

Opinion: ‘Deceiving themselves,’ NJ Dems who demand SALT relief as part of Biden infrastructure plan

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‘They mistakenly believe they hold sufficient leverage to thwart what would surely be President Biden’s signature accomplishment’



Carl Golden

The New Jersey Democratic congressional delegation’s threat to block passage of the Biden administration’s \$4 trillion infrastructure package unless it eliminates the \$10,000 cap on deductions for state and local taxes (SALT) sets up a confrontation which it will likely lose as well as become a political and public relations

embarrassment.

The New Jersey representatives have joined with fellow Democrats from other high-tax states like New York and California to condition their support for the president’s program on the repeal of the deduction cap imposed in 2017 as part of President Trump’s tax-cut legislation.

They mistakenly believe they hold sufficient leverage to thwart what would surely be President Biden’s signature accomplishment — the \$2.3 trillion American Jobs Plan and the \$1.9 trillion American Families Plan.

The Pelosi factor

They are deceiving themselves, caught up in their own news release rhetoric. Despite expressing sympathy for the repeal and the hope it could be accomplished, there is no conceivable circumstance under which House Speaker Nancy Pelosi will preside over the failure of the largest public works and social

welfare legislation since the Franklin Roosevelt administration. She will not tolerate the humiliation or the perception that she's lost control of her party.

Those who favor abolition of the cap stand in direct opposition to the fundamental principle of the Democratic Party generally and the administration program specifically — a belief that wealthy Americans have benefited disproportionately from a growing economy and have escaped paying their fair share in taxes.

The president's program, for instance, calls for tax increases on individuals earning more than \$400,00 per year and couples earning over \$500,00 as well as increasing the corporate tax and doubling the capital gains tax.

In contrast, an analysis conducted by the Tax Policy Center revealed that most of the benefit from a repeal of the SALT cap would go to households with seven-figure incomes. The top 0.1% of households would receive 25% of the benefits — an estimated average cut of their tax liability of \$145,000 — while the top 1% of households would receive 57% of the benefits, or a cut of \$33,000.

The fantasy factor

It is absolute fantasy to believe that Pelosi will stand by while programs such as universal preschool, paid family leave, tuition-free community college, etc., are sunk to mollify a band of millionaires unhappy because they aren't able to deduct the property-tax bills on their mansions from their federal income tax returns.

Democrats who represent states in which most property-tax bills are well below the \$10,000 cap are uneasy over possibly being forced to vote in favor of eliminating it and having to explain to their constituents why they supported a major benefit to the wealthy.

The Biden administration, while not publicly voicing opposition to abolishing the cap, is decidedly cool to the idea, insisting that since it would result in substantial revenue loss, its supporters are obligated to identify how to offset the cost.

Translation: You're on your own.

Rep. Josh Gottheimer of Bergen County, one of the leaders of the cap removal movement, has suggested that stricter and more widespread enforcement of income tax evasion by the Internal Revenue Service would produce the necessary funding.

How much a crackdown would raise and how long it would take to implement and show results is unclear.

Those evil triplets

His recommendation is a variation on the timeless theme used as a rationale for greater government spending — that rooting out the evil triplets of waste, fraud and abuse will deliver big savings.

In fairness, Gottheimer and the approximately 30 of his colleagues who've signed on to the abolition effort represent constituencies that have absorbed additional tax bites because of the now limited deduction.

New Jersey is a particularly graphic case: Its average annual property-tax bill of \$9,100 is the nation's highest, a dubious spot the state has occupied for several years, while dozens of municipalities long ago exceeded the average with property-tax bills upward of \$20,000 and beyond.

There is no question that the deduction cap has added to homeowners' tax liability, but it is difficult to convince skeptics that owners of homes worth in the seven-figure range are unable to afford it.

Unfortunately, thousands of middle-class homeowners of modest means are victims as well, raising the possibility of a compromise by setting the cap higher than the current \$10,000 rather than eliminating it altogether.

Gottheimer prepared to compromise?

Gottheimer very rightly pointed out that negotiations on the Biden administration package will be far-reaching and intense, indicating he is hopeful of a resolution even if it means settling for an outcome less than he'd prefer.

While some of his colleagues have drawn lines in the sand with comments like "No SALT, no deal," publicly issuing threats and challenges directly toward the Speaker of the House is not a particularly brilliant political strategy.

With a slim six-seat majority, it is critical for Pelosi to hold her membership together — a task which she has proven in the past she is up to. She is masterful at the inside game, accustomed to wielding the enormous power of her office to reward or punish and can play hardball with recalcitrant members.

Whether eventual House passage of the president's program includes the abolition of the deduction cap, the outlook in the 50-50 Senate is grim. A few Democrats have already indicated their opposition to the \$4 trillion cost of the infrastructure package and to the inclusion of social welfare programs under the rubric of "infrastructure."

Republicans will likely stand unified in opposition to the package and have already developed a far less costly one already rejected by the Democratic majority.

Odds that Pelosi can wrangle the package through the House are bright and she understands that her success will further burnish her reputation as one of the most consequential House speakers in modern history. Woe be to anyone standing in her way.