

Table T05-0282
State and Local Tax Deduction Options¹
Static Impact on Individual Income Tax Liability (\$ billions), 2005-15

	Year											
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2006-15
Current Law Baseline												
Fiscal Years²												
Option 1: Repeal Deduction for State and Local Taxes	24.8	56.1	45.6	43.4	44.0	44.3	62.3	90.3	92.5	94.3	95.9	668.5
Option 2: Option 1 but Retain Deduction for Property Taxes	17.3	38.4	29.6	27.5	27.9	28.2	40.0	58.4	59.5	60.5	61.4	431.4
Option 3: Option 1 Plus Repeal AMT	21.4	41.2	18.6	8.6	0.7	-8.1	17.4	66.5	65.2	62.4	59.0	331.5
Option 4: Option 2 Plus Repeal AMT	13.4	20.4	-4.2	-16.1	-26.0	-36.8	-15.0	29.8	26.4	21.6	16.0	16.1
Calendar Years												
Option 1: Repeal Deduction for State and Local Taxes	62.1	47.2	43.2	43.7	44.3	44.3	89.3	91.7	93.6	95.2	96.9	689.4
Option 2: Option 1 but Retain Deduction for Property Taxes	43.2	31.2	27.4	27.8	28.2	28.2	57.8	59.2	60.1	61.0	61.9	442.7
Option 3: Option 1 Plus Repeal AMT	53.5	22.9	12.1	3.3	-3.2	-15.5	66.8	66.1	63.8	60.4	56.9	333.6
Option 4: Option 2 Plus Repeal AMT	33.4	0.9	-11.7	-22.7	-31.0	-45.5	30.9	28.2	23.8	18.3	12.5	3.6
Extended Baseline^{3,4}												
Fiscal Years												
Option 1: Repeal Deduction for State and Local Taxes	24.8	56.7	47.3	45.4	46.0	46.4	46.6	46.8	47.0	47.1	47.5	476.9
Option 2: Option 1 but Retain Deduction for Property Taxes	17.3	39.0	31.4	29.5	30.1	30.4	30.7	31.0	31.5	32.0	32.8	318.3
Option 3: Option 1 Plus Repeal AMT	21.4	41.9	20.3	10.6	2.9	-5.8	-17.4	-28.4	-40.5	-55.2	-70.6	-142.3
Option 4: Option 2 Plus Repeal AMT	13.4	21.0	-2.4	-14.0	-23.8	-34.3	-47.9	-60.7	-74.7	-91.2	-108.7	-436.8
Calendar Years												
Option 1: Repeal Deduction for State and Local Taxes	62.1	48.7	45.1	45.8	46.3	46.6	46.7	47.0	47.0	47.2	47.8	468.3
Option 2: Option 1 but Retain Deduction for Property Taxes	43.2	32.7	29.3	29.9	30.3	30.5	30.8	31.3	31.8	32.4	33.3	312.4
Option 3: Option 1 Plus Repeal AMT	53.5	24.5	14.1	5.4	-1.0	-13.0	-24.0	-34.9	-49.0	-64.4	-79.9	-222.3
Option 4: Option 2 Plus Repeal AMT	33.4	2.4	-9.7	-20.5	-28.6	-42.8	-55.6	-68.3	-84.3	-101.7	-119.3	-528.4

Source: Urban-Brookings Tax Policy Center Microsimulation Model (version 0305-3A).

1) A number of issues are raised by repealing the State and Local Tax deduction. For more information, see Kim Rueben, "The Impact of Repealing State and Local Tax Deductibility." State Tax Notes, August 15, 2005.

(2) Fiscal-year revenue numbers assume a 40-60 split. The actual effect on receipts could differ.

(3) Under current law, the deduction for state and local general sales taxes sunsets 12/31/05. This option makes the provision permanent.

(4) Baseline includes making permanent the provisions in EGTRRA, JGTRRA, and WFTRA affecting the following: marginal tax rates; the 10-percent bracket; the child tax credit; the child and dependent care credit; the standard deduction, 15-percent bracket, and EITC for married couples; pension and IRA provisions; and expansion of student loan interest deduction (excludes other education provisions); as outlined in the Administration's Fiscal Year 2006 Budget Proposal. Also includes extension of the deduction for state and local general sales taxes enacted by the American Jobs Creation Act of 2004 that sunsets 12/31/05 under current law. Note that the baseline does not extend AMT provisions or the saver's credit.