ITEP
INSTITUTE ON TAXATION AND ECONOMIC POLICY

Not Worth Its SALT:
Tax Cut Proposal Overwhelmingly Benefits Wealthy, White Households

CARL DAVIS and JESSICA SCHIEDER

Data Available for Download

Executive Summary

The 2017 Trump tax law capped the deduction for state and local taxes paid (SALT) at $10,000 per year through 2025, after which the cap is scheduled to expire. A bipartisan group of members of Congress is seeking to speed up repeal of that cap at a cost of roughly $100 billion in 2022 alone.

A previous ITEP analysis showed the lopsided distribution of SALT cap repeal by income level. The vast majority of families would not benefit financially from repeal and most of the tax cuts would flow to families with incomes above $200,000.

This report builds on that work by using a mix of tax return and survey data within our microsimulation tax model to estimate the distribution of SALT cap repeal across race and ethnicity. It shows that repealing the SALT cap would be the latest in a long string of inequitable policies that have conspired to create the vast racial income and wealth gaps that exist today. Specifically, we find that:

- At the national level and in every state with available data, Black and Hispanic families would receive smaller average tax cuts than white families, thereby growing the gap in after-tax income between these families and higher-income white households. The same is true for Indigenous families in the states in which data are available.
- SALT cap repeal is primarily a boon to upper-income white families. In total, more than two-thirds (or $67 billion in 2022) of the tax cuts under SALT cap repeal would flow to white taxpayers earning over $200,000 per year—a group that accounts for less than 7 percent of all families nationwide.
- The skew of SALT cap repeal in favor of white families is even more pronounced within many of the states whose congressional delegations are the most vocal opponents of the SALT cap. In New Jersey, for example, 73 percent of the benefits of SALT cap repeal would flow to white families, even though just 57 percent of families in the state are white. Nearly two out of every three dollars (66 percent) going to New Jerseyans as a result of SALT cap repeal would flow to white families earning more than $200,000 per year—a group that comprises just 9.8 percent of all households in the state. By contrast, Hispanic households at all income levels in New Jersey would receive just 9 percent of the tax cuts under SALT cap repeal despite accounting for nearly 20 percent of New Jersey families overall. The 13 percent of New Jersey families who are Black would receive a little more than 6 percent of the tax cuts.

- The vast majority of families of every race would receive no benefit from SALT cap repeal. But Black and Hispanic families are especially unlikely to benefit. Nationally, Black families are 42 percent less likely than white families to benefit—that is, 5.6 percent of Black families would receive a tax cut compared to 9.7 percent of white families. Similarly, Hispanic families are 33 percent less likely than white families to benefit, with only 6.5 percent of Hispanic families receiving any tax cut under SALT cap repeal.
- The disparities between white families and Black and Hispanic families in California, Illinois, New Jersey, and New York—four states whose congressional delegations account for more than 90 percent of the new "SALT Caucus" seeking SALT cap repeal—are even more pronounced. Across these four states, Black families are between 44 and 54 percent less likely than white families to receive any tax cut. Hispanic families are between 49 and 60 percent less likely than white families to receive a tax cut.

Repealing the SALT cap would worsen the racial income and wealth divides by primarily benefiting wealthy white households. It would also likely crowd out other, much more progressive policies and programs from the upcoming infrastructure package while doing comparatively little to encourage progressive revenue raising at the state and local levels. Lawmakers should instead replace the SALT deduction cap with a more expansive limitation on itemized deductions such as a broader cap, a floor, or ITEP's proposed High-Income Tax (HIT) proposal.

INTRODUCTION

The 2017 Trump tax law capped the deduction for state and local taxes paid (SALT) at $10,000 per year through 2025, at which point the cap is scheduled to expire. The deductible amount is calculated as the combination of state and local property taxes plus either income or sales taxes—whichever is larger.

The SALT deduction is part of a larger package of itemized deductions alongside write-offs for mortgage interest, charitable gifts, medical expenses and other, less common, itemized deductions. Paring back those deductions is a sensible goal of tax reform, but Republicans in Congress and the White House made the largely political decision to single out SALT with the $10,000 cap because it has a larger impact on Democratic-leaning states that make more robust investments in schools, health care, infrastructure, and other services via higher income and property taxes.

Rather than singling out states with more robust and equitable tax codes, there are options available to lawmakers in search of a better kind of limit on itemized deductions that would preserve—or increase—current revenues and be more progressive than the SALT cap.1 Unfortunately, many lawmakers would prefer to reinstate SALT deductions in a manner that would provide a costly windfall to high-income families. A previous ITEP analysis revealed that 85 percent of the tax cuts associated with SALT cap repeal would flow to the richest 5 percent of taxpayers and more than 60 percent of the benefits would flow to the top 1 percent alone.[2] And because years of policy advantage and privilege have led to a significant overconcentration of white families among the nation's highest-income and highest-wealth families, this means that an outsized share of the total tax cuts would flow to white households.

It is often difficult for policymakers and the public to fully understand the impact of tax laws across race and ethnicity in part because tax return data do not include information on taxpayers' races. To fill this void, we have merged tax and survey data within our microsimulation tax model to allow for race and ethnicity-specific tax estimates.[3]

This paper quantifies the damaging racial equity impacts of SALT cap repeal through use of this unique tool. It represents ITEP's third major effort at quantifying the distribution of federal tax laws by race. Earlier this year, we issued a report on the Child Tax Credit detailing the degree to which a new, temporary reform will be particularly important to Black and Hispanic families who were previously excluded from much of the credit's benefits.[4]

Prior to that, we partnered with Prosperity Now in 2018 to analyze the racial equity impact of the Trump tax law.[5] In that report, we found that nearly 44 percent of tax cuts flowed to a small number of white families earning more than $240,000 per year and that white families, on average, received a tax cut more than twice the size of that received by either Black or Hispanic families. This context, in which the federal tax code has become more favorable toward upper-income white families in recent years, is important to keep in mind when evaluating regressive proposals such as SALT cap repeal.

TAX LAW EXISTS AGAINST A BACKDROP OF SEVERE RACIAL INEQUITIES

The roots of racial inequities are both deep and broad, from national public policies and the shortcomings of our economic system down to countless individual acts of racism and discrimination.

Economic disparities across race and ethnicity manifest in health, education, income, wealth, and many other measures of wellbeing. Any of these disparities can be relevant for tax purposes, though income and wealth are typically the two most important. Income is usually measured as the resources generated or received in the span of a single year, whereas wealth is the store of resources accumulated throughout one's lifetime.

Racial income gaps are driven by discrimination in pay and hiring, disparities in geographic access to employment opportunities, and educational achievement gaps created through an inequitable system of education funding, among other factors.[6] Because of the racial income gap, tax policies geared toward high-income taxpayers such as cuts in the top tax rate tend to disproportionately benefit white families.

Systemic racism is even more apparent in our nation's racial wealth gap, which is much larger than the gap in annual income. Today the median Black household has just 13 cents in wealth for every dollar held by the median white household while the median Hispanic household has 16 cents.[7] In light of the racial wealth gap, tax policies geared toward high-wealth taxpayers such as preferences for investment income disproportionately benefit white families.[8]

SALT cap repeal is an example of a policy lying at the intersection of these two areas. It is simultaneously geared toward families with higher incomes and more wealth. The income tax portion of the SALT deduction is tied closely to families' incomes, as those with higher incomes tend to have more state income tax they can potentially deduct. The property tax portion of the SALT deduction is tied to wealth, as homeownership and home value are major components of overall wealth. Vast differences in intergenerational wealth and a long history of racist housing policy have allowed white households to achieve homeownership rates far beyond those in communities of color.[9]

SALT CAP REPEAL WOULD WORSEN RACIAL INEQUITIES NATIONALLY

A previous ITEP analysis revealed that 85 percent of tax cuts associated with SALT cap repeal would flow to the richest 5 percent of taxpayers, and that more than 60 percent of the benefits would flow to the top 1 percent alone.10 Building on that work, we present here the distribution of these tax cuts across race and ethnicity.

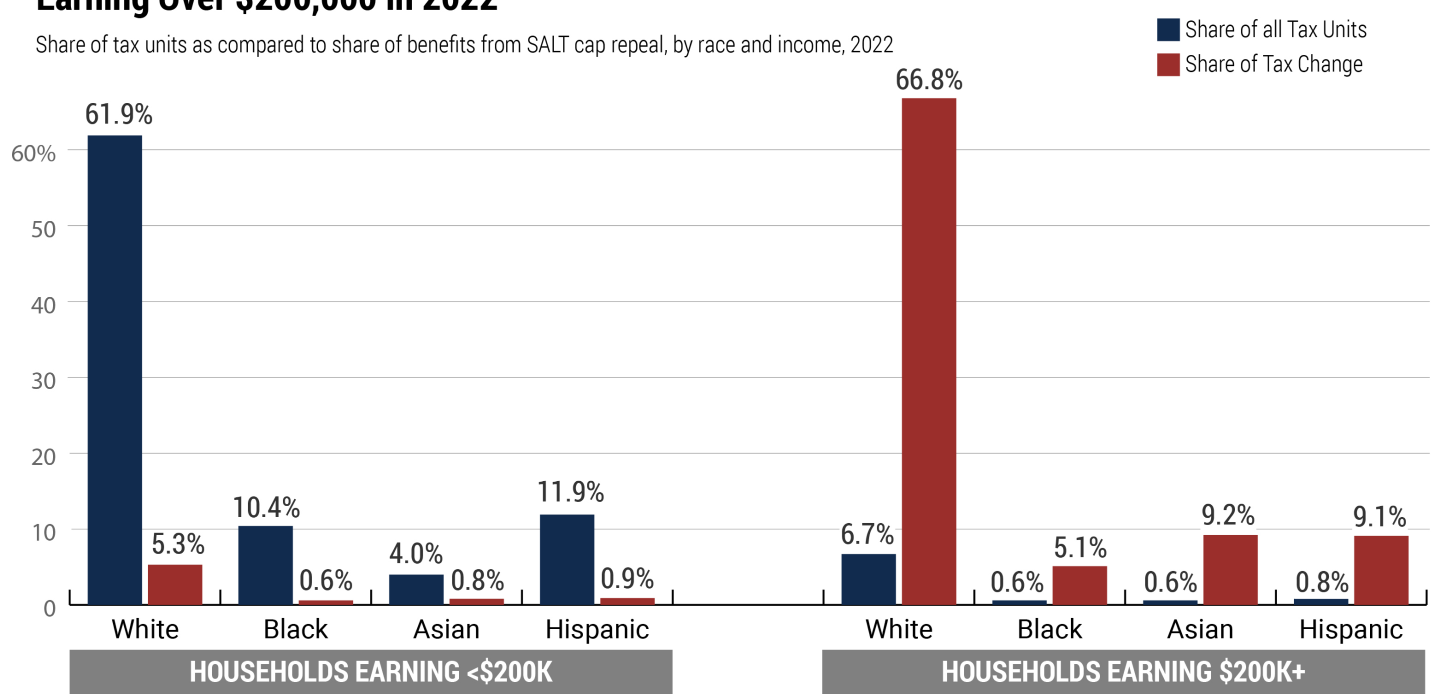
To accomplish this, ITEP's tax model incorporates information beyond income to determine the amount of tax cut that people of different races and ethnicities can expect to receive from SALT cap repeal: homeownership, family structure, and state of residence. Using this tool, we believe that we have arrived at a conservative estimate of the share of tax cuts associated with SALT cap repeal that would flow to white families and may be overstating the share of benefits flowing to Black and Hispanic families.11 Even so, it is clear from our analysis that white families would receive an outsized share of the benefits of SALT cap repeal.

More than 72 percent of the tax cuts would flow to white families—a group that accounts for less than 67 percent of taxpayers overall. But the vast majority of those tax cuts would flow to high-income white families. As seen in Figure 1, more than two-thirds (or $67 billion annually) of the tax cuts under SALT cap repeal would flow to white taxpayers earning more than $200,000 per year—a group that accounts for less than 7 percent of all families nationwide.

FIGURE 1

Two-Thirds of the Tax Cut Associated with SALT Cap Repeal Would Flow to White Families Earning Over $200,000 in 2022

Share of tax units as compared to share of benefits from SALT cap repeal, by race and income, 2022



Note: Shares will not sum to 100 percent, as all groups are not represented due to sample size limitations.
SOURCE: Institute on Taxation and Economic Policy, April 2021

Black, Hispanic, and Indigenous families earning over $200,000 per year would of course also receive tax cuts from SALT cap repeal, but historic and current racism make it less likely for people of color to reach this level of income. This can be seen most clearly in the share of tax cuts flowing to Black and Hispanic families overall. Black families account for more than 11 percent of taxpayers nationwide, yet would receive less than 6 percent of the total tax cuts associated with SALT cap repeal because a smaller share of Black families has the high levels of income and wealth needed to benefit meaningfully from this policy. Hispanic families account for more than 14 percent of total taxpayers and yet would receive just 10 percent of the total tax cuts. More detail on the impact on these groups is available in Appendix A.

While sample size limitations prevent us from calculating comparable figures for Indigenous families on the national level, the pattern is largely similar for these families in states in which we have data. In Oklahoma, for example, American Indian families (non-Hispanic) account for more than 6 percent of families overall yet would receive just 4 percent of the tax cuts flowing to Oklahomans under SALT cap repeal.

Appendices A and B reveal that, at the national level and in every state with available data, Black and Hispanic families would receive smaller average tax cuts than white families, thereby growing the gap in after-tax income between these families and higher-income white households. The same is true for Indigenous families in the states in which data are available.

It is also important to acknowledge that Asian families would also receive significant tax cuts on average under SALT cap repeal. Within a given state, the benefit to Asian households (relative to their share of the population) is often roughly on par with the benefit flowing to white households because a comparatively high share of Asian families have the high incomes needed to be beneficiaries of SALT cap repeal.[12] The relatively high average income in the Asian community is in part because U.S. immigration laws over the last 30 years have favored high-skilled visas, many of which are allocated to Asian immigrants.[13] It also obscures the fact that many segments of the Asian community—such as Hmong, Laotian, and Burmese people—have comparatively low incomes and would not see meaningful tax cuts from SALT cap repeal.[14]

SALT CAP REPEAL WOULD BE PARTICULARLY INEQUITABLE WITHIN STATES

Inevitably, SALT cap repeal would have varying impacts across states based on differences in income levels, tax levels, and the mix of taxes levied by state and local governments. It is therefore important to look at state-specific estimates as well when gauging the true impact of SALT cap repeal. Unfortunately, from a racial equity perspective the impact of SALT cap repeal looks no better at the state level than it does at the national level—and indeed in some respects the state-level impacts are even more concerning.

Detailed state-by-state data are presented in Appendix B, but for simplicity we focus on just four states here that would be more affected by SALT cap repeal than average, and whose Congressional delegations have been the most vocal opponents of the SALT cap. Those states are California, Illinois, New Jersey, and New York. Twenty-nine of the 32 members of the newly formed "SALT Caucus" come from these four states.[15]

Figure 2 displays the share of households nationally, and in these four states, that would receive any tax cut from SALT cap repeal. Even in New Jersey, the state with the largest share of potential beneficiaries from SALT cap repeal, less than one in four households would see any change in their federal tax bill from SALT cap repeal. In Illinois, the comparable figure is closer to one in ten.

The likelihood of benefiting from SALT cap repeal varies significantly with the race and ethnicity of the taxpayer. White and Asian families are most likely to benefit from SALT cap repeal, while Black and Hispanic families are much less likely to benefit.[16] Nationally, Black families are 42 percent less likely than white families to see any tax cut under SALT cap repeal—that is, 5.6 percent of Black families would receive a tax cut compared to 9.7 percent of white families. Similarly, Hispanic families are 33 percent less likely than white families to benefit, with only 6.5 percent of Hispanic families receiving any tax cut under SALT cap repeal.

FIGURE 2: Share of Families Receiving Any Benefit from SALT Cap Repeal

Select geographies, by race, 2022

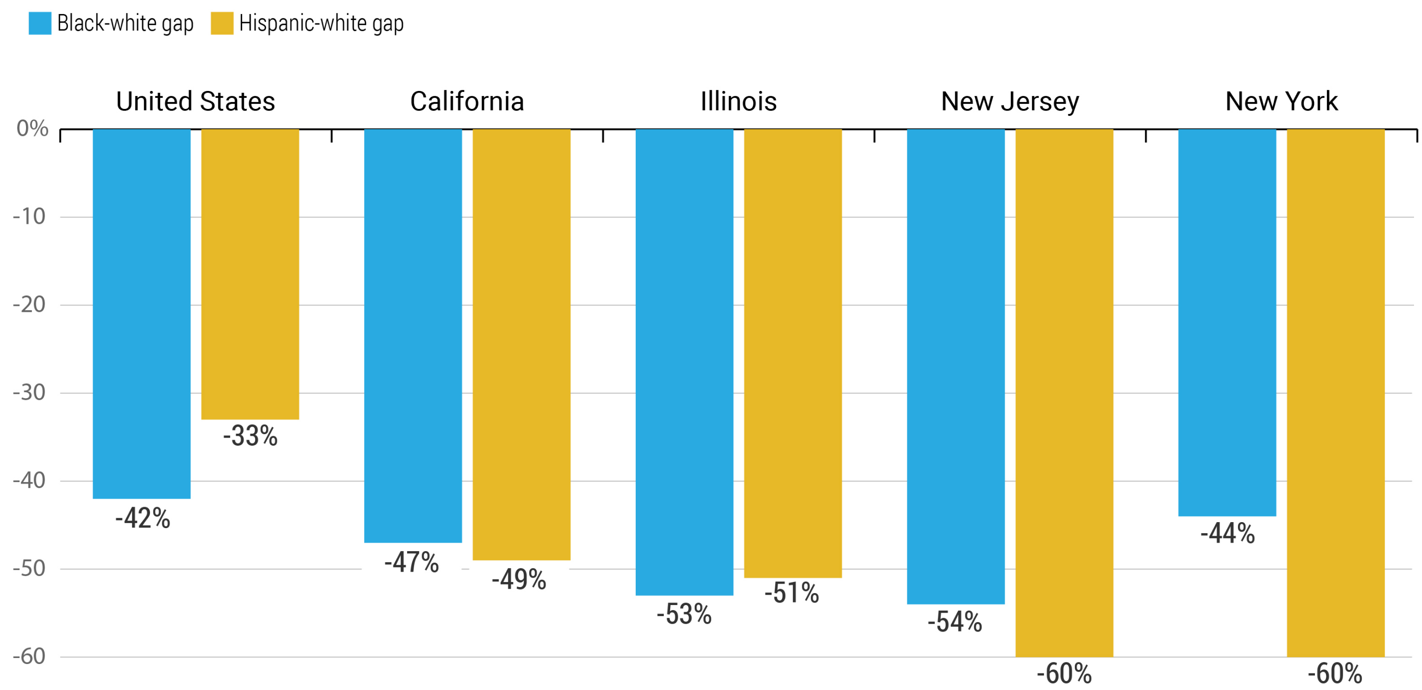
	United States	California	Illinois	New Jersey	New York
Black	5.6%	13.2%	5.7%	13.4%	12.1%
Hispanic	6.5%	12.5%	6.0%	11.7%	8.7%
White	9.7%	24.7%	12.1%	29.1%	21.6%
Asian	17.6%	27.5%	13.6%	27.9%	19.0%
All	**9.1%**	**20.4%**	**10.5%**	**23.3%**	**17.7%**

Source: Institute on Taxation and Economic Policy, April 2021 • Created with Datawrapper

The disparities between white families and Black and Hispanic families in California, Illinois, New Jersey, and New York are even more pronounced. Across these four states, Black families are between 44 and 54 percent less likely than white families to receive any tax cut. Hispanic families are between 49 and 60 percent less likely than white families to receive a tax cut.

FIGURE 3

Likelihood of Receiving a Tax Cut from SALT Cap Repeal, Relative to White Families, 2022



SOURCE: Institute on Taxation and Economic Policy, April 2021

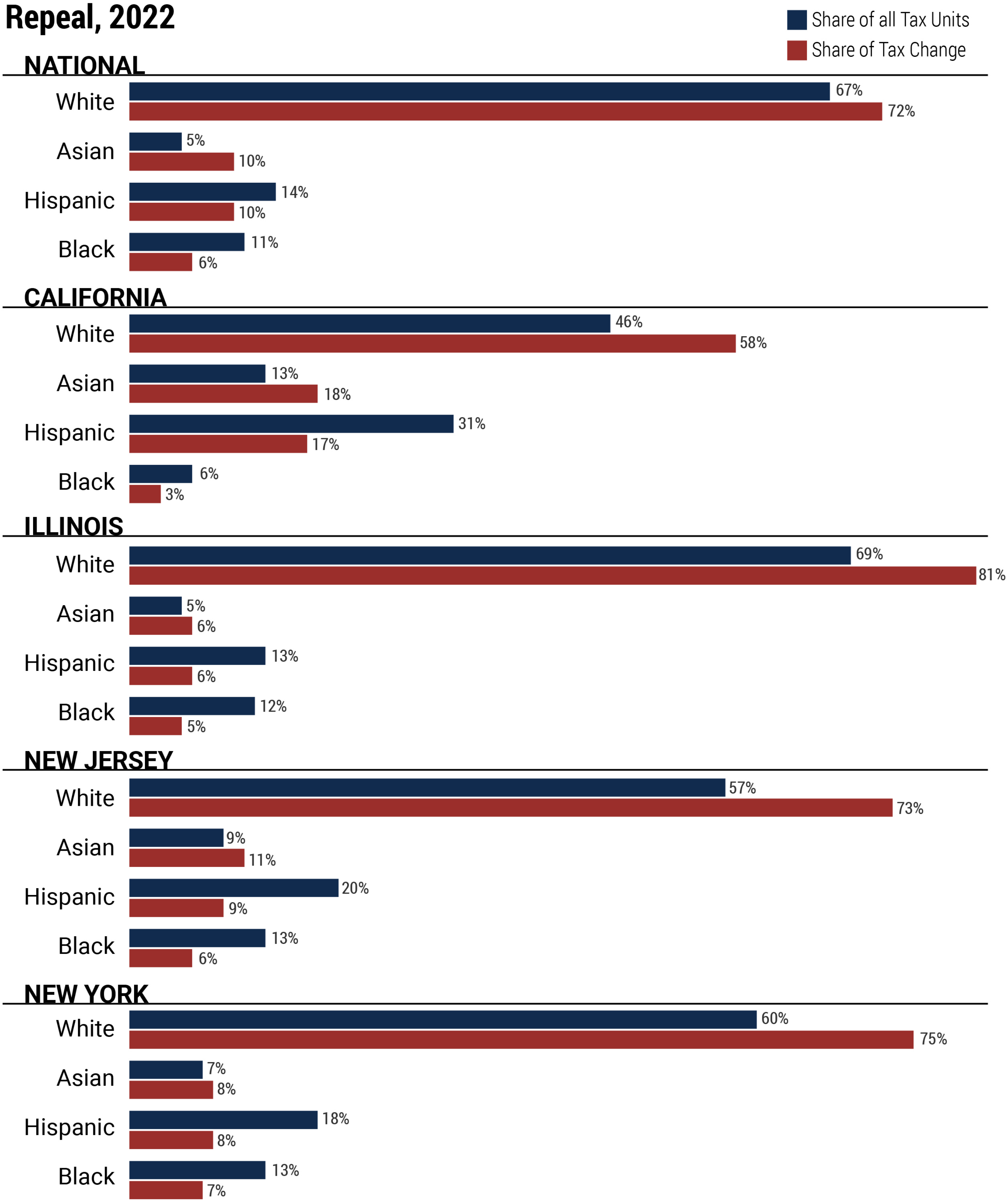
All four of these states would see a somewhat larger share of their taxpayers benefit from SALT cap repeal compared to the national average. But even in these states, the benefits of SALT cap repeal would be overwhelmingly geared toward the very richest families. We previously estimated that 52 percent of the benefits flowing to Californians, for example, would go to those making over $992,800 in 2022—a group representing the top 1 percent of households in that state.[17]

Continuing with the above example of California, we find that even though white-led tax units make up 46 percent of all tax units, these families would absorb 58 percent of the benefits that Californians would receive from SALT cap repeal. This bias is the result of differences in white taxpayers' incomes, homeownership rates, and family structures that are influenced by historical and ongoing discrimination in housing and labor markets and throughout society. For example, given that local property taxes are a prominent component of SALT, even anecdotally it is easy to see how proposals to repeal the SALT cap might disproportionately benefit homeowning taxpayers with homes in whiter neighborhoods. In this way, SALT cap repeal exacerbates existing racial inequities in income and homeownership.

This phenomenon persists across states, as Figure 4 shows. In Illinois, New Jersey,

FIGURE 4

Share of Total Families Compared to Share of Tax Cuts from SALT Cap Repeal, 2022

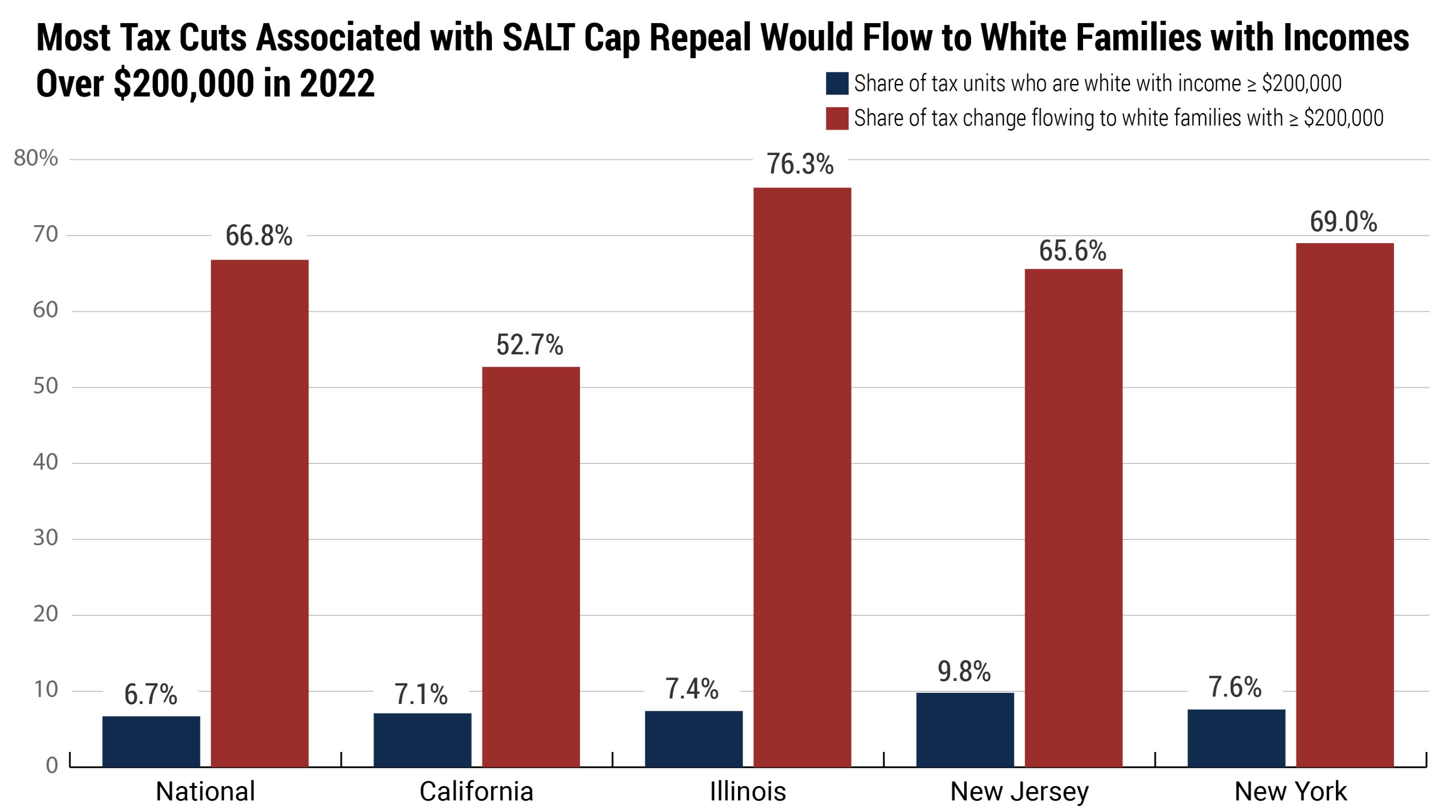


Note: Shares will not sum to 100 percent, as all groups are not represented due to sample size limitations.
SOURCE: Institute on Taxation and Economic Policy, April 2021

and New York, white families would disproportionately benefit as compared to Black and Hispanic families by notable margins. To take another example, in New Jersey white families make up 57 percent of all tax units but would receive 73 percent of the benefits of SALT cap repeal. By contrast, Hispanic families in New Jersey account for almost 20 percent of all New Jersey taxpayers, but they would receive only 9 percent of the benefits of SALT cap repeal. Black families account for more than 13 percent of New Jerseyans but would receive just over 6 percent of the tax cuts.

To be clear: not all white households are affected in the same way by SALT cap repeal. Most white households in all these states receive no tax cut from SALT cap repeal, and the benefits are instead concentrated among high-income and high-wealth white families. Figure 5 shows that in all four of these states, more than half the benefit of SALT cap repeal would flow to white households with annual incomes above $200,000. This is a group that accounts for less than 1 in 10 households in each of these states.

FIGURE 5



SOURCE: Institute on Taxation and Economic Policy, April 2021

Appendix B presents a more complete analysis of the impact of SALT cap repeal by race within specific states. In every state, white taxpayers accrue a disproportionate share of the tax cuts and high-income white households in particular receive most of those benefits.

SALT CAP REPEAL IS NOT TARGETED TOWARD THOSE FAMILIES PAYING THE HIGHEST STATE AND LOCAL TAX RATES

The skewed benefits of SALT cap repeal are not driven by higher effective state and local tax rates on white taxpayers overall. State and local tax codes are typically regressive, levying lower effective tax rates on higher-income families, a disproportionate share of whom are white.[18] Yet, the federal tax deduction for state and local tax payments is skewed so its largest benefits go to high-income taxpayers because most families do not claim SALT or other itemized deductions and instead claim the standard deduction. Moreover, tax deductions generally offer the largest average tax cuts to people in higher federal tax brackets: a dollar of SALT deducted by a very high-income family in the 37 percent bracket will save that family 37 cents, while the same dollar deducted by a family with a lower income in the 24 percent bracket will save just 24 cents in federal taxes.

A recent ITEP report found that states with highly regressive tax codes such as Tennessee tend to tax people of color at higher effective tax rates than white people.[19] Yet our analysis finds that SALT cap repeal would benefit white families in Tennessee far more than others in that state (see Appendix B).

With the exception of Illinois, the four states on which we focused in the previous section have tax systems that are less regressive than the national average and much less regressive than Tennessee, though it remains the case that the top 5 percent of taxpayers in each of these states (the group benefiting most from SALT cap repeal) do not pay a significantly higher tax rate than the other 95 percent of taxpayers.[20]

With this context in mind, it should be clear that the distribution of tax cuts afforded by SALT cap repeal has at best a loose relationship to the share of income paid in state and local taxes. A high-income New Jerseyan will certainly see a larger tax cut under SALT cap repeal than a high-income Texan paying very little state or local tax. But low- and middle-income New Jerseyans pay an overall state and local tax rate very similar to that paid by the state's most affluent families, and those low- and middle-income families would generally not receive a tax cut under SALT cap repeal.

FISCAL CAPACITY ARGUMENTS IN FAVOR OF THE SALT DEDUCTION ARE UNPERSUASIVE

SALT cap repeal would steer enormous federal tax cuts to high-income families. Defenders of repeal argue that the SALT deduction enables state and local lawmakers to raise progressive taxes without worrying that affluent families will move to avoid paying them. There are at least four considerations to keep in mind related to this claim.

First, it is hard to imagine that repealing the SALT cap—at an annual cost of roughly $100 billion—would spur enough progressive state and local tax increases (or prevent enough regressive tax cuts) to trigger a net tax increase on high-income families. Lawmakers in both New Jersey and New York, apparently undeterred by the SALT cap, have agreed to enact significant tax increases on top earners in the last few years.[21] Even if SALT cap repeal encouraged some state and local tax increases, the net effect would still be a large tax cut for the nation's most affluent families and for affluent white families in particular.

Second, in the context of the current federal negotiations over infrastructure and the budget, repeal of the SALT cap is likely to crowd out other, much more progressive policies and programs that could advance racial justice and economic justice broadly. Procedural rules and political constraints limit the ability of lawmakers to pay for spending in ways that add to the national debt. This means the question is not whether an uncapped SALT deduction has any positive features at all. Rather, lawmakers must decide whether SALT cap repeal is more beneficial than whatever program might be funded through revenue raised by the SALT cap.

Third, the best available research suggests that the millionaire households that would benefit most from SALT cap repeal tend to move less often than everyone else and that millionaire tax flight exists "only at the margins of statistical and socioeconomic significance."[22] By definition, high-income taxpayers are already living comfortably. A very small minority of them may be willing to uproot their lives in search of a tax savings equal to a few percentage points of income, but they are the exception rather than the norm.

Finally, the fiscal capacity argument is least convincing in the context of the property tax portion of the SALT deduction. To the extent the property tax deduction might boost localities' revenue raising capacity, it is likely to exacerbate racial inequities by steering outsized benefits toward wealthier, majority white school districts least in need of aid. Virtually all households pay property taxes that support schools directly on their homes or indirectly through their rent, and yet an uncapped SALT deduction would only benefit about one in 10 households—and generally the most affluent one out of those 10.

Given the realities of state-sponsored residential segregation, those affluent households able to claim an uncapped property tax deduction tend to be concentrated in certain areas. Communities with higher incomes and property values have more residents able to take advantage of the property tax deduction while communities where more residents have moderate incomes, including many communities where people of color are disproportionately likely to live, see more of their residents claim the standard deduction and therefore have little to gain from SALT cap repeal. One of the most important goals of fiscal aid should be ensuring that even those communities with sparse resources are able to provide a high-quality education to local children. Real property tax deductions do the opposite by steering dollars into the areas that need them least.

ALTERNATIVES TO THE SALT CAP

Some opponents of the SALT cap have proposed replacing the revenue lost to SALT cap repeal with other kinds of progressive tax increases such as increases in the top tax rate. But directing the revenue raised through a higher tax rate—or other progressive tax reforms—to SALT cap repeal would mean that those revenues are unavailable to offset the costs of other public investments.

Prior to enactment of the SALT cap, it was clear that itemized deductions needed to be scaled back. Rather than boosting itemized deductions through SALT cap repeal, a better approach would be to replace the SALT cap with a broader limit on itemized deductions that also applies to expenses such as mortgage interest and charitable gifts. Depending on the details of its design, that type of reform could preserve—or even increase—current revenues and be more progressive than the SALT cap.

A broader cap applied to all itemized deductions is one example of such a policy, as is a sliding scale "floor" allowing taxpayers to deduct SALT and other itemized deductions only to the extent they exceed a certain percentage of their income. We recently explored both these policy options in another report.[23]

ITEP has also laid out a proposal for a new alternative tax called a High-Income Tax (HIT) that would be better targeted and would raise significantly more money than current law, without targeting tax filers in states with higher or more progressive taxes.[24] The HIT would be a 39.6 percent tax on adjusted gross income, with an exemption of $400,000 that phases out at higher income levels. The only tax break explicitly allowed against the HIT would be a credit equal to 28 percent of charitable contributions. The proposal is simple, raises more money, is better targeted than current law or pure SALT cap repeal, and accomplishes all of President Biden's personal income tax related goals while allowing anyone earning less than $400,000 to deduct their state and local tax payments.

CONCLUSION

The $10,000 cap on state and local tax (SALT) deductions is not a particularly well-designed tax policy and lawmakers would be wise to replace it with one of the more principled itemized deduction reforms that ITEP has outlined in other research. That said, outright repeal of the SALT cap without an adequate replacement would exacerbate racial inequities in this country. An uncapped SALT deduction primarily rewards families who simultaneously have high levels of both income and wealth, and it would, therefore, add to the nation's unconscionable racial income and wealth gaps.

The vast majority of families—regardless of race—would not benefit from SALT cap repeal, and families of color are even less likely to see any tax benefit. Nationally, Black families are 42 percent less likely than white families to benefit from SALT cap repeal—that is, 5.6 percent of Black families would receive a tax cut compared to 9.7 percent of white families. Similarly, Hispanic families are 33 percent less likely than white families to benefit, with only 6.5 percent of Hispanic families receiving any tax cut under SALT cap repeal. The disparity between white families and families of color in many of the states whose Congressional delegations have been the most vocal opponents of the SALT cap are even larger.

Many of the tax reforms being considered by Congress could enhance racial equity—such as raising taxes on investment income, reforming the corporate income tax, and making recent enhancements to the Child Tax Credit permanent. More than two-thirds (or $67 billion in 2022) of the tax cuts under SALT cap repeal, on the other hand, would flow to white taxpayers earning over $200,000 per year—a group that accounts for less than 7 percent of all families nationwide. This outcome would therefore worsen both economic and racial inequality. With this in mind, it is difficult to imagine why SALT cap repeal should be a priority for the current Congress.

Download Appendices as Excel File

Data Available for Download

Appendix A: Impacts of SALT Cap Repeal in 2022

Appendix B: Impacts of SALT Cap Repeal in 2022 by State

Appendix C: Tax Cuts from SALT Cap Repeal in 2022 for Taxpayers Making Over $200K, by Race and State

ENDNOTES

1 ITEP has explored alternatives to the SALT cap in other research, including: Steve Wamhoff and Carl Davis, "A Fair Way to Limit Tax Deductions," Institute on Taxation and Economic Policy. November 2018. https://itep.org/a-fair-way-to-limit-tax-deductions/. Steve Wamhoff and Matthew Gardner, "A Proposal to Simplify President Biden's Campaign Plan for Personal Income Taxes and Replace the Cap on SALT Deductions," Institute on Taxation and Economic Policy. April 2021. **https://itep.org/a-proposal-to-simplify-president-bidens-campaign-plan-for-personal-income-taxes-and-replace-the-cap-on-salt-deductions/**.

2 Steve Wamhoff, "What to Expect from Biden and Congressional Democrats on Tax Increases for Individuals," Institute on Taxation and Economic Policy. April 2021. **https://itep.org/what-to-expect-from-biden-and-congressional-democrats-on-tax-increases-for-individuals/**.

3 Our method for disaggregating tax results by race is explained here: **https://itep.org/itep-tax-model/iteps-approach-to-modeling-taxes-by-race-and-ethnicity/**.

4 Aidan Davis, Jessica Schieder, and Steve Wamhoff, "Child Tax Credit Enhancements Under the American Rescue Plan," Institute on Taxation and Economic Policy. January 2021. **https://itep.org/child-tax-credit-enhancements-under-the-american-rescue-plan/**.

5 Meg Wiehe, Emanuel Nieves, Jeremie Greer, and David Newville, "Race, Wealth and Taxes: How the Tax Cuts and Jobs Act Supercharges the Racial Wealth Divide," Institute on Taxation and Economic Policy and Prosperity Now. October 2018. **https://itep.org/race-wealth-and-taxes-how-the-tax-cuts-and-jobs-act-supercharges-the-racial-wealth-divide/**.

6 Marianne Bertrand and Sendhil Mullainathan, "Are Emily and Greg More Employable Than Lakisha and Jamal: A Field Experiment on Labor Market Discrimination," 94(4) American Economic Review, 2004, pp. 991-1013. S. Michael Gaddis, "Discrimination in the Credential Society: An Audit Study of Race and College Selectivity in the Labor Market," 93(4) Social Forces, 2015, pp. 1451–1479, **https://doi.org/10.1093/sf/sou111**.

7 Thomas S. Neubig, "Disparate Racial Impact: Tax Expenditure Reform Needed," Tax Notes Federal, Volume 170. March 8, 2021.

8 Dorothy Brown provides a powerful explanation of this issue in her new book, The Whiteness of Wealth: How the Tax System Impoverishes Black Americans--And How We Can Fix It. We reviewed her book here: **https://itep.org/looking-at-the-tax-code-through-a-race-equity-lens-presents-a-strong-case-for-reforms/**.

9 Dorothy A. Brown, "Homeownership in Black and White: The Role of Tax Policy in Increasing Housing Inequity," 49(1) University of Memphis Law Review, 2018, pp.205-227, **https://www.memphis.edu/law/documents/brown_final.pdf**.

10 Steve Wamhoff, "What to Expect from Biden and Congressional Democrats on Tax Increases for Individuals," Institute on Taxation and Economic Policy. April 2021. **https://itep.org/what-to-expect-from-biden-and-congressional-democrats-on-tax-increases-for-individuals/**.

11 Specifically, we suspect that we are understating the degree to which taxpayers at the very high end of the income distribution—who would receive the most benefits of SALT cap repeal—are disproportionately likely to be white. Moreover, while our income tax model controls for differences in homeownership rates by race, it does not control for differences in home value and this is likely causing us to overstate the amount of property tax that could potentially be deducted by Black and Hispanic families.

12 The heavier concentration of benefits among Asian households seen in the national data presented in in Appendix A is largely related to the geographic distribution of this population. A disproportionate share of Asian households live in comparatively higher-tax states such as California, Hawaii, New Jersey, and New York. When looking within any of those given states, the share of benefits flowing to Asian households is significantly less pronounced.

13 Janelle S. Wong, "The Source of the 'Asian Advantage' Isn't Asian Values," NBCNews.com. October 13, 2015. **https://www.nbcnews.com/news/asian-america/editorial-source-asian-advantage-isnt-asian-values-n443526**.

14 Pew Research Center, "Fact Sheets: Asians in the U.S." Accessed April 16, 2021. **https://www.pewresearch.org/social-trends/collection/asians-in-the-united-states/**.

15 Office of Rep. Thomas Suozzi, "Suozzi, Gottheimer, Young, Garbarino Announce New Bipartisan SALT Caucus to Fight for Tax Relief for Middle Class Families," Press Release. April 15, 2021. **https://suozzi.house.gov/media/press-releases/suozzi-gottheimer-young-garbarino-announce-new-bipartisan-salt-caucus-fight-tax**.

16 Within a given state, white and Asian families are roughly equally likely to benefit. Nationally, however, Asian families are more likely to benefit primarily because a disproportionate share of those families live in higher-tax states.

17 Steve Wamhoff, "What to Expect from Biden and Congressional Democrats on Tax Increases for Individuals," Institute on Taxation and Economic Policy. April 2021. **https://itep.org/what-to-expect-from-biden-and-congressional-democrats-on-tax-increases-for-individuals/**.

18 Meg Wiehe, Aidan Davis, Carl Davis, Matt Gardner, Lisa Christensen Gee, and Dylan Grundman, "Who Pays? A Distributional Analysis of the Tax Systems of All 50 States, 6th Edition," Institute on Taxation and Economic Policy. October 2018. **http://whopays.org**.

19 Carl Davis, Misha Hill, and Meg Wiehe, "Taxes and Racial Equity: An Overview of State and Local Policy Impacts," Institute on Taxation and Economic Policy. March 2021. **https://itep.org/taxes-and-racial-equity/**.

20 Meg Wiehe, Aidan Davis, Carl Davis, Matt Gardner, Lisa Christensen Gee, and Dylan Grundman, "Who Pays? A Distributional Analysis of the Tax Systems of All 50 States, 6th Edition," Institute on Taxation and Economic Policy. October 2018. **http://whopays.org**.

21 Luis Ferré-Sadurní and Jessee McKinley, "New York State Is Set to Raise Taxes on Those Earning Over $1 Million," New York Times. April 5, 2021. **https://www.nytimes.com/2021/04/05/nyregion/taxes-rich-budget-new-york.html**. Kate King, "New Jersey Lawmakers Pass Budget With Heftier Millionaires Tax," Wall Street Journal, September 4, 2020. **https://www.wsj.com/articles/new-jersey-lawmakers-pass-budget-with-heftier-millionaires-tax-11600977779**.

22 Cristobal Young, Charles Varner, Ithai Z. Lurie, and Richard Prisinzano, "Millionaire Migration and Taxation of the Elite: Evidence from Administrative Data," 81(3) American Sociological Review, 2016, pp. 421-446.

23 Steve Wamhoff and Carl Davis, "A Fair Way to Limit Tax Deductions," Institute on Taxation and Economic Policy. November 2018. **https://itep.org/a-fair-way-to-limit-tax-deductions/**.

24 Steve Wamhoff and Matthew Gardner, "A Proposal to Simplify President Biden's Campaign Plan for Personal Income Taxes and Replace the Cap on SALT Deductions," Institute on Taxation and Economic Policy. April 2021. **https://itep.org/a-proposal-to-simplify-president-bidens-campaign-plan-for-personal-income-taxes-and-replace-the-cap-on-salt-deductions/**.