

# H.R. 1757 Provides Tax Relief to Working Families

## THE PROBLEM

The 2017 Republican tax law is a giveaway to the wealthy and well-connected at the expense of the middle class. The law gives 83% of the benefits to the top 1% and raises taxes for 86 million middle-class households, many of whom are realizing the burden as they file their 2018 taxes.

One way the law hurts the middle class is by restricting the ability of homeowners to deduct their state and local taxes (SALT). The law imposes a new cap of \$10,000 on the amount of SALT that taxpayers can deduct against their federal taxes, whether they file individually or jointly. This deduction was previously unlimited.

Nearly 2 million Illinois households claim the deduction, so this \$10,000 cap deals a devastating financial blow to many middle class families. This revenue allows communities to pay law enforcement and first responders, offer high-quality public education, and provide a multitude of other services that create a high standard of living and well-being.

## THE SOLUTION

Tax reform should put middle class families first, and this legislation does so by targeting the middle class families most hurt by the cap.

Rep. Underwood's legislation helps middle class families by:

### **1. Increasing the current cap on SALT deduction from \$10,000 to \$15,000 for individual filers.**

Raising the cap to \$15,000 will provide relief to working families and homeowners in the IL-14. In 2016, families making between \$100,000 and \$200,000 deducted an average of \$12,450 in SALT taxes. The bill would also benefit families earning more than \$200,000 per year, who paid an average of \$28,757 in SALT in 2016. The significance of the benefit decreases as income rises well above \$200,000.

### **2. Eliminating the marriage penalty currently inherent in the Republican tax law by allowing people who are married and filing jointly to double the deduction (\$30,000).**

This will provide additional relief to the approximately 90% of filers in the IL-14 that file joint tax returns and are currently limited to the \$10,000 cap.

### **3. Adjusts the cap for inflation so the value of the deduction does not decrease over time.**

Without the inflationary adjustment, the value of the SALT deduction decreases over time until it expires at the end of 2025.