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County Executive

Testimony of George Latimer, County Executive, Westchester County (New York)
submitted to the
House Ways and Means Subcommittee on Select Revenue Measures
hearing on
“How Recent Limitations to the SALT Deduction Harm
Communities, Schools, First Responders, and Housing Values”
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Thank you Chairman Thompson, for the opportunity to submit written testimony to your Subcommittee regarding the severe impacts the limitations imposed by the 2017 Tax Cuts and Jobs Act on the deductibility of State and Local Taxes (SALT) from federal income taxes are having on Westchester taxpayers.

As the County Executive for Westchester County New York, I want to express my strong opposition to the federal limits on SALT deductions, and my strong support for the repeal of this limitation. The suburbs of New York City are the epicenter of the impact of the federal changes to SALT deductions. This can be seen by the bi-partisan support amongst our Congressional Delegation which includes Nassau and Suffolk Counties on Long Island.

Many Westchester taxpayers experienced a significant increase in their federal income taxes because of the new limits on SALT deductions. In Westchester County, more than 47% of residents itemize their federal tax deductions with an average of \$34,300 in deductions, well above both the cap and the new standard deduction. However, federal law now caps the SALT deduction at \$10,000. This results in double taxation on the same income, and effectively raises taxes on thousands of middle-class and working families in Westchester who depended on the deduction.

Prior to enactment of this deduction cap, the SALT deduction had been a major source of tax fairness for high-taxed and donor states like New York, and especially in Westchester with its high property taxes and high cost of living. Westchester is proud of the level of services we provide, which are relied upon by our residents and businesses, such as mass transit, higher education opportunities, parks, public health protections, emergency and safety services, and more. I do not believe that we should be punished for providing a higher level of service by double taxation of our income.

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Some specific problematic impacts of the limit on the SALT deduction are:

- Double taxation on the same income: Federal taxes are now paid on income used to pay state and local taxes. This is especially harmful in communities where a large portion of working families' income goes to pay property taxes.
- Reduces incentives for homeownership: Previously, the full SALT deduction encouraged home ownership, especially in areas with high housing prices and high property taxes because potential homeowners knew they could deduct a significant amount from their taxable income.
- Decreases home values: The disincentive for homeownership impacts home values, thereby reducing the value of most middle income families' largest asset.
- Increases pressure on local government and school district budgets: Taxpayers who can no longer deduct all of their SALT from their income tax will be even more concerned about the amount they pay in property taxes to schools and municipalities. This could have a direct impact on the level of services. In New York, school districts and municipal governments are also subject to a cap on their property tax levy, putting further pressure on the ability to meet growing infrastructure and service needs, especially in high cost areas. The hardest hit local services would be schools, public safety first responders, and community services.

Westchester County greatly appreciated the strong leadership and advocacy of our federal delegation – Congressman Eliot Engel (NY-16), Congresswoman Nita Lowey (NY-17), Congressman Sean Patrick Maloney (NY-18), and U.S. Senators Charles Schumer and Kirsten Gillibrand -- in fighting against the 2017 tax reforms, and we appreciate their ongoing efforts to repeal these limits on the SALT deduction.

As municipal government and school district leaders work to meet community needs in a fiscally responsible way, we would appreciate the partnership of the federal government, not the imposition of double taxation. We hope this Subcommittee hearing and written testimony helps to build support for repeal as Members of Congress understand the real, practical impacts on local governments, school districts, and taxpayers.

Thank you.