



Episode 13 – On the SALT Deduction

This document provides resources for educators looking for ways to incorporate current events into their curriculum. Each podcast episode is approximately 20 minutes long and available on all major podcast outlets for free. This document provides multiple choice and true/false questions to test for high-level comprehension of podcast topics as well as opportunities for either short-answer/essay-style questions or discussion questions to delve further into topics. Email taxnerds@gmail.com for an answer key.

In this episode, we discuss the federal deduction for state and local taxes: why it exists, why it was capped, and why current proposals aim to increase the cap.

Concepts covered

- Itemized vs. standard deductions
- Deduction for state and local taxes

Multiple Choice and T/F Questions

1. According to the podcast, what is the basic formula for computing federal taxable income?
 - a. Gross income less credits
 - b. Gross income less deductions
 - c. New income less credits
 - d. Gross income less deductions plus credits

2. What are the general categories of federal income tax deductions? Select all that apply.
 - a. Itemized
 - b. General
 - c. Non-exempt
 - d. Standard

3. According to the podcast, which of the following is **not** true about the standard deduction.
 - a. It is available to all taxpayers
 - b. It was increased by the Tax Cuts and Jobs Act
 - c. It is currently \$25,000 for each taxpayer
 - d. It is set by the government each year

4. According to the podcast, which of the following is **not** true about itemized deductions.

- a. They are generally linked to specific expenditures made during the tax year
 - b. They are more likely to be claimed by lower-income households
 - c. It only makes sense to claim itemized deductions if they exceed the standard deduction
 - d. The number of taxpayers claiming itemized deductions has declined since the Tax Cuts and Jobs Act.
5. According to the podcast, which of the following is **not** a reason for the SALT deduction?
- a. To subsidize saving for retirement
 - b. To mitigate double taxation on income (e.g., wages)
 - c. To subsidize the cost of home ownership
 - d. To subsidize purchases and encourage spending
6. Which of the following types of taxes mentioned in the podcast are eligible for the state and local tax deduction?
- a. State income taxes on wages
 - b. Local sales taxes
 - c. Property taxes
 - d. All of the above
7. True or False: Taxpayers are more likely to itemize deductions if they have higher wages, more valuable property, or both.
- a. True
 - b. False
8. True or False: After the Tax Cuts and Jobs Act, each **taxpayer** can deduct up to \$10,000 of state and local taxes. Thus, a married couple can deduct up to \$20,000.
- a. True
 - b. False
9. True or False: Most of the tax benefit taken away by the SALT cap belonged to taxpayers resident in “blue” or Democratic states.
- a. True
 - b. False
10. According to the podcast, which of the following is true about the SALT cap? Select all that apply.
- a. It disproportionately affects taxpayers in high-tax states.
 - b. It disproportionately affects taxpayers in “blue” or Democratic states
 - c. Some Democrats claim the cap was politically motivated
 - d. The cap was required by the Supreme Court to equalize tax burdens across states

11. True or False: At one point, the tax benefits from the SALT cap repeal were estimated to be the largest cost of the Build Back Better Act.
 - a. True
 - b. False

12. True or False: According to the podcast, the Build Back Better Act proposed completely repealing any SALT deduction cap.
 - a. True
 - b. False

13. According to estimates, increasing the SALT cap under the Build Back Better Act would cost how much now?
 - a. \$45B
 - b. \$110B
 - c. \$190B
 - d. \$275B

14. True or False: The SALT deduction cap applies to both individual and corporate taxpayers.
 - a. True
 - b. False

Short answer/essay or in-class discussion questions

1. In your opinion, should the federal government allow a deduction for state and local taxes? How about for taxes paid to other countries?

2. In your opinion, should the deduction for state and local taxes be capped? Provide justification for your argument. If so, should the cap be applied per taxpayer or per tax return?

Data Analysis/Visualization

Using data from the IRS [Statistics of Income](#) prepare a graphic that shows the amount of state and local tax deductions by state for 2017 and 2018.