AMERICANS AGAINST DOUBLE TAXATION

A coalition to preserve state and local tax deductions

November 29, 2017

Dear Senator:

We, the undersigned organizations, urge you to maintain the full deduction for state and local taxes (SALT) as part of tax reform legislation. We ask you to support all amendments on the floor to fully restore SALT, if offered. Alternatively, if the full SALT deduction is not preserved in Senate's tax reform legislation, then we must urge you to vote no on this legislation on final passage as the only means to preserve this longstanding federal policy vital to middle class taxpayers, home values, state and local governments, and the public services in our communities.

Below we outline a number of the concerns we have with the Senate's proposal to eliminate the entire SALT deduction as part of tax reform. Importantly, none of these concerns would be addressed by restoring the property tax deduction with a $10,000 cap or any changes to the bill that partially eliminate SALT:

- It is fundamentally unfair to eliminate the SALT deduction in whole or part for middle class families while fully preserving this same deduction for corporate tax filers. This unprecedented and disparate treatment creates an unwarranted double standard, giving preference to companies organized to generate profit over individuals and families who make mandatory tax payments to support public services benefiting all citizens. Moreover, the fact that corporations get a significant tax cut under the Senate plan while up to 50% of individual and family filers will get a tax hike, according to the Tax Policy Center, makes this double standard even more troubling.

- Eliminating SALT would result in double taxation of individuals and families for the first time since the creation of the federal tax system.

- Moody's, the National Association of Realtors, and the Homebuilders all have warned that changes in SALT and the standard deduction also could reduce home values by up to 10%. For many taxpayers, homes represent their largest investment.

- Elimination of SALT also could harm communities depending on state and local tax revenues to support infrastructure, public safety, public schools, and other vital public services that make them safe, enjoyable, and competitive. Moody's has said eliminating SALT would be a "credit negative for the public finance sector by raising the effective cost of state and local taxes for many taxpayers and reducing disposable income." Fitch similarly warned the partial elimination of SALT could adversely affect state and local finance decisions. These same concerns have been reported in media coverage quoting a diverse range of state and local officials in Pataskala, Ohio, Conroe, Texas, and San Diego, California, as well as public safety organizations like the Fraternal Order of Police and the National Association of Police Organizations.

- Polls show that voters strongly support retaining the SALT deduction and view the Senate bill with its double standard as benefiting the wealthy over the middle class. Quinnipiac reported that the elimination of SALT was the most unpopular provision among those tested in the tax reform plan, by almost 2-1, 59-30%. Recently, Hart research found support for SALT and opposition to the tax plan is consistent across many so-called “low tax” states, including Maine, Arizona, and Tennessee.

- Finally, adding the House capped property tax deduction to the Senate legislation provides little benefit. A recent analysis by the Institute on Taxation and Economic Policy (ITEP) found 71% of taxpayers who currently claim property tax deductions – and 80% of middle class taxpayers – will lose this deduction entirely under the property tax cap plan. In contrast, wealthy taxpayers would be the biggest winners from the House proposal, as only 13% of those itemizing today would lose their deduction. In short, the property tax deduction effectively would be taken away from nearly 29 million homeowners – almost exclusively in the middle class – under the House or Senate plans, even with the capped property tax deduction.

The deduction for state and local taxes was one of the six deductions allowed under the original tax code when it was enacted in 1913. The full or partial repeal of SALT would upset the carefully balanced fiscal federalism that has existed since the creation of the tax code and expose millions of middle class families to double taxation.

We urge you to preserve deductibility of state and local taxes as an essential, original and vital part of our nation’s tax code, and to oppose the Senate tax reform legislation if SALT is not fully restored.

Thank you.

Sincerely,

AASA, The School Superintendents Association

American Federation of State, County and Municipal Employees

American Federation of Teachers

Association of Educational Service Agencies

Association of School Business Officials, International

Government Finance Officers Association

Independent Sector

International Association of Fire Fighters

International City/County Management Association

National Association of Counties

National Association of Police Organizations

National Association of Realtors

National Council of Nonprofits

National Education Association

National League of Cities

National Rural Education Advocacy Consortium

National Rural Education Association

National School Boards Association

National Sheriffs' Association

Service Employees International Union

The County of Los Angeles

U.S. Conference of Mayors

CC: U.S. Treasury Secretary Steven Mnuchin
U.S. Senate Majority Leader Mitch McConnell
U.S. Senate Minority Leader Chuck Schumer
U.S. House Speaker Paul Ryan
U.S. House Minority Leader Nancy Pelosi
U.S. House Ways and Means Committee Members
U.S. Senate Finance Committee Members
National Economic Council Chair Gary Cohn