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Tax Bill Whacks Liberal Big Cities.

'This is the screw-New Jersey bill,' the mayor of Piscataway said.

The Republican tax bill, largely written by lawmakers from rural and Southern red states, is about to squeeze urban America.

The bill would eliminate tax breaks for everything from bike commute subsidies to building charter schools. One break for refinancing municipal bonds — which saved New York City alone $425 million over the past four years — would be gone. A key break for rehabbing old buildings is getting scaled back. At the same time, mayors and county executives are going to face pressure to cut taxes themselves.

The $10,000 cap on state and local income and property tax deductions is by far the biggest blow for high-tax, high-cost-of-living, liberal big cities and their surroundings. The deduction was worth an average of $24,900 to New York County residents and $17,000 to those living in Marin County, California, across the bay from San Francisco, according to 2014 IRS data compiled by the Tax Foundation.

Capping the benefit will potentially expose residents of those areas to a higher tax liability and reduce their property values.

That's immediately challenging for civic leaders in those places.

"As far as I'm concerned, this is the 'Screw New Jersey' bill," said Mayor Brian Wahler of Piscataway, New Jersey. "New York, New Jersey, Connecticut: Screw the Northeast."

Six of the top 10 counties for state and local deductions in 2014 were in those three states. The other four are in California.

Conservatives have long targeted the deduction for elimination, saying it amounts to a federal subsidy for state and local overspending. Limiting deductions for state and local taxes helps reduce tax rates for all taxpayers no matter where they live, Sen. Pat Toomey (R-Pa.) told reporters recently.

That's "more fair than providing a concentrated benefit for people who choose to live in a place that has very high state and local taxes," he said.

City and county officials lobbied hard against losing the federal deduction on state and local taxes, and managed to push back on some proposals that would have raised local government costs. Perhaps most importantly, they fended off losing the tax deduction for municipal bonds, kept the New Markets Tax Credit that attracts development to economically blighted areas, and saved the historic-preservation tax credit to a degree, though it's now limited to federally designated buildings.

Still, civic leaders are left trying to tally the economic and cultural toll of the policies enshrined in the bill, H.R. 1 (115), that President Donald Trump is expected to sign into law before the end of the year.

“The entire economy could be very unsettled by this tax bill,” said Matthew McNally, director of federal affairs for New York City Mayor Bill de Blasio.

Paul White, executive director at Transportation Alternatives, a New York group that promotes walking and biking to work, put it more bluntly: “This bill runs counter to everything we are fighting for.”

Wahler, who’s run City Hall in Piscataway for 17 years and is a past president of the New Jersey Conference of Mayors, is thinking about trimming $8 million in road improvements planned for next year, out of a project originally tabbed for $60 million in total. He’s also looking to cut back on hiring new police officers to replace those retiring from the force.

Emergency services and road projects aren’t the only public services expected to suffer as a greater financial burden hits cities and counties. Affordable housing and education are also on the list.

Public school advocates are lamenting the cap on the state and local tax deduction, fearing it will lead residents to pressure state and local officials to cut taxes that also fund public education.

Urban schools already struggle with inequitable school funding compared with their suburban counterparts and serve high concentrations of low-income and minority students, public school advocates said. And urban areas with a weaker tax base may struggle to make up for what public school revenue could be lost.

“I think there’s likely to be a significant burden on urban and other low-income districts that don’t have a capacity to generate revenue at the local level,” said Thomas Gentzel, executive director of the National School Boards Association, a nonprofit.

Public school and charter school advocates are also concerned about the elimination of tax provisions that assist schools with renovations, repairs and debt refinancing.

The final GOP tax bill would scrap a common borrowing tool called a tax credit bond, one type of which — Qualified Zone Academy Bonds — allows schools in low-income areas to borrow at low interest rates. The bonds have historically been used by charter schools for building repairs and renovations.

The legislation would also end a refinancing option that cities and other local governments use more broadly to reduce debt through lower interest rates, known as advance refunding bonds.

That’s what New York used to save $425 million in the past four years. Nationwide, advance refunding generated $3 billion to $5 billion in savings last year, said Matt Chase, executive director of the National Association of Counties.

With that refinancing instrument about to go by the wayside, local authorities are rushing to complete agreements by the end of this year. The New York Metropolitan Transportation Authority just wrapped up an advance refunding deal worth more than $2 billion. But it’s difficult to forecast the budget impact of losing the tool.

“The finest point I can put on it is that it will increase our borrowing cost, which will put pressure on the budget,” McNally said, adding that could mean reductions in city services.

Big-city commuters are likely to take a direct hit because the tax legislation would eliminate a writeoff that businesses get to subsidize their workers' commuting costs. That includes mass transit, parking and bicycling.

Charles Melton, director of tax policy and government relations at the Silicon Valley Leadership Group, said losing that incentive "is a concern out here in California because more and more individuals are choosing to bike" and because "traffic is so impacted out here."

Even what seems like a relatively minor change can have a big impact on older urban areas. For instance, while the legislation would keep a tax credit for redeveloping historic and abandoned buildings, it makes those built before 1936 ineligible unless they're on the National Register of Historic Places or located in a Registered Historic District.

Since roughly half of all historic tax credit projects have a housing component, McNally said, the cut "will have an effect on housing and the creation of housing units nationwide," especially in places like the Northeast with a large number of historic buildings constructed before 1936.

Local officials aren't shy about blaming federal lawmakers for digging a budget hole and shifting national burdens onto them. That chafes Wahler, whose city has a nearly perfect credit rating and whose residents pay a higher share of overall federal taxes than those in other parts of the country, like the South.

But civic leaders from large cities in that region said they'll feel the pinch as well.

Mayor Stephen Benjamin of Columbia, South Carolina, said he feels like he's being punished for doing something Congress hasn't been able to: balance its books. His city has finished with a budget surplus in five of the seven years he's been in office, he said, doubled its reserves, had its credit rating increased twice, and its property tax rate remains at the same level it was a decade ago.

"We've done the things that we're supposed to do," said Benjamin, who's also the vice president of the U.S. Conference of Mayors. "I wish that the federal government would have the record that my city does."

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