

**Members' Day Hearing Focused on the Recent  
Changes Made to the Federal Tax Treatment of State  
and Local Taxes**

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**HEARING**  
BEFORE THE  
SUBCOMMITTEE ON SELECT REVENUE MEASURES  
OF THE  
COMMITTEE ON WAYS AND MEANS  
U.S. HOUSE OF REPRESENTATIVES  
ONE HUNDRED SIXTEENTH CONGRESS  
FIRST SESSION

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June 25, 2019

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**Serial No. 116-30**

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**Members' Day Hearing Focused on the Recent Changes Made to the  
Federal Tax Treatment of State and Local Taxes**

Tuesday, June 25, 2019 – 2:00 PM

**Witness List**

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Panel 1

- Rep. Tom Malinowski (NJ-07)
- Rep. Dean Phillips (MN-03)
- Rep. Andy Kim (NJ-03)
- Rep. Sean Casten (IL-06)

Panel 2

- Rep. Maxine Waters (CA-43)
- Rep. Josh Gottheimer (NJ-05)
- Rep. Lauren Underwood (IL-14)
- Rep. Katie Porter (CA-45)
- Rep. Mikie Sherrill (NJ-11)

Panel 3

- Rep. Frank Pallone (NJ-06)
- Rep. Jim Himes (CT-04)
- Rep. Jackie Speier (CA-14)
- Rep. Donald M. Payne, Jr. (NJ-10)
- Rep. Donald Norcross (NJ-01)
- Rep. Joseph Morelle (NY-25)

Panel 4

- Rep. Max Rose (NY-11)
- Rep. Lee Zeldin (NY-01)
- Rep. Anna Eshoo (CA-18)



**HOUSE COMMITTEE ON WAYS & MEANS**  
CHAIRMAN RICHARD E. NEAL

# ***ADVISORY***

## **FROM THE COMMITTEE ON WAYS AND MEANS**

FOR IMMEDIATE RELEASE  
June 18, 2019  
No. SRM-4

CONTACT: (202) 225-5522

**Chairman Thompson Announces Select Revenue Measures Subcommittee  
Members' Day Hearing Focused on the Recent Changes Made to the Federal Tax  
Treatment of State and Local Taxes**

House Ways and Means Select Revenue Measures Subcommittee Chairman Mike Thompson announced today that the Subcommittee will hold a Members' Day Hearing focused on the recent changes made to the federal tax treatment of state and local taxes at 2 PM on Tuesday, June 25, 2019 in room 1100 Longworth House Office Building.

In view of the limited time available to hear Members' testimony, a five-minute oral statement will be heard from scheduled Members only.

The Committee seeks to make its facilities accessible to persons with disabilities. If you require special accommodations, please call (202) 225-5522 in advance of the event (four business days' notice is requested). Questions regarding special accommodation needs in general (including availability of Committee materials in alternative formats) may be directed to the Committee as noted above.

**Note:** All Committee advisories are available [[here](#)].

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The subcommittee met, pursuant to call, at 2:53 p.m., in Room 1100, Longworth House Office Building, Hon. Mike Thompson [chairman of the subcommittee] presiding.

Chairman Thompson. Thank you, the members of the committee and our colleagues in Congress for joining us today for this important Member Day hearing. Today's hearing is an opportunity for the committee to hear diverse viewpoints on the recent changes made to the Federal tax treatment of State and local taxes.

This morning, we heard testimony on behalf of State and local governments, public educators, and first responders, on the SALT caps harmful impact on communities, schools, first responders and housing values.

Now we will hear from more than a dozen members of the Congress on how the SALT cap has impacted their constituents. Less than 2 years ago on this committee, Republicans, without holding a single hearing on the issue, imposed a cap on the maximum SALT deduction for individual taxpayers to partially offset a \$1.5 trillion giveaway to corporations and the wealthiest among us.

What are the results? A significant marriage penalty, undermined crucial State and local investments in services that benefit the entire community, diminished taxpayers' incentive to give charitable contributions, erosion of the most important tax incentives supporting homeownership, which will lead to a drop in real estate values.

Finally, the SALT cap punishes areas with a high cost of living. Every one of our districts back home needs teachers, first responders, and civil servants. Every community needs infrastructure projects, such as roads, bridges, and clean water. It is not reasonable to pay a teacher in New York the same as a teacher in Mississippi, when the cost of rent in New York State is equal to the average gross income of a

teacher in Mississippi. As I have said, we must be smart and recognize that there is a nuance to this issue.

And with that, I will recognize the ranking member, Mr. Smith, for an opening statement.

Mr. Smith. Thank you, Mr. Chairman. I don't want to spend a whole bunch of time here on another opening statement, it was 2-1/2 hours earlier today on this topic. But I think this Member Day hearing is good. I do briefly want to hit on a couple highlights from this morning. And, that is, repealing the SALT cap would cost \$673 billion over the next 8 years. And a majority of the benefit would go to the highest earners. It would amount to a \$67,000 per year tax cut for households earning more than \$1 million. \$67,000 in tax relief for million dollar households.

The contrast, the average middle-class family making \$50,000 to \$75,000 would receive less than \$5 per year. This morning, we had one witness tell us that the average two-income household in his village earned \$77,800, and paid \$20,000 in county and village taxes on a modest home, using his description. When this same family would be paying \$75 in Federal taxes, the idea that TCJA, and not the \$20,000 local tax bill is the problem, seems insane.

Anyway, thank you to our witnesses for taking the time to be here. I look forward to hearing your ideas. Thank you.

Chairman Thompson. Thank you, Mr. Smith. Now we will hear from our witnesses. We have Tom Malinowski from New Jersey, Representative Dean Phillips from Minnesota, Representative Andy Kim from New Jersey. We have Representative Mikie Sherrill from New Jersey, and Representative Sean Casten from Illinois.

And we will start with Mr. Malinowski from New Jersey.



Mr. Malinowski. Thank you.

Chairman Thompson. You are recognized for 5 minutes.

Mr. Malinowski. Thank you.

Chairman Thompson. Push the button.

**STATEMENT OF THE HON. TOM MALINOWSKI, A REPRESENTATIVE IN CONGRESS  
FROM THE STATE OF NEW JERSEY**

Mr. Malinowski. Thank you. I am here today on behalf of the Seventh District of New Jersey to urge reinstating the full State and local tax deduction. I urge you to do it, first of all, as a matter of principle. It has long been accepted in America that we do not tax the same income twice. This was stated in the Federalist Papers in the 1780s.

When Congress enacted the first Federal income tax during the Civil War, it included the first exemption for State and local taxes. One of your distant predecessors on this committee, Congressman Morrill of Vermont, said at the time, "The orbit of the United States and the States must be different and not conflicting, otherwise we might crush some of the most loyal States in the Union."

More immediately, I urge you to restore the SALT deduction because my constituents in New Jersey, and many States like it, are getting crushed. In my district, 53 percent of the taxpayers took the SALT deduction when it was last available, according to our society of certified public accountants in New Jersey, more than 63 percent of their individual and family clients who make under \$200,000 a year are seeing a higher Federal tax bill under the new cap.

Over the past few months, I have held a round table on SALT in every county

in my district. In Westfield, New Jersey, where the average property tax is over \$15,000, I met an 82-year old man who owed \$4,000 more in Federal taxes this year. For someone on a fixed income, that is devastating.

Some experts say that the loss of SALT deductions hurts mostly higher income people in States that can afford to take the hit. That argument ignores several inconvenient facts.

First, the States hardest hit are already disadvantaged when it comes to our tax and spending decisions. New Jersey gets \$0.74 back from the Federal Government for every dollar we send to Washington. The average American gets \$1.10 back because of the Federal deficit. Think about that. From the standpoint of taxpayers in New Jersey, the Federal Government is running a massive surplus. Yet, we will still be on the hook for paying down the debt that mostly benefits other States. The only consolation we used to get was the ability to deduct our State and local taxes, and now that has been taken away.

The second inconvenient fact is that in States like mine, it is middle-income homeowners that are suffering most from the loss of SALT. Higher income people got plenty of other benefits from the 2017 tax bill to compensate. And where did the extra money that these middle-class taxpayers owe go? What are we getting for this? In part, we are getting an effective corporate tax rate in America that has fallen to around 12 percent. That is what we are enabling. With corporations spending most of their windfall not on capital investment, not on creating jobs, but on buying back their shares on Wall Street. Amazon, Chevron, GM, paid no taxes last year, while middle-class people in my district paid thousands of dollars more to make up for the loss of revenue.

The final inconvenient fact takes us back to the reason why we

long-prohibited double taxation. Think about what State and local taxes support. In New Jersey, they mostly supported education for our kids. We make these contributions to ensure that every child in our community has an equal chance to succeed, and now those contributions are being taxed. Everybody gets hurt by that, not just the taxpayers.

And on top of that, because the SALT cap means fewer people will itemize deductions, there will be less of an incentive to give to charity. We have not begun to see the impact that will have on social services in our communities, but it will be profound.

Earlier this year, I worked with Congressman Pascrell and Senator Menendez to introduce bipartisan, bicameral legislation, the Stop Attacking Local Taxpayers Act of 2019. The legislation will fully remove the SALT cap and offset costs by restoring the top marginal rate to where it was prior to the 2017 tax bill.

Mr. Chairman, my constituents have been coming to me asking when we will be holding a vote to fix this injustice. I implore the committee to bring the SALT Act to the floor to fully restore our SALT deduction and provide relief to taxpayers in my district and across the country. Thank you so much.

[\[The statement of Mr. Malinowski follows:\]](#)

Chairman Thompson. I thank the gentleman. Now we will here from Representative Phillips.

**STATEMENT OF THE HON. DEAN PHILLIPS, A REPRESENTATIVE IN CONGRESS FROM  
THE STATE OF MINNESOTA**

Mr. Phillips. Thank you, Chairman Thompson, and Ranking Member Smith, for the opportunity to talk about how the SALT cap is also hurting the communities in my district. For as long as our country has employed a Federal income tax, we have accounted for individual State and local government taxes as those revenues are essential to provide public services and community investment.

Tax preferences, like the SALT deduction, make it more affordable to own a home and provide incentives for generating economic and investment activity. Most importantly, the SALT deduction prevents people from being taxed twice by both the State and/or local entity, and by the Federal Government. But since the Tax Cut and Jobs Act, the SALT deduction has been capped at \$10,000, of course. Back in Minnesota, that is hitting our neighbors in their pocketbooks, which is, in turn, hurting our schools and hurting funding streams on which our communities rely. This is happening around the country, and that is why I believe this cap should be repealed.

The Tax Cut in Jobs Act was sold as a sweet deal for the middle class, but people back home tell me it has been more like a sugar high. Judy from Chanhassen, Minnesota, told me, quote, "When the corporate tax cuts were announced, my employer gave us all a one-time check for \$500, \$350 after taxes, but I have not had a salary increase in almost 4 years, and I now owe \$5,000 more in taxes this year."

So corporations get to pop champagne bottles to celebrate their lower tax rate, and the ability to fully deduct all of the expenditures on State and local taxes. But everyday Americans get the short end of the stick. And now that the dust has settled, the tax bill left them with less income, not more, and that is rippling out to impact entire towns, counties, and school districts.

School superintendents back home have shared their concerns about what this means for their ability to raise funds. They are fearful that people who are now paying more in taxes will have less disposable income, of course, and will no longer support local levy and bond referendum that the schools need. These are funds that wouldn't even be necessary if local education agencies received the resources they are entitled to by Congress for programs like the Individuals with Disabilities Education Act, IDEA, and other unfunded mandates in the first place. But now they are scared that they could have to lay off teachers and support staff and cut important programs for our children.

And it is also hurting our charitable giving. Minnesotans are generous people and their giving supports our State civic engagement, which is known as sometimes the best in the Nation, in addition to disaster prevention and response, affordable housing, and rural investment. But now, it is more difficult for people in my State to give to the nonprofits they have charitably supported for many, many years.

Last week, the Giving Institute reported that in 2018, individual giving dropped by billions, yes, billions of dollars, a clear warning sign that the tax law is having unintended and very dire consequences. In fact, just yesterday morning in Minnesota, I met with the Minnesota Council on Foundations to discuss this very issue. They told me that the 2017 tax law was a game-changer for giving, and has threatened Minnesota's remarkable and very important tradition of philanthropy.

And now, States are having to clean up Congress' mess. Since the TCJA signed into law, State legislators across the country have been trying to find work-arounds to relieve taxpayers of the SALT caps impact. From Louisiana to Oklahoma to Wisconsin and back home to Minnesota, one of the highest tax States in the Nation, they are coming together to try and make it right.

So, to that end, I urge all my colleagues to work together across the aisle, and ensure that our Tax Code reflects our values, and to restore fairness to our system. We should encourage real long-lasting prosperity for our communities, rather than the sugar rush that has already passed. Thank you.

[\[The statement of Mr. Phillips follows:\]](#)

Chairman Thompson. Thank you. And now we will hear from Representative Kim.

**STATEMENT OF THE HON. ANDY KIM, A REPRESENTATIVE IN CONGRESS FROM THE  
STATE OF NEW JERSEY**

Mr. Kim. I thank the committee for the opportunity to participate in today's Member Day hearing, and to testify on behalf of the people of Burlington and Ocean Counties in New Jersey.

Today, I would like to highlight one particular issue within the committee's jurisdiction that has heavily impacted individuals and families in my community. In 2017, Congress passed a massive tax overhaul bill, which included a provision that instituted a cap on the State and local tax deduction. This provision has already resulted in tax hikes for many of New Jersey's families, and will potentially result in continued State revenue shortfalls that threaten State investments in our communities.

In a recent survey conducted by New Jersey Society of Certified Public Accountants to more than 500 CPAs, more than a third of their clients paid more in Federal taxes in 2018. The vast majority of those claiming the deduction in New Jersey and across the Nation are middle-class households. This tax hike comes at a time in which our working families are facing an affordability crisis.

Lagging wages combined with rising housing costs, healthcare costs, and education costs are squeezing the middle class. Why then will we add unfair tax policies that give unnecessary breaks to those at the top while those in the middle and at the bottom struggle to get by? It simply isn't fair. The problems caused by



capping the SALT deduction don't just stop at our wallets.

Year after year, we have seen reports that New Jersey is one of the only few States that send more taxpayer money to Washington than it gets back in services. This deduction not only helps families avoid double taxation, but also helps build cities through infrastructure investment, provide for communities through social service investment, and prepare the next generation through education investment.

New Jersey families have been over-taxed and underserved for too long. I urge the committee to consider legislation this year that would restore the deduction and immediately bring tax fairness back to the system. We have a chance now to work together to provide tax relief to millions of taxpayers in New Jersey and across the Nation. I urge you to move these solutions forward.

Thank you again for the opportunity to testify, and I look forward to working with my colleagues on this issue.

[\[The statement of Mr. Kim follows:\]](#)

Chairman Thompson. Thank you. Now we will hear from Representative Casten.

**STATEMENT OF THE HON. SEAN CASTEN, A REPRESENTATIVE IN CONGRESS FROM  
THE STATE OF ILLINOIS**

Mr. Casten. Thank you, Mr. Chairman, and thank you to the committee. I want to especially thank Mr. Pascrell for your leadership on this issue in bringing it to our attention.

The State and local tax is the biggest tax on the middle class. I represent the Sixth District of Illinois, it has the 12th highest State and local tax of any congressional district in the country. It is a highly educated -- I think 23 percent of the folks in our district have a postgraduate education, and I am here, in no small part, because my predecessor, who served on this committee was widely understood to have sold out his constituents for a tax break to corporations.

What those constituents of mine know, and I think what we all in this room and this body know, is that the tax breaks that were provided to corporations at a time of record corporate cash reserves, in order to get a straight party line vote in the Senate, had all sorts of last-minute deductions crammed in there, or cuts crammed in there as a partial pay-for. The folks in the district understand that.

And those folks are now partially paying the price of that unnecessary tax cut. And I -- this was not an accident. That politically motivated attack on blue States like mine, the so-called blue States, targeted Illinois' freedom to invest in its people and improve the quality of life so that it can remain an economic driver for the country.

The folks in the district who were angry at election time are now violently

angry because they have paid their tax returns and felt the sting. Many of them are seeing \$1,000, \$2,000, \$3,000 more than they thought they were going to pay. These are teachers, nurses, law enforcement officers. They are angry, and some of them are now ready to leave our State.

The SALT deduction has been a part of our Tax Code in every year we have had a Tax Code. It exists to acknowledge the principle that the Federal Government should encourage State-derived investments and self-sufficiency, and afford States with the independence to chart their own path and act locally. That is why one of the first things I did after getting here was to introduce H.R. 1757 with Representative Underwood.

Our bill would provide some tax relief to Illinois' families unfairly harmed by the new tax burden by raising the current SALT deduction cap, eliminating the marriage penalty, and adding an inflationary adjustment. I agree we have got to pay for it, and that is fine, but since this exists to partially pay for an unnecessary tax cut, I think we have plenty of room to figure out how to pay for that cost.

Our legislation seeks to ease the tax burden, help restore the longstanding concept underlying the SALT deduction that citizens shouldn't have to pay taxes twice. And it doesn't just help homeowners who itemize their tax filings by avoiding State and Federal competition. For finite tax resources, the SALT deduction enables Illinois to make critical investments in infrastructure, public education, economic development, and public safety. Those investments are the future of our State.

I am proud to represent a State that contributes more than it takes from the Federal Government. It is a credit to the State, it is a credit to the hardworking people who live there, and we need to make sure that we keep them. It is time to address the tax burden on middle-class families, and allow States and localities to

invest in their futures. Thank you.

[\[The statement of Mr. Casten follows:\]](#)

Chairman Thompson. Thank you all very much. Does anyone have any questions for any of the panelists?

Thank you all very much. You can take a seat at the dais and we will get started and let the folks join us when they get here. We will begin with Ms. Underwood from Illinois, you are recognized for 5 minutes.

**STATEMENT OF THE HON. LAUREN UNDERWOOD, A REPRESENTATIVE IN  
CONGRESS FROM THE STATE OF ILLINOIS**

Ms. Underwood. Thank you, Mr. Chairman, for providing this opportunity, for all members to share their priorities with the Ways and Means Committee. I am grateful to come before the committee today to advocate for your consideration of H.R. 1757, legislation that will provide tax relief from middle-class families in my district, the 14th District of Illinois, and families across the country.

I introduced H.R. 1757 with my colleague, Representative Sean Casten, in order to provide relief to middle class, northern Illinois families, who are unfairly double-taxed on their State and local taxes due to changes in the Republican Tax Cut and Jobs Act of 2017. Tax reform should put middle-class families first, but this year, as a result of the recently enacted Republican tax law, many middle-class families discovered their tax burdens were higher than ever. They owe more money to the Federal Government than they have in previous years, because they can no longer deduct the full value of their State and local taxes, including property taxes.

Local revenues allow communities to invest in law enforcement, first responders, libraries, parks, high quality education, and so many services that strengthen our communities, and make them a great place to live, learn, work, and

play. Without these deductions, our communities and families face an enormous burden.

The 2017 Republican tax law gives 83 percent of benefits to the top 1 percent, while raising taxes for 86 million middle-class households. The 1 percent didn't need a tax break on the backs of middle-class families working hard to send their kids to college, pay for their family's healthcare expenses, and save for the future.

According to an audit conducted by the Treasury Department, almost 11 million taxpayers are negatively impacted by this legislation, and nearly 2 million of these taxpayers are from Illinois. Current law that limits the SALT deduction hurts middle-class Illinoisans. Before the Republican tax law, taxpayers could deduct an unlimited amount of State and local taxes against their Federal taxes. The tax law imposed a cap of \$10,000 on the amount of SALT taxes that taxpayers may deduct and applies that to both individual filers and joint filers. This is unacceptable. And that is why we introduced H.R. 1757.

This bill will do three things that work in the interest of middle-class families instead of against them. First, the bill increases the cap from \$10,000 to \$15,000 for individual filers. In 2016, families in my district making between \$100,000 and \$200,000 deducted an average of \$12,450 in SALT taxes, an average.

Second, the bill eliminates the marriage penalty inherent in current law by allowing taxpayers who file jointly to deduct up to \$30,000 in State and local taxes. This provides additional relief to families in my district earning \$200,000 or more per year, who paid an average of \$28,757.00 in State and local tax in 2016.

Finally, the bill adjusts the SALT cap for inflation so that the value of the deduction does not decrease over time. Because my bill increases the SALT cap,

which expires at the end of 2025, instead of repealing it, the significance of the benefit decreases as a taxpayer's income rises above \$200,000, ensuring my bill extends the greatest benefit to middle class families.

Through increasing the cap, eliminating the marriage penalty, and adjusting the bill for inflation, we can stop middle-class communities from being double-taxed and give them the opportunity to continue to invest in community services that benefit us all.

I encourage my colleagues to join me in putting middle-class families before corporations and support a permanent fix to the cap on the SALT deduction. Thank you, again, for having me, Mr. Thompson, I look forward to working with you, with Chairman Neal, and with other members of this committee to provide tax relief for working families. Thank you.

[\[The statement of Ms. Underwood follows:\]](#)



Chairman Thompson. Thank you for your testimony. Mr. Gottheimer.

**STATEMENT OF THE HON. JOSH GOTTHEIMER, A REPRESENTATIVE IN CONGRESS  
FROM THE STATE OF NEW JERSEY**

Mr. Gottheimer. Thank you, Chairman Thompson, Ranking Member Smith, members of the committee, the great Congressman, Bill Pascrell, from the great State of Jersey, thank you for your leadership, Mr. Pascrell. And I want to thank you all for holding this critical Member Day hearing on the single most important issue in the Fifth District of New Jersey now that I hear about, the State and local tax deduction, also known as SALT.

Last Congress, as you all know, a double taxation grenade was lobbed at New Jersey and other high tax States by the moocher States in a partisan Federal tax hike bill. The red States made out like bandits and got a bunch of tax relief for themselves, and we in Jersey paid for it with tax hikes.

In fact, the only way they footed the bill was to gut the State and local tax deduction, capping it at \$10,000, and imposing a massive tax hike on Jersey families and businesses. They literally took more than \$668 billion out of our pockets in the SALT States for their tax relief in the moocher States.

Cutting SALT has had a real impact on districts like mine in northern New Jersey. I am in the Fifth District, Bill is right next door. All four counties I represent had an average SALT claim above the \$10,000 cap. In Warren County, the average deduction was \$12,588; in Sussex County, the average taxpayer claimed \$14,267; in Passaic County, the average deduction as \$14,714; and, finally, in Bergen County, the average taxpayer claimed \$24,783 in State and local taxes, more than half of which is

now subject to double taxation under the new law, something we never believed in double taxation, but here you go above the \$10,000 cap whacking us.

In April, we saw a new polling out of Jersey that showed families obviously feel they are overtaxed. Nearly 60 percent of New Jersey's CPAs advised their clients to leave the State because of the higher taxes. A Rutgers-Eagleton poll found that 79 percent of Jerseyans complained about higher property taxes. Beyond higher taxes for way too many Jersey families, millennials and businesses are moving out, citing high taxes and crumbling infrastructure. Twice as many people moved out of Jersey in 2018 as moved in.

The number one State in the Nation for out-migration now, again, citing tax hikes as the biggest problem. Not exactly something you put on a bumper sticker. Higher taxes are stifling economic growth for our region and decreasing property values, which are already falling, that is why we must cut taxes.

According to Moody's, because of the SALT cap, property values in New Jersey will be down by more than 10 percent. And a recent Zillow study drew a similar conclusion. Since the tax hike bill, home values in low SALT States are rising much faster than in States like ours. I can continue to go on and on, but what is clear is that Democrats and Republicans are feeling the pain. The SALT cap has been nothing but a disaster for a Fifth District of New Jersey, that is why I worked with the State of New Jersey on bipartisan tax cut plan to blunt the impact of the SALT cap.

What we are trying to do, and what we have been trying to do, is actually do what other 33 States having been doing for decades, utilizing the charitable tax deduction. This way, the towns can set up funds to give people in my district property tax relief. We did it with Congressman Bill Pascrell, the Governor signed it into law, yet just 2 weeks ago, the IRS finalized rules nullifying this tax cut plan, and

the charitable tax deduction despite the fact that 33 other States are utilizing it.

Congress didn't give the IRS permission to interpret the tax laws they saw fit, your committee didn't do that, but they went ahead whacking blue States like New Jersey and all of our hardworking tax-paying families. I have heard from cities and towns across the Fifth District that this IRS regulatory overreach is stopping them from being able to provide actual tax relief for the residents. So I introduced bipartisan resolution last week that aims to provide much needed certainty, and once and for all, give people the tax cuts they need and deserve.

Of course, none of this would be necessary if we just repealed the SALT cap, which is why I am working on bipartisan legislation with my Republican colleague from New York, Congressman Lee Zeldin, and others, that will fully reinstate SALT and double taxation, help create jobs, and cut taxes for Jersey, without raising any other individual or business rates. It is time for both sides to work together, Democrats and Republicans, to get this done. It is just common sense.

And I kindly ask the committee for your help in getting this done. Thank you for your excellent leadership and for having me here today. I am grateful. Thank you.

[\[The statement of Mr. Gottheimer follows:\]](#)

Chairman Thompson. Thank you, Mr. Gottheimer. Ms. Waters, you are recognized for 5 minutes.

**STATEMENT OF THE HON. MAXINE WATERS, A REPRESENTATIVE IN CONGRESS  
FROM THE STATE OF CALIFORNIA**

Ms. Waters. Thank you very much, Chairman Thompson, for convening this hearing and bringing to light an issue that directly affects Californians, Los Angelenos, and my constituents in the 43rd District.

On December 22, 2017, President Donald Trump signed and enacted the Republican tax scam law. Today we know that the law raised taxes on working families, dismantled our healthcare system, and added over \$2 trillion to the deficit, all in the name of tax cuts for large corporations, and the wealthiest 1 percent. The tax law is a victory for the wealthiest corporations in the country, which have been seeing hundreds of billions of dollars in tax breaks, despite record-breaking profits.

Meanwhile, in States like New York, New Jersey, and California, the average middle-class family only saw their taxes drop by less than \$700. The tax scam law made many changes to different deductions, but some of the most important of them were to the State and local tax deduction, or SALT.

Previously, taxpayers could deduct everything they paid in State and local income, property and sales taxes from the Federal taxes. The Republican law now caps SALT deductions to \$10,000 for State and local income property and sales taxes combined. California comprises 20.7 percent of all SALT deductions, with New York, New Jersey, Connecticut, Maryland, and the District of Columbia, and Massachusetts, rounding out over 50 percent of all national SALT deductions.

It is clear that the then-Republican majority targeted traditionally democratic States when drafting the law and knew that a cap on SALT deductions would disproportionately harm those constituents. Almost half of those with a household income between \$50,000 and \$75,000 nationwide use the SALT deduction that 7.6 million households, the overall of the Tax Code -- the overhaul, rather, of the Tax Code could have been an opportunity to reduce or eliminate special breaks favoring the wealthy in a comprehensive way.

Instead, Trump and his allies in Congress chose mainly to target the one deduction that benefits those who live in higher tax States, like New Jersey, New York, and California. In California, 34 percent of our citizens claim the deduction, including 29 percent of tax filers in the 43rd District. The average adjusted gross income of the California tax filer who utilized the SALT deduction is \$79,332. And the average value of the SALT deduction for a California household that claims it over \$18,000.

The SALT deduction encouraged States to spend more than they otherwise would on important public services, and to tilt their revenue systems to progressive income taxes, helping reduce income and equality. State and local governments could then use these revenues to invest more in roads, bridges, and people, than without the Federal subsidies.

According to a report, the Treasury inspector general estimates about 11 million people have been impacted by the Republican SALT cap, losing out on more than \$321 billion of tax deductions. Republicans promised that this bill would be a tax bill for the middle class. When Trump campaigned, he promised the tax bill wouldn't help him at all. Neither of these promises are true.

The deduction for State and local taxes has been around since 1913 when the

United States first instituted a Federal income tax, and serves as a local and State government revenue booster, helping communities modernize and better serve constituents.

I will continue to fight against tax scam bills like this that take from the poor and give to the rich, and I won't rest until the harmful effects of this tax scam are reversed. Until then, we must learn as much as we can about the details of the new tax law and how it affects each of us.

Thank you, and I yield back the balance of my time.

Chairman Thompson. Thank you, Madam Chairwoman. I will tell Chairman Neal that you asked about him.

Ms. Waters. Thank you.

[Rep. Waters declined to submit a written statement]

Chairman Thompson. Thank you all. We will hear now from Representative Porter and Representative Himes, in that order.

**STATEMENT OF THE HON. KATIE PORTER, A REPRESENTATIVE IN CONGRESS FROM  
THE STATE OF CALIFORNIA**

Ms. Porter. Mr. Thompson and Ranking Member Smith, and the members of the committee, thank you so much for letting me testify today about the harmful impact that the State and local deduction cap is having on Orange County families.

Simply put, we must repeal the SALT limits included in last year's tax bill. All across my district, Republicans, Independents, and Democrats have had the same message, that the SALT cap is unfair, that it is penalizing people that choose to make California their homes, and that it is stretching families thin when they are already feeling the squeeze from the high cost of child care, housing, and prescription drugs.

Estimates indicate that 37 percent of taxpayers in my home district, the 45th, use the SALT deduction, and they had an average deduction of \$18,200. By capping the deduction at \$10,000, many middle-class families saw their effective tax rates go up in 2018. What is worse, the tax bill imposes a marriage penalty, while unmarried individuals can each file for \$10,000 worth of SALT deductions, totaling \$20,000. A married couple together can only claim \$10,000.

Estimates suggest that more than 42,000 residents in the 45th District of California were no longer able to deduct their full property taxes from their Federal tax bill. This policy is anti-family and it is inconsistent with Orange County values.

I am not alone in my concern about the SALT cap. Earlier this year, I sent a letter to Speaker Pelosi and Minority Leader McCarthy with 24 of my colleagues,

Republicans and Democrats, demanding that House leadership bring SALT repeal up for a vote.

I appreciate the committee holding this hearing, but frankly, I am frustrated that the action on this issue hasn't moved sooner. For Orange County families, they have already dealt with 1 year of higher tax bills, and they can't afford another year. This April, I held a tax town hall in the 45th District. My neighbor simply could not understand why middle-class families in California were being penalized, while Amazon paid no Federal tax in 2018.

They couldn't fathom why their effective tax rate would increase, while Wells Fargo received a \$3.7 billion windfall from the tax bill. I wanted to read to the committee just a few comments from my constituents that I have collected during just my first 4 months in office. With your permission, I would like to enter the full list of constituents' stories into the record.

Chairman Thompson. Without objection, such will be the order.

[\[The information follows:\]](#)



Ms. Porter. Rachel, from Laguna Hills, told my office: We owe \$4,700 this year and had a return, a refund last year. We own a small business, but the corporate tax cuts really didn't make much of a difference to us, even though we are an S corp. The cap on SALT is overtaxing middle-class homeowners in Orange County. Our taxable income is about a \$150,000, which places us in the middle, for California. We employ 10 people, and the tax -- the SALT cap makes it difficult for us to grow our business as we are wary of our personal financial situation going forward.

Susan, from Irvine, wrote to me: Many of us in California's 45th are retired and have to work to fund and manage our retirement income. With the new tax law, our incomes taxes are increasing by \$5,000. Others, we know, who have changed nothing, face a total loss of a refund, our tax bill nearing \$10,000, basically due to the loss of SALT and other deductions. This is very hard on retired people who don't have the time or the opportunity to alter their financial situations.

Laurice, from Mission Viego, said: The change in the SALT deduction affected my taxes this year in a very negative way. Because of the cap, I lost \$7,000 in deductions. As a single mom with head of household filing status, the SALT deduction is my biggest deduction on my taxes. We need to get the cap removed on SALT deductions. We shouldn't be penalized for living in a State with a high cost of homes.

One final point I want to emphasize to this committee. The median home price in Irvine, California, the largest city in the 45th District, is \$860,000, but my constituents are, by no means, living extravagantly.

Thank you so much for considering the SALT issue and for the opportunity to testify today.

[\[The statement of Ms. Porter follows:\]](#)

Chairman Thompson. Thank you for your testimony, Representative --

Mr. Rice. I would like to ask her a question, if that is okay?

Chairman Thompson. Mr. Rice.

Mr. Rice. Yeah, I am listening to you, and you gave a couple of examples about -- the last one you gave as a lady who said that their biggest deduction was the \$17,000 for their SALT deduction.

Ms. Porter. It was \$7,000, yes.

Mr. Rice. They lost \$7,000, is what you said. That means they took 10, which means they had a \$17,000 SALT deduction. But they got their personal -- I mean, their standard deduction doubled. So if that was her biggest deduction, it seems that the doubling of the standard deduction would have taken care of that extra \$7,000. So I am sure that the amount of increase, if there was any, is very small.

Second, you talked about this person with the S corporation that made \$140,000, and they said it didn't help them very much. Well, under the law, they would have gotten a tax cut of 20 percent of their income, a \$30,000 deduction in their taxes because of the reduction and the pass-throughs. So, you know, what you are telling me, the numbers don't jive.

And then I look at, you know, your average income in your district is \$102,040, and the average house price is \$850,000, pushing up on \$1 million. I got three counties in my district where the average income is \$30,000, and 30 percent of the people live in poverty. And what taxes they pay, if we reinstitute in SALT deduction, will subsidize that house.

So you tell me how I am supposed to go home and explain that to those people. That they need to pay more taxes so we can cover the SALT deduction, so we can subsidize those \$850,000 in Orange County, California.

Ms. Porter. Mr. Rice, I would appreciate your not pointing at me when you speak, but I appreciate very much your questions. First off, there is no need for any low income Americans to subsidize the repeal of the SALT deduction. We had more large corporations than ever before pay zero tax, and I gave a couple of examples in my testimony.

The reality is, in many of these areas with very high-cost homes, the multiple between the average income and the average home price is incredibly high. So even though the incomes may be lower in some districts like yours, home prices are correspondingly lower, which allows people to deduct their full State and local taxes.

The last thing, I appreciate your patience, I will just add, is that that has been, the principle that you can deduct your State and local taxes, has been part of our Tax Code since it was implemented in 1913. And my constituents have made long-term financial decisions about buying a house and how to structure their lives with the expectation that we would not change over 100 years of tax policy very, very quickly.

Mr. Rice. You recognize that multiple studies have shown that over 50 percent of the benefits would go to the people who earn the top 1 percent of income, and 92 percent of it, in a Bloomberg report yesterday, will go to people who earn over \$200,000 a year. You recognize that, right?

Ms. Porter. Listen, when I had my town hall, there were people who came forward and said their taxes had gone down because of the Trump tax bill. There were people who said their taxes had gone up. But the biggest thing that across the board I heard from my constituents from both groups of people was that they don't feel that this kind of change that singles out high cost of living States, and States with specific tax structures, is fair.

So there definitely people who benefited from this tax law, there were

definitely people that were hurt, but this kind of change disadvantages people who live in a particular kind of State, and I think our Federal policy should try, when it can be, to be uniform in how it treats people across the country.

Mr. Suozzi. Mr. Chairman.

Chairman Thompson. Mr. Suozzi.

Mr. Suozzi. I just want to point out that -- I want to thank Ms. Porter for her testimony and recognize she is not a CPA, Mr. Rice is a CPA. And there are other deductions in addition to the property taxes that people pay as part of the State and local tax deduction, they pay their State taxes as well, which would increase that amount by a significant amount, not to mention whether or not with the help of the State and local tax deduction, they could add additional charitable deductions as well.

I just want to point out that, you know, our local taxes are up to the local governments, and you are the first person that would say that we don't want the long arm of the Federal Government reaching into State and local governments and telling them how to run their governments. And the reality of the situation is, is that these high-taxed States that some of my Republican colleagues are so critical of, are the largest donors to the Federal Government of any States in the United States of America.

California, where Ms. Porter is from, and New York together, pay almost \$400 billion a year in Federal taxes. And I pointed out to Mr. Smith earlier that his State, they pay \$7 billion in Federal taxes. The State of South Carolina pays \$16 billion in Federal taxes. So New York and California are paying almost \$400 billion in Federal taxes to help subsidize other States throughout the United States of America, and we are the biggest net donors to the Federal Government of

any States in the United States of America. And we are happy to do it, and we are happy to support our colleagues, constituents, and everybody in the United States of America because we are all in this together.

But the idea of trying to divide us based upon this State and local tax deduction, which 49 of the 50 counties, which pay the most in State and local taxes in American, are in New York, New Jersey, and California, and it is blatantly unfair.

I just want to point out one other issue that I didn't get a chance to make today. Could you put up the one from Bayville. This is a house in Bayville, Long Island, Mr. Rice, I just want you to take a look at this, if you can. You can see this house is on a relatively small lot. It is a nice house, they probably knocked down the house that was there previously and they built this new house, but it is a relatively small house, it cost \$829,000 in this community.

[\[Slides\]](#)

Now, you have repeatedly talked about the poor people that live in your district, and I am sure the statistics will bear that out; however, there are wealthy people that live in your district as well. Let's look at a house that is comparable in Florence, South Carolina, a \$799,000 house. This is a massive estate on a huge piece of property, and yet, the property values are different where you are than where we are. We have a much higher cost of living. We have much higher wages as a result, but people that are making \$150,000 a year are struggling, quite frankly, because of the high cost of living there.

And it is not up us in the Federal Government to reach into the State and local governments and tell them how to run their governments. I yield back.

Mr. Rice. And if the gentleman would allow me to respond. The property tax relative on that \$800,000 house in Florence, South Carolina, and the \$800,000 in

New York and New Jersey, I would assume would be roughly equivalent.

Mr. Suozzi. They are nowhere near each other.

Mr. Rice. That guy is going to face the same limits on SALT as the guy who has the \$800,000 house in New Jersey. And what I think my people back home is -- because the average guy doesn't own that house, and the average guy doesn't want to subsidize that guy's cost of living no more in Florence, South Carolina, any more than he wants to subsidize the cost of living in New Jersey or New York or California.

And I am not just talking about the poor people in South Carolina, I am talking about the poor people in the Midwest. I am talking about the poor people in New Jersey. Those folks, they don't want to subsidize the mansion for this guy either.

So, no, I am not talking about trying to divide States. What I am saying is, I have heard for the last year and a half, you guys talking about us passing a tax bill that gave all the benefits to the wealthy, which is nonsense, and there is report after report after report that says that is true, and we have generated 3 percent GDP growth, 3 percent wage growth, and 3.7 percent unemployment. And you tell us this is bad for the middle class. That is crazy.

What I am telling you is, I don't want to do anything that 92 percent of the benefit goes to people over \$200,000. That 52 percent of the benefit goes to the top 1 percent. That is exactly the thing that you all have been decrying for the last year and a half, and you are in here on the exact side of the argument saying you want to make this massive tax cut for the wealthy, and it is crazy. I yield back.

Mr. Suozzi. Mr. Chairman, I would just like to respond briefly and I won't do it again after this.

Chairman Thompson. 30 seconds.

Mr. Suozzi. I just want to point out that the property taxes in New York State are some of the highest property taxes in the United States of America, they are nowhere comparable to Florence, South Carolina, whatsoever. And I will get the actual facts of what the taxes on these two homes are and share that with you at a later date.

Secondly, I just want to make the point that -- okay. Thank you, Mr. Chairman.

Chairman Thompson. Mr. Pascrell, quickly, please.

Mr. Pascrell. Mr. Chairman, I want to associate myself with the words of the gentleman, my brother from New York State. I think that the Congresswoman made an exceptionally coherent presentation to us. There is no question that this is double taxation, but I want to challenge those that data that was quoted this morning, concerning what is the middle class.

Because if we agree that there are difference of standards of living, and cost of living, rather, in certain parts of the country, and we are saying that the middle class is everything up to \$100,000, I want to take exception to that, what this is. I mean, if you are paying X for a house one place and Y for another, you need to take a look at your numbers, we are not talking about a level playing field. Not at all are we talking about a level playing field.

And this deduction did pretty good for almost 150 years. And the purpose of it, and we can go back to Lincoln's words in 1861, was to make sure that there was enough in the counties and the States to run the government. They didn't want the Federal Government taking everything out of that.

And you are going to see the consequences of this legislation that was passed in 2017. You are going to see that it is going to have very remarkable consequences



in terms of the cost of living in those areas, and you are going to see services suffer because they are not going to have enough money to keep X amount of firemen on, X amount of policemen on, X amount of teachers on, road crews that work very hard to fix our roads. It is going to have, not intended consequences, I don't think you folks wanted this to happen. In fact, you didn't even run on it. Your campaigns show that you did not run on this legislation of huge, huge tax cuts.

Mr. Smith. Are you addressing the chair?

Mr. Pascrell. I am sorry?

Mr. Smith. Are you addressing the chair on that?

Mr. Pascrell. I am addressing everyone here. I don't leave anybody out. Mr. Chairman, it is yours.

Chairman Thompson. Thank you, Mr. Pascrell. Mr. Himes.

**STATEMENT OF THE HON. JIM HIMES, A REPRESENTATIVE IN CONGRESS FROM THE  
STATE OF CONNECTICUT**

Mr. Himes. Thank you, Mr. Chairman, thank you, Mr. Ranking Member. Two months ago, Americans filed their taxes for the first time under the so-called Tax Cut and Jobs Act of 2017. The law, like all tax changes, created winners and losers. In this case, despite my friend, Mr. Rice's protestations to the contrary, disproportionately, wildly disproportionately benefiting the ultra wealthy and the large corporations.

Most of us are familiar with the notion that roughly 83 percent of the benefits of the tax reform bill were delivered to people in the top 1 percent of the income distribution. Working families, on the other hand, will feel the brunt to the \$2 trillion of deficits that will be created by this law in the next 10 years.

Mr. Rice talks about people subsidizing each other's houses. Let's be very clear that the massive subsidy that is created by this tax law change is of the future, and our children subsidizing the present. And not just subsidizing everybody in the present, but subsidizing corporations who saw their C corp rate go down to 21 percent, which is why I call it the so-called Tax Cut Act, because a true tax cut would cut taxes, but would leave the deficit alone, meaning, it would raise other taxes or it would cut spending so that it was a true tax cut.

A tax cut that is not paid for is not a tax cut, it is a tax shift, in this case, to the future. I am here, however, today, to agree with Ms. Porter on the devastating effects of the limitation of the deductibility of State and local taxes at \$10,000.

In 2015, the last year for which we have the data, almost half a million

Connecticut tax filers claimed more than \$10,000 in SALT deductions, and are adversely affected by this provision. Connecticut estimates that the change in SALT deduction could raise liabilities for Connecticut taxpayers by almost \$3 trillion. Like New York, like California, like New Jersey, Connecticut is a massive net donor State.

We talked about differences in States. Yes, we are different. We choose to invest an awful lot more money in our schools, and in our infrastructure, and in our healthcare. And as a result, innovators and businesses want to be where we are, and they create economic activity which creates wealth, which, of course, then gets transferred to States that choose to spend a lot less on their education and on their healthcare.

My constituents, and I won't run through all these stories, because Ms. Porter really had some terrific ones, but I heard from constituent after constituent, including a woman by the name of Joan in Stamford, Connecticut, who said: I am a 72-year-old widow with income of under \$60,000, the SALT limitations on deductibility have caused my taxes to go up by \$3,500 in 2018. So there is a 72-year-old retiree with an income of \$60,000, and a very high cost State, seeing an additional \$3,500 in tax liability.

So capping SALT deductions was not an arbitrary decision. This did not come from anywhere. This came from the need to cut the C corp rate, from what I will stipulate and have always stipulated, was an uncompetitive 35 percent, all the way down to 21 percent, probably 7 or 8 points below the average of industrialized country corporate tax rates.

So to take us well below the average industrialized country, we did away with \$3,500 of tax deductions for Joan, a 72-year-old retiree in Stamford. I believe that we should reinstate the SALT deduction, roll back some of the permanent tax breaks

for the wealthy, and revisit policies like the alternative minimum tax, and the estate tax, and renegotiate corporate tax reduction, which led to record profits that mostly benefited shareholders, not workers.

Not only could this help restore SALT losses, but we could also see major improvements in infrastructure and technology improvements nationwide. So I thank the committee for holding this hearing, and urge the committee to take action on this matter as soon as possible. And thank you for your time today. I yield back the balance of my time.

[\[The statement of Mr. Himes follows:\]](#)

RPTR WARREN

EDTR ROSEN

[3:49 p.m.]

Chairman Thompson. Thank you, Mr. Himes. Ms. Speier.

Ms. Speier. Thank you, Mr. Chairman.

And thank you to the committee for hosting this hearing this afternoon.

You know, when I got here, one of the things I heard was ABC, Anywhere But California. It was a sense of resentment that California had it going so well, and then this tax cut occurred.

And I will say that, to Mr. Rice, California is a donor State to the tune of \$30 billion to \$50 billion every single year. That is how much money goes into the Federal coffers. That does not come back to Californians. Now, that was before this particular tax cut went into effect.

In my district, I have one of the highest costs of living in the country. We are grateful that we have a thriving regional economy, and we are buttressed on one side by San Francisco, and on the other side by Silicon Valley. I can boast some of the biggest companies in the country right now, but I also have one of the highest costs of living anywhere.

Now, I know repealing the SALT tax completely may be out of question, but I think we could even be surgical in actually increasing the deduction for property taxes by another \$15,000, that would provide extraordinary relief, particularly to my constituents, but I would suggest to constituents around the country in high-cost states.

Let me give you an idea of how high housing costs are in San Mateo County.

The average market rent for an apartment with one bedroom is \$3,000 a month. You add another one bedroom or two, and that goes up 5-, 6-, \$700 a month. The U.S. Department of Housing and Urban Development, which determines cutoffs for Federal housing assistance by region for a family of four in my district is, and I quote, "low-income with less than 117,400 per year." So, you qualify for a low income in my district if a family of four makes under \$117,000 a year in income. That is how extraordinarily expensive it is to live in my area.

Homeownership is getting out of reach. Home prices have -- are sky high and continue to accelerate into the stratosphere. In one year, from 2017 to 2018, a single-family home rose a whopping 15.7 percent in my district, from \$1.4 million to \$1.6 million, increasing almost \$20,000 every month. Just this past month, a median single-family home sale was an eye-popping \$1.7 million in my district.

So, what happens to the district median income family's tax bill? With a standard property tax of 1 percent, a family in a median single family home has a property tax bill of over \$15,000 a year. A median family will also owe State income taxes of over \$7,000. Thus, an average family in the district can expect to pay over \$22,000 in State and local taxes.

With the \$10,000 cap imposed by the Republican tax scheme, \$12,000 is lost as potential SALT deductions, meaning this average family, already struggling, faces between 2- and \$3,000 in additional Federal tax liability.

So, for a lot of middle income people in California, they were hit with huge tax bills this year of 3- to \$4,000; and I don't want to be political, but there were seven Republicans in California that lost their seats because, in part, they voted for that tax cut.

So, it is important for us to be fair about this; and I do think that there is a

way of retaining some of the SALT tax impact, but also, strategically, improving it so that the actual cost for property taxes can be increased. My proposal would provide much-needed relief to over 40,000 homeowners in my district alone, and tens of millions of homeowners across the country.

The SALT cap and the way it was so jarringly imposed without any notice has caused my constituents to suffer. I even have a district director. You know what district directors make. He had to pay \$3,000 more in taxes in this tax year. So, this is real hurt to lots of middle income people; and I think that it only would be appropriate for us to take steps to modify what was in the Republican tax cut.

Thank you.

[\[The statement of Ms. Speier follows:\]](#)

Mr. Suozzi. [Presiding.] Thank you, Ms. Speier.

Now we recognize Mr. Morelle from New York.

**STATEMENT OF THE HON. JOSEPH MORELLE, A REPRESENTATIVE IN CONGRESS  
FROM THE STATE OF NEW YORK**

Mr. Morelle. Thank you, Mr. Chairman, the ranking member, and for the members of this committee for the opportunity to testify before this subcommittee on changes to the Federal tax treatment of State and local taxes.

Before joining this esteemed body in November, I served in the New York State Assembly for 28 years, including 6 years as the assembly's majority leader. I appreciate the opportunity to bring my experience as a State legislator and my perspective on the implications of eliminating the full SALT deduction to this Members' Day hearing.

The practice of deducting State and local taxes, so-called SALT deduction, has been in existence since the inception of the Federal income tax system. For over 100 years we have recognized the critical balance between State and Federal taxation, and the importance of preventing double-dipping on our constituents' hard-earned dollars.

Time and time again, I hear from my House colleagues that the Federal Government is too intrusive, and that we should keep power in the hands of local and State Governments. I don't always agree with that sentiment in every case, but I certainly support the view that Federalism relies on a strong partnership between State and Federal Governments. The Founders believed strongly in that system. Yet, when it came time to cap the SALT deduction, a tool that enables States and



localities to invest more in infrastructure and in initiatives that benefit their respective communities instead of relying on Federal funding, those arguing for a limited government that respected the rights of the 50 State governments were eerily silent.

Eliminating the full SALT deduction to chip away at the massive \$1.5 trillion price tag associated with the 2017 tax overhaul, not only contradicts historical precedent, but is also counterproductive to empowering State and local governments to decide what is in the best interests of their communities.

This action is a one-two punch that will shrink the tax base, and put New York State and communities, like the one I represent, at a significant economic disadvantage.

Let me explain: According to a report issued by the New York State Department of Tax and Finance, capping the SALT deduction means that New Yorkers must pay an additional \$14.3 billion per year in Federal taxes. This is adding insult to injury when you consider that New Yorkers always send \$48 billion more each year to Washington than they receive in Federal dollars and Federal support.

New York is America's number one donor State; but what this ultimately translates to is fewer public monies available to fund critical programs and services that hardworking New Yorkers depend on, such as healthcare, infrastructure, school funding, and more.

Additionally, as those most impacted by the SALT deduction cap decide to move out of State, New York will lose a significant base of taxpayers which will directly reduce available State and local tax dollars that would have gone towards projects to invest in our schools, our roads, and our people.

In fiscal year 2017, New York State sent more tax dollars to the Federal Government than they received in Federal funding. With a cap on the SALT deduction, our constituents are being asked to pay even more to the Federal Government; and we have less to invest in services for New Yorkers. This is simply unfair and simply unacceptable.

Mr. Chairman, thank you again for the opportunity to share the views held by so many in New York regarding the elimination of the full SALT deduction. I hope you and your colleagues and we together can take swift action during this Congress to reinstate the critical deduction and restore fully the system of Federalism that our Founders created. I look forward to working with you and my colleagues on both sides of the aisle to enact meaningful and fiscally responsible policies that benefit all Americans.

Thank you.

[\[The statement of Mr. Morelle follows:\]](#)

Mr. Suozzi. Thank you, Congressman Morelle.

Now we will recognize Mr. Payne from New Jersey.

**STATEMENT OF THE HON. DONALD M. PAYNE, A REPRESENTATIVE IN CONGRESS  
FROM THE STATE OF NEW JERSEY**

Mr. Payne. Thank you, Mr. Chairman and Ranking Member Smith. It is an honor and privilege to be here once before you in allowing me to speak today.

The State and Local Tax deduction, also known as the SALT deduction, allows taxpayers to deduct State and local taxes on payments on their Federal taxes, and what we need to understand about that -- and I want to recognize Mr. Pascrell from the great State of New Jersey as well -- is that the income tax --

Mr. Suozzi. Go ahead, Mr. Payne.

Mr. Payne. Oh, I am sorry. Just a lot of other conversations going on. This is important to some of us.

The new tax plan signed by President Trump called the Tax Cuts and Jobs Act instilled a cap on the SALT deductions. Starting with 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 the provision reeked of unfairness. The provision harms taxpayers in high tax areas in donor States and adversely impacts the budget of the State and local government. It also further divides 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 deductions were taken during the 2018 tax year, while under the 43.2 million SALT

deduction taken in 2016. Given New Jersey's tax rates, it is no surprise that the prior to 2018 tax year, 41 percent of New Jersey's 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 is a \$7,000 increase in taxes to my constituents and people around the State.

Many hardworking Americans are struggling to make ends meet. That money represents bills, payments, retirement and saving account deposits, and college tuition, as I am paying for three triplets -- my triplets in college now. I am a father of triplets, and I -- all three of my children are in college. That \$7,183 represents a full month of college tuition for two out of my three 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 the 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 or not. 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 we bring back the SALT provision in its former

version, specifically with no limitations to deduction.

And with that, sir, I yield back the balance of my time.

[\[The statement of Mr. Payne follows:\]](#)

Mr. Suozzi. Thank you, Congressman Payne, and that is a lot of college tuition you are paying.

Let's recognize now the gentleman from New York, Mr. Zeldin.

**STATEMENT OF THE HON. LEE ZELDIN, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF NEW YORK**

Mr. Zeldin. I thank the chair and ranking member for giving me the opportunity to testify today.

I have the distinct honor of representing New York's First Congressional District, which is the eastern part of Long Island, otherwise known as the greatest congressional district in America. Not only do we have the most beautiful beaches in the country and so much more but the very communities that we call home played such an instrumental role in the founding of our great Nation. However, our communities also face many unique challenges not experienced in most other parts of the country with a skyrocketing cost of living, including high local property taxes and unaffordable energy costs. These challenges have chased Long Islanders and opportunities away from our home on the Island.

In 2018, the average household income in Suffolk County was roughly \$92,000; and while that may seem like a lot of money compared to what people make in other parts of the country, it certainly does not go anywhere near as far locally. For hardworking Long Islanders, the high cost of living is affecting so many young people's ability to raise their family here, and seniors' ability to stay in the communities that they love.

There were positive aspects of the 2017 tax bill, for example, the expansion

of the medical expense deduction, preservation of critical education and student deductions, and a reduction to the corporate tax rate that has helped stimulate job creation and make America more competitive in the global economy.

In my opinion, reducing the corporate tax rate to 21 percent was great; but I don't believe it should be paid for on the backs of any hardworking taxpayers on the personal income side. While many Long Islanders have seen more money in their paychecks due to the 2017 tax bill, many others have not. Much of this discrepancy can be credited to the placement of the \$10,000 cap on the State and local tax deduction. This cap translates to Long Islanders being able to deduct only \$10,000 of State and local income, sales and property taxes from their Federal taxes. Of course, it is important to remember that the reason our State and local tax deduction was so high was because our State and local taxes were so high.

Every level of government has a role to play in helping provide tax relief. Everyone from New York City to Albany to Washington must do their part. However, the immediate SALT deduction change was a geographic redistribution of wealth, taking extra money from places like New York to pay for deeper tax cuts elsewhere.

New York is a net contributor, and now we will be contributing even more. The 2017 tax law chose winners and losers in a way that could have and should have been avoided. My goal in this tax reform mission has always been to ensure the hardworking men and women of Long Island keep more of their paycheck, reduce their cost of living, and are able to save more for retirement; and the fight to improve our Tax Code must continue.

That is why I, along with so many of my colleagues here today, support fully restoring the SALT deduction as part of any additional tax legislation. If any change was to be made in between the current cap and full restoration, a better policy than

the status quo would be to phase down the cap over time to a number that is indexed to inflation, and fully protects middle income itemizers everywhere. Let's not miss this massive opportunity to improve the Federal tax law.

Again, I would like to thank the chair and ranking member for giving me the opportunity to testify today on behalf of New York's First Congressional District.

I yield back.



[\[The statement of Mr. Zeldin follows:\]](#)

Mr. Suozzi. Thank you, Congressman Zeldin.

And now we recognize the gentlelady from California, Anna Eshoo.

**STATEMENT OF THE HON. ANNA ESHOO, A REPRESENTATIVE IN CONGRESS FROM  
THE STATE OF CALIFORNIA**

Ms. Eshoo. I thank the chairman and the ranking member for creating this opportunity to have members come before the Subcommittee on Select Revenue Measures to present our top tax priority on behalf our constituents. Mine is the tax treatment of State and local taxes, otherwise known as SALT.

As you know, the Republican tax law, the Tax Cuts and Jobs Act of 2017, took a sledgehammer to the SALT deduction by limiting it to \$10,000 annually beginning in the tax year 2018. Now, prior to this harmful cap, nearly 200,000 of my constituents -- not 2,000, not 20,000 -- 200,000 of my constituents claimed an average annual SALT deduction of \$31,193 in 2015. That is the most recent number. My highest tax-related priority, as I said, for this Congress, is repealing this cap and providing tax relief to my constituents and so many others.

Now, the SALT deduction is one of the few deductions in the Federal Tax Code that middle class families depend on; that, along with deductions for medical expenses, charitable contributions, and mortgage interest deductions. Capping the SALT deduction represents, in my view, an assault on the middle class. That is exactly what happened, and while Democrats obviously are always going to fight, it is in our DNA to take care of those at the bottom of the economic ladder, helping them to get up the steps of the ladder into the middle class, the middle class is having a tough time in our country and this one really puts a dent in the middle class.

Capping the deduction, as I said, really hurts people; and according to the State of California's franchise tax board, it has raised taxes on millions of California taxpayers with 75 percent earning far less than \$250,000.

The middle class -- and my dad always said this -- don't forget this, Anna. The middle class is the backbone of America, and Federal tax policies should not be raising taxes on these families. I am a cosponsor of H.R. 188, the SALT Deductibility Act, which permanently repeals the cap on the SALT deduction, and makes the repeal retroactive for the 2018 tax year.

So, I would urge the committee. There aren't that many of us in the room. I don't know how many are paying attention to this; but, you know, the middle class has been damaged by this. Anyone that files long form have those four basic deductions; and in each one, they were hammered. So, we need to revisit this; and that is why I am urging the committee -- that is why I am here today -- to urge the committee to consider and report this bipartisan bill or similar legislation, so that the full House can vote to repeal the SALT deduction cap and repeal it retroactive to 2018. I think the committee will hear applause from across the country if we do this.

So, I very much appreciate the opportunity to come here today; and I hope that our testimony makes a difference with the committee.

And I yield back.

[\[The statement of Ms. Eshoo follows:\]](#)

\*\*\*\*\* COMMITTEE INSERT \*\*\*\*\*

Mr. Suozi. Thank you, Congresswoman Eshoo.

And now we recognize the gentlelady from New Jersey, Mikie Sherrill.

**STATEMENT OF THE HON. MIKIE SHERRILL, A REPRESENTATIVE IN CONGRESS FROM  
THE STATE OF NEW JERSEY**

Ms. Sherrill. Well, thank you, Mr. Chairman, ranking member.

And thank you, Mr. Pascrell, for all of your work that you do for New Jersey, and on this very critical issue.

The 2017 tax bill's cap on the State and local tax deduction, known as SALT, is the number one issue I hear about in North Jersey. Since 1913, the SALT deduction has protected many taxpayers from double taxation by allowing them to deduct all State and local taxes from their Federal tax liability. That all changed in 2017 when the Tax Cuts and Jobs Act imposed a \$10,000 cap on the SALT deduction.

The SALT cap calls into question the very notion of federalism that underpins our government. Let's be clear. This policy is unprecedented. It violates 150 years of settled Federal tax law, and as my friend and New Jersey colleague, Representative Pascrell, noted earlier, this is a double tax and it is punitive. New Jersey is one of four States challenging the SALT cap in Federal court, because this is a direct targeted assault on particular States and particular communities.

By capping deductions on State and local taxes, the 2017 tax law imposes a penalty on taxpayers based solely on the circumstances of where they live. It interferes with cities' and States' authority to make their own choices about how to invest in and govern themselves.

Mr. Chairman, nothing is more important to people's daily lives than the

ability to afford to live and work in safe communities with good schools and strong public and private resources. Congress made that much harder for tens of thousands of New Jersey families, the ones I represent.

And there is a misconception that the SALT deduction does not help the middle class or working families. That is certainly not true in New Jersey. In 2016, almost every county in my State had an average SALT deduction above \$10,000. In Morris County, the average SALT deduction in 2016 was more than \$23,500.

As Mr. Pascrell has pointed out, the vast majority of New Jersey residents affected by the SALT cap are households with middle incomes between \$75,000 and \$200,000. Just think about what that does to teachers in my district. Families in my community have seen their taxes go up because of the SALT deduction cap; and as a result, they are questioning whether or not they can afford to live in New Jersey.

Don't take my word for it. A recent survey from the New Jersey Society of Certified Public Accountants showed that 60 percent of respondents said that the Tax Cuts and Jobs Act increased the number of clients that they would advise to leave the State. This highlights the failure of the 2017 tax bill. The nonpartisan Congressional Research Service recently released a report of the economic effects of the 2017 Tax Cuts and Jobs Act. Let me quote it.

"On the whole, the growth effect shows a relatively small, if any, first-year effect on the economy."

This \$1 trillion tax law hurts small New Jersey businesses without helping the economy. It increased the deficit instead of increasing wages. It penalized married couples filing jointly; and in a State like New Jersey, it only further penalizes my neighbors who send more money to Washington in Federal tax dollars, and get back less than residents of almost any other State.

Here is the message I received from Mayor Bruce Harris of Chatham Borough in my district. The story for Chatham Borough is simple. The average property tax bill is about \$14,100. So, 40 percent is no longer deductible. Obviously that impacts people's pockets. It also impacts housing values. New Jersey is a payer State. It sends much more to the Federal Government than it receives back. New Jerseyans produce a good share of the Nation's wealth, but are being now penalized for that, and need I mention that we can't even get decent funding from the Feds for infrastructure repairs such as the Gateway Tunnel.

I understand why my constituents do not feel Washington is working for them. The SALT cap is simply taking money out of the pockets of New Jerseyans and rewarding mostly wealthy residents in States that don't share our commitment to investment and quality schools and public services.

What is more, the SALT tax cap is an active threat to penalize any State or local Government that decides to invest in its future. That is why New Jersey and three other States are challenging this in Federal court. This administration unfortunately is arguing that the SALT cap is not a, quote, "gun to the head of States." That may be true, but as a Federal judge pointed out in a hearing just last week, quote, "It's a rope to the neck with a gradual squeezing over time."

While I am committed to full repeal, I also owe it to the people of New Jersey to offer proposals that can garner bipartisan support. That is why I recently introduced the bipartisan SALT Relief and Marriage Penalty Act with Representatives Stefanik, King, and Cisneros. My bill, H.R. 2624, would make the SALT deduction equal to the standard deduction taken by taxpayers, 12,000 for individual filers, 18,000 for heads of household, and 24,000 for joint filers.

Mr. Chairman, there are hardworking people across my State, being hurt. We

owe them a solution, and we owe them a vote.

Thank you.

[\[The statement of Ms. Sherrill follows:\]](#)

Mr. Suozzi. Thank you, Congresswoman Sherrill.

Now the gentleman from New Jersey, Mr. Norcross.

**STATEMENT OF THE HON. DONALD NORCROSS, A REPRESENTATIVE IN CONGRESS  
FROM THE STATE OF NEW JERSEY**

Mr. Norcross. Thank you, Chairman. I thank the subcommittee for holding this hearing.

By doing important to my constituents in South Jersey, tens of thousands of working families in the Garden State have been impacted by this. You see, New Jersey's working families were hurt most when President Trump and Republicans in Congress got in this critical State and local tax deduction with their Robin Hood-in-Reverse tax law. And let's be clear. I am not saying the wealthiest New Jersey families are the top 1 percent. I am saying the working families because the pain is primarily felt by the middle income earners.

All we are asking for is a level playing field, fairness. 1.8 million New Jersey taxpayers deducted their local properties and SALT deductions in 2016, averaging \$18,000 per deduction. This means with the 10,000-dollar cap on the deductions, New Jersey taxpayers are slapped with a new large tax bill.

To make matters worse, even before the tax bill was passed, it started to hurt our families. New Jersey was already a donor State. That means we have already been giving -- no -- excuse me. They have been taking more from our State for the Federal Government than we give back. As Josh Gottheimer, our colleague, said, those are moocher States. Keep taking advantage of New Jersey taxpayer. It is unjust, and we must put to an end.



When the storm hit, Sandy, in New Jersey, New York, it was almost 6 months before aid came; and those who voted against the aid for New Jersey found out something happened. It was less than 2 years later it hit their State. Now I am from Jersey and I know how I wanted to vote initially, but they are all Americans. We are all in this together. It is about fairness, and they got their storm aid. Well, this is our hurricane. This is our earthquake. This is our tornado. It is devastating to our State and the States that you have heard our other colleagues from. We were just over in Normandy for the 75th Anniversary. Nobody asked them if they were from a red or blue State. They gave all for a fair system.

We have to stop this attack on the SALT; and that is why I am supporting the SALT Act, H.R. 1142, that is sponsored by my colleague, Bill Pascrell, who has been doing a great job bringing this issue up time and time again.

So, from where Bill lives to where Mikie Sherrill to the southern part of the State, we are all feeling this pain; but we are strongly united on this bill. Fully restore State and local tax deduction. In 2017, the majority let red-versus-blue politics guide their tax policies. Let's bring back equity, fairness. Let's make sure we pass this and restore what so many people gave their lives to, one America that treats everybody the same.

I yield back. Thank you.

[\[The statement of Mr. Norcross follows:\]](#)

Mr. Suozzi. Thank you, Mr. Norcross.

Is there anyone left to testify?

We will now recognize the gentleman from New York, Mr. Rose.

Mr. Rose. Mister -- do we call you Chairman? No, you have a -- yeah, is that --

Mr. Suozzi. That is correct, sir.

Please continue with your testimony.

**STATEMENT OF THE HON. MAX ROSE, A REPRESENTATIVE IN CONGRESS FROM THE  
STATE OF NEW YORK**

Mr. Rose. Is that an official title?

Mr. Chairman, ranking member, thank you for your time.

You have heard this already. Let's be very simple here. This was a political hit job passed a year ago or so by a party that wanted to, under a thin guise, aid and abet their donors and corporate benefactors on the backs of people that they didn't care about.

Everyone says I am here for the working class. I am here for the middle class. Well, that is exactly who we are talking about today. We are talking about cops, firemen, teachers, nurses, first responders, people that do everything right. They follow the rules. They keep their head down, they work hard. They serve us. They keep us safe. We thank them, but then we hit them with something like this.

It is going to make them harder to own their home. Their real estate values is going down, and think about what we did at the same time. We preserved the carried interest loophole, so hedge fund managers and private equity executives and

real estate magnates and oil barons pay a lower tax rate than all the people I just spoke about. We aided the pastor entities. We made such a significant reduction in the corporate tax rate that it was lower than what they even asked for, all on the backs of people that when we have a fire, when we call 9-1-1, when we get rushed to the ER, they are the ones that save our lives. That is what we did in these halls.

So, shame on the Republican Party for what they did; but also shame on the Democratic Party because we are not playing hardball. We are not playing hardball. Let's fix it. Let's stop being so nice. Let's make it hurt for them because our people are suffering right now; and they did everything right, everything.

So, let's show the American people, let's show New Yorkers and people from Jersey and Connecticut and California but, more importantly than that, the entire country that government can work. Let's show them that, when you follow the rules in this country, we will reward you, that this is the people's institution, not an institution for big corporations and extraordinary wealthy people. That is our opportunity.

Thank you again for your time.

[\[The statement of Mr. Rose follows:\]](#)

\*\*\*\*\* COMMITTEE INSERT \*\*\*\*\*

Mr. Suozzi. Thank you, gentlemen, for excellent testimony; and I will invite them to another meeting where we are going to try and bring together everyone who testified today to continue to discuss this issue and move it forward and bring it to the attention of the American people and try and persuade some people to make some changes.

Thank you very much. I think that concludes the rest of our testimony.

Do you want to add anything, Mr. Holding?

Mr. Holding. No, Mr. Chairman.

Mr. Suozzi. Okay. So, we will adjourn at this time.

Thank you.

[Whereupon, at 4:22 p.m., the subcommittee was adjourned.]

Additional Member's Statements for the Record:

[The Statement of Rep. Anthony Delgado \(NY-19\)](#)

[The Statement of Rep. Bill Pascrell \(NJ-09\)](#)

[The Statement of Rep. Jamie Raskin \(MD-08\)](#)

[The Statement of Rep. Mark DeSaulner \(CA-11\)](#)

[The Statement of Rep. Mike Levin \(CA-49\)](#)

[The Statement of Rep. Nita Lowey \(NY-17\)](#)

[The Statement of Rep. Carolyn Maloney \(NY-12\)](#)