

ASSEMBLY COMMERCE AND ECONOMIC DEVELOPMENT
COMMITTEE

STATEMENT TO

ASSEMBLY RESOLUTION No. 193

STATE OF NEW JERSEY

DATED: OCTOBER 21, 2020

The Assembly Commerce and Economic Development Committee reports favorably Assembly Resolution No. 193.

This resolution urges the federal government to raise the state and local tax (SALT) deduction to \$25,000. Since 1913, Americans have had the option of using the SALT deduction when they file their federal income tax returns. Under the SALT deduction, federal taxpayers who itemize on their returns, rather than claim the standard deduction, may deduct state and local real estate and personal property taxes as well as either state and local income or sales taxes.

New Jersey is a “donor state,” meaning that the State pays more in federal taxes than it receives in federal funding. The SALT deduction provides an indirect federal subsidy to states such as New Jersey by decreasing the net cost of nonfederal taxes to those who pay them. In 2014, over 41 percent of New Jersey residents who filed federal income tax returns and itemized their taxes claimed the SALT deduction on their returns.

The federal “Tax Cuts and Jobs Act,” Pub.L. 115-97, which was enacted in December 2017, capped the SALT deduction to \$10,000 for most filers beginning in tax year 2018. Given the enormous fiscal benefits that the SALT deduction provides to New Jersey residents and the State, and given the disparity in the amount that New Jersey residents pay in federal taxes in comparison to the amount that they receive in federal funding, the federal government should raise the SALT deduction to \$25,000.