December 12, 2017

Dear Members of the New Jersey Congressional Delegation:

As the tax reform bill makes its way through the conference committee, these next few days represent the last chances to enact reforms and include measures to mitigate the damage the bill will have on New Jersey taxpayers. The most important of these reforms is to save the state and local tax deduction, or SALT, as presented by the thoughtful bipartisan proposal by Rep. Leonard Lance and Rep. Josh Gottheimer.

Since its implementation over one hundred years ago, the SALT deduction has been a foundational part of our tax code. In 2015, over 1.8 million New Jerseyans utilized this deduction on their tax filings, about 60% of homeowners in our state. This led to over $32 billion in savings for the middle class. An average taxpayer filing for SALT saved over $17,000 on annual taxes. According to a recent study, New Jersey would be forced to pay an additional $137 million dollars in taxes, even with the $10,000 property tax cap included. By supporting this bill, you support taking millions of dollars out the middle class, and handing it over to large corporations.

Repealing even a portion of the SALT deduction is not only bad for the state's middle class, it is bad for the housing market. The National Association of REALTORS® projects housing prices could drop as much as ten percent due to this tax bill. Homeowners in New Jersey could see tax increases of up to $5,000 annually if this sham of reform is passed. In four counties, property taxes are above the $10,000 limit included in the bill. It would also be harder for people to sell their homes under this plan because the bill strips capital gains deductions and mortgage interest deductions, both of which damage the wallets of middle class homeowners.

Furthermore, this tax plan will make it harder for local governments to fund police departments, schools, and other key public services. Our state only gets 33 cents back on every dollar it sends to the federal government, and this bill would make it worse. New Jersey could lose up to 12,000 teachers' jobs and billions in education funding if we take away the

SALT deduction. Three major national public safety organizations representing 870,000 first responders wrote to Congress asking you to preserve SALT and vote no on H.R. 1.

We, the undersigned organizations, associations, and concerned citizens, urge you to protect the interests of your constituents. Without SALT, taxpayers will be subject to unfair and unprecedented double taxation. This represents a massive overreach by the federal government, and violates our state's rights. We implore you to vote 'No' on any legislation that does not fully preserve this key deduction.

Sincerely,

The New Jersey Association of Counties

The New Jersey REALTORS®

New Jersey Builders Association

The New Jersey Business & Industry Association

The New Jersey Education Association

New Jersey State Chamber of Commerce

New Jersey State League of Municipalities

<u>**Quotes from coalition leaders:**</u>

John G. Donnadio, Esq., Executive Director, New Jersey Association of Counties: "The move by Congress to eliminate state and local tax deductions would have huge implications on the ability of New Jersey's counties to meet the service needs of the state's residents. The drain of these resources alone will be devastating. Add on the changes to infrastructure financing the plan calls for that will remove the tax-exempt status of Private Activity Bonds, as well as the option to advance refund municipal bonds, the entire way New Jersey's counties do business on behalf of residents will be decimated."

Jarrod C. Grasso, RCE, CEO, New Jersey REALTORS®: "First and foremost, tax reform should do no harm. The last thing New Jersey homeowners need is to pay more property taxes, which is essentially what the currently proposal will do. By taking away the current tax incentives to homeownership, this plan will have a negative impact on the foundation of our communities, making it even more difficult for NJ residents to work and raise a family in our great state. The negative impact of this bill will trickle down for generations to come."

Carol Ann Short, Esq., CEO, NJ Builders Association: This tax reform proposal would have a devastating effect on the NJ housing industry which continues to recover from the recession. Our residents already face housing affordability issues and our state already pays more in federal taxes than it receives in federal aid and contracts. This tax bill would further exacerbate both of those issues. It is of critical importance to New Jersey's building industry that common sense deductions for property taxes, SALT, and mortgage interest are not eliminated or reduced.

Michele Siekerka, Esq., President & CEO, New Jersey Business & Industry Association: "While the New Jersey Business & Industry Association remains committed to the principles of tax reform, we are deeply concerned about any provision that limits the State and Local Tax deductibility (SALT). New Jersey is a net donor state, providing a disproportionate amount of tax dollars to the federal government than we receive. Eliminating the SALT deduction will only exacerbate that disparity. Equally troublesome, SALT elimination would make the state less competitive and affordable relative to most other states, giving businesses another reason to leave New Jersey."

Marie Blistan, President, New Jersey Education Association: "The tax bill being rushed through Congress would devastate educators, students and working families in New Jersey, penalizing New Jersey's middle-class taxpayers and making it more difficult and more expensive to fund our public schools, only to provide a huge windfall to the very wealthy. It's a terrible plan that should be rejected."

Thomas Bracken, President & CEO, New Jersey State Chamber of Commerce: "The New Jersey Chamber of Commerce believes that any tax reform legislation should result in a net benefit for every state. Unfortunately, the current plan falls very short and puts New Jersey at an extreme disadvantage. Eliminating state and local tax deductions, which impacts 52 percent of families in New Jersey, limiting property tax deductions to $10,000, and reducing mortgage interest deductions would erode property values, one of the most important financial assets for New Jersey families. Many New Jersey taxpayers would also see an increase in their federal taxes due to a change of rates. The Chamber encourages NJ congressional leaders to oppose the current plan and replace it with a bipartisan approach that fixes the tax code in a way that is fair and equitable for everyone."

Michael J. Darcy CAE, Executive Director, New Jersey State League of Municipalities: "Repeal of the SALT deduction would lower home values and constrain New Jersey local budgets, which rely on property taxes to fund essential services and programs, more so than municipalities in any other state."