



## Legislation Text

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**File #:** 17-1218, **Version:** 3

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Chief Administrative Office recommending the Board send a letter to El Dorado County's Congressional representatives opposing the House-passed federal budget resolution that would allow Congress to use a simple majority vote to eliminate the State and Local Tax deduction on federal tax returns. (Cont. 11/7/17, Item 6)

### **DEPARTMENT RECOMMENDATION**

Chief Administrative Office recommending the Board send a letter to El Dorado County's Congressional representatives opposing the House-passed federal budget resolution that would allow Congress to use a simple majority vote to eliminate the State and Local Tax (SALT) deduction on federal tax returns.

### **DISCUSSION / BACKGROUND**

The SALT deduction has allowed taxpayers to deduct their state and local taxes from their federal taxes since 1862 and avoid double-taxation. It also ensures local government and state authority in the tax system to seek revenue. Losing SALT would create new burdens on El Dorado County's ability to adequately fund County services and those on behalf of the State. This is in part because voters will be less likely to approve new or increased local taxes due to the higher federal tax burden resulting from the loss of their property tax deductions and State income tax donations. It should be noted that the proposed additional federal tax credits will not make up for the potential new cost burden on households.

As reported by National Association of Counties, households earning between \$50,000 and \$250,000 will have the biggest financial hit with disproportionate impacts on middle-income homeowners.

This proposal would impact the nearly 40,000 households in El Dorado County which currently claim the SALT deduction. More than 50 percent of middle-income households in the County claim this deduction, while nearly 83 percent of middle-income residents are eligible for it. Additional information is included in the attachments. In addition, according to the Government Finance Officers Association, the following is an example the tax increases based on the average adjusted gross income in the following communities in El Dorado County, assuming a married couple with two dependents:

- District 1 - El Dorado Hills: Effective Tax Rate increases from 11.35% to 12.89% and a tax increase totaling \$2,450.
- District 2 - Cameron Park: Effective Tax Rate increases from 3.84% to 5.97% and a tax increase totaling \$1,725.
- District 3 - Placerville: Effective Tax Rate increases from 1.28% to 4.59% and a tax increase

totaling \$2,180.

- District 4: Cool: Effective Tax Rate increases from 4.82% to 5.6% and a tax increase totaling \$595.

- District 5: South Lake Tahoe: Effective Tax Rate increases from -3.07% to 2.19% and a tax increase totaling \$2,617.

The current total value of the SALT deduction in El Dorado County is \$554 million, with the average deduction being \$14,455.

Opposition is supported and requested by the National Association of Counties and the California State Association of Counties.

### **ALTERNATIVES**

Approve with modifications or decline to approve the recommended action.

### **CAO RECOMMENDATION**

The CAO recommends the Board send a letter to the County's Congressional representatives urging their "no" vote on this Federal Tax Reform Proposal.

### **CLERK OF THE BOARD FOLLOW UP ACTIONS**

Signed letter to be returned to Chief Administrative Office for submission.

### **STRATEGIC PLAN COMPONENT**

Good Governance

### **CONTACT**

Don Ashton, Chief Administrative Officer