

New York State Educational Conference Board



December 15, 2017

Dear Member of Congress:

We write to you as a coalition of the leading statewide New York public educational organizations in representing parents, classroom teachers, school-related professionals, school business officials, building administrators, superintendents and school boards to express our opposition to the tax reform legislation being considered by the conference committee established to reconcile the House and Senate bills. The proposed changes to the current State and Local Tax Deduction (SALT) in both one-house tax reform bills would be devastating for public education in our state.

Under various versions of the bill the SALT deduction would be either fully eliminated or a deduction of \$10,000 for property taxes only would be preserved. Either version would significantly damage taxpayers in New York State and the public school districts that we work on behalf of, even if the conference committee authorizes the \$10,000 cap to include state and/or local income tax as the conferees are currently considering.

New Yorkers have consistently demonstrated a desire for excellent public services, in particular schools. This is evident in the approval of school budgets by local taxpayers. Last year, only five school districts failed to earn voter approval in May votes, and all five districts did win approval after modifications and re-votes. In the end, every single school district budget won voter approval last spring.

Yet, if you support a conference committee proposal that does not fully preserve the SALT deduction, it is likely that the public schools in your districts will no longer be able to provide the programming and opportunities that they currently provide, that their voters support, and their students need. Any changes to the current SALT deduction a three-fold negative impact would occur on public schools across your district and New York State as a whole.

First, the bill would harm New York's overall state budget picture. The personal income tax is the state's largest revenue source and School Aid is its largest general fund expenditure. Ending SALT deductions could drive mobile upper income taxpayers to leave our state and establish domiciles in other states. That would hurt the government's ability to fund schools and the poorest schools rely most on State Aid.

Many school districts in New York rely on state aid for the majority of their financial support. The Empire Center for Public Policy, a conservative think tank, has estimated that if only 250 of the highest earners in New York leave the state, New York would need to absorb a \$500 million hole caused by cutting SALT deductions. The greater the hole, the larger the likelihood your school districts will pay for that impact through a reduction in state aid.

School districts with the fewest resources could be most hurt by the impact that ending SALT deductibility would inflict on state finances – the poorest 20 percent of our school systems received, on average, over 70 percent of their total revenues from state sources in 2015-16.

Second, if taxpayers see an increase in their overall federal tax liability, it will be more challenging for boards of education to gain support for their schools in May budget votes with those citizens having just seen a Federal tax increase. School districts need to be cognizant of the ability and willingness of taxpayers to afford proposed levies. This bill will only make this a more challenging problem as New Yorkers are asked to reach into their own wallets to subsidize tax cuts for business and individuals located across the country.

Third, the proposed tax plan is projected to dramatically increase the federal deficit, due to the reduction in federal tax revenue. In the event that the federal government then reduces investments in public education, school districts would face an additional challenge. However, the projected scope of the deficit could lead to far wider cuts to federal support of states in general. In that instance the overall state budget picture would be further compromised.

The proposed “compromise” to partially preserve \$10,000 in property tax deductions is not a solution. Among New Yorkers, total deductions for state income taxes are roughly two and a half times greater than those for property taxes. The loss of deductibility for state income taxes is what would have grave consequences for the state’s finances and its continued ability to support our schools. Further, many New York State homeowners pay well in excess of \$10,000 in property taxes.

The principles of federalism and equity support the continuation of the full SALT deduction. To act otherwise would be an abrogation of your responsibility to enact policies that are in the best interests of the State and your constituents. The Educational Conference Board and the members of our respective organizations, urge you to work to preserve the SALT deduction in its entirety and protect all New York taxpayers and the services they rely upon.

The New York State Educational Conference Board is comprised the Conference of Big 5 School Districts; New York State Association of School Business Officials; New York State Council of School Superintendents; New York State PTA; New York State School Boards Association; New York State United Teachers; and the School Administrators Association of New York State.