Support Full-Restoration of SALT-D and Oppose IRS SALT Regulations

The near elimination of the State and Local Tax (SALT) deduction was a potentially devastating blow to public education financing in New York. During the tax debate, we raised two critical concerns.

First, if taxpayers see an increase in their overall federal tax liability (or less of a decrease than taxpayers in other states), they may be less willing to support tax levy increases that support public schools. Boards and superintendents need to be cognizant of the ability and willingness of taxpayers to afford proposed levies and the new tax law takes funds away from New Yorkers to give greater tax cuts to other state and corporations. One month after the April 15 tax filing deadline, voters in nearly all the state's school districts will go to the polls to approve or reject proposed budgets.

Second, the SALT cap may lead to an exodus of wealthy New Yorkers to other states to reap greater financial benefits. For better or worse, New York relies heavily on the wealthiest individuals to fund public services for all our residents. The top 1 percent of income earners in the state contribute 42 percent of personal income tax revenue. Damage to the state's tax base would imperil its ability to aid all school districts, including those serving poor communities, whether urban, suburban, or rural.

To eliminate the potential harms we have identified, Congress should restore the full deductibility of SALT. We recognize that such an action will increase the deficit, but New York should never have been used as a "piggy-bank" to pay for tax cuts for the rest of the country. New York was already the biggest "donor state" prior to the tax law in total balance of payments sent to D.C. compared to what we receive back. Restoring SALT deductibility will remedy this issue to some extent.

Absent restoration of SALT deductibility, we urge you to help protect the ability of New Yorkers to deduct charitable contributions made to school districts. Under a recently enacted state law, school districts may establish charitable gift trust funds. Taxpayers would be able to make contributions to these funds and receive up to a 95 percent tax credit against their property tax bill. This state law effectively neutralizes the statutory capping of the SALT deduction.

However, the Internal Revenue Service (IRS) recently released rules that would prohibit taxpayers from utilizing the charitable deduction law to take advantage of donations to school district funds that are used to offset property tax liabilities. At the same time, the IRS is seeking to maintain this sort of tax saving maneuver for states that utilize tax credits for private and religious school vouchers.

This situation is not acceptable, and Congress should act to ensure that the regulations do not nullify the foundation law so that we can continue to provide exceptional public education opportunities.

For these reasons, we urge Congress to either protect New York via restoration of the SALT deduction or alternatively to prohibit the IRS from nullifying New York's foundation law.

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