CONNECTICUT VOICES FOR CHILDREN

# *Even with Modest Capital Gains Tax, Wealthiest Would Pay Average of $36,000 Less in Taxes After Trump Tax Cuts*

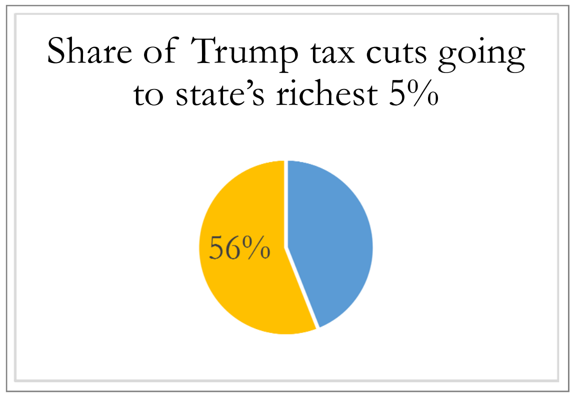
April 2019

**State budget deficit brings threat of cuts**

Connecticut faces a $4 billion deficit over the Fiscal Years 2020-21 biennial budget. Without adequate revenues, painful budget cuts that could fall heavily on children and families are inevitable.

**State's wealthiest get $2 billion federal tax cuts**

Federal tax cuts proposed by the Trump Administration and approved by Congress in 2017 provided a windfall to Connecticut's wealthiest residents. More than half (56 percent) of the Trump tax cuts will go to the wealthiest five percent of Connecticut taxpayers, who will pay $2 billion less in personal income, corporate, and estate taxes in 2019.




**Capital gains tax would raise needed revenue**

Adopting a state capital gains and qualified dividends tax of 8.5% and 10.75% on the top two income tax brackets would bring in $427 million in needed revenue. All of this increase would be paid by the richest five percent of state residents—those most able to afford the cost. Even after this modest increase, they would still enjoy a net tax cut of $1.6 billion because of the Trump tax cuts. The top one percent of Connecticut households would pay an average of $36,000 less in taxes after the Trump tax cuts and capital gains tax increase.



**SAVE**

$2 billion in Trump tax cuts


**PAY**

$427 million in state capital gains tax

**NET SAVINGS** $1.6 billion

**$2 billion:** Amount the wealthiest 5% of taxpayers will get from Trump tax cuts

**$427 million:** Increased amount they would pay in state taxes on capital gains and qualified dividends (unearned income)

**$1.6 billion: Their net tax reduction after Trump tax cuts and capital gains and qualified dividends tax**

Source: CT Voices for Children analysis of data from Institute on Taxation and Economic Policy, 2019.