THE UNITED STATES CONFERENCE OF MAYORS

1620 EYE STREET NORTHWEST
WASHINGTON, D.C. 20006
TELEPHONE (202) 293-7330
FAX (202) 293-2352
URL: www.usmayors.org

November 30, 2017

Dear Senator,

On behalf of the nation's mayors, I am writing to express our strong opposition to provisions in the proposed Tax Cuts and Jobs Act that would eliminate the deduction for state and local taxes (SALT). This change will subject our taxpayers to double taxation and make it more difficult for state and local governments to raise the revenue they need to support critical public services. And while we appreciate that the bill preserves the deduction for tax-exempt municipal bonds, private activity bonds and tax credit bonds, we oppose the provision that would eliminate advance refunding bonds. Further, we oppose the provision repealing the individual mandate in the Affordable Care Act. We urge all Senators to vote no on the bill unless SALT and advance refunding bonds are fully restored; and the provision repealing the individual mandate is dropped.

We are concerned about the impact this bill will have on low-income and middle-income families. According to a recent report released by the Congressional Budget Office, the Senate bill as written will hurt workers earning less than $30,000 a year while providing a higher level of benefits to the highest income earners throughout the next decade. The report points out that by the year 2027 American taxpayers earning $75,000 annually and below will experience a tax increase because individual tax cuts are set to expire after 2025. While individual tax cuts are scheduled to expire, corporate tax cuts will be made permanent.

Since the inception of the income tax in 1913, the federal government has exempted state and local property, income and sales taxes from the federal income tax. This not only protects our taxpayers from double taxation, but provides state and local governments some level of flexibility and control over their tax systems. They are able to develop their own mix of property, income and sales taxes based on the unique economic make up of their communities. Repealing SALT will eliminate this flexibility and make it more difficult for state and local governments to raise the revenues they need to support critical services such as education, police protection, firefighting, health care, transportation and investment in critical infrastructure.

The provision in the bill to eliminate the advance refunding of bonds is particularly damaging to the fiscal health of local governments. This financial tool has allowed state and local governments to save a significant amount of taxpayer funds over the years. These savings are most often reinvested in critical infrastructure projects that help improve the quality of life for local residents. By taking advantage of fluctuations in interest rates, state and local governments have realized considerable savings on debt service. In 2016 alone, the advance refunding of more than $120 billion of municipal securities saved taxpayers at least $3 billion. We strongly urge that advance refunding bonds be preserved.

Further, the provision in the bill repealing the individual mandate in the Affordable Care Act will not only drive up health insurance premiums for most Americans but cause 13 million people to lose health insurance. According to numerous reports, health insurance premiums on average would rise by 10 percent, resulting in a serious financial burden on middle-income families. This provision should not be included in any final tax reform bill.

Again, we urge you to maintain the full SALT deduction, preserve advance refunding bonds, drop the provision repealing the individual mandate in the Affordable Care Act, and provide more equitable tax treatment to low and moderate income families. Please feel free to contact Ed Somers at 202/861-6706 or Larry Jones at 202/861-6709 of my staff if you have any questions.

Sincerely,

Tom Cochran

Tom Cochran
CEO and Executive Director