

Income Insights: Understanding the SALT Deduction

Income Insights is a series designed to quickly describe important income tax concepts for advisors and their clients.

Authors	Date	Topic
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Understanding the SALT Deduction

The SALT deduction, which stands for state and local tax deduction, allows taxpayers to deduct certain taxes paid to state and local governments from their federal taxable income.

The Tax Cuts and Jobs Act of 2017 introduced a cap on the SALT deduction. For tax years 2018 through 2025, the maximum amount of state and local taxes that can be deducted is \$10,000 (\$5,000 for married couples filing separately), including:

State income taxes: This includes taxes on income imposed by state governments.

Local income taxes: Taxes levied by local jurisdictions, such as cities or counties, can also be deducted.

Sales taxes: Taxpayers have the option to deduct either state and local income taxes or state and local sales taxes, but not both. Taxpayers can choose to deduct sales taxes based on actual expenses or using a specified table provided by the IRS.

Property taxes: Real estate taxes on property owned by the taxpayer are deductible.

For tax years 2018 through 2024, the maximum amount of SALT that can be deducted is \$10,000.

For tax year 2025, the maximum amount of SALT that can be deducted is \$40,000. This amount will rise 1% annually through 2029 and is also subject to income limitations. The expanded deduction will begin to phase out for taxpayers with incomes above \$500,000. The \$500,000 phaseout will also rise 1% annually through 2029.

In 2030, the maximum amount of SALT that can be deducted will revert to the \$10,000 cap.

To claim the SALT deduction, taxpayers must itemize their deductions using Schedule A of their federal tax return. Taxpayers who opt for the standard deduction cannot claim SALT deductions.

Remember to keep detailed records of state and local tax payments to substantiate deductions. This is particularly important for those itemizing their deductions to ensure compliance with IRS requirements. For more on the types of expenses that qualify as itemized deductions, read "[Understanding Itemized Deductions.](#)"

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