

Congress of the United States
Washington, DC 20515

October 6, 2017

The Honorable Paul Ryan
Speaker
United States House of Representatives
Washington, D.C. 20515

Dear Speaker Ryan,

We write in response to yesterday's release of the draft "Unified Framework for Fixing Our Broken Tax Code." We strongly support meaningful tax reform, however, we write to convey our strong opposition to the removal of the critically important State and Local Tax (SALT) deduction, which protects taxpayers from being taxed twice on the same income. As federal representatives of New Jersey, we are extremely concerned that if eliminated, this would result in a substantial burden for the 41 percent of filers who currently utilize this deduction in our home state.

Nationwide, almost 30 percent of taxpayers utilize the SALT deduction. Individuals filing in every state and in every income bracket can benefit from this deduction and as of 2014, the most recent year for which data are available, 43,552,980 filers claimed this deduction, with an average deduction of \$3,491.

The SALT deduction is critically important in states such as New Jersey, where taxpayers are not only faced with high state and local taxes, but also contribute among the highest federal income taxes in the nation. In New Jersey, 41 percent of filers claim this deduction, with an average deduction of \$7,045. The elimination of this deduction promises to impact almost half of filers.

As we seek to achieve tax fairness and lower taxes, eliminating a program that provides relief to 40 percent of New Jersey tax payers, who already pay a disproportionate share in federal taxes, would fail to meet that goal. According to a 2015 report by the Office of the New York State Comptroller, per capita, New Jersey sent \$2,659 more to the federal government in taxes than it got back in federal spending, giving New Jersey the distinction of having the largest deficit in the balance of payments on a per capita basis than any other state. Further, while the national average for the amount paid in federal income tax is \$14,051, the average taxpayer in New Jersey paid \$18,367, placing New Jersey fourth in average federal income tax paid. As proposed, this provision will only further shift the burden onto states like New Jersey and take away a meaningful form of relief for individuals.


It is important to note that almost 40 percent of taxpayers earning between \$50,000 and \$75,000 per year and over 70 percent of taxpayers who earn between \$100,000 and \$200,000 each year utilize the SALT deduction. Over half of the total value of the SALT deduction went to

taxpayers with adjusted gross incomes (AGI) under \$200,000. In New Jersey, where the average per capita income is \$57,949, this would have an overwhelming impact on middle class workers.

While the draft "Fixing Our Broken Tax Code" states the repeal of current deductions will make the tax system fairer and simpler for individuals and families, the elimination of the SALT deduction will do just the opposite. In addition to the economic burden this will cause to individuals in New Jersey, this will have a chilling effect on the overall state economy and specifically, present a barrier to homeownership, an important means to achieving a foothold in the middle class and wealth accumulation. For individuals earning less than \$50,000, over 60 percent of deductions come from property tax. This therefore presents a real threat to home ownership and the ability of our constituents to build wealth and achieve security.

We appreciate the work of the Committee and leadership in putting forward this product and support your commitment to reforming our tax code. However, we are seriously concerned about any proposal to remove the SALT deduction and impact 40 percent of our constituents and oppose the elimination of the SALT deduction. As we continue to discuss and modify this draft proposal, we urge you to include the SALT deduction in the final Tax Reform legislation.

Sincerely,


CHRISTOPHER H. SMITH
Member of Congress


LEONARD LANCE
Member of Congress


FRANK LOBIONDO
Member of Congress


TOM MACARTHUR
Member of Congress