



Modification of Limitation on Deduction for State and Local Taxes

Published on November 3, 2021

Updated on November 5, 2021

<https://budgetmodel.wharton.upenn.edu/estimates/2021/11/3/modification-of-limitation-on-deduction-for-state-and-local-taxes>

Summary: Under current law, individuals can deduct up to \$10,000 in state and local taxes (SALT) from taxable income through 2025, after which no limitation applies. The latest House bill under the Build Back Better framework would instead set the limitation to \$80,000 from 2022 to 2030 and \$10,000 in 2031.

We estimate this provision would raise \$65 billion in revenue over the 10-year budget window, with net revenue loss concentrated before 2026. In 2022, taxpayers in the top 10 percent of incomes would see 88 percent of the benefits from this policy. In 2026, when an \$80,000 represents a tax increase relative to current law, the provision would raise taxes for those in the top 5 percent only, with more than 99 percent of the increase falling on the top 1 percent of households.

We will continue to update this page with new SALT limitation provisions as they firm up in Congress.

Contents

[Table 1. Conventional Budget Estimate](#)

[Table 2. Distribution of Policy Change by Annual Income Categories in 2022, Relative to Current-Law Baseline](#)

[Table 3. Distribution of Policy Change by Annual Income Categories in 2026, Relative to Current-Law Baseline](#)



Table 1. Conventional Budget Estimate

Billions of Dollars, Change from Current-Law Baseline

2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	Total
-104	-62	-65	-68	22	51	54	57	60	122	65



Table 2. Distribution of Policy Change by Annual Income Categories in 2022, Relative to Current-Law Baseline

Income Group	Average tax change	Share with a tax cut	Percent change in	
			after-tax income	Share of tax change
Bottom quintile	\$0	0.0%	0.0%	0.0%
Second quintile	\$0	0.3%	0.0%	0.1%
Middle quintile	-\$5	1.4%	0.0%	0.5%
Fourth quintile	-\$60	7.6%	0.1%	3.0%
80-90%	-\$385	30.4%	0.3%	8.5%
90-95%	-\$1,375	59.9%	0.8%	14.5%
95-99%	-\$4,995	79.7%	1.6%	41.2%
99-99.9%	-\$15,360	83.6%	1.8%	28.3%
Top 0.1%	-\$18,050	83.2%	0.2%	3.9%



Table 3. Distribution of Policy Change by Annual Income Categories in 2026, Relative to Current-Law Baseline

Income Group	Share with a tax		Percent change in after-tax income	Share of tax change
	Average tax change	increase		
Bottom quintile	\$0	0.0%	0.0%	0.0%
Second quintile	\$0	0.0%	0.0%	0.0%
Middle quintile	\$0	0.0%	0.0%	0.0%
Fourth quintile	\$0	0.0%	0.0%	0.0%
80-90%	\$0	0.0%	0.0%	0.0%
90-95%	\$5	0.2%	0.0%	0.1%
95-99%	\$50	1.1%	0.0%	0.5%
99-99.9%	\$14,520	48.9%	-1.6%	33.6%
Top 0.1%	\$239,530	77.5%	-3.0%	65.8%