

INTERNATIONAL ASSOCIATION OF FIRE FIGHTERS



Statement of

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before the

Subcommittee on Select Revenue Measures

on

How Recent Limitations to the SALT Deduction Harm
Communities, Schools, First Responders and Housing
Values

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Thank you Chairman Thompson, Ranking Member Smith and distinguished members of the Subcommittee. My name is Mahlon Mitchell and I am President of the Professional Fire Fighters of Wisconsin. I appreciate the opportunity to appear before you today on behalf of the International Association of Fire Fighters, General President Harold A. Schaitberger and the over 316,000 professional fire fighters and emergency medical personnel who serve as this nation's domestic defenders.

I come before you today to offer my testimony on federally-mandated limitations to the State and Local Tax (SALT) deduction and its impact on fire fighters, fire departments, and the public safety. At its core, this hearing is about fairness - fairness for local public service agencies, like fire departments and schools, to be able to deliver the best possible services to the citizens they serve, fairness for communities to decide how best to fund and deliver local services, and fairness for taxpayers who are now being double-taxed.

As a Lieutenant with the City of Madison, Wisconsin Fire Department where I have been proud to serve as a fire fighter and emergency medical technician for more than 21 years, I see first-hand how local governments have been forced to tighten their belts and the impact this has on public safety services. And, as President of the Professional Fire Fighters of Wisconsin and Madison Fire Fighters Local 311, I hear from fellow fire fighters every day about how they are being forced to do more with less – shackled by inadequate staffing, insufficient training and lax health and safety measures.

The State and Local Tax deduction is one of the original components of the 1913 tax law that created the federal income tax. Since then, fire fighters in communities across America have known that they could count on the ability of state and local governments to support their work, while having an assurance from the federal government that their own hard-earned income would not be taxed twice. By capping the SALT deduction arbitrarily at \$10,000 annually, the 2018 tax law threatens not only the livelihoods of the hard-working men and women of the fire service, but lives in the communities they serve as well.

Capping the State and Local Tax Deduction Harms Public Safety Spending

Fire departments, and the services they provide, are largely drawn from state and local property, sales and income taxes — essential investments that give our first responders the tools they need to get the job done. In Wisconsin, we already experience significant revenue limitations which have stripped local public safety services to the bone.

For nearly twenty years there has been enormous financial pressure on local governments in Wisconsin. This has, in part, been due to downturns in the economy, but is also due to a reduction in shared revenue. In Wisconsin, municipalities have two major sources of revenue –

the local property tax levy and the state shared revenue, which is provided to every municipality in the state. The amount of shared revenue is based on numerous factors including property values and the local tax effort. In the past, for some municipalities, shared revenue covered nearly 50% of the cost of providing local services.

Unfortunately, because shared revenue was frozen or reduced in previous years, shared revenue is now 20% lower than it was in 2004.

Local communities' revenue situation was further complicated by levy limit programs which restrict the year-to-year increases in county and municipal property tax levies. For some communities, levy limits were reduced to zero. The levy limit policy has created a dynamic in which fast growing municipalities have the financial resources to invest in services and infrastructure that help them further increase their growth, while many no-growth or slow-growth communities stagnate.

The result is that, in Wisconsin, community public safety services have been stripped to the bone.

Last year, the city of Milwaukee was forced to close six fire stations across the city due to fire department budget cuts. And two weeks ago, in Menomonee Falls, a town of nearly 40,000 people, the fire department had zero working fire engines. The fire department normally has five trucks, but all were out of service due to mechanical issues. Although three apparatus have since been restored to service, the lack of sufficient apparatus means that two fire stations have no active engines. As a result, in both Milwaukee and Menomonee Falls, response times to emergencies will rise, putting citizens' health and lives at risk.

Unfortunately, examples like these are not unusual in Wisconsin. As fire fighters we respond to folks on the worst day of their lives. When they are at their worst, we have to be at our best. We cannot be at our best when fire departments around the state are suffering from inadequate staffing, equipment and training. All of this makes a fire fighter's job harder and less secure and makes the citizens of Wisconsin less safe.

We are often told to do more with less. But we are in the business of saving lives, and in that business, minutes and seconds matter. When a fire station closes that was two minutes away from your home and now the nearest station is seven minutes away, that matters. And it is personal, what if it's your mother, father, husband, wife or child on the floor needing our help? It is impossible to do more with less in our line of work.

As I said, I have been on the job over 21 years. In that time I have been part of pulling four civilians out of a fire. The first cut to fire departments when municipalities are strapped is staffing, whether through attrition or layoffs. I can tell you that if we didn't have four fire

fighters on that apparatus when we had to pull civilians from a fire, we would not been able to get the job done as effectively and efficiently as we did.

The federal cap on the SALT deduction puts even more financial stress on municipalities charged with providing critical public safety services and will further exacerbate these dire situations for local public safety budgets. This is not a political game. To the fire fighters and citizens of Wisconsin, this is a matter of life and death.

Double-Taxation Unfairly Penalizes Middle Class Fire Fighters

Capping the SALT deduction not only harms local public sector services like the fire and emergency response, it unfairly penalizes hard working, middle class taxpayers. State and local taxes are not optional – they are mandatory tax payments due to local governments. Allowing a filer to deduct these taxes ensures they are not unfairly taxed twice on their income.

This double taxation scheme is deeply harmful to middle class taxpayers in many of these same communities that fire fighters and other public servants call home.

Neither is this a blue state issue, nor solely a problem on the coasts or other high-cost of living states. Taxpayers in all 50 states benefit from the SALT deduction and middle-class workers make up the clear majority of filers who benefit from the deduction. In previous tax years, 40% of taxpayers with adjusted gross income between \$50,000 and \$75,000 deducted their state and local taxes, while 86% of all taxpayers who claim the deduction earn under \$200,000 per year. The deduction is used by Americans living in urban, suburban and rural communities and across all congressional districts.

And lest one think that lower cost of living, midwestern communities like Wisconsin are exempt from this problem, think again. I myself have been impacted by double taxation. In 2018, I had \$19,662 in itemizations. However, due to the SALT cap, I miss out on \$9,662 in itemizations. I have talked to many of my brother and sister fire fighters who are experiencing the same thing.

The Solution: Restore the Full State and Local Tax Deduction

Capping the SALT deduction clearly hurts public services and comes propped up on the backs of fire fighters. The damage is already done, but there is an opportunity to mitigate the situation.

The solution is clear. Congress must fully restore the deductibility of state and local taxes. Luckily, legislation has been referred to this Committee to do just that. Representatives Bill Pascrell (D-NJ) and Chris Smith (R-NJ) have introduced H.R.1142, the Stop the Attack on Local Taxpayers Act of 2019, otherwise known as the SALT Act. By repealing the \$10,000 cap on state and local taxes, this common-sense bill will allow taxpayers to fully deduct their state and local

taxes against their federal taxable income, as they could before passage of the Tax Cuts and Jobs Act. In so doing, Congress would restore the full ability of state and local governments to deliver vital local services, including fire and EMS, as well as eliminate the double-taxation of fire fighters and other middle-class Americans.

Conclusion

In closing, I would like to again commend the Subcommittee for holding this important hearing on how limitations to the State and Local tax deduction harm communities. There is no doubt in my mind that the current cap on SALT deductions impairs the ability of local governments to well-fund fire departments and other vital public services, and will make my job, to protect the City of Madison, Wisconsin and its residents, much harder and less secure. I urge Congress to do its job by the people of this great nation and restore the full deductibility of state and local taxes.

Again, I would like to thank the Subcommittee for the opportunity to testify today and am happy to answer any questions you may have.