Testimony of Congressman Donald Payne, Jr. Before the House Ways and Means Committee Subcommittee on Select Revenue Measures for a Members' Day Hearing re: Recent Changes to the Federal Tax Treatment of State and Local Taxes (SALT)
Tuesday June 25, 2019 2:00 p.m.
1100 Longworth House Office Building

Good Afternoon and thank you Chairman Neal, Ranking Member Brady, Subcommittee Chairman Thompson, and Ranking Member Smith for allowing me this opportunity to speak with you today.

The State and Local Tax deduction, also known as the SALT deduction, allows taxpayers to deduct state and local tax payments on their federal tax returns. The new tax plan signed by President Trump, called the Tax Cuts and Jobs Act, instituted a cap on the SALT deduction. Starting with the 2018 tax year, the maximum SALT deduction available is $10,000.

When this provision was initially proposed, I, like many others in New Jersey, smelled a rat because this provision reeked of unfairness. This provision harms taxpayers in high tax areas, and adversely impacts the budget of state and local government. It also further divides the red states, which tend to have lower incomes and lower taxes, and blue states, which tend to have higher incomes and higher taxes.

The Joint Committee on Taxation estimates that only 16.6 million SALT deduction were taken during the 2018 tax year, well under the 43.2 million SALT deductions taken in 2016.

Given New Jersey's tax rates, it's no surprise, that prior to the 2018 tax year, 41% of New Jersey tax returns claimed a deduction for state and local taxes. The average amount of that deduction was $17,183.33. Under the new tax plan, that's $7,183.33 that my constituents will not recoup.

Many hard-working Americans are struggling to make ends meet. That money represents bill payments, retirement and saving accounts deposits, and college tuition. I am a father of triplets – and all three of my children are in college. That $7,183 representatives a full month of college tuition for all three of my children!

State and local governments may also be harmed due to the change in the SALT deduction, which will likely lead to a change in revenue for state and local governments. In response to the fact that people are paying more in federal taxes, those governments could choose to decrease their local tax rates.

This would leave them with less to spend on government-sponsored programs and services. As a result, there will be less state and local funding for critical infrastructure programs and for social services. Everyone will feel the impact of rolling back the SALT deduction – regardless of whether you took the deduction.

The deduction for state and local taxes was first established in 1913, when the U.S. first instituted our federal income tax, and it has worked for all Americans.

I opposed the retooling of this provision from the start because I saw no need to replace a perfectly sound provision with one that adversely targets my constituents, my state, and causes stress and anxiety for the whole electorate.

Therefore, Mr. Chairman, I ask that we bring back the SALT provision in its former version.

I yield back the remainder of my time, Mr. Chairman.