

## Glenda Wiles

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**From:** MACOleg <MACOleg@mtcounties.org>  
**Sent:** Tuesday, October 24, 2017 3:50 PM  
**To:** MACOleg  
**Subject:** ACTION NEEDED: Tax Reform - SALT Deduction  
**Attachments:** montana-salt.pdf

**Importance:** High

Commissioners,

The tax reform outline released on September 27, 2017, eliminates the state and local tax deduction (SALT). If SALT is eliminated or reduced it would constrict local control, limit local revenues, and increase taxes on middle class home owners and families, as well as set a precedent allowing further cuts and changes. This issue impacts each and every county - it harms home values, represents a \$1.3 trillion federal revenue grab, and as articulated by Heritage and ALEC recently, would be a major step in cutting State and local revenues.

Below is a comparison of three counties in Montana showing the impact to taxpayers losing the State and Local Tax Deduction (SALT). The illustration utilizes a married couple with two dependents. In all three examples, there is a net increase in the average tax burden, even when using the proposed double standard deduction.

The Counties have been randomly selected to show the impact across the State. The State and Local Tax deductions are used by approximately 28% of Montanan's, resulting in over \$1.3 million in total SALT deductions across the state. Estimates show the average deduction for a Montana resident is about \$9300. It impacts about 140,000 Montana residents. Of note, in particular in Montana, is the income tax rates collected by the State of Montana are based on the Taxable Income. Eliminating deductions in a manner that RAISES taxable income will mean a larger income tax burden for Montana families in state income tax as well as the demonstrated increase on the chart below.

		Fergus County		Beaverhead County	
		CURRENT	PROPOSED PLAN (NO SALT)	CURRENT	PROPOSED PLAN
Filing Status	(Married or Single)	Married	Married		
Exemptions		2	2	2	2
Dependents		2	2	2	2
Dependents		59457	59457	59725	59725
Adjusted Gross Income		\$52,881.59	\$ 52,881.59	\$50,492.18	\$ 50,492.18
State and Local Income Tax paid		\$ 4,789.69	\$ 4,789.69	\$5,862.07	\$ 5,862.07
Property Tax Amount		\$ 2,426.60	\$ 2,426.60	\$2,322.62	\$ 2,322.62
Mortgage Interest Paid		\$ 6,300.00	\$ 6,300.00	\$6,390.97	\$ 6,390.97
Charitable Giving		\$ 4,540.00	\$ 4,540.00	\$4,073.97	\$ 4,073.97
Adjusted Gross Income		\$52,881.50	\$ 52,881.59	\$50,492.18	\$ 50,492.18
Standard Deduction		\$ -	\$ 24,000.00	\$0.00	\$ 24,000.00
Itemized Deduction		\$19,056.29	\$ -	\$18,649.14	\$ -
<b>State and Local Taxes</b>					
Income Tax		\$ 5,789.69		\$5,862.07	
Sales Tax				\$0.00	
Real Estate Tax		\$ 2,426.60		\$2,322.62	
Mortgage Interest		\$ 6,300.00		\$6,390.48	
Charitable Donations		\$ 4,540.00		\$4,073.97	
Exemptions		\$16,200.00		\$16,200	
Taxable Income		\$17,625.30	\$ 28,881.59	\$15,643.05	\$ 26,492.18
Child Tax Credit		\$ 2,000.00	\$ 2,000.00	\$2,000.00	\$ 2,000.00
<b>TAX</b>		\$ (237.47)	\$ 1,465.79	(\$435.70)	\$ 1,719.06
Effective Rate		-0.45%	2.77%	-0.86%	\$ 1,179.06
<b>NET INCREASE OF</b>			<b>\$1,703.26</b>		<b>\$1,614.76</b>

If you would like to calculate your data, please use the "Homeowner Tax Calculator" located here: <http://news.americansagainstdoubletaxation.org/salt-tax-calculator/> (if it asks for a password, please enter the following: **nocompromises**). The calculator assesses the impact of the proposed "Big Six" tax reform framework compared with current law on individuals and families who own homes. Customizing the fields in blue will calculate the change in taxes resulting from the proposed plan, which eliminates the SALT deduction, for the average homeowner in any zip code in the United States.

The GOP leadership is expected to release the "Big Six" plan on October 30, with a House Ways and Means Committee markup within a week.

We urge you to contact our Montana Congressional delegation and stress the importance of the SALT deduction to your communities, and we encourage you to further publicize this issue through your own action alert, social media, press, or other local events.

To assist you with this outreach, the Americans Against Double Taxation (AADT) coalition has developed a toolkit that includes talking points, draft op-eds, sample social media posts, and more. Attached is Montana's SALT profile from NACo.

- To access the toolkit, click here: [toolkit.americansagainstdoubletaxation.org](http://toolkit.americansagainstdoubletaxation.org)
- The toolkit password is: **nocompromises**

Below is a press release from the AADT from today.



**For Immediate Release:** October 24, 2017

**Contact:** Natalie Pavlatos, [media@americansagainstdoubletaxation.org](mailto:media@americansagainstdoubletaxation.org), (202) 777-3539

## **Coalition to Congress: Changing SALT Isn't Just "Double Taxation," It's a "Double Standard"**

*Tax Reform Framework Eliminates SALT for Individuals and Families, Retains Deduction for Corporations*

Washington, D.C. – Americans Against Double Taxation (AADT) today sent a letter to Congress calling the proposal by the "Big Six" to eliminate the state and local tax (SALT) deduction for individuals and families, while still allowing corporations to claim SALT, an "unfair, unjustified and unprecedented Double Standard." AADT urged Congress to reject the "Double Tax, Double Standard" and oppose any legislation that fails to fully preserve SALT.

The letter, written on behalf of a broad coalition of state and local government organizations, service providers and other stakeholders – the same coalition which successfully fought to preserve the SALT during the 1986 tax reform debate – says that no taxpayer, "whether an individual, family or corporation, should be taxed twice on the same income." However, as the letter continues, "the mere filing of incorporation papers should not determine which taxpayers are protected from double taxation, and which ones are its victims."

Bob Chlopak, Co-Director of AADT, said: "The double tax double standard proposed by the Big Six reveals their obvious hypocrisy: they believe the SALT deduction is good tax policy when it comes to corporate America, but they treat it as a waste of money when it benefits middle class America. The middle class should not be treated like a second class when it comes to SALT; the deduction must be fully preserved."

The letter describes how the individual deduction for state and local taxes has been part of the federal tax code since the beginning, one of only six deductions in the first federal income tax in 1913 where it has remained ever since. It states that when President Lincoln imposed an emergency federal tax to finance the Civil War in 1862, state and local taxes were deductible as well. The letter goes on to explain that, prior to the present tax reform effort, "the President and the Congress have understood that it is wrong to tax Americans twice on their hard-earned incomes, making them pay federal taxes on monies they already paid to state and local governments in taxes."

The letter concludes by saying, "Few choices are so stark and clear: you can stand with 44 million American households who depend on SALT, or you can create a Double Tax, Double Standard that, for the first time in the history of our country, imposes a double tax on individuals and families while fully protecting corporations."

The full letter can be found [here](#).

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**About Americans Against Double Taxation**

*Americans Against Double Taxation is a coalition of state and local government organizations, service providers and other stakeholders dedicated to protecting the state and local tax deduction (SALT), a federal tax deduction claimed by 44 million American taxpayers that supports vital investments in infrastructure, public safety, home ownership and education. SALT maintains carefully balanced fiscal federalism by allowing state and local governments to support state and local services. Any limitations, restrictions or changes to SALT would subject SALT to continued erosion and put vital public services at risk. For more information, visit [AmericansAgainstDoubleTaxation.org](http://AmericansAgainstDoubleTaxation.org).*

Best,

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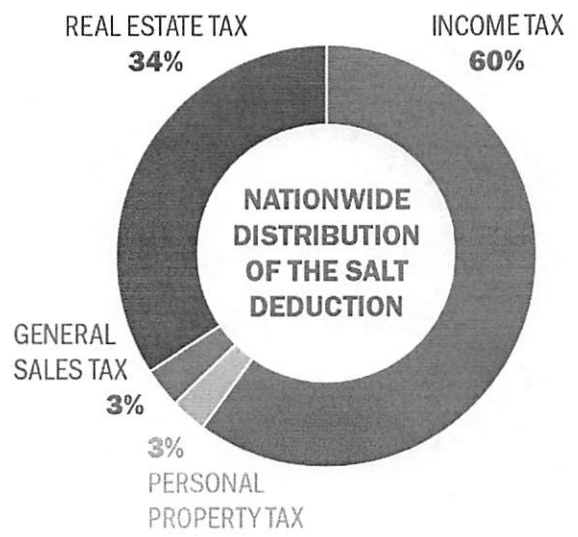


# STATE AND LOCAL TAX DEDUCTION (SALT)

## MONTANA

NUMBER OF HOUSEHOLDS CLAIMING SALT, 2015:	PERCENT OF MIDDLE INCOME SALT BENEFICIARIES*:	TOTAL AMOUNT DEDUCTED BY HOUSEHOLDS THROUGH SALT, 2015:	PERCENT OF SALT DEDUCTIONS BENEFITING MIDDLE INCOME HOUSEHOLDS*:	AVERAGE SALT DEDUCTION, 2015:
140,620	90.26%	\$1.32 BILLION	62.76%	\$9,358

- **Eliminating the SALT deduction would be a tax increase on almost 30 percent of American taxpayers**, since the deduction allows the subtraction of their mandatory tax payments to state and local governments from their federally taxable income.
- **Attempts to eliminate the SALT deduction represent a nearly \$1.3 trillion revenue grab by the federal government** at the expense of state and local government services and by gutting home ownership incentives.
- **The SALT deduction has been a bedrock principle since the first three-page federal income tax in 1913**, and the deduction supports local school funding, home ownership, lower middle-income taxes, tailored social services, infrastructure development and local job creation efforts. The principle of state and local control of tax systems extends back to President Lincoln and even Alexander Hamilton in the Federalist Papers.



**OUR ASK**  
Counties urge Congress and the administration to preserve local decision-making and prevent double taxation by maintaining the SALT deduction in comprehensive tax reform.

Notes: NACo analysis of Internal Revenue Service (IRS) 2015 data.  
\*Middle income brackets include all taxpayers who claimed the SALT deduction making less than \$200,000 in adjusted gross income in 2015, per IRS data.

### STATE AND LOCAL GOVERNMENTS PROVIDE CRITICAL SERVICES WITH TAX REVENUE, INCLUDING:



INFRASTRUCTURE



EDUCATION



LAW ENFORCEMENT



EMERGENCY SERVICES



HEALTH SERVICES