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The law boosts the maximum deduction to \$40,000 through 2029.

Where the Trump Law Landed on the SALT Deduction

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The fight over deductions for state and local taxes almost sunk President Trump's megabill, which carries a new \$40,000 cap on the deductions, up from \$10,000.

The law also lets some business owners continue to dodge the cap on deductions for state and local taxes, or SALT.

The cap became a point of contention among Republicans, with House representatives from high-tax states such as New York and California arguing for a higher cap. GOP senators had pushed for a lower limit.

The Senate set the \$40,000 cap to expire after 2029, while the House would have made it permanent.

What's changing

The law boosts the maximum SALT deduction for single filers and married couples to \$40,000 through 2029, before going back to \$10,000 in 2030. The higher cap would start phasing out as income exceeds \$500,000. The cap and income thresholds would increase slightly each year.

The phaseout range ends at \$600,000, when taxpayers would again face the \$10,000 cap. That means a married couple with a combined \$600,000 in wage earnings could lose out on \$30,000 in extra SALT deductions. By comparison, a couple with \$500,000 in earnings could deduct \$40,000, said Grant Keebler, a tax lawyer in Green Bay, Wis.

Owners of pass-through businesses like S corporations and partnerships will still be able to use workarounds available in most states to effectively get unlimited SALT deductions.

A business owner who has \$1 million in business income and pays \$60,000 in state income taxes could deduct that full amount, for a tax savings of about \$22,000, Keebler said. A business owner who has \$30 million in business income and pays \$2 million in state taxes could save as much as \$740,000.

The \$10,000 cap on SALT deductions was put into place with the 2017 tax law. There was no cap before that, although the alternative minimum tax sometimes limited SALT deductions. The cap hurt millions of mostly high-income taxpayers in high-tax states. Whether taxpayers benefit from the new \$40,000 cap depends on whether they take the standard deduction or itemize deductions. Taxpayers typically choose whichever is higher, and the higher SALT cap will change the equation. Itemized deductions can include those for state and local taxes, mortgage interest, charitable contributions and medical expenses.

Taxpayers will see the effects on the returns they file early next year.

First-time itemizers

To see who else might benefit, take the example of a single tech executive in California who makes \$330,000. He is a renter, and pays \$30,000 in state taxes. Under current law, he could only itemize \$10,000 because of the SALT cap, so he would be better off taking the standard deduction of \$15,000, said Richard Pon, a certified public accountant in San Francisco.

Under the megabill, he could deduct all \$30,000 of his state income taxes, more than the enhanced standard deduction for single filers of \$15,750 in 2025. That would mean tax savings on his federal return of nearly \$5,000.

Married couples

For married couples, the SALT cap is the same as it is for single taxpayers. Yet they get a doubled standard deduction, so it is harder to get over the threshold where itemizing makes more sense.

Under the law, the basic standard deduction would be \$31,500 for joint filers in 2025.

Couples where both spouses are 65 or older also get a senior deduction, \$1,600 each for 2025. For 2025 through 2028, they would each get a bonus \$6,000 deduction, regardless of whether they itemize. *

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