

ALBANY CALIFORNIA



CITY OF ALBANY
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November 9, 2017

Rep. Kevin McCarthy (Kyle.Lomardi@mail.house.gov)
Rep. Devin Nunes (Jilian.Plank@mail.house.gov)
Rep. David Valadao (Dylan.Chandler@mail.house.gov)
Rep. Mimi Walters (Casey.Fitzpatrick@mail.house.gov)
Rep. Dana Rohrabacher (Jeff.Vanderslice@house.gov)
Rep. Duncan Hunter (Reed.Linsk@mail.house.gov)
Rep. Jeff Denham (Tracey.Chow@mail.house.gov)

Dear California Congress Members:

On behalf of the City of Albany I urge you to oppose any House legislative tax proposal that would eliminate or reduce the state and local tax (SALT) deduction. Any repeal or reduction of this deduction will hit middle-class taxpayers in California particularly hard. The SALT deduction has been part of the federal tax code as long as it has existed to guard against double taxation, to encourage home ownership, and to protect state and local fiscal systems. Repealing or reducing this important middle-class deduction would raise taxes on Californians, diminish home values, and take away sorely needed revenues for state and local budgets. California is a net payer state. We already pay more in federal taxes to the federal government than we receive in benefits. We urge you to protect Californians from yet another tax grab from Washington.

The SALT deduction makes the cost of living more affordable in states like California. For example, the average SALT deduction in our state was \$18,438.00 in 2015 -- the third highest of any state. The deduction was claimed by 6.1 million California households, which represents 34% of all tax filers. According to the Institute for Taxation Economic Policy, under the House tax framework, nearly 40% of California families making between \$75,500 and \$129,500 would see an average tax increase of \$2,260.00. Moreover, 58% of families with incomes between \$129,500 and \$303,200 would see an average tax increase of \$3,980.00. Middle-class families in our cities have not seen real income gains since the Great Recession. They deserve a tax break, not a tax increase.

We understand that California members of Congress are discussing limiting the SALT deduction instead of full repeal. We urge you to reject this approach. Limiting the SALT deduction would reduce federal tax incentives for home ownership; it would reduce

tax deductions for real estate taxes (part of SALT) and reduce itemized deductions, including the value of the mortgage interest deduction. For these reasons, professional services firm PricewaterhouseCoopers found that SALT repeal would decrease home values by 10 percent nationally. California would be hit particularly hard given that we have the second highest average mortgage interest deduction of any state according to the leading independent tax policy nonprofit, Tax Foundation.

Additionally, reducing the value of SALT deduction could force cuts in services that our cities provide to our residents. States, cities, counties and school districts have all established tax rates that operate under the assumption of federal tax deductibility. Limiting the deductibility of state and local taxes and hiking taxes on California families would place pressure on state and local governments to cut budgets that pay our teachers, our firefighters and rebuild our infrastructure.

The state and local deduction is a bipartisan issue as seen in the New York delegation, where Democrats and Republican Congressmen are working for their constituents by threatening to block the passage of the House budget legislation if the repeal of the SALT deduction is part of the House tax legislation being proposed next week. We urge our California members to join them in this effort. Please help our state by ensuring that Congress does not repeal or reduce our state and local tax deductions.

Sincerely

Peggy McQuaid
Albany Mayor