

Reinstate the Full SALT Deduction

The IAFF supports reinstating the full deductibility of all state and local taxes and encourages senators to cosponsor S 437

BACKGROUND

The State and Local Tax (SALT) deduction is one of the original components of the 1913 tax law that created the federal income tax. This tax benefit allows filers to deduct all state and local taxes not directly tied to benefits from their federal income. The deduction exists to prevent double taxation on state and local taxes mandatory for all residents.

In 2018, Congress passed the Tax Cuts and Jobs Act, which – among other things – capped the SALT deduction at \$10,000. Now, under current law, a tax filer can only deduct up to \$10,000 in state and local income, sales and property taxes, rather than the original full amount. This change has resulted in drastic increases in tax liabilities for filers across the country, while also putting financial stress on municipalities charged with providing necessary public safety services.

Fire departments are funded through local taxes that are levied at a fair rate, based on meeting the needs of the community. With the SALT deduction now capped at an arbitrary and unfair level, both citizens and local governments will suffer. Taxpayers, including

fire fighters, will experience a higher marginal tax rate, while local governments may reduce taxes or cut vital public safety services in an attempt to ease this burden.

Opponents of the SALT deduction argue it only benefits the wealthy. The truth is, 40 percent of taxpayers with adjusted gross income between \$50,000 and \$75,000 claim the deduction, while 86 percent of all taxpayers claiming the deduction earn under \$200,000 per year. The deduction impacts working-class Americans throughout the country. For example, more than 90 percent of middle-income taxpayers in Utah and more than 84 percent in Texas claim the SALT deduction.

The unfair SALT deduction cap results in the double taxation of working-class Americans, and it should not be the job of Congress to interfere with the statutory rights of states and local governments to develop and operate their own tax system.

In December of 2019, the House of Representatives passed bipartisan legislation that would do away with the \$10,000 SALT cap for two years.

LEGISLATION

Senate: [S 437, the Stop the Attack on Local Taxpayers \(SALT\) Act](#)
Sponsor: Senator Robert Menendez (D-NJ)

Summary: The SALT Act repeals the dollar limitation on the deduction for state and local taxes.