



# Budget Model

## Lifting the SALT Cap: Estimated Budgetary Effects, 2024 and Beyond

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**Summary:** The House of Representative is considering [legislation](#) that would retroactively double the cap on deductions for state and local taxes (SALT) for married filers for just 2023, which [PWBM previously estimated](#) would cost \$12 billion. This brief examines the cost of cap increases if enacted for tax years 2024 and beyond. Depending on the policy design—including size of the cap, AGI limit, and filing status requirements—the additional cost varies from \$22 billion to \$197 billion over 10 years. However, if other expiring provisions of the Tax Cuts and Jobs Act (TCJA) of 2017 were also extended permanently, the SALT-related costs alone increase to between \$107 billion to \$1,116 billion, depending on policy design.

### Key Points

- Under current law, SALT deduction contains a “marriage penalty” since the \$10,000 maximum deduction applies to both married and single filers. We estimate that eliminating the SALT cap marriage penalty in 2024 and 2025—by doubling the maximum deduction to \$20,000 for married filers—would reduce revenues by \$22 billion over 10 years if the policy were limited to married filers with household income below \$500,000. The cost increases to \$32 billion if the cap penalty were removed for all married filers.
- If SALT cap were increased to \$100,000 for non-married filers regardless of income and to \$200,000 for married filers regardless of income in 2024 and 2025, the cost increases to \$134 billion. If the SALT cap were repealed beginning in 2024 for all filers regardless of filing status and income, the cost increases to \$197 billion.
- However, members of Congress are also discussing permanently extending the 2017 Tax Cuts and Jobs Act, as various TCJA provisions are set to expire. If the TCJA were extended indefinitely, including the current maximum SALT limit of \$10,000 per filer, we estimate a cost of \$2,540 billion over the 10 years between 2024 and 2033. If in addition, the current SALT limit of \$10,000 were eliminated starting in 2024, the costs increase by another \$1,116 billion, for a total cost of \$3,656 billion, over the 10-year budget window.

## Introduction

The State and Local Tax (SALT) cap limits the federal itemized deduction for state and local taxes to \$10,000 for all filers. The cap was introduced with the 2017 Tax Cuts and Jobs Act (TCJA). Before the TCJA, the deduction was uncapped, meaning itemizers could deduct their entire state and local liability when filing their federal taxes. The cap is set to expire along with the other major provisions of that legislation beginning in 2026.

Following the passage of [bipartisan tax legislation](#) in the House of Representatives last week, Representative Mike Lawler of New York introduced a bill that would relax the SALT deduction cap for one year. [H.R. 7160, the SALT Marriage Penalty Elimination Act](#), retroactively doubles the SALT cap for just tax year 2023 for married filers with an aggregate gross income below \$500,000 — eliminating the “marriage penalty” for these filers. [PWBM previously estimated](#) that this temporary measure would cost \$12 billion in the 2024 fiscal year.

## Options for Lifting the SALT Cap

The current brief examines different options for increasing the SALT cap for taxable years 2024 and beyond. These options are largely motivated by previous bills that proposed increasing the SALT cap for the taxable years until 2026:

- 1. Removing the SALT deduction cap marriage penalty, with a \$500,000 AGI limit:** Currently, the SALT cap is structured such that both single and joint filers face a cap of \$10,000. In practice, this limit means that married taxpayers together face a maximum deduction penalty of \$10,000, since they could both claim the entirety of the deduction if they filed as single. For this policy option, we raise the value of the deduction to \$20,000 for married filers with adjusted gross income (AGI) less than \$500,000. This limit increase corresponds with the structure of the temporary proposal ([H.R. 7160](#)) currently under consideration.
- 2. Removing the SALT deduction cap marriage penalty, with no AGI limit:** This policy option, based on [H.R. 339](#), is identical to option 1, but it raises the cap for all married filers, including those with AGI greater than \$500,000.
- 3. Raising the SALT deduction to \$100,000 and removing the marriage penalty:** This policy option, based on [H.R. 680](#), removes the marriage penalty and raises the maximum SALT deduction to \$200,000 for married filers and \$100,000 for all other filers.
- 4. Eliminating the SALT deduction cap:** This option, based on [H.R. 160](#), would remove the SALT cap entirely, allowing taxpayers to deduct the entirety of their state and local tax liability when filing federal income taxes. This unlimited SALT deduction essentially expedites the upcoming 2026 expiration of this portion of the tax code and returns it to pre-TCJA law.

## Budgetary Effects of Lifting the SALT Cap in 2024 and 2025

Table 1 shows the budgetary effects of the four options to lift the SALT cap for tax years 2024 and 2025. Under current law, the cap and any modifications would expire after 2025 along with other provisions of TCJA, meaning

state and local taxes would be fully deductible.

**Table 1. Conventional budget estimates: Policy Options for the SALT Cap Against Current Law Baseline FY24-33**

*Billions of dollars, decrease (-) or increase (+) in revenues*

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<b>Provision</b>	<b>2024</b>	<b>2025</b>	<b>2026</b>	<b>2027</b>	<b>2028</b>	<b>2029</b>	<b>2030</b>	<b>2031</b>	<b>2032</b>	<b>2033</b>	<b>Budget window</b>
Remove SALT Cap Marriage Penalty (with AGI limit)	-3	-11	-9	0	0	0	0	0	0	0	-22
Remove SALT Cap Marriage Penalty	-4	-16	-12	0	0	0	0	0	0	0	-32
Raise SALT Cap to \$100K (\$200K for Married Filers)	-23	-67	-45	0	0	0	0	0	0	0	-134
Repeal SALT Cap	-48	-98	-51	0	0	0	0	0	0	0	-197

Source: Penn Wharton Budget Model

Removing the SALT deduction cap marriage penalty, with a \$500,000 AGI limit in 2024 and 2025 would cost \$22 billion. Removing the SALT deduction cap marriage penalty in 2024 and 2025 with no AGI limit would cost \$32 billion, relative to current law. Raising the SALT cap to \$200,000 for married filers and \$100,000 for all other filers in 2024 and 2025 would cost \$134 billion. Repealing the SALT cap entirely for all filers would cost \$197 billion.

## **Budgetary Effects of Lifting the SALT Cap Permanently, Against Extended TCJA scenario**

As noted, the expiring TCJA provisions limit the budgetary impact of these policies to the 2024-2026 fiscal years. However, members of Congress are also discussing permanently extending the expiring provisions in the TCJA. With that in mind, we also present revenue estimates for the same four scenarios against a counterfactual scenario, in which all sunset provisions of the TCJA are extended permanently.

Table 2 shows the projected cost of extending all personal income tax provisions of the TCJA (including the SALT deduction cap) through 2034, and the marginal "stacked" estimate of each possible SALT cap proposal compared to that TCJA extension scenario.

## Table 2. Conventional budget estimates: Policy Options for the SALT Cap Against Extended TCJA FY24-33

Billions of dollars, decrease (-) or increase (+) in revenues

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Provision	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	Budget window
TCJA Extension	0	0	-290	-298	-300	-311	-320	-330	-342	-350	-2,540
Remove SALT Cap Marriage Penalty (with AGI limit)	-3	-11	-11	-11	-11	-12	-12	-12	-12	-13	-107
Remove SALT Cap Marriage Penalty	-4	-16	-16	-16	-17	-17	-18	-18	-19	-19	-159
Raise SALT Cap to \$100K (\$200K for Married Filers)	-27	-74	-77	-80	-84	-88	-93	-97	-102	-107	-829
Repeal SALT Cap	-47	-98	-102	-107	-112	-118	-123	-130	-136	-143	-1,116

Source: Penn Wharton Budget Model

We estimate that extending all individual provisions of the TCJA would cost \$2,540 billion over the 2024 to 2033 budget window. Removing the SALT cap marriage penalty starting in 2024 for filers with AGI less than \$500,000 would cost an additional \$107 billion over the budget window under this scenario. Eliminating the marriage penalty beginning in 2024 with no limit on AGI would cost an additional \$159 billion. Raising the SALT cap beginning in 2024 to \$200,000 for married filers and \$100,000 for all other filers would cost an additional \$829 billion. Eliminating the SALT deduction cap entirely beginning in 2024 would cost an additional \$1,116 billion.

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