

An Open Letter to Congress:

Reduce Tax Rates for All Taxpayers by Eliminating Unproductive SALT Deduction

States desperately need a return to robust national economic growth in addition to fiscal discipline on the spending side of the ledger. **Eliminating the state and local tax (SALT) deduction would provide upwards of \$1.5 trillion over the next decade to implement broad-based tax cuts nationally.** This overhaul would spur the growth in economic output needed to jolt business investment, personal income growth, and job growth.

In addition to being a roadblock to broad federal tax reforms, the SALT deduction partially shifts the costs of mismanagement elsewhere. Thanks to SALT, income earners and businesses in lower-taxed states pay a higher effective federal income tax rate than their high-taxed counterparts since they deduct less from their taxable income. **In effect, citizens in more fiscally responsible regions subsidize the malfeasance of politicians thousands of miles away.**

Adding to the innate unfairness of the current SALT deduction, **only a small fraction of those paying state and local taxes realize any federal tax benefit from the deduction.** Only 30 percent of tax filers itemize at all for the simple fact that individuals must choose between the “standard deduction” of either \$6,300 or the total of all other allowable deductions. In other words, all workers pay state and local taxes; but only the minority of workers who itemize deductions see a partial “refund” of those taxes paid. A far lower percentage of middle-class workers itemize compared to their higher-earning counterparts. As a result, the SALT deduction operates very similarly to a regressive tax by rebating a relatively higher portion of state and local taxes as one earns more income. Lowering the tax rates on all by eliminating the SALT deduction will benefit all Americans—wealthy and poor alike—by incentivizing the investments in business enterprises and technology needed to accelerate national economic growth.

For many taxpayers outside of the high-tax locales, the savings from lower federal rates will outweigh the loss of the federal deduction even without positive changes at the state and local level. **Abolishing SALT would force residents to take a much harder look at their state and local tax rates.** Especially in the highest taxed states, the loss of the deduction will increase community demands for more responsible management of government resources. But even taxpayers in high-tax areas disproportionately benefiting from the existing SALT deduction will benefit from its elimination. The larger tax base resulting from accelerated growth will alleviate some of the impetus for higher state and local rates.

The hardworking men and women of America need pro-growth tax reform to ensure a healthy economy in the months and years ahead. Incentivizing investment and business expansion by lowering the penalty on success (the income tax) produces far more growth than subsidizing state and local government spending through the SALT deduction. For these reasons, we support efforts to eliminate the state and local income tax deduction in exchange for lower federal income tax rates across the board.

The state legislators and local elected officials listed below represent millions of Americans from every corner of the United States

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