

Table T21-0304
Options to Reform the State and Local Tax (SALT) Deduction
Summary of Distributional Effects, 2021¹

Panel A: By Expanded Cash Income Percentile ²	Share of Tax Change (Percent)					Percentage of Tax Units with a Tax Cut ⁴						Average Tax Change (\$)					
	Option ³	Bottom 60	60-80	80-95	95-99	Top 1	Bottom 60	60-80	80-95	95-99	Top 1	All	Bottom 60	60-80	80-95	95-99	Top 1
Increase Limit to \$25,000	1.7	7.6	34.9	40.2	15.6	0.5	8.6	35.7	77.0	87.0	8.2	*	-70	-540	-2,490	-4,000	-160
Increase Limit to \$72,500	1.2	4.9	24.1	40.3	29.4	0.6	8.7	35.9	77.7	87.6	8.2	-10	-90	-690	-4,580	-13,810	-300
Increase Limit to \$80,000 (House version)	1.2	4.7	23.6	39.6	30.8	0.6	8.7	35.9	77.7	87.6	8.2	-10	-90	-690	-4,610	-14,850	-310
Increase Limit to \$25,000 for AGI less than \$400,000 ⁵	2.5	11.0	50.6	35.9	0.1	0.5	8.6	35.6	58.9	0.6	7.1	*	-70	-540	-1,530	-10	-110
Increase Limit to \$80,000 for AGI less than \$400,000 ⁶	2.5	9.7	48.0	39.8	0.1	0.6	8.7	35.9	57.3	0.5	7.1	-10	-90	-690	-2,270	-20	-150
Increase Limit to \$80,000 for AGI less than \$900,000 ⁷	1.6	6.3	31.5	50.0	10.6	0.6	8.7	35.9	76.2	31.5	7.8	-10	-90	-690	-4,380	-3,840	-230
Repeal Limit for AGI Less than \$400,000 ⁵	2.4	9.4	46.8	41.3	0.1	0.6	8.7	35.9	60.2	0.6	7.2	-10	-90	-690	-2,430	-30	-160
Repeal Limit for AGI Less than \$900,000 ⁷	1.5	6.2	31.0	49.8	11.3	0.6	8.7	35.9	76.2	31.5	7.8	-10	-90	-700	-4,440	-4,170	-240

Panel B: By Expanded Cash Income Level	Share of Tax Change (Percent)					Percentage of Tax Units with a Tax Cut ⁴						Average Tax Change (\$)					
	Option ³	Less than \$100K	\$100K-\$200K	\$200K-\$500K	\$500K-\$1M	More than \$1M	Less than \$100K	\$100K-\$200K	\$200K-\$500K	\$500K-\$1M	More than \$1M	All	Less than \$100K	\$100K-\$200K	\$200K-\$500K	\$500K-\$1M	More than \$1M
Increase Limit to \$25,000	2.0	11.1	50.3	24.1	12.6	0.6	11.0	46.2	82.8	87.5	8.2	*	-100	-890	-3,210	-4,050	-160
Increase Limit to \$72,500	1.4	7.4	37.2	29.6	24.3	0.6	11.1	46.5	83.4	88.2	8.2	-10	-120	-1,210	-7,260	-14,390	-300
Increase Limit to \$80,000 (House version)	1.4	7.3	36.4	29.3	25.7	0.6	11.1	46.5	83.4	88.2	8.2	-10	-120	-1,210	-7,360	-15,590	-310
Increase Limit to \$25,000 for AGI less than \$400,000 ⁵	2.9	16.1	71.7	9.2	0.0	0.6	11.0	46.1	36.0	0.1	7.1	*	-100	-870	-850	*	-110
Increase Limit to \$80,000 for AGI less than \$400,000 ⁶	2.7	14.8	72.1	10.3	0.0	0.6	11.1	46.4	31.5	0.1	7.1	-10	-120	-1,180	-1,270	*	-150
Increase Limit to \$80,000 for AGI less than \$900,000 ⁷	1.8	9.7	48.4	35.4	4.8	0.6	11.1	46.5	79.4	19.8	7.8	-10	-120	-1,210	-6,670	-2,180	-230
Repeal Limit for AGI Less than \$400,000 ⁵	2.7	14.4	70.8	12.1	0.0	0.6	11.1	46.5	37.3	0.1	7.2	-10	-120	-1,190	-1,540	-10	-160
Repeal Limit for AGI Less than \$900,000 ⁷	1.8	9.5	47.8	35.6	5.3	0.6	11.1	46.5	79.4	19.8	7.8	-10	-120	-1,220	-6,840	-2,450	-240

Source: Urban-Brookings Tax Policy Center Microsimulation Model (version 0721-2).

* Less than \$5 in absolute value

(1) Calendar Year. Baseline is the law currently in place as of December 16, 2021. Under current law, deductible state and local taxes are subject to a \$10,000 limit (\$5,000 for married individuals filing a separate return). Includes both filing and non-filing units but excludes those that are dependents of other tax units. Tax units with negative adjusted gross income are excluded from their respective income class but are included in the totals. For a description of expanded cash income, see

<http://www.taxpolicycenter.org/taxtopics/Baseline-Definitions.cfm>

For complete distributional analysis of all proposals, see:

<https://www.taxpolicycenter.org/simulations/state-and-local-tax-salt-deduction-november-2021>

(2) The income percentile classes used in this table are based on the income distribution for the entire population and contain an equal number of people, not tax units. The breaks are (in 2020 dollars): 60% \$96,000; 80% \$174,900; 95% \$366,100; 99% \$867,100.

(3) For married individuals filing a separate return, dollar amounts are half of those shown here.

(4) Includes tax units with a change in federal tax burden of \$10 or more in absolute value.

(5) Any additional deduction greater than that allowed under the \$10,000 current-law limit would phase out rateably between \$400,000 and \$500,000 of AGI.

(6) Any additional deduction greater than that allowed under the \$10,000 current-law limit would phase out rateably between \$400,000 and \$475,000 of AGI.

(7) Any additional deduction greater than that allowed by the current-law \$10,000 limit would phase out rateably over an adjusted gross income (AGI) range of \$100,000 starting at \$900,000 for married couples filing a joint return (\$450,000 for singles and \$675,000 for heads of household).