Mousseau: The SALT (state and local taxes) conundrum

Excerpt from the Sarasota Herald Tribune’s article,

Mousseau: The SALT (state and local taxes) conundrum

There have been headlines recently describing the drop in state tax revenues versus forecasts for some of the higher-tax states such as California, New York, and New Jersey. Part of the falloff is due to an exodus of higher-income residents from high-tax states, such as the ones above, for states with low or no income taxes, such as Florida, Texas, and Nevada.

Exacerbating this effect is the SALT provision of the 2017 tax bill (in effect for the 2018 calendar tax year). It puts a $10,000 cap on the amount of deductible state and local income taxes and local property taxes. This cap, of course, effectively raises the effective rates of these taxes by an amount equal to the loss of deductiblity.

Prior to this year, being able to deduct state and local taxes in full meant that taxpayers subject to the old 39.6 percent *highest marginal tax rate effectively wrote off almost 40 percent of their taxes. The SALT change means that, on a cash-flow basis, both people's property taxes and income taxes will effectively rise almost 40 percent from what they paid last year. For obvious reasons, this new tax bite has generated much consternation and many crosscurrents.*

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Read the full article at the Sarasota Herald's website: www.heraldtribune.com