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Bill to Restore Full State, Local Tax Deduction Emerges in New Congress.

The "SALT" deduction was curbed by the GOP-backed tax law passed in late 2017.

Two New York lawmakers in the U.S. House have re-introduced a bill to fully restore a federal tax deduction for state and local taxes that was significantly scaled back under the massive federal tax overhaul that was enacted a little over a year ago.

Rep. Nita Lowey, a Democrat who now chairs the House Appropriations Committee, introduced the legislation on Thursday, with Rep. Peter King, a Republican, signing on as a co-sponsor. The bill has been referred to the tax-writing Ways and Means Committee.

It would eliminate a $10,000 cap the 2017 GOP-led tax code revamp imposed on the federal income tax deduction for state and local property, income and sales taxes that households pay. Lowey and King sponsored a nearly identical two-page bill in the last Congress.

"Repealing the SALT deduction was a callous move designed to target New York taxpayers," Lowey said in a statement.

The bill she is backing is apt to face long odds in the Senate, which is still controlled by Republicans.

The limits imposed on the so-called "SALT" deduction drew strong opposition from groups representing cities, counties and mayors, as well as congressional lawmakers in higher-tax states, such as New Jersey and New York.

But capping the deduction promises to raise around $650 billion for the federal government over 10 years, providing a key revenue boost to partially offset other policy changes, including the corporate and individual rate cuts, that were core elements of the tax law.

One of the main arguments state and local groups made against eliminating or curtailing the SALT deduction, is that it would make it harder for states and localities to impose and raise their own taxes to help pay for projects and services.

The thinking goes that residents would become more resistant to state and local taxes because they would no longer be able to write-off the expense on their federal tax returns.

Experts at the Urban-Brookings Tax Policy Center have noted that, in 2018, 96 percent of the additional tax from the limitation of the SALT deduction was expected to fall on the top 20 percent of taxpayers and 57 percent on the top one percent.

Lowey represents New York's 17th congressional district, which is located north of New York City in the lower Hudson River valley and includes part of Westchester County. The median household income in the district was about $96,100 in 2017 Census Bureau estimates show.

That’s higher than the median household income for all of New York, which Census estimates for 2013 to 2017 peg at around $62,000.

King’s district is located on Long Island and includes portions of Nassau and Suffolk counties. The estimated median household income there in 2017 was about $97,300.

Route Fifty

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JANUARY 4, 2019

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