New York State County Executives Association

President: Hon. Joanne M. Mahoney
Onondaga County
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September 20, 2017

The Honorable Charles E. Schumer
Minority Leader, United States Senate
U.S. Capitol Building, S-221
Washington, D.C. 20510

Dear Senator Schumer:

As Congress begins work on a major overhaul of the federal tax code the counties of New York want to raise two critical concerns that we believe will harm New York. There are proposals being considered that would end the deductibility of state and local taxes, as well as eliminating or limiting the federal tax exemption for municipal bonds.

The deduction of state and local taxes for federal income tax purposes has been a part of the tax code since its official inception in 1913, and even earlier with the precedent set by President Lincoln and the Civil War income tax. The deduction was one of the six original federal tax deductions because it represents a core principle of federalism in that it prevents double taxation since state and local taxes are mandatory payments.

Counties and states use local taxes from property, income and sales tax to provide direct services to finance infrastructure, pay for K-12 education, support higher education and job training, public safety, public health and improve the quality of life in our communities. In addition, these locally raised revenues are used to implement a large array of federally mandated public policy goals intended to provide for the public good, including fostering economic activity and opportunity, protecting the environment and workers, and providing lifesaving health and human services.

Many have attacked states like New York in making the case for elimination, but New Yorkers contribute far more, amounting to tens of billions of dollars annually, to the federal government than we receive back in payments or grants. The consistent “donor” status also is borne out in federal funding formulas to New York where income is often used as a basis for distributing federal dollars.

Nearly 96 percent of federal income tax itemizers utilize the state and local tax deduction. In 2014, New Yorkers claimed $67 billion in federal deductions for state and local taxes, representing over 13 percent of all state and local tax deductions claimed nationwide. New Yorkers also claim the highest average federal deductions of any state in the nation at $36,000, with more than two-thirds of this attributable to state and local taxes.

A recent study by the PwC, commissioned by the National Association of Realtors found that homeowners with AGI between $50,000 and $200,000 would see an average annual tax increase of $815 if the deduction for state and local taxes is eliminated, even when paired with a doubling of the standard deduction. There have also been concerns raised about how eliminating this deduction would negatively impact property values. In New York, this combined impact would be even greater in many areas due to higher property values and our higher utilization of this deduction.

The tax exemption for municipal bonds has also been part of the federal income tax code since its inception for many of the same reasons as the state and local tax deduction. Tax exempt municipal bonds are the most important tool in the United States for financing investments in schools, roads and bridges, water and sewer systems, airports and other vital infrastructure.

Over the last decade more than 3,500 projects have been financed using tax exempt bonds in New York accounting for nearly $150 billion in investments in our future. If the federal exemption had not been in place during this period the state, counties and other local governments would have spent $45 billion for higher interest costs. We must closely consider the impact of raising unintended barriers to future public investments that maintain public safety, increase transportation efficiency and foster economic opportunity.

As members of the New York State County Executives Association, we urge you to oppose efforts to eliminate the federal deduction for state and local taxes, as well as elimination or limiting the federal tax exemption for municipal bonds.

Sincerely,

Hon. Bill de Blasio, Mayor, City of New York
Hon. Daniel P. McCoy, Albany County Executive
Hon. Jason T. Garnar, Broome County Executive
Hon. Vincent W. Horrigan, Chautauqua County Executive
Hon. Thomas J. Santulli, Chemung County Executive
Hon. Marcus J. Molinaro, Dutchess County Executive
Hon. Mark C. Poloncarz, Erie County Executive
Hon. Cheryl Dinolfo, Monroe County Executive
Hon. Matthew L. Ossenfort, Montgomery County Executive
Hon. Edward P. Mangano, Nassau County Executive
Hon. Anthony J. Picente, Jr., Oneida County Executive
Hon. Joanne M. Mahoney, Onondaga County Executive, President, NYS County Executives Association
Hon. Steven M. Neuhaus, Orange County Executive
Hon. MaryEllen Odell, Putnam County Executive, President, NYS Association of Counties
Hon. Kathleen M. Jimino, Rensselaer County Executive
Hon. Edwin J. Day, Rockland County Executive
Hon. Steven Bellone, Suffolk County Executive
Hon. Michael P. Hein, Ulster County Executive
Hon. Robert P. Astorino, Westchester County Executive

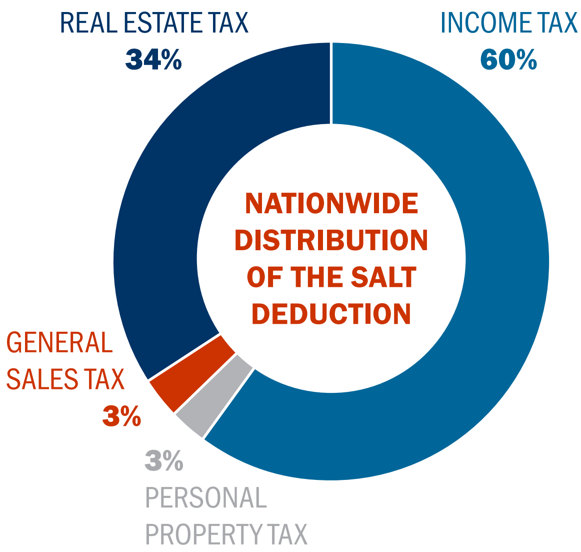
NATIONAL ASSOCIATION of COUNTIES NACo

STATE AND LOCAL TAX DEDUCTION (SALT)

NEW YORK

NUMBER OF HOUSEHOLDS CLAIMING SALT, 2015:	PERCENT OF MIDDLE INCOME SALT BENEFICIARIES*:	TOTAL AMOUNT DEDUCTED BY HOUSEHOLDS THROUGH SALT, 2015:	PERCENT OF SALT DEDUCTIONS BENEFITING MIDDLE INCOME HOUSEHOLDS*:	AVERAGE SALT DEDUCTION, 2015:
3,319,820	84.24%	$22.67 BILLION	40.30%	$22,169

- **Eliminating the SALT deduction would be a tax increase on almost 30 percent of American taxpayers**, since the deduction allows the subtraction of their mandatory tax payments to state and local governments from their federally taxable income.
- **Attempts to eliminate the SALT deduction represent a nearly $1.3 trillion revenue grab by the federal government** at the expense of state and local government services and by gutting home ownership incentives.
- **The SALT deduction has been a bedrock principle since the first three-page federal income tax in 1913**, and the deduction supports local school funding, home ownership, lower middle-income taxes, tailored social services, infrastructure development and local job creation efforts. The principle of state and local control of tax systems extends back to President Lincoln and even Alexander Hamilton in the Federalist Papers.



OUR ASK
Counties urge Congress and the administration to preserve local decision-making and prevent double taxation by maintaining the SALT deduction in comprehensive tax reform.

Notes: NACo analysis of Internal Revenue Service (IRS) 2015 data.
**Middle income brackets include all taxpayers who claimed the SALT deduction making less than $200,000 in adjusted gross income in 2015, per IRS data.*

STATE AND LOCAL GOVERNMENTS PROVIDE CRITICAL SERVICES WITH TAX REVENUE, INCLUDING:

INFRASTRUCTURE | EDUCATION | LAW ENFORCEMENT | EMERGENCY SERVICES | HEALTH SERVICES

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