

SALT Cap Workaround Example

Current Law		
Individual Level- Federal	Individual Level- State	Entity Level
Adjusted Gross Income	\$250,000	Adjusted Gross Income
Pass Through Income	\$250,000	\$250,000
Filing Status	Married	Filing Status
Children	0	Married
		Children
		0
State Income Taxes	\$13,396	Exemptions
State Property Taxes	\$11,004	2
Total State and Local Taxes	\$24,400	State Income Tax
Limited by Salt Cap	\$10,000	\$13,396
Total Other Deductions	\$15,000	
Federal Taxable Income	\$225,000	
FTI After Pass Through Deduction	\$175,000	
Total Federal Tax Liability	\$29,734	

Total State Taxes	\$13,396
Total Federal Taxes	\$29,734
Total Taxes	\$43,130

Proposed		
Individual Level- Federal	Individual Level- State	Entity Level
Adjusted Gross Income	\$250,000	Adjusted Gross Income
Pass Through Income	\$250,000	\$250,000
Filing Status	Married	Filing Status
Children	0	Married
		Children
		0
State Income Taxes	\$15,296	Exemptions
State Property Taxes	\$11,004	2
Total State and Local Taxes	\$26,300	State Income Tax Before Entity Credit
Total Other Deductions	\$15,000	\$13,396
Federal Taxable Income	\$208,701	State Entity Tax Credit
FTI After Pass Through Deduction	\$158,701	\$17,100
Total Federal Tax Liability	\$26,148	Total State Income Tax
		-\$3,704

Total State Taxes	\$15,296
Total Federal Taxes	\$26,148
Total Taxes	\$41,444

Federal Tax Difference	-\$3,586
State Tax Difference	\$1,900
Total Tax Difference	-\$1,686

Business Net Income	\$500,000
Partners	2
Split	50%
Taxes on Entity	\$0

Business Net Income	\$500,000
Partners	2
Split	50%
Entity Tax Rate	\$38,000
Shareholder Entity Tax	\$19,000