

**Congresswoman Katie Porter (CA-45)**  
**Ways and Means Committee**  
**Member Day Hearing on the State and Local Tax Deduction**  
**Tuesday, June 25, 2019, at 2:00 P.M. in 1100 Longworth House Office**  
**Building**

Chairman Neal, Ranking Member Brady and Members of the Committee, thank you for letting me testify today about the harmful impact that the state and local tax deduction cap has had on Orange County families.

Simply put, we must repeal the SALT limits included in last year's tax bill. All across my district, Democrat, Republican and Independent voters have had the same message:

- the SALT cap is unfair;
- it's penalizing people that choose to make California their home; and
- it's stretching families thin when they're already feeling the squeeze from the high cost of childcare, housing and prescription drugs.

Estimates indicate that 37 percent of taxpayers in the 45th District use the SALT deduction, with an average deduction of \$18,200 dollars.<sup>1</sup> By capping the deduction at \$10,000 dollars, many middle-class families saw their effective tax rates go up in 2018.

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<sup>1</sup> Government Finance Officers Association. "The Impact of Eliminating the State and Local Tax Deduction." Available at: [https://www.gfoa.org/sites/default/files/RCC%20Report%20on%20SALT%20Deduction-092017\\_Final.pdf](https://www.gfoa.org/sites/default/files/RCC%20Report%20on%20SALT%20Deduction-092017_Final.pdf)

What's worse, the tax bill imposes a marriage penalty. While unmarried individuals can each file for \$10,000 dollars worth of SALT deductions — totaling \$20,000 dollars— a married couple can only claim \$10,000 dollars.

Estimates suggest that more than 42,000 residents in the 45th District were no longer able to deduct their full property taxes from their federal tax bill.<sup>2</sup>

This policy is anti-family, and inconsistent with Orange County values.

I'm not alone in my concern about SALT. Earlier this year, I sent a letter to Speaker Pelosi and Minority Leader McCarthy with twenty four (24) of my colleagues – Republicans and Democrats – ***demanding*** that House leadership bring SALT repeal up for a vote.

I appreciate the Chairman and the Ranking Member holding this hearing, but frankly, I'm ***frustrated*** that action on this issue hasn't moved sooner. For many Orange County families, they can't afford another year of higher tax bills.

I heard this in April, when I held a tax town hall in Irvine. My neighbors simply could not understand why middle-class families in California were being penalized while Amazon paid no federal income tax in 2018. They could not fathom why their effective tax rate would increase while Wells Fargo received a \$3.7 billion dollar windfall from the tax bill.

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<sup>2</sup> Report from the Oversight and Government Reform Committee prepared for the office of CA-45. Available at: <https://porter.house.gov/sites/porter.house.gov/files/April%202019%20Report%20on%20Tax%20Bill%20and%20Homeowners%20CA-45.pdf>

I wanted to read to the Committee just a few stories from my constituents that I collected during my first six months in office. With your permission, I'd like to entire the full list of constituent stories into the record.

- **Rachel from Laguna Hills told my office:** "We owe \$4700 dollars this year and had a return last year... We own a small business but the corporate tax cuts really don't make much of a difference to us even though we are an S-Corp. The cap on SALT is over taxing middle-class homeowners in Orange County. Our taxable income is about \$150,000 dollars, which places us middle-class for California. We employ 10 people and this makes it difficult for us to grow our business as we are wary of our personal financial situation moving forward."
- **Susan from Irvine noted:** "Many of us in CA-45 are retired and have worked to fund and manage our retirement income. With the new tax law, our income taxes are increasing by \$5,000 dollars or so. Others we know, who have changed nothing... have faced a total loss of refund, and a tax bill nearing \$10,000 dollars basically due to the loss of SALT and other deductions. This is very hard on retired people, who don't have the time or opportunity to alter their financial situations."
- **Laurice from Mision Viejo said:** "The change in the SALT deduction affected my taxes this year in a very negative way. Because of the cap, I lost out on \$7000 dollars worth of 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 dedications. We shouldn't be penalized for living in a high cost state."

One final point I want to emphasize to this Committee: the median home price in Irvine, California is \$860,000 dollars.

But my constituents are by no means living extravagantly.

If you go online, you can find very modest homes with two bedrooms and two bathrooms, under one thousand square feet, that sell for well over half a million dollars.

For those that are unsympathetic to people that choose to make Southern California their home, I want to emphasize that our community is training some of the best scientists in the country. We are making strides in biomedical research that benefit the entire world. And we have one of the most vibrant communities in terms of entrepreneurship and technology.

Our families should not be penalized by double taxation.

Thank you for the opportunity to testify today. I hope this Committee takes quick action to address the unfairness of the SALT cap.

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