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Counties Fight for SALT Seduction, House GOP's Top 'Pay-For'

State and local governments, National Sheriffs' Association, National Association of Realtors and more are fighting for the SALT deduction

NACo and 20 partner organizations are mobilizing ahead of this week's planned release of details about a Congressional tax reform effort expected to target the state and local tax deduction (SALT). House Republicans will meet Sept. 27 to review the comprehensive tax reform framework developed by House Speaker Paul Ryan (R-Wisc.), House Ways and Means Chairman Kevin Brady (R-Texas), Senate Majority Leader Mitch McConnell (R-Ky.), Senate Finance Committee Chairman Orrin Hatch (R-Utah), Treasury Secretary Steven Mnuchin and National Economic Council Chairman Gary Cohn. The tax-exempt status of municipal bonds, also a county priority, is also a likely target.

Members of Americans Against Double Taxation oppose any proposal that repeals or modifies the deduction, which has been part of the federal tax code since 1913. Changes to the deduction would mean higher bills for taxpayers, even with a potential increase in the standard deduction, and consequently would reduce county and local government revenues and affect public service delivery.

Eliminating the deduction would net the federal government nearly \$1.3 trillion over 10 years, giving Congressional Republicans room for federal tax cuts. Of taxpayers who claim the deduction, 87 percent of have incomes below \$200,000.

"The elimination of the SALT deduction would hurt our residents, especially middle class homeowners, with a triple whammy of higher federal taxes, declines in property values and threats to essential state and local services, like K-12 schools, public safety and infrastructure improvements," NACo First Vice President Greg Cox said during a Sept. 21 media call on the coalition's effort.

"This is not a partisan issue, this about helping everyday American make ends meet. This is about allowing state and communities solve state and local problems."

Cox is a supervisor in San Diego County, Calif., where half of one million residents took the deduction in 2015, 44 percent of whom earned less than \$200,000.

"This is nothing more than an assault on the middle class if this deduction is lost, it's going to have a tremendous impact on families and households in San Diego County."

The coalition includes 21 members representing levels of state and local governments, school boards and education associations and the National Association of Realtors, the National Sheriffs' Association and the International Association of Fire Fighters. Organizations representing the same sectors successfully fought for the SALT deduction during the debate over the Tax Reform Act of 1986.

"We're mobilizing because tax reform is real," said NACo Executive Director Matt Chase. "The White

House framework that was released hinted that SALT would be eliminated. We're hearing that the House Republican blueprint will continue to eliminate SALT, that we are the number one pay-for," to balance tax cuts.

He noted that the scope of details the coalition expected from Congress next week — a framework or full legislative text — wasn't clear.

The coalition is fighting attempts to portray this as a benefit to the wealthy or a subsidy for state and local governments.

"If this goes through, instead of allowing working families to deduct the amount they pay in state and local taxes, the federal government will basically be forcing taxpayers, who make up backbone of our community, to pay taxes a second time on the same income," said Elizabeth Kautz, mayor of Burnsville, Minn. "The loss in local revenues could result in a cut in local services. It will be a further erosion of the partnership that we have offered and continued to seek. Any changes will disrupt the ability of state and local government to raise the revenue they need to support critical public services."

Little Rock, Ark. Mayor Mark Stodola said SALT repeal would put local governments in a difficult position, not only to fund essential services but to work with citizens.

"America's cities would face enormous pressure to lower local tax rates to offset the decision," he said. "Federal leaders would wash their hands of the tough decisions that we on the local level...need to make in order to keep our budgets in the black."

Of the 20 Congressional districts with the most SALT deductions in 2015, 45 percent are represented by Republicans.

"SALT knows no color, there are significant numbers of itemizers in Congressional districts across the country held by Republicans and Democrats," said Bob Chlopak, manager of Americans Against Double Taxation. "We are looking far and wide but we believe we have a rich pool from which we are going to target and get the votes we need to make it clear that tax reform cannot be passed if repeal of SALT is part of it."

NATIONAL ASSOCIATION OF COUNTIES

By CHARLIE BAN Sep. 21, 2017