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The Week in Public Finance: Why Low-Tax States Could Come to Dislike the New Tax Law, Too.

Up until now, high-tax states have complained the most.

When Congress capped the state and local tax deduction at $10,000 as part of its tax overhaul late last year, it was mostly officials from high-tax states such as California, New Jersey and New York that cried foul. But new research shows that taxpayers in more than one-third of states — some with relatively low income taxes — could be negatively affected by the change.

In 19 states and the District of Columbia, the average taxpayer deducted more than $10,000 in state and local taxes, according to a report released this week by the Pew Charitable Trusts. It looked at tax returns from 2015 and found that the average deductions in those 19 states ranged from more than $22,000 in New York to just $10,121 in New Hampshire.

The report's author, Phillip Oliff, says the data indicates that the new cap will affect filers in states all across the country. That runs contrary to popular sentiment that only high-tax states would be negatively impacted by the cap. Officials from those states have worried that limiting the deductability of state and local taxes could make it harder to raise tax rates in the future because taxpayers wouldn't be able to increase their tax deductions accordingly.

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