



City of Chicago



R2017-913

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Meeting Date: 11/8/2017

Sponsor(s): Burke (14)
Sawyer (6)

Type: Resolution

Title: Call for Illinois delegation in Congress to oppose proposals changing state and local tax (SALT) deduction and mortgage interest deduction to Tax Cuts and Jobs Act

Committee(s) Assignment: Committee on Finance

RESOLUTION

WHEREAS, on November 2, 2017, President Donald Trump and congressional Republican leaders unveiled the “Tax Cuts and Jobs Act,” a massive tax-reform bill that proposes sweeping changes to the current corporate and individual tax system; and

WHEREAS, the \$1.5 trillion plan is the first major revamp of the tax system in three decades and is expected to pass through the U.S. House of Representatives by Thanksgiving; and

WHEREAS, some of the legislation’s key proposals include a new top tax rate and a lower corporate rate, a decrease in the number of tax brackets, an increase in the standard deduction, and a partial repeal of the state and local tax deduction; and

WHEREAS, the state and local tax (SALT) deduction is a benefit that allows taxpayers to deduct those taxes from their federal bill; and

WHEREAS, the SALT deduction has two parts including a deduction for state and local property taxes and a deduction that can be used for either state income taxes or state sales taxes, whichever is higher; and

WHEREAS, upon the release of the Tax Cuts and Jobs Act, U.S. House Ways and Means Committee Chairman Kevin Brady stated that the GOP reached a deal that would allow taxpayers to deduct state and local property taxes up to \$10,000 but not income or sales taxes; and

WHEREAS, the SALT deduction was the most significant tax break eliminated under the tax reform framework released in late September, which led to significant backlash from traditionally high-tax states; and

WHEREAS, eliminating the state and local tax deduction would disproportionately harm individuals who live in states with a high overall state tax burden by raising the federal income tax burden by the value of the tax bill due to the state; and

WHEREAS, some of the largest beneficiaries of the SALT deduction are states with a large population of high-income residents and most of the claimants live in traditionally Democratic states; and

WHEREAS, according to the Tax Foundation, six states including California, New York, New Jersey, Texas, Illinois, and Florida claim more than 50% of the overall property tax deduction; and

WHEREAS, another proposed homeownership change in the bill would limit the mortgage interest deduction to the first \$500,000 of mortgage debt instead of the current \$1 million threshold, and would apply only to newly purchased homes; and

WHEREAS, mortgages over \$500,000 are common in expensive markets in the City and the greater Chicagoland area, and such a change to the mortgage deduction can reduce home values and depress new homeownership by lowering the number of people who may use the deduction; and

WHEREAS, an increase in the overall tax burden on Illinois residents would further constrain households and businesses and discourage economic activity within the state, leading to a potentially disastrous impact on the state's economy; and

WHEREAS, a higher tax burden may also push Illinois residents to move to states with lower tax rates; and

WHEREAS, according to data from the Internal Revenue Service, 52 congressional districts held by Republicans registered above-average use of the SALT deduction in 2015; and

WHEREAS, some Republican House members in those states have spoken out against the proposal to eliminate the SALT deduction such as Congressmen Lee Zeldin of New York and Tom MacArthur of New Jersey;

WHEREAS, Congressman MacArthur also claimed that at least 21 other House Republicans oppose the GOP leadership's budget eliminating the SALT deduction; and

WHEREAS, one of the congressional districts held by Republicans registering above-average use of the SALT deduction includes an Illinois district held by Representative Peter Roskam, the chairman of the House Ways and Means Committee's tax policy subcommittee; and

WHEREAS, rather than increasing the tax burden Chicago residents and businesses pay each year, our Illinois delegation gathered in Congress should actively oppose the proposals of the Tax Cuts and Jobs Act which promise to disproportionately harm current Illinois residents and businesses, as well as prospective homeowners and businesses looking to call our City and State their home; now, therefore

BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF CHICAGO: that the City Council of the City of Chicago does hereby urge the Illinois delegation gathered in Congress to oppose the proposals in the Tax Cuts and Jobs Act that change the state and local tax (SALT) deduction and the mortgage interest deduction from which numerous Chicago and Illinois homeowners and businesses benefit.

BE IT FURTHER RESOLVED: that a suitable copy of this resolution be presented to the Chicago delegation of the United States House of Representatives and the United States Senators from Illinois.

Ed Burke

Edward M. Burke
Alderman, 14th Ward

Roll 17 (6)