Bond Case Briefs

Municipal Finance Law Since 1971

State and Local Governments Express Concerns About Trump Tax Plan.

Groups representing state and local governments said that they are “extremely concerned” about an aspect of President Trump’s tax plan.

The president’s plan, an outline of which was released Wednesday, would eliminate the deduction for state and local taxes.

Repealing the deduction is also a part of the House Republicans’ tax plan. Opponents of the deduction argue that it largely benefits the wealthy and subsidizes municipal spending that may be excessive. Also, repealing the deduction could raise revenue to help pay for lowering federal tax rates.

But the state and local groups said in a statement that the deduction should be preserved because it gives municipalities the flexibility to provide services to their residents.

“Any alterations to the deduction would upset the carefully balanced fiscal federalism that has existed since the permanent creation of the federal income tax over 100 years ago,” they said.

The state and local groups also said that curbing the deduction would amount to double taxation.

“We fundamentally believe that Americans’ income, property and purchases should not be taxed twice,” they said.

In addition to urging Congress to preserve the state and local tax deduction, the groups urged lawmakers to keep the tax exemption for municipal bonds. State and local governments issue those bonds to finance infrastructure projects.

Trump’s tax plan did not specifically mention the municipal bond exemption but proposed eliminating “targeted tax breaks that mainly benefit the wealthiest taxpayers.”

“We urge Congress to maintain the state and local deduction and the tax exemption for municipal bond interest,” the groups said. “We will work with Congress to ensure that states and local governments have the tools we need to foster healthy, safe and vibrant communities.”

The groups that issued the statement are: the National Governors Association, the National Association of Counties, the National League of Cities, the U.S. Conference of Mayors, the International City/County Management Association, the National Conference of State Legislatures and the Council of State Governments.

THE HILL

BY NAOMI JAGODA – 04/26/17 09:58 PM EDT

Copyright © 2026 Bond Case Briefs | bondcasebriefs.com