

Governor Phil Murphy

New Jersey-led Coalition of States Sends Letter to Biden Administration Calling for Elimination of SALT Cap

04/2/2021

New York Governor Andrew Cuomo, Connecticut Governor Ned Lamont, Illinois Governor J.B. Pritzker, California Governor Gavin Newsom, Oregon Governor Kate Brown, and Hawaii Governor David Ige Join Governor Murphy in Calling on Elimination of the Trump-era Punitive Measure

TRENTON – Today, Governor Phil Murphy led a coalition of Governors representing states targeted by the Trump Administration’s cap on State and Local Tax (SALT) deduction, in sending a letter to President Biden calling for the elimination of the cap. New York Governor Andrew Cuomo, Connecticut Governor Ned Lamont, Illinois Governor J.B. Pritzker, California Governor Gavin Newsom, Oregon Governor Kate Brown, and Hawaii Governor David Ige signed onto the letter calling on the Biden Administration to remove the cap and its associated burden and negative impacts on middle-class families in their states.

“The SALT cap imposed on blue states by the previous administration was not based on policy, but rather revenge politics,” said Governor Murphy. “Before this cap, New Jersey already paid far more to the federal government in taxes than it received. Now the disparity is even greater as middle-class families in New Jersey face a larger tax burden as they subsidize federal payments to other states. The Biden Administration must support Congressional efforts to eliminate this cap and bring fairness back to our tax system.”

FULL LETTER:

Dear President Biden:

Thank you for your leadership during these unprecedented times. As more vaccines become available to Americans, there is a clear light at the end of the tunnel, and we look forward to a renewed sense of normalcy and optimism in our country.

Your administration has already taken incredible steps to ease the burden of more than a year of uncertainty caused by a global pandemic, and for that we are grateful. The American Rescue Plan will help more than 160 million Americans with direct payments and provide our states with the resources to keep teachers and first responders on our payrolls. Rental assistance funds will help keep roofs over the heads of our most vulnerable and the funding for schools will help keep our students safe in their classrooms.

We applaud those efforts to help our citizens. But we must go further and undo the cap placed on State and Local Tax (SALT) deductions by the Trump Administration through the Tax Cuts and Jobs Act in 2017. For the first time since Abraham Lincoln created the federal income tax, the cap on SALT deductions established a system of double taxation, where 11 million Americans were forced to pay taxes on the amount they paid in State, local, and property taxes, to the tune of \$670 billion over a decade.

Like so many of President Trump’s efforts, capping SALT deductions was based on politics, not logic or good government. This assault disproportionately targeted Democratic-run states, increasing taxes on hardworking families. This was unacceptable then, and is simply untenable given the dire economic conditions caused by the pandemic.

In 2019, Governors came together to form a coalition of States to fight for tax fairness to overturn the artificial cap on SALT deductions. In New York and California, taxpayers are each being forced to pay more than \$12 billion in additional taxes to the federal government annually. In New Jersey, taxpayers are forced to pay the federal government approximately \$3 billion a year in additional taxes. In Hawaii, taxpayers are forced to pay an extra \$370 million in additional taxes. In Connecticut, which pays more to the federal government and receives back less per capita than any other state in the nation, taxpayers paid \$1.3 billion more in additional federal income taxes because of the SALT cap. Several states commenced litigation against the constitutionality of the law. The cases are still pending.

In short, middle-class Americans are struggling under this federal tax burden, while corporations – which are still able to fully deduct SALT as business expenses – are profiting because of the same law. The negative impacts of the SALT cap on middle class families are particularly egregious when you consider that in the states most affected by this cap, the federal government already takes more in federal taxes than the states receive in federal support, effectively subsidizing federal payments to other states.

It was heartening to hear Treasury Secretary Yellen agree to work with Congress to ease the \$10,000 cap on SALT recently. On behalf of our residents, we urge your administration and Congress to continue these efforts to relieve this immense financial burden on our residents and eliminate the SALT cap entirely.

A copy of the letter can be found here (/governor/news/news/562021/docs/20210402\_SALT\_Letter\_to\_President\_Biden.pdf).

Governor Phil Murphy

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