



CITY OF  
**HAYWARD**  
HEART OF THE BAY

November 2, 2017

Honorable Eric Swalwell  
Representative, California District 15  
29 Cannon House Office Building  
Washington, DC 20515

RE: Notice of Opposition – Elimination/Reduction of State and Local Tax Deduction

Dear Representative Swalwell:

The City of Hayward strongly opposes the House legislative tax proposal that would eliminate or reduce the state and local tax (SALT) deduction. Any repeal or reduction of this deduction will hit middle-class taxpayers in California particularly hard. The SALT deduction has been part of the federal tax code as long as it has existed to guard against double taxation, to encourage home ownership, and to protect state and local fiscal systems. Repealing or reducing this important middle-class deduction would raise taxes on Californians, diminish home values, and take away sorely needed revenues for state and local budgets. California is a net payer state. We already pay more in federal taxes to the federal government than we receive in benefits. We urge you to protect Californians from yet another tax grab from Washington.

The SALT deduction makes the cost of living more affordable in states like California. For example, the average SALT deduction in our state was \$18,438.00 in 2015 -- the third highest of any state. The deduction was claimed by 6.1 million California households, which represents 34% of all tax filers. According to the Institute for Taxation Economic Policy, under the House tax framework, nearly 40% of California families making between \$75,500 and \$129,500 would see an average tax increase of \$2,260.00. Moreover, 58% of families with incomes between \$129,500 and \$303,200 would see an average tax increase of \$3,980.00. Middle-class families in our cities have not seen real income gains since the Great Recession. They deserve a tax break, not a tax increase.

We understand that California members of Congress are discussing limiting the SALT deduction instead of full repeal. We urge you to reject this approach outright. Limiting the SALT deduction would reduce federal tax incentives for home ownership; reduce tax deductions for real estate taxes (part of SALT) and reduce itemized deductions, including the value of the mortgage interest deduction. For these reasons, professional services firm PricewaterhouseCoopers found that SALT repeal would decrease home values by 10 percent nationally. California would be hit particularly hard given that we have the second highest average mortgage interest deduction of any state according to the leading independent tax policy nonprofit, Tax Foundation.

Additionally, reducing the value of SALT deduction could force cuts in services that our cities provide to our residents. States, cities, counties and school districts have all established tax rates

OFFICE OF THE MAYOR AND CITY COUNCIL

777 B STREET, HAYWARD, CA 94541-5007

TEL: 510/583-4340 • FAX: 510/583-3601 • TDD: 510/247-3340

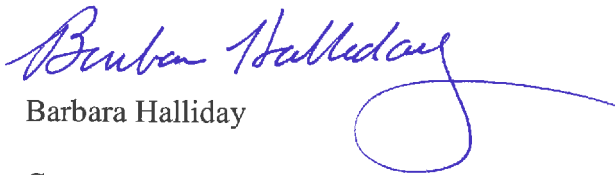
that operate under the assumption of federal tax deductibility. Limiting the deductibility of state and local taxes and hiking taxes on California families would place pressure on state and local governments to cut budgets that pay our teachers, our firefighters and rebuild our infrastructure.

The state and local deduction is a bipartisan issue as seen in the New York delegation, where Democrats and Republican Congressmen are working for their constituents by threatening to block the passage of the House budget legislation if the repeal of the SALT deduction is part of the House tax legislation being proposed next week. We urge our California members to join them in this effort.

The United States Congress should be more focused on providing tax relief to the middle class, individuals and families who are seeing their wages remain stagnant while their cost of living increases uncontrollably. Eliminating the SALT deduction will hurt these individuals and families, and for what? The financing of additional tax cuts for the wealthy? Unnecessary walls? Congress should be focusing on policies that help grow our middle class, educate our children, and build and maintain transit and transportation infrastructure.

My residents deserve better. We all deserve better. Please help my city and our state by ensuring that Congress does not repeal or reduce our state and local tax deductions.

Sincerely,



Barbara Halliday

Cc:

Senator Dianne Feinstein

Senator Kamala Harris

Senator Orrin Hatch, Chairman, US Senate Finance Committee

Senator Ron Wyden, Ranking Member US Senate Finance Committee

Congressman Kevin Brady, Chairman, US House Ways and Means Committee

Congressman Richard Neal, Ranking Member, US House Ways and Means Committee

Hayward City Council

Hayward City Manager

Dana DeBeaumont, Capitol Advocacy Partners