



September 21, 2017

The Honorable Kevin Brady  
Chairman  
U.S. House Ways and Means Committee  
1011 Longworth House Office Building  
Washington, D.C. 20515

The Honorable Orrin Hatch  
Chairman  
U.S. Senate Finance Committee  
104 Hart Office Building  
Washington, D.C. 20510

The Honorable Richard Neal  
Ranking Member  
U.S. House Ways and Means Committee  
341 Cannon House Office Building  
Washington, D.C. 20515

The Honorable Ron Wyden  
Ranking Member  
U.S. Senate Finance Committee  
221 Dirksen Senate Office Building  
Washington, D.C. 20510

Dear Chairman Brady, Ranking Member Neal, Chairman Hatch, and Ranking Member Wyden:

We, the undersigned organizations, urge you to maintain the deductibility of state and local taxes in any comprehensive tax reform legislation. This essential component of the tax code supports vital investments in infrastructure, public safety, homeownership and education and provides states and local governments with financial flexibility to meet our residents' needs.

The deduction for state and local taxes paid was one of the six deductions allowed under the original tax code when it was enacted in 1913. Eliminating or capping federal deductibility for state and local property, sales and income taxes would represent double taxation on local residents, as these taxes are mandatory payments for all taxpayers. Elimination would effectively increase marginal tax rates for certain taxpayers, shrink disposable income and harm housing markets, damaging the U.S. and local economies. Finally, any alterations to the deduction would upset the carefully balanced fiscal federalism that has existed since the permanent creation of the federal income tax over 100 years ago.

We strongly believe that no federal law or regulation should preempt, limit or interfere with the constitutional or statutory rights of states and local governments to develop and operate their own tax systems to the benefit of their constituents. States and local governments deploy revenues from state and local property, sales and income taxes to finance long term infrastructure projects, local law enforcement, schools, emergency and many other services. By eliminating the federal deductibility of these taxes, Congress would be shifting the intergovernmental balance of income taxation and could limit state and local control of tax systems.

Thank you, and we urge you to preserve deductibility of state and local taxes as an essential, original and vital part of our nation's tax code.

Sincerely,

National Governors Association  
National Association of Counties  
National League of Cities  
U.S. Conference of Mayors  
International City/County Management Association  
Government Finance Officers Association  
Council of State Governments  
National Conference of State Legislatures  
National Association of REALTORS  
AASA, The School Superintendents Association  
National School Boards Association  
Association of Educational Service Agencies  
Association of School Business Officials, International  
National Rural Education Association  
National Rural Education Advocacy Consortium  
National Education Association  
American Federation of State, County and Municipal Employees  
International Association of Fire Fighters  
American Federation of Teachers  
National Sheriffs' Association  
National Association of Towns and Townships

CC: U.S. Treasury Secretary Steven Mnuchin  
U.S. Senate Majority Leader Mitch McConnell  
U.S. Senate Minority Leader Chuck Schumer  
U.S. House Speaker Paul Ryan  
U.S. House Minority Leader Nancy Pelosi  
U.S. House Ways and Means Committee Members  
U.S. Senate Finance Committee Members  
National Economic Council Chair Gary Cohn