

Capping the Deduction for State and Local Taxes Threatens Funding for Public Education

Revenue at Risk in Support of Public Elementary and Secondary Education

State	One Year			Ten Years
	Amount (\$000)	Per Public School Student	Educator Jobs at Risk	Amount (\$000)
Alabama	\$41,514	\$57	486	\$415,135
Alaska	1,209	9	8	12,091
Arizona	90,003	85	1,217	900,028
Arkansas	62,042	130	798	620,417
California	3,565,300	573	29,047	35,653,001
Colorado	128,168	139	1,611	1,281,682
Connecticut	562,343	1,080	4,222	5,623,434
Delaware	23,966	171	216	239,656
District of Columbia	88,099	959	779	880,989
Florida	274,476	98	3,441	2,744,757
Georgia	336,552	188	3,636	3,365,523
Hawaii	24,072	134	245	240,717
Idaho	28,848	96	377	288,483
Illinois	593,568	290	5,059	5,935,684
Indiana	94,875	93	990	948,751
Iowa	81,256	158	896	812,563
Kansas	56,319	114	704	563,187
Kentucky	98,944	139	1,131	989,436
Louisiana	56,698	78	660	566,981
Maine	45,074	251	503	450,743
Maryland	483,001	541	3,981	4,830,006
Massachusetts	608,211	641	4,578	6,082,108
Michigan	201,250	138	1,609	2,012,499
Minnesota	323,367	378	3,421	3,233,668
Mississippi	22,998	47	322	229,975
Missouri	164,366	186	2,121	1,643,660
Montana	26,358	181	314	263,580
Nebraska	65,099	201	755	650,988
Nevada	27,975	62	281	279,749
New Hampshire	34,571	195	324	345,715
New Jersey	1,366,526	1,048	11,030	13,665,262
New Mexico	19,023	57	240	190,228
New York	3,116,070	1,185	20,829	31,160,699
North Carolina	200,192	138	2,496	2,001,915
North Dakota	6,097	57	72	60,967
Ohio	344,870	195	3,588	3,448,705
Oklahoma	58,595	83	793	585,946
Oregon	187,667	322	1,591	1,876,672
Pennsylvania	457,646	271	3,792	4,576,463
Rhode Island	52,992	401	440	529,923
South Carolina	85,519	109	1,048	855,187
South Dakota	4,025	30	59	40,247
Tennessee	31,348	32	386	313,481
Texas	282,950	52	3,779	2,829,500
Utah	55,175	84	660	551,750
Vermont	32,809	480	307	328,093
Virginia	391,822	301	4,504	3,918,217
Washington	62,611	57	706	626,108
West Virginia	22,248	80	256	222,479
Wisconsin	236,352	271	2,405	2,363,524
Wyoming	8,308	87	82	83,078
State Total	\$15,233,365	\$304	132,797	\$152,333,652

The Republican tax bill would blow a \$150 billion hole in State and local revenue to support public elementary and secondary education over the next ten years by capping the deduction for State and local taxes at \$10,000. For households that itemize and deduct state and local income or sales and property taxes, the deduction lowers the household's federal tax bill while the cost of the deduction is picked up by the federal government. As Michael Dannenberg points out in a recent blog, the "federal deduction makes using state and local taxes to fund education and other public goods or services more attractive, because it makes state and local taxes a cheaper source of revenue for regular people than they otherwise would be."* By limiting the federal deduction, households would bear more of the cost of their state and local taxes. This will place pressure on the ability of state and local governments to raise sufficient revenue to support public education. Proponents of repealing or limiting the deduction make a similar claim. The accompanying table shows the impact by state of capping the state and local tax deduction at \$10,000. Many of the states that would be hurt the most are also the states that contribute more tax revenue to the federal government than they receive back in federal spending**.

Education Policy & Practice Department
CENTER FOR GREAT PUBLIC SCHOOLS



* The Betsy DeVos Tax Cut, November 2, 2017 (<https://edreformnow.org/betsy-devos-tax-cut/>). ** Who Subsidizes Whom? The State and Local Tax Deduction Compared with State Balances of Payments (http://www.rockinst.org/observations/boydd/2017-10-05_boyd.aspx). Source for state estimates: NEA calculations using data on deductions for State and local taxes by state from the IRS' Statistics of Income for tax year 2015 (latest available) and applying a 25 percent average marginal rate for all taxpayers when determining the revenue at risk from capping the deduction for State and local taxes at \$10,000. NEA calculated each state's current expenditures for elementary and secondary education as a percentage of general revenue from own sources to determine the revenue at risk in support of public elementary and secondary education using data from Census Bureau's State and Local Government Finance, 2015. NEA used its own publication, Rankings and Estimates, for fall enrollment estimates for each state, and the National Center for Education Statistics' Digest of Education Statistics for educator salary and compensation data by state. NEA calculated educator jobs at risk from 80 percent of the revenue at risk in support of public elementary and secondary education for each state, or the portion of current expenditures devoted to personnel costs on average. NEA extrapolated the one year results for revenue at risk over ten years without further adjustments or assumptions. For more information, contact Tom Zembar at 202.822.7109 or TZembar@nea.org. | December 15, 2017