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SALT Cap Sparks Debate Over Which Party Cares About the Middle Class.

- **Republicans say repealing cap would help wealthy taxpayers**
- **Democrats say the tax law is harming schools, smaller cities**

The debate about the cap on federal deductions for state and local taxes has flipped the tables for lawmakers: Democrats are advocating for a large cut that would primarily benefit the wealthy. Republicans say no way.

The partisan squabbles over the SALT deduction put Republicans in a different position than they were for much of the past two years as they crafted, debated and defended their 2017 tax overhaul. Democrats say — and polls show that many people also believe — that the law did too much to benefit corporations and the wealthy.

Democrats are now pushing to undo the law's $10,000 cap on SALT deductions. More than half the benefit of removing that cap would go to those making $1 million, totaling a collective $40.4 billion annual windfall, according to numbers released Monday by the Joint Committee on Taxation.

"It's just fascinating to me that the folks on the other side of the aisle have painted this picture that they're for the working guy, they're for the downtrodden," Representative Tom Rice, a South Carolina Republican, said at a House Ways and Means panel hearing Tuesday. "But they put their boots on their neck. It's ridiculous.''

Democrats defended their desire to lift the cap, saying it unfairly hurts their residents in states where tax rates, home values and incomes tend to be higher.

House Ways and Means Democrats presented small-town mayors, local school administrators and a firefighter as witnesses who said that the deduction is pressuring their municipalities and states to cut taxes — and services.

"There are those who say SALT is for the rich. I say that is 100% poppycock," Representative Bill Pascrell, a New Jersey Democrat said. "I've never seen such punitive tax policy since I've been on this Earth."

The 2017 tax law limited the SALT deduction to pay for other cuts, leaving many people with state and local levies that they can't write-off on their federal returns.

Before the law, the deduction was technically unlimited. But other provisions to the tax code, such as the alternative minimum tax, mean that people can now deduct some of their SALT bill that they couldn't before.

Representative John Larson, a Connecticut Democrat, said the average SALT bill in his district is about $19,000, meaning that the average taxpayer can only deduct a little bit more than half of their total levy. A firefighter and school teacher married to each other could easily make more than

$100,000, he said.

But the SALT issue has been one that has been tricky for Democrats to balance. Outside of pricey cities, there are fewer middle-class workers who have SALT bills beyond the $10,000 cap. The cost of fully restoring the deduction — $668 billion, according to the JCT — means Democrats would have to raise taxes on other groups to offset the SALT break.

Despite that, House Democrats are considering legislation that would remove the cap or make the deduction more generous, but leaders in the Republican-controlled Senate have already said any bill would be dead upon arrival.

“I think this hearing today is simply a stalemate,’’ Rice said.

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