RESOLUTION IN SUPPORT OF MAINTAINING STATE AND LOCAL TAX DEDUCTION

WHEREAS, the state and local tax deduction has been a feature of the federal tax code for over 100 years, dating back to 1913; and

WHEREAS, eliminating the state and local tax deduction would increase taxes for approximately 24 percent of taxpayers nationwide; and

WHEREAS, eliminating the state and local tax deduction would have a disproportionate effect on some states, e.g. nearly 40 percent of taxpayers in Maryland and 35 percent of taxpayers in Connecticut would see tax increases; and

WHEREAS, federal tax subsidies through the state and local tax deduction and the federal tax exemption for state and local bond interest provide an additional $135 billion in implicit federal support for state and local governments; and

WHEREAS, eliminating the state and local tax deduction could put funding for infrastructure investments, public services, schools, state and local governments at risk; and

WHEREAS, using the sum of property tax (real estate tax and personal property tax), corporate income tax, and the greater of individual income tax or general sales tax as an approximate measure of potentially deductible taxes, the potentially deductible portion of state and local taxes was about 32 percent of general revenues overall in 2013; and

WHEREAS, eliminating the state and local tax deduction would raise taxes for middle class homeowners – even if the standard deduction were doubled. A recent PricewaterhouseCoopers (PwC) study commissioned by the National Association of Realtors found that homeowners with an adjusted gross income between $50,000 and $200,000 would see an average tax increase of $815 if the deduction were eliminated and the standard deduction were doubled.

NOW, THEREFORE BE IT RESOLVED, that The Council of State Governments (CSG) urges Congress to keep the state and local tax deduction in place in federal tax reform efforts; and

BE IT FURTHER RESOLVED, that copies of this resolution are transmitted to members of Congress as well as state and local government officials and associations as appropriate.

Adopted by The Council of State Governments’ Executive Committee this 16th Day of December, 2017 in Las Vegas, Nevada.