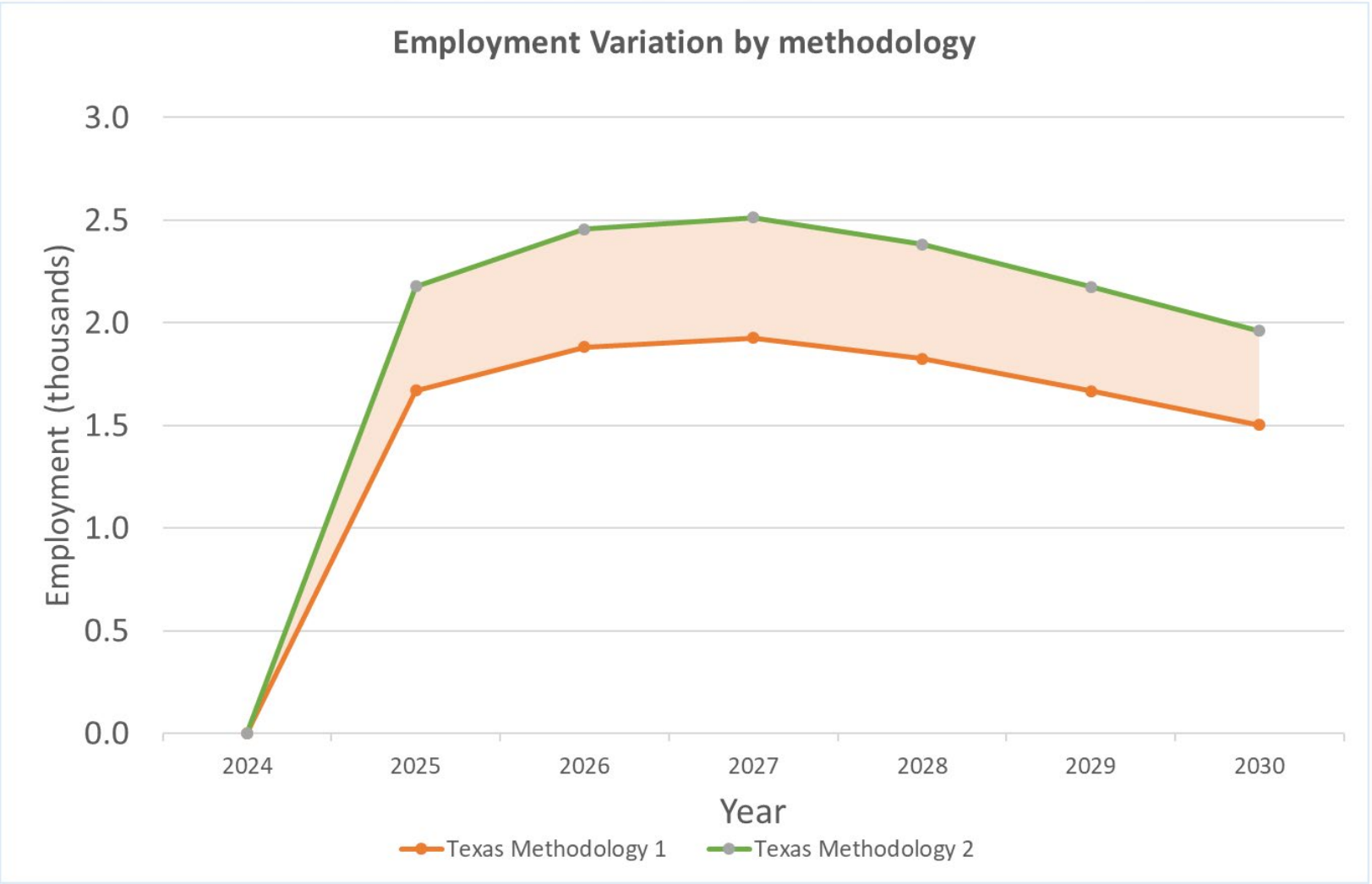
Key Demographic Results in California

- Economic Migration and Labor Force
- Decrease in negative economic migrants



Methodology 2, From REMI Tax-PI

Key Economic Results in Texas: Employment



- Marked distinction in scale as opposed to **California's over 200k** employment variation
- Slows down starting 2027
- Recognizes that the range provides a comparatively negligible difference in employment

what does REMI say? sm

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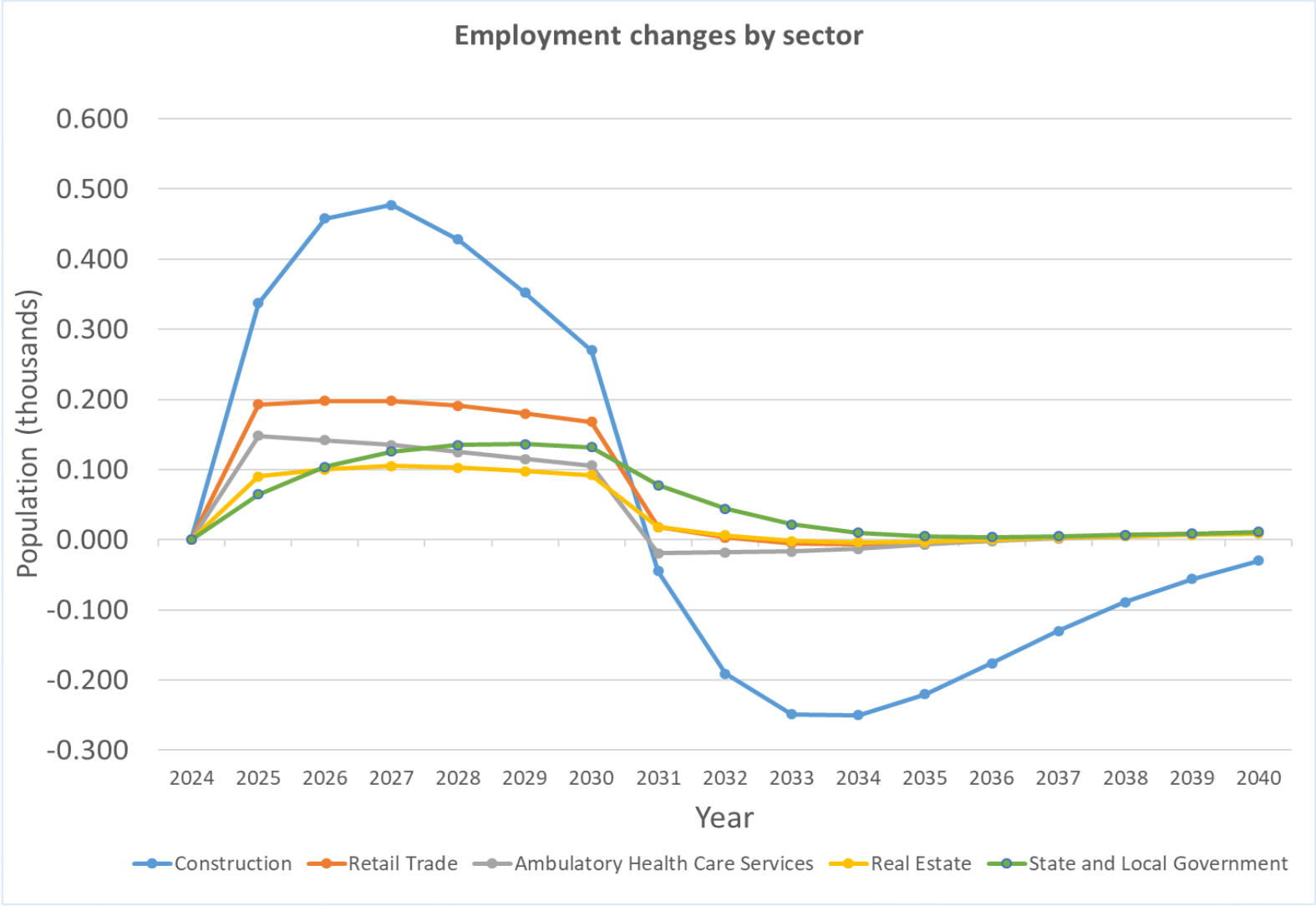
Key Economic Results in Texas: Employment

- Extended analysis to **2040**
- **Construction** plays the biggest role
- Lower impact on **real estate** compared to California
- This reflects information from methodology 1

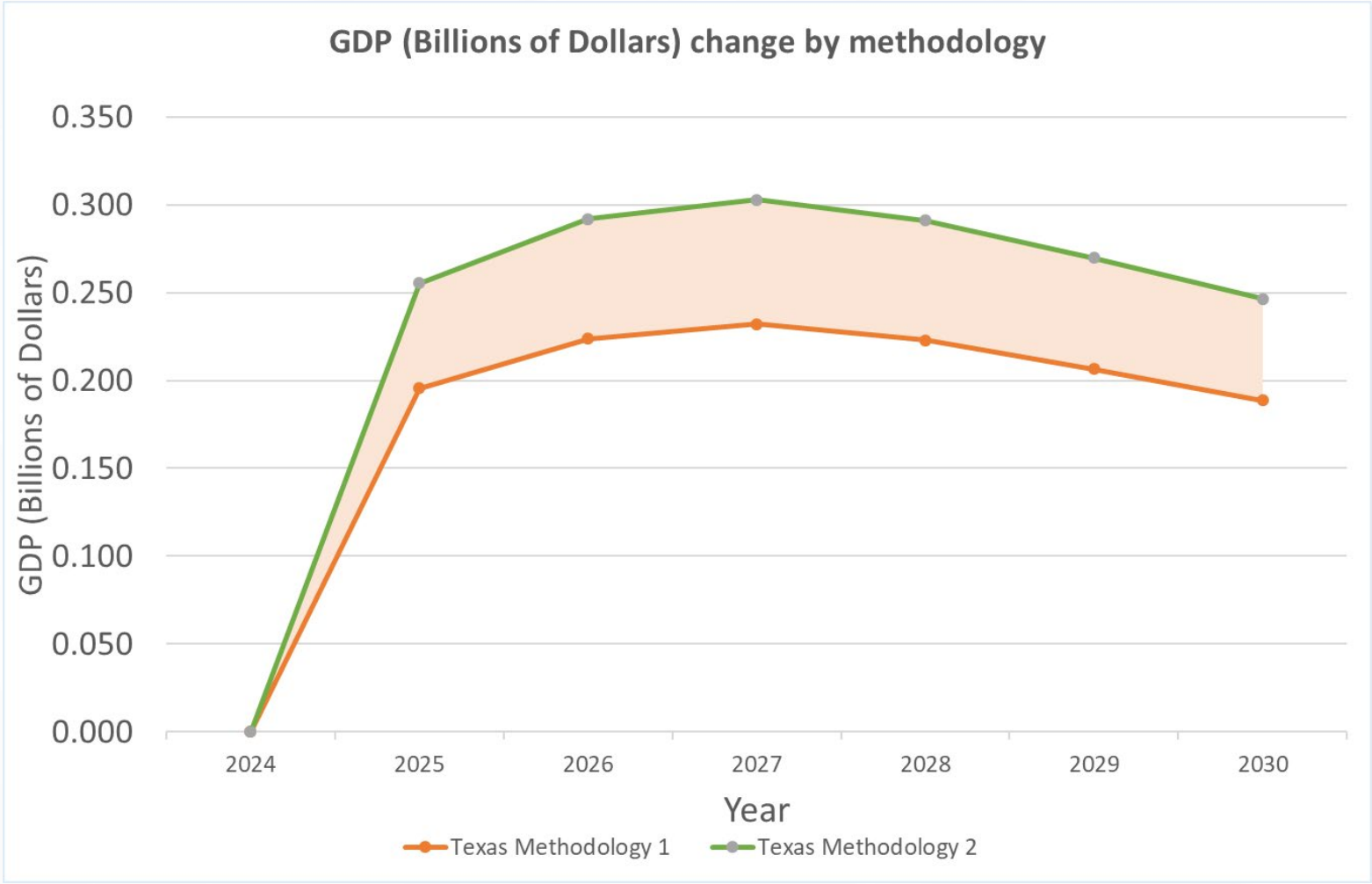


what does REMI say?sm

Methodology 1, From REMI Tax-PI

Key Economic Results in Texas: GDP

- Considerable levels of magnitude lower than California
- Approximately **100 times** less impact, reflecting the relative difference in estimated savings



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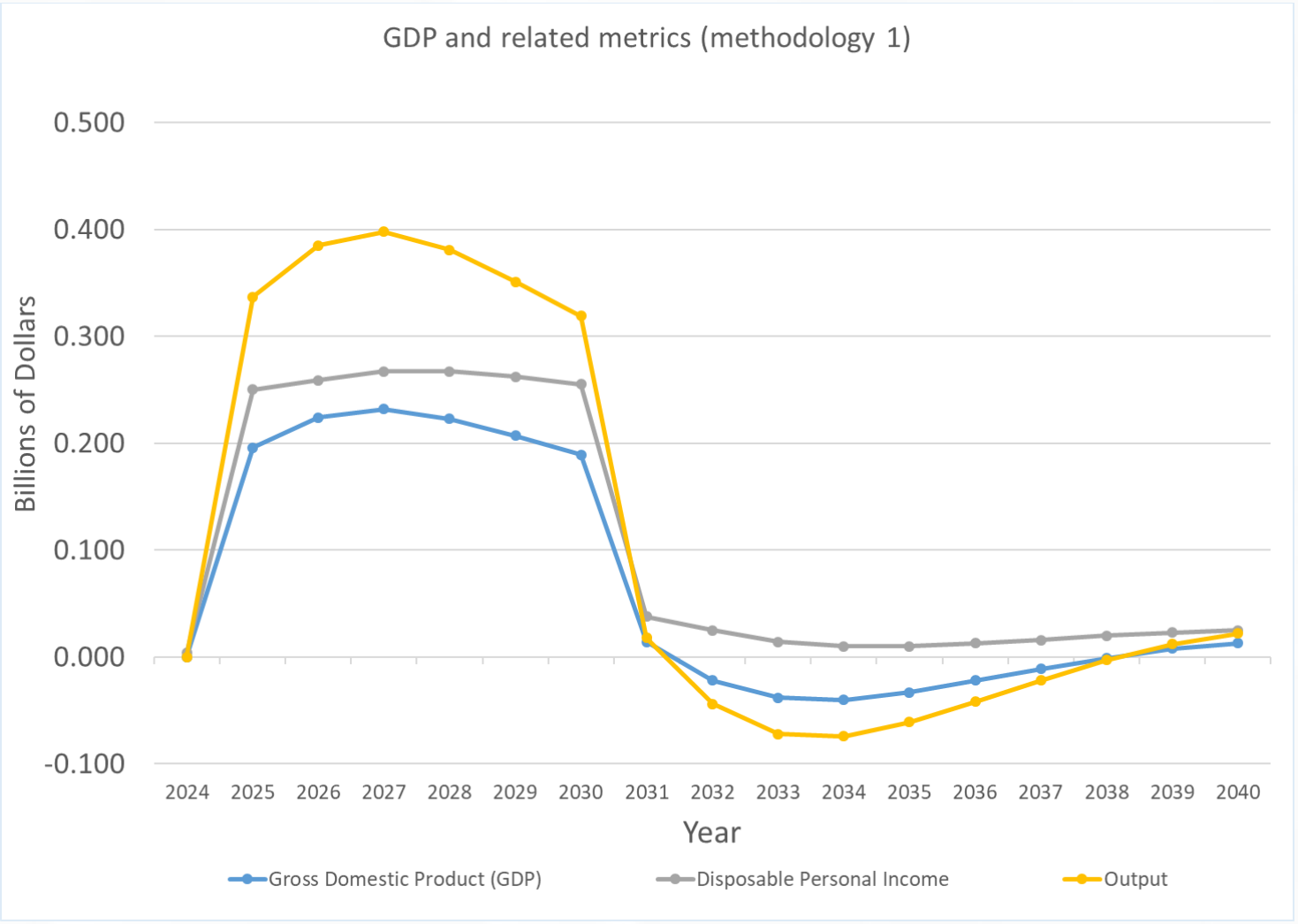
From REMI Tax-PI

Key Economic Results in Texas: GDP

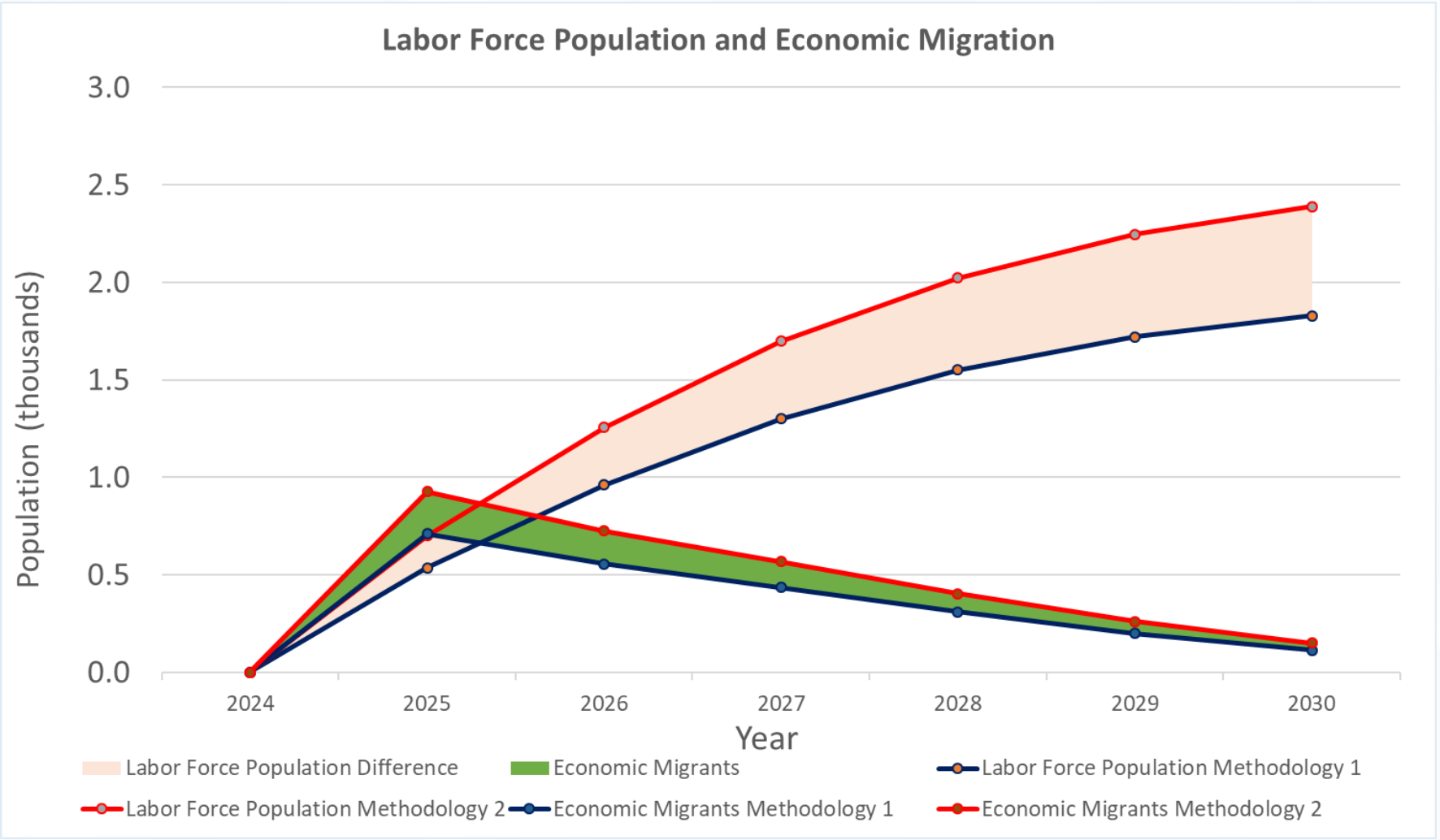


- **GDP and disposable income**
- Lesser impact on disposable income compared to California
- Drops as the limit reverts to **$10,000** following 2030

what does REMI say?sm

Methodology 1, From REMI Tax-PI

Key Demographic Results in Texas



- Labor Force Population rises steadily
- Number of economic migrants spikes then regresses back closer to baseline

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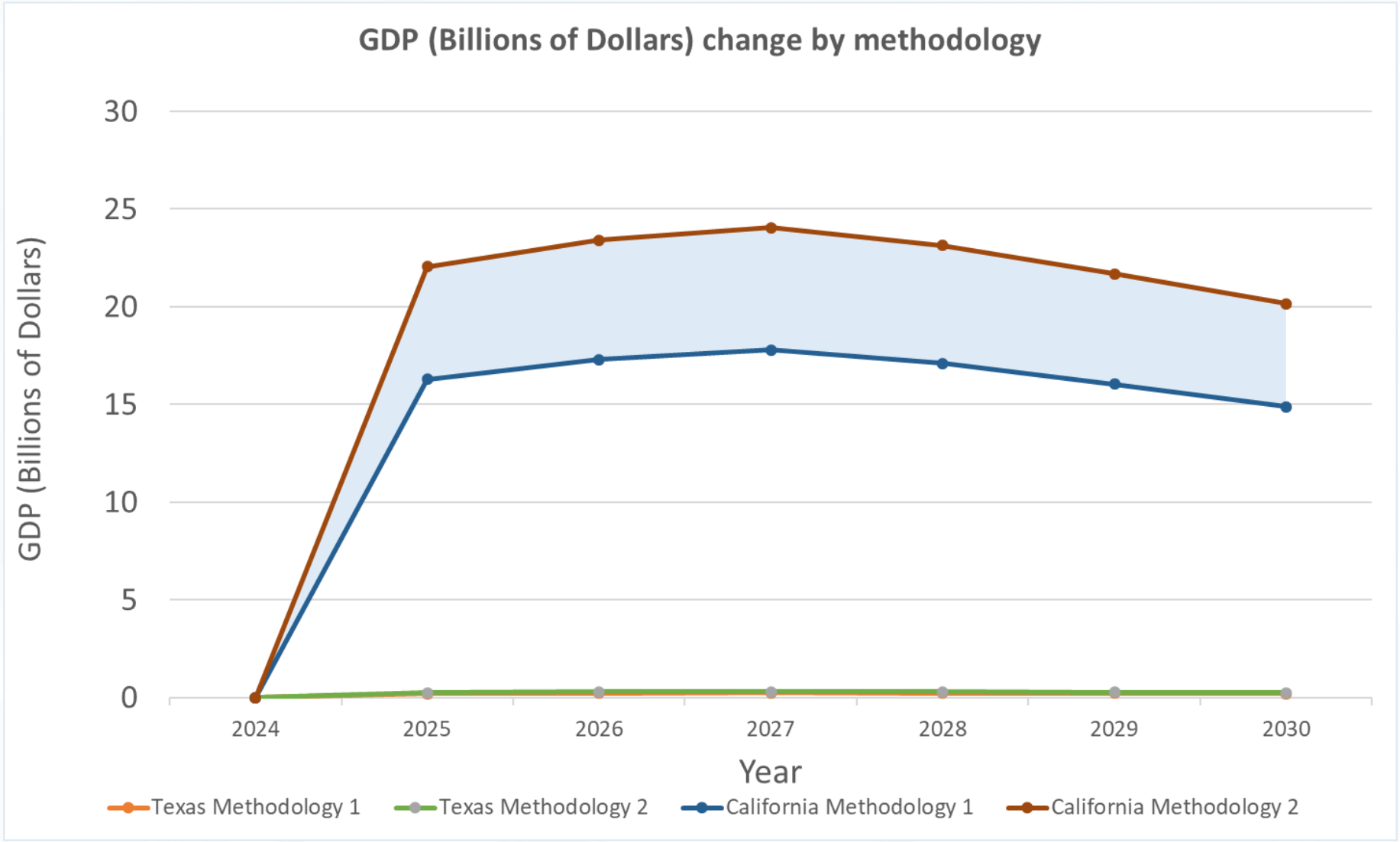
Comparison between California and Texas



what does REMI say?℠

From REMI Tax-PI

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Model Simulation: REMI AI

REMI-AI is the next evolution in policy analysis. This tool streamlines your workflow by generating high-quality deliverables—a one-pager, a PowerPoint presentation, and a comprehensive report—directly from your model results.

Built with the newest and most secure artificial intelligence technology, REMI-AI relies exclusively on REMI model documentation and equations, ensuring accuracy and reliability without pulling information from external sources.

Economic Impact of OBBBA SALT Deduction Cap Extension

Executive Summary

Economic Growth: Extension of SALT deduction cap expected to boost GDP by $17.8 billion above baseline by 2027.

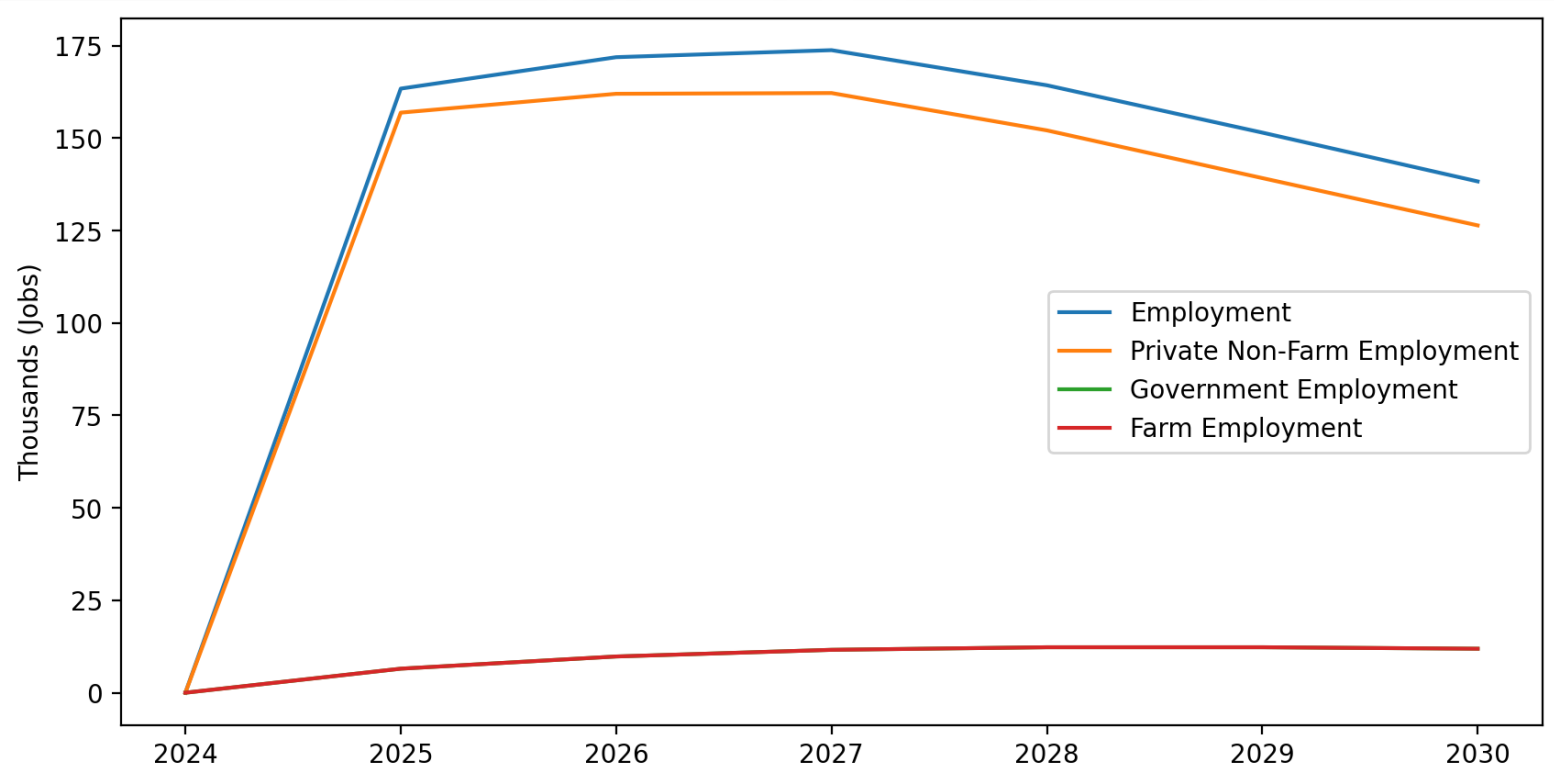
Labor Market Expansion: Projected addition of 160,000 jobs annually, with peak employment gains of 173,800 in 2027.

Overall Economic Impact: Increased disposable income stimulates consumer spending, enhancing California's economic attractiveness and migration.

Category	Unit	Average Change
Employment	Thousands (Jobs)	160.533
Population	Thousands	139.367
Gross Domestic Product (GDP)	Billions of Fixed (2017) Dollars	16.567
Output	Billions of Fixed (2017) Dollars	28.117
Personal Income	Billions of Current Dollars	17.683

Total Employment Components

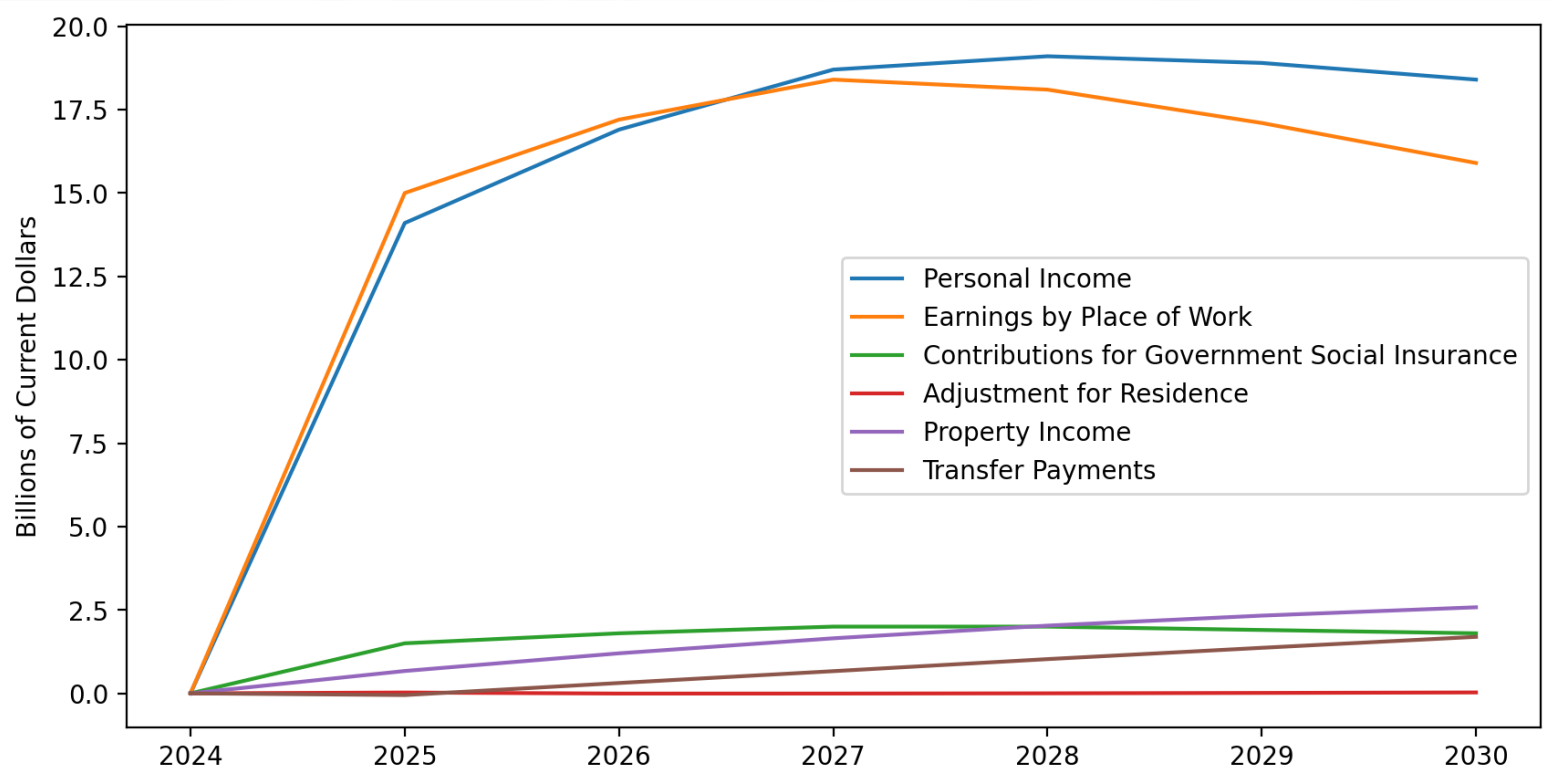
- Private Non-Farm Employment drives overall job growth, contributing over 95% of new jobs in 2025.
- Government and Farm Employment have minimal impact, each adding less than 4% to total job changes.
- The health of the overall economy is closely tied to trends in Private Non-Farm Employment, influencing labor productivity and industry demand.



Category	Units	2025	2026	2027	2028	2029	2030
Employment	Thousands (Jobs)	163.4	171.9	173.8	164.3	151.5	138.3
Private Non-Farm Employment	Thousands (Jobs)	156.9	162.0	162.2	152.1	139.2	126.4
Government Employment	Thousands (Jobs)	6.5	9.8	11.6	12.3	12.3	11.9
Farm Employment	Thousands (Jobs)	6.5	9.8	11.6	12.3	12.3	11.9

Personal Income

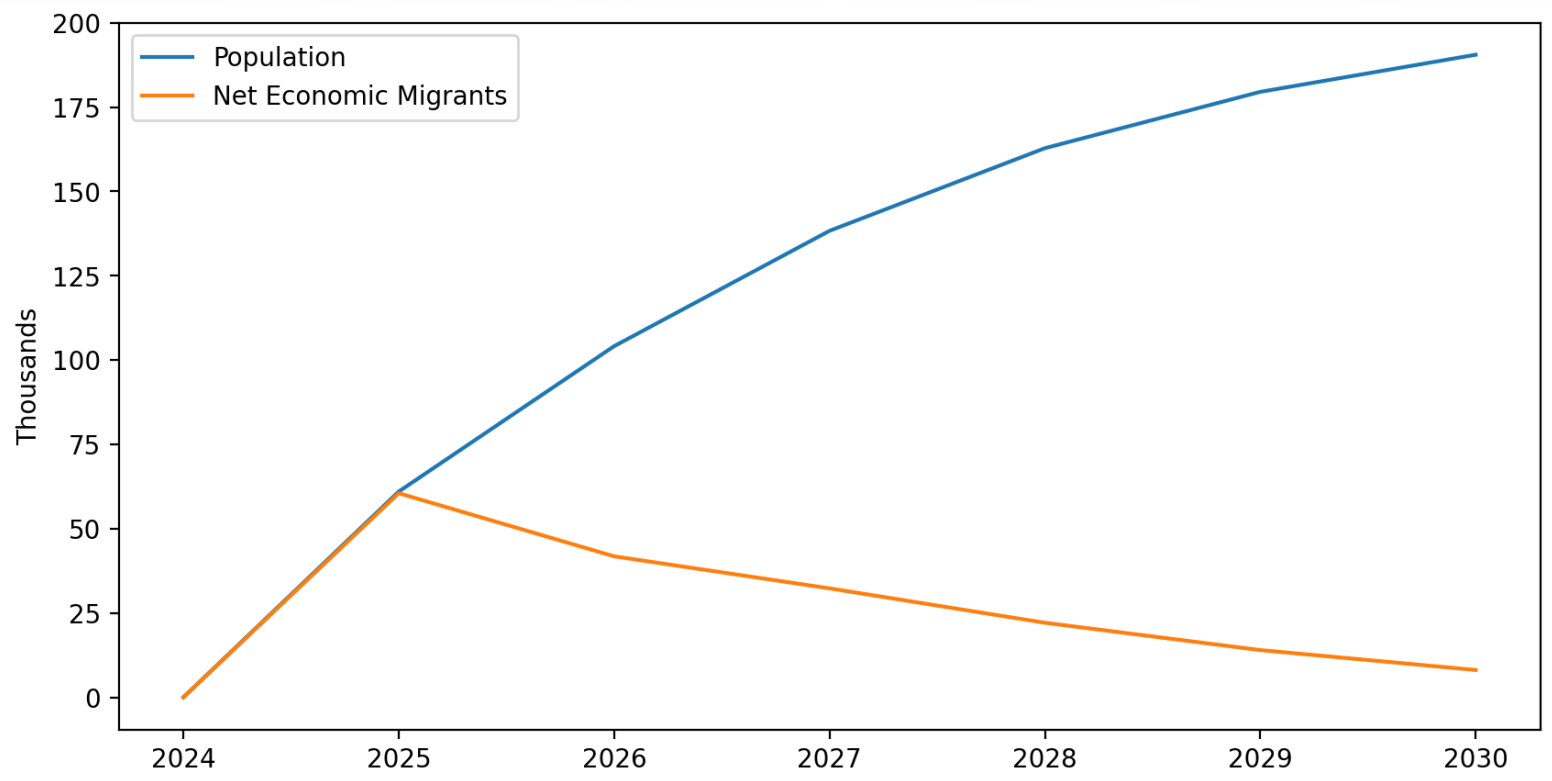
- Key Determinants of Personal Income: Earnings by Place of Work significantly influence personal income, offset by government social insurance contributions and complemented by property income and transfer payments.
- Economic Impact: Changes in personal income, driven largely by employment earnings, affect overall economic growth and consumer spending patterns, highlighting the importance of income stability for economic resilience.
- Trends from 2025-2030: Projected increases in earnings and transfer payments indicate a gradual recovery, while the minimal impact of residence adjustments suggests stability in income distribution.



Category	Units	2025	2026	2027	2028	2029	2030
Personal Income	Billions of Current Dollars	14.1	16.9	18.7	19.1	18.9	18.4
Earnings by Place of Work	Billions of Current Dollars	15.0	17.2	18.4	18.1	17.1	15.9
Contributions for Government Social Insurance	Billions of Current Dollars	1.5	1.8	2.0	2.0	1.9	1.8
Adjustment for Residence	Billions of Current Dollars	0.02476	-0.00665	-0.00624	0.00051	0.01271	0.02682
Property Income	Billions of Current Dollars	0.67	1.2	1.65	2.03	2.33	2.58
Transfer Payments	Billions of Current Dollars	-0.052	0.31	0.665	1.026	1.365	1.694

Population

- Economic migration significantly drives population growth, accounting for 60.5 thousand of the total increase in 2025.
- Over time, the impact of migration decreases, while fertility and survival rates maintain overall positive population growth.
- Changes in population dynamics influence labor supply and regional economic activity, thereby affecting the overall economy.



Category	Units	2025	2026	2027	2028	2029	2030
Population	Thousands	61.0	104.1	138.3	162.8	179.5	190.5
Net Economic Migrants	Thousands	60.5	41.8	32.3	22.1	14.0	8.1
Natural Growth	Thousands	0.48	1.29	1.89	2.36	2.68	2.88
Net International Migrants	Thousands	0.0	0.0	0.0	0.0	0.0	0.0

Conclusion

Extending SALT deduction cap from 2025 to 2030 promotes steady economic growth in California.

Key indicators: GDP, output, employment, and personal income show consistent improvements.

Labor market gains lead to increased employment and labor force participation.

Overall economy benefits from enhanced attractiveness and stable inflation, supporting balanced growth.

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Conclusions

- **California benefits most in the short term** — Higher disposable income boosting consumption, housing, and potentially slowing net domestic outmigration.
- **Texas sees limited direct gains** — Reducing its traditional tax advantage and relying more on property and sales taxes.
- **Short-term boost (2025–2030)** — Growth in employment, GDP, and state revenues—especially in California.
- **Long-term outlook** — Benefits fade once the SALT cap reverts, with California facing declines in employment, while state-level impacts diverge

Extensions

Joint models

Separate California and Texas models

Joint models include **interstate dynamics** and reflets more **accurate demographic information**

Accurate inputs

Current two methodology approach

More accurate predictions on **expected SALT usage** and **average SALT deducted value**

IRS publishes **2025 numbers** and provides more accurate baseline

Thank you for attending!

For more information, please contact
info@remi.com