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## Institute of Government

### NEWS

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### **Who Are the Winners and Losers in the Federal State and Local Tax Deduction Proposal?**

Albany, NY—Today, the Rockefeller Institute of Government released an issues brief, analyzing the impact of the current proposal to eliminate the federal income tax deduction for state and local taxes (SALT), which is available to taxpayers who itemize deductions.

The Rockefeller Institute recently released a report featuring a deep dive of payments to the federal government from states' residents and economies, and the distribution of federal spending by state. Called the balance of payments, it found that residents and economies of 13 states, including New York State, gave more to the federal government than they got back in federal spending.

The issues brief found that the states that would be harmed most by repeal of SALT also pay the most to the federal government. Further, the issues brief found that the proposed tax plan will have a disproportionate impact on states such as California and New York, which generally tend to have higher state and local taxes. By comparison, states that pay less into the federal budget would pay disproportionately less in taxes if the deduction were eliminated.

"Today's report finds that the elimination of the deduction for state and local taxes will negatively impact those taxpayers in states that already pay more to the government than they get back in federal spending. As federal lawmakers continue to debate dramatic changes to the federal tax program, it is important for policymakers and the public to understand the impact of these potential changes," said Jim Malatras, president of the Rockefeller Institute of Government.

This issues brief was prepared by the Rockefeller Institute of Government's Fiscal Studies Team led by primary author Director Donald J. Boyd, with Research Scientist Lucy Dadayan.

A copy of the brief can be found here: [www.rockinst.org/observations/boydd/2017-10-05\\_boyd.aspx](http://www.rockinst.org/observations/boydd/2017-10-05_boyd.aspx).

A copy of the Balance of Payment Report can be found here [www.rockinst.org/pdf/government\\_finance/2017-09-28\\_Balance%20of%20Payments%20Report.pdf](http://www.rockinst.org/pdf/government_finance/2017-09-28_Balance%20of%20Payments%20Report.pdf).

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