



Congress of the United States
House of Representatives
Washington, DC 20515

April 21, 2021

Honorable Janet Yellen
Secretary
U.S. Department of the Treasury
1500 Pennsylvania Avenue N.W.
Washington, D.C. 20220

Dear Secretary Yellen:

Repealing the SALT cap and investing in infrastructure is critical to the future of New Jersey middle-class families and small businesses. New Jersey residents and businesses are leaving the State and frequently cite the dilapidated infrastructure and transportation system and the State and Local Tax (SALT) deduction cap for driving factors in their decision. The State's population growth is well below projections that were made before the SALT cap came into effect, and even before the COVID-19 pandemic ravaged the state, the shortage of workers negatively impacted businesses. New Jersey cannot afford any more years of inaction; we must address the region's crumbling bridges, roads, and tunnels. When looking for how to responsibly fund infrastructure and SALT, the Administration should support an aggressive move to close the tax gap, including hiring additional IRS agents to enforce current tax laws.

There is no denying that infrastructure in New Jersey needs immediate attention. New Jersey has the third-worst roads in the nation,¹ a third of New Jersey's bridges are in desperate need of repair,² and New Jersey's public transit has had the worst on-time record.³ The Gateway Project, which would replace the tunnels underneath the Hudson River that connect Jersey with New York City, has been stalled for years, and the 110-year old tunnels are deteriorating and at risk of failing. Two hundred thousand people travel through the tunnels daily, connecting 20 percent of our nation's GDP. Yet, Amtrak has had to shut down one of the tunnels periodically to repair the flood damage from Hurricane Sandy that is degrading the tracks and could destroy the tunnel's electrical systems.

The State and Local Tax (SALT) deduction cap put in place by the 2017 partisan tax hike bill has been a disaster for New Jersey. The cap has raised taxes for a significant number of my constituents, many of them who are middle-class workers such as teachers and police officers, eroded the tax base of my local communities, sent property values down, and caused unnecessary hardship for my state — all to the benefit of the Mocher States that take far more from the federal government coffers than they contribute. As you stated in response to my questioning before the House

¹ <https://wrnradio.com/new-report-finds-new-jersey-has-the-3rd-worst-roads-in-u-s/>

² <https://www.nj.com/politics/2021/03/500-nj-bridges-badly-need-repairs-heres-how-we-stack-up-against-other-states.html>

³ <https://www.nj.com/news/2021/01/nj-transit-trains-ranked-the-worst-in-the-nation-again.html>

Financial Services Committee on March 23, 2021, the deduction cap led to “very disparate treatment.”⁴

Removing the SALT cap has broad regional and political support. Provisions to do so have already passed the House three times, including as part of two COVID-19 relief packages: H.R.6800, the Heroes Act, which passed the chamber with bipartisan support on May 15, 2020, and H.R.8406, the updated version of the Heroes Act, which passed the House on October 1, 2020. This Congress, I helped introduce H.R.613, the bipartisan SALT Deductibility Act, with my colleague Representative Tom Suozzi, which would fully repeal the deduction cap. The bill currently has 106 bipartisan cosponsors, and companion legislation has been introduced in the Senate by Senate Majority Leader Charles Schumer.

There is a cost for infrastructure investments and in eliminating the SALT cap, but there is a solution readily available. In a recent hearing before the Senate Finance Committee, IRS Commissioner Charles Rettig stated that possibly more than \$1 trillion in taxes owed to the federal government are unpaid every year.⁵ A return on investment of federal dollars when it comes to the enforcement of existing tax laws is widely accepted, and by working to close the gap between what taxes are paid from what is owed, there exists substantial revenue potential. In a recent paper authored by economists Natasha Sarin and Lawrence Summers, restoring \$100 billion to the IRS’s budget over a decade and directing it to enforcement needs would result in a net return of \$1 trillion over that time.⁶ I am supportive of legislation that would do exactly this and cosponsored legislation with Congressman Ro Khanna, H.R.1200, the Stop CHEATERS Act.

Shrinking the tax gap would not only fund the full return of the SALT deduction to the hardworking families of New Jersey, but it would also provide substantial resources for infrastructure spending and encourage long-term tax compliance. All of this would be accomplished without raising rates on families or complexity in the tax system, and not risk jeopardizing our economic recovery as we work to get through the COVID-19 pandemic.

In the face of cataclysmic health and economic challenges, the American people need urgent and meaningful assistance. Spending on infrastructure such as roads, bridges, tunnels, and broadband access, as well as providing relief from the destructive SALT cap, offers the precise kind of action our constituents, states, and localities will benefit from. I look forward to your timely response and continuing to work on these matters for the benefit of New Jersey and the Country.

Sincerely,



Josh Gottheimer
MEMBER OF CONGRESS

⁴ <https://financialservices.house.gov/calendar/eventsingle.aspx?EventID=407279>

⁵ <https://www.reuters.com/article/us-usa-treasury-irs/irs-chief-says-1-trillion-in-taxes-goes-uncollected-every-year-idUSKBN2C0255>

⁶ Sarin, Natasha and Summers, Lawrence. “Shrinking the Tax Gap: Approaches and Revenue Potential.” *National Bureau of Economic Research*, 2019, https://www.nber.org/system/files/working_papers/w26475/w26475.pdf