

Limitation on the SALT Deduction Affects Low-Tax, Red States

- On average across the United States, all State and local taxes (“SALT”) represent about 10.5% of GDP and business taxes account for 44.7% of that total. However, states vary in their dependence on business taxes to raise revenue.
- A limitation on deductions for business SALT would hit both high-tax and low-tax states and both “red” states and “blue” states.
 - Of the 14 states and DC that rely on business taxes for more than 50% of all SALT, five are among the 10 lowest-taxed states measured by taxes as a share of gross state product (“GSP”).
 - Of the 14 states and DC that rely on business taxes for more than 50% of all SALT, President Trump in 2024 won 10 and former Vice President Harris won five of these states.

Table 1.—State Business Taxes of SALT and SALT Burden Rank, 2023

State	State Business Taxes as a Share of All SALT*	State Rank by SALT Share of GSP	State	State Business Taxes as a Share of All SALT*	State Rank by SALT Share of GSP	State	State Business Taxes as a Share of All SALT*	State Rank by SALT Share of GSP
AK	76.3%	31	NH	49.4%	5	RI	41.5%	42
ND	73.8%	39	CO	48.8%	14	AR	41.5%	33
WY	73.5%	36	SC	48.5%	24	GA	41.4%	4
NM	63.5%	51	OK	47.5%	25	ID	40.2%	20
TX	59.7%	3	IL	47.5%	35	AZ	40.0%	16
SD	58.8%	2	AL	47.0%	23	UT	39.4%	10
DE	57.3%	17	NE	46.4%	8	HI	39.2%	50
VT	55.6%	49	KS	44.6%	26	WI	38.7%	22
TN	54.9%	1	MO	44.3%	38	OR	38.2%	44
NV	54.7%	32	VA	43.8%	30	MO	38.0%	12
FL	53.8%	6	NY	43.7%	47	NC	37.2%	11
DC	53.3%	7	MN	42.8%	37	IN	36.9%	13
WV	50.9%	43	OH	42.7%	15	MA	36.0%	21
ME	50.5%	48	CA	42.6%	28	NJ	35.5%	45
LA	50.2%	27	IA	42.3%	19	MI	34.6%	18
WA	49.7%	9	KY	42.1%	29	CT	32.9%	40
MS	49.7%	41	PA	41.7%	34	MD	29.7%	46

*State business taxes as a share of all state and local taxes.

Note: States won by President Trump in 2024 are shaded red. States won by Vice President Harris are shaded blue.

Source: Council on State Taxation.

- Businesses pay more in property taxes and sales taxes than they do in business income taxes.
 - Property taxes were the largest source of business tax revenue at the local level, representing 75.8% of local business taxes and 38.8% of all local government revenue.
 - Nondeductibility increases the effective property tax rate to landlords. Research finds that 14% to 60% of property tax costs are passed through in the form of higher rents to tenants.