New Jersey State League of Municipalities Conference Resolution No. 2017-02

Resolution Urging Congress to Protect the Deductibility of State and Local Taxes

Approved at the League Business Meeting, November 16, 2016
Approved by Resolution Committee, November 14, 2017

WHEREAS, the Federal Tax Code is incredibly complex and every one of its provisions was enacted for a reason. While some of those reasons may no longer serve the public's interest, others remain fair and effective tools that promote the general welfare; and

WHEREAS, the deduction for state and local taxes (SALT) has been a feature of the tax code for more than 100 years. In 1913, the first federal income tax form allowed taxpayers to deduct state and local taxes, one of only six deductions allowed at the time. Even the federal Civil War tax in 1862 included a deduction for SALT; and

WHEREAS, this provision ensures against double taxation and reflects mandatory tax payments, which support public services that benefit all citizens, such as K-12 schools, law enforcement and public safety, transportation and infrastructure, and vital community and public health services; and

WHEREAS, taxpayers in all 50 states – and in both Democratic and Republican congressional districts – benefit from the SALT deduction. The SALT deduction is claimed by taxpayers of all income levels. The deduction is especially important for middle-income homeowners, as fifty percent of the deductions claimed by taxpayers making $50,000 to $100,000 are for property taxes; and

WHEREAS, the SALT deduction does not unfairly benefit taxpayers in high tax states. To the contrary, low tax states are generally more dependent on the federal government, receiving more in federal funding than they pay in federal taxes. According to one study, Mississippi, Alabama and Louisiana are among the most subsidized states, receiving about $3 in federal spending for every $1 contributed in taxes; while New Jersey, New York, and Illinois are among the states that receive less than $1 from the federal government for every $1 paid in federal taxes; and

WHEREAS, eliminating the SALT deduction would raise taxes on middle-class homeowners – even if the standard deduction were doubled. A recent study commissioned by the National Association of Realtors found that homeowners with adjusted gross incomes (AGI) between $50,000 and $200,000 would see an average tax increase of $815 if SALT were eliminated and the standard deduction were doubled; and

WHEREAS, SALT is strongly tied to home ownership since the overwhelming number of itemizers who claim the deduction (44 million) deduct property taxes (40.7 million) and mortgage interest (35.4 million). Eliminating SALT will diminish the value of the mortgage interest deduction, resulting in a 10% decline in home values in the immediate term; now, therefore, be it

NOW, THEREFORE, BE IT RESOLVED, that the New Jersey State League of Municipalities, in conference assembled, urges all members of the New Jersey Congressional Delegation to oppose, with voice and vote, any proposal to eliminate the fair and reasonable SALT deductibility provision from the Federal Tax Code; and,

BE IT FURTHER RESOLVED that copies of this resolution be forwarded to our representatives in Congress, all members of the New Jersey State Legislature, the Lieutenant Governor, Lieutenant Governor-elect, the Governor-elect and the Governor of the State of New Jersey.

Sponsor:

The Hon. Brian C. Wahler
Past President, NJLM
Mayor, Piscataway

Co-Sponsor:

The Hon. Richard Goldberg
Mayor, Hawthorne