

Congress of the United States
Washington, DC 20515

June 19, 2017

The Honorable Steven Mnuchin
Department of the Treasury
1500 Pennsylvania Ave
Washington, DC 20220

Dear Secretary Mnuchin,

While we welcome your efforts to streamline and modernize the Nation's tax system, we were concerned to learn that your plan would eliminate the federal deduction for state and local taxes paid when taxpayers itemize their deductions each year.

Alexander Hamilton wrote in the Federalist Papers about his fear that the federal government might monopolize taxation to the "entire exclusion and destruction of state governments."¹ Eliminating this deduction would single out and harm the highest-taxed states in the country, in particular California, New York, New Jersey, and Illinois.

New Jersey residents pay the highest property taxes in the United States. Eliminating this deduction would increase taxes on the average New Jersey taxpayer by \$3,500 per year. More than four in ten New Jerseyans itemize – approximately 1.8 million people -- and the deduction was worth an average of 8.7 percent of their income. The deduction primarily benefits middle- and lower-income earners: nearly 85% of those claiming the state and local deduction in New Jersey have household incomes below \$200,000 per year. Furthermore, states like New Jersey already disproportionately provide revenue to the federal government while receiving less than they give in return. According to the Tax Foundation, New Jersey ranked 41st in states by percentage of revenue coming from the federal government.²

It is estimated that the value to New York City alone of taxpayers itemizing deductions for state and local taxes was \$7.7 billion in 2014, or \$6,600 per affected taxpayer, according to the Partnership for New York City. The state of New York sees 3.2 million residents claiming the deduction, and New York's itemizers make up primarily lower- and middle-income households: 85% of those claiming the state and local deduction earned less than \$200,000 in annual income.

¹ http://avalon.law.yale.edu/18th_century/fed31.asp

² <https://files.taxfoundation.org/20170315142330/Tax-Foundation-FF545.pdf>

New York also sends a disproportionate amount of revenue to the federal government -- despite city residents paying \$96 billion in personal income taxes, the city received back only about \$61 billion from the federal government.³

In California and Illinois, the state and local tax deduction also represents a sizable portion of taxpayers' income, accounting for approximately 8% of the average itemizer's adjusted gross income, and 6%, respectively.⁴ In California, nearly 5.9 million residents claimed the deduction, with nearly 84% of those earning less than \$200,000 in annual household income. In Illinois, the numbers were similar: 86% of the nearly 2 million Illinois residents claiming the deduction are households making less than \$200,000 per year.

The elimination of this deduction unfairly penalizes residents in high-tax states like New York, California, Illinois, and New Jersey, where middle-class families can least afford another tax increase.

The National Governors Association, United States Conference of Mayors, and the National Conference of State Legislatures have spoken out against eliminating the state and local tax deduction.⁵ The National Association of Realtors has also said eliminating the deduction, coupled with doubling the standard deduction, would "effectively nullify the current tax benefits of owning a home for the vast majority of tax filers."⁶

We hope you will reconsider this dramatic increase to the tax burden borne to families and homeowners in select high-cost states. As outlined above, our states are economic engines that deliver disproportionately more revenue to the federal government than they receive back, paying more for services delivered to the country at large. Faced with an already high tax burden and high cost of living, our communities cannot afford another increase to their taxes.

We appreciate your consideration of our request.

Sincerely,



Bill Pascrell, Jr.
Member of Congress



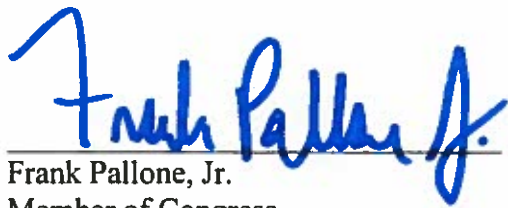
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³ https://www.nytimes.com/2017/04/27/business/economy/state-local-income-tax-deduction.html?_r=0

⁴ <https://taxfoundation.org/state-and-local-tax-deduction-primer/>

⁵ <http://www.naco.org/resources/state-local-governments-urge-congress-preserve-state-and-local-tax-deduction-and-tax>

⁶ <https://www.inman.com/2017/04/26/is-trumps-tax-plan-good-for-homeowners-nope-says-nar/>



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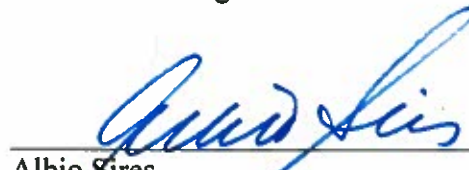
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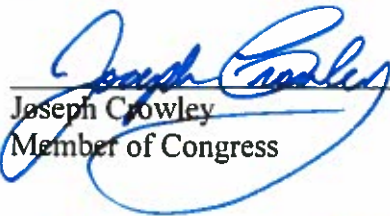
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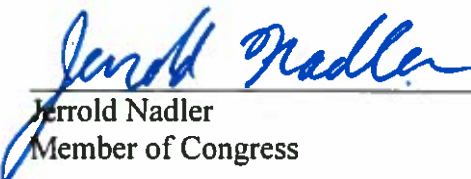
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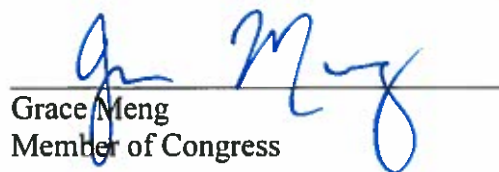
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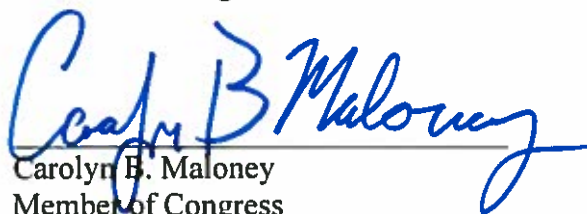
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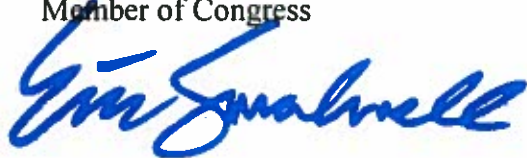

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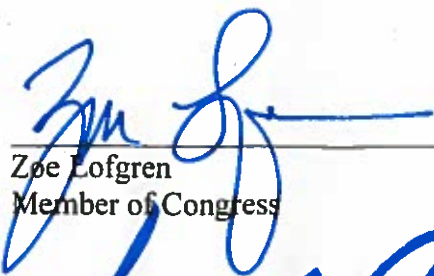

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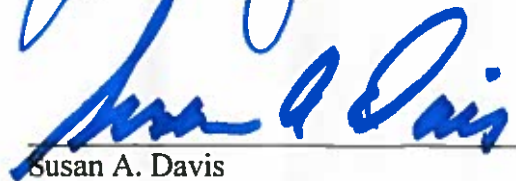

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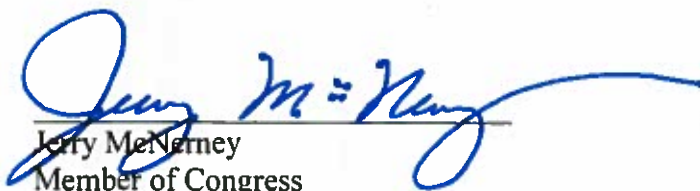
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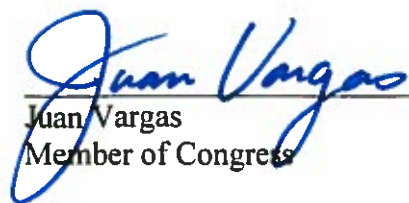
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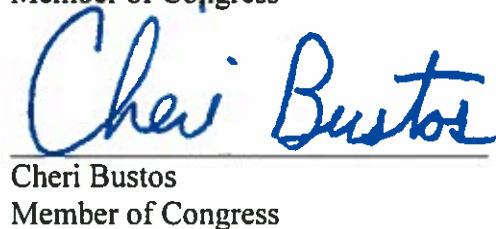

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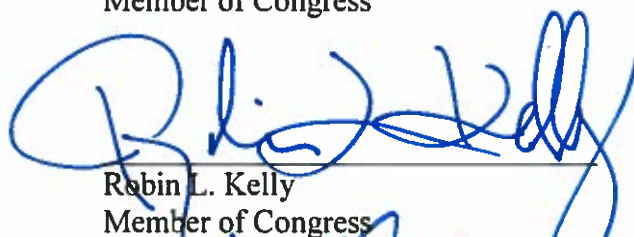

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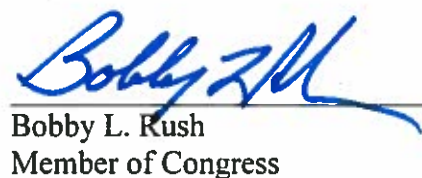

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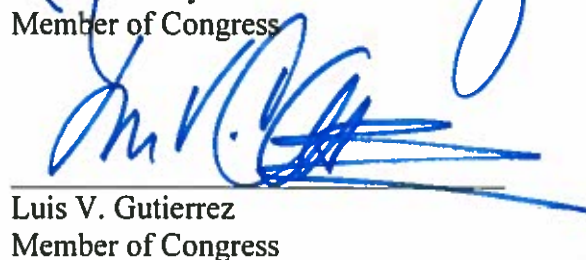

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