

Ask the Expert: What NY taxpayers need to know about changes to the SALT deduction

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The new administration in Washington, D.C., has ushered in changes to the tax code. Many taxpayers want to know how the One Big Beautiful Bill Act (OBBBA), which passed in July, will affect them. The OBBBA has introduced a larger state and local tax (SALT) deduction, sparking a discussion on the interplay between it and the elective state Pass-Through Entity Taxes (PTET) for partnerships, S corporations and LLCs.

Crain's Content Studio spoke with Alan Goldenberg, Tax Principal and Leader of State and Local Tax and Tax Controversy at Anchin, about what the changes mean and how taxpayers can optimize their tax planning as the end of the year approaches.

Crain's: Can you bring us up to speed on how the SALT cap has changed?

Alan Goldenberg: Back in 2017, the SALT deduction was capped at \$10,000 for

joint filers. That deduction includes income and property taxes that individuals pay to the states and localities. They typically itemize the amounts they pay as deductions on their federal tax returns.

Limiting the cap to \$10,000 meant that many taxpayers, especially those in high-taxing states such as New York, New Jersey, Illinois and California, could not deduct a substantial portion of their state and local taxes.

The OBBBA, which passed in July, has now raised the SALT cap from \$10,000 to \$40,000 starting in 2025. As a result, taxpayers can write off more of the income and property taxes they pay to the states.

Crain's: Is the new SALT cap permanent?

Alan Goldenberg: The higher SALT cap is not indefinite. It takes effect from 2025 through 2029, a period of five years, during which the \$40,000 cap increases by one percent each year. In 2026, it'll be \$40,400, allowing more taxpayers the opportunity to deduct more taxes, or potentially all of their state taxes, which were previously limited by the \$10,000 cap.

However, this is a temporary fix: In 2030, it reverts to \$10,000. Nevertheless, it is a nice benefit for many taxpayers in the meantime.

Crain's: How will the new SALT cap and income-based phaseout work?

Alan Goldenberg: The \$40,000 cap is available to taxpayers with up to \$500,000 of income. There is a sliding scale reduction of the increased cap between \$500,000 and \$600,000 of income. When your income exceeds \$600,000, the SALT cap is reduced to a guaranteed minimum of \$10,000. Taxpayers with an annual income over the threshold may be able to work with their tax advisor to utilize planning strategies to lower their taxable income to less than \$600,000 to maximize the SALT deduction.

Crain's: Pass-Through Entity Taxes (PTET) can be used to help taxpayers decrease their federal income tax even if they don't qualify for the higher SALT cap. How does the PTET work?

Alan Goldenberg: Pass-through entities, such as partnerships and S corporations, historically don't pay federal income taxes directly. Instead, they pass the income through to the partners or shareholders, who pay tax on it as individuals.

However, in response to the SALT cap states created Pass-Through Entity Tax regimes to circumvent the deduction limitation. These electable taxes allow pass-through entities to pay income taxes at the entity level and pass these payments through as credits to the partners and shareholders to offset the pass-through income on their individual state returns. From a federal perspective, the taxes are deductible as a business expense for the company, just like rent and utilities, thereby reducing the net income passed through by the amount of state taxes paid. Consequently, taxpayers receive the state tax deduction benefit on their share of the business income.

These regimes are available to taxpayers regardless of income level, so even those phased out of the increased SALT cap can still benefit from this workaround.

Crain's: How does the OBBBA affect pass-through entity taxes?

Alan Goldenberg: The initial House version of the bill eliminated PTET deductions for specified service trades or businesses. Similarly, the Senate version applied limitations on PTET deductions. At the end of the day, neither proposal made it into the final bill, so the tax situation for pass-through entities remains unchanged and PTET payments remain fully deductible.

Crain's: How can taxpayers stay compliant and maximize tax savings under the new SALT cap rules?

Alan Goldenberg: There's no one-size-fits-all approach. Everybody has different situations and business activities. Mapping and modeling out scenarios with a tax advisor can lead to the optimal tax position to take. The more you can plan, the more you can strategize, and the better you can optimize your deductions and reduce your tax exposure.

For more information, please contact [Alan Goldenberg](#), Principal and Leader of Anchin's [State and Local Tax](#) and [Tax Controversy](#) groups, or your Anchin

Relationship Partner.

Watch the Replay: Big Beautiful Bill Breakdown

Thousands of professionals registered for our live webinar covering the most impactful provisions of the One Big Beautiful Bill. If you missed the session, the full recording is now available to watch on demand.

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