

# SALT Shakeup: So Much for “Their Fair Share”

On August 23, the Internal Revenue Service announced new rules on the federal income tax’s State and Local Tax deduction. The rules are intended to thwart an interesting scam several state governments worked up to “save” that deduction. It’s an interesting reversal of the two major parties’ usual talking points.

Republicans love to be seen as taking axes to taxes. “Tax cuts” are their two favorite words. But as part of “paying for” last year’s tax cuts, they capped the SALT deduction. Taxpayers who itemize their deductions can now only strike \$10,000 in state and local taxes off their federally taxable income. Republicans are “paying for” their middle class tax cuts by soaking the rich.

Democrats, especially Democrats who govern high-tax states, love to soak the rich. In fact, they have some favorite tax words, too — three of them on the subject of tax cuts that benefit wealthier Americans. Those Americans, Democrats say, need to pay “their fair share.” But they’re against soaking the rich (for “their fair share”) in this particular case.

Why? Well, the SALT deduction allowed those states to soak the rich more, without much of a fight. Think your taxes are too high here? Just grab that federal tax deduction to take the edge off! Pay “your fair share” here — the feds can take it in the shorts or force people in lower-tax states to subsidize you at the federal level. The SALT cap invites state and local tax rebellion.

So the tax-and-spend states came up with an audacious scheme:

They set up “charitable foundations” to do the stuff they do with taxes. Then they offered dollar-for-dollar state tax credits for donations to those foundations ... which the wealthy could deduct from federally taxable income as “charitable donations” instead of as “state and local tax payments,” thus avoiding the cap.

A transparent shell game, and one the IRS can hardly be blamed for seeing through and putting the kibosh on.

I’m all in favor of state governments operating as charities, but real charities take actual donations, not donations in lieu of taxes. Why not keep those charitable foundations and use them to replace, rather than offset, state and local taxes?

And while we’re at it, how about we push the feds to do the same thing? Want a new aircraft carrier? Hold a bake sale.

Squabbling over which gang gets the tax take doesn’t change the fact that taxation is

theft.