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Who Benefits from the State and Local Tax Deduction?

The House of Representatives passed a bill last week that would make permanent the individual provisions of the Tax Cuts and Jobs Act (TCJA). One such provision is the \$10,000 cap on the state and local tax (SALT) deduction. The benefits of the SALT deduction overwhelmingly go to high-income taxpayers, particularly those in high-income and high-tax states. In 2016, 77 percent of the benefit of the SALT deduction accrued to those with incomes above \$100,000; only 6.6 percent went to taxpayers with incomes below \$50,000.

The value of the SALT deduction as a percentage of adjusted gross income (AGI) increases with a taxpayer's income. In 2016, taxpayers with AGIs between \$0 and \$24,999 claimed, in aggregate, SALT deductions worth only 2.3 percent of AGI, whereas taxpayers with incomes of \$500,000 or higher claimed deductions worth 7.7 percent of AGI. AGI is used to calculate taxable income; wealthier taxpayers, then, enjoy a SALT deduction worth a greater percentage of their taxable income.

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The Tax Foundation

by Robert Bellafiore

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