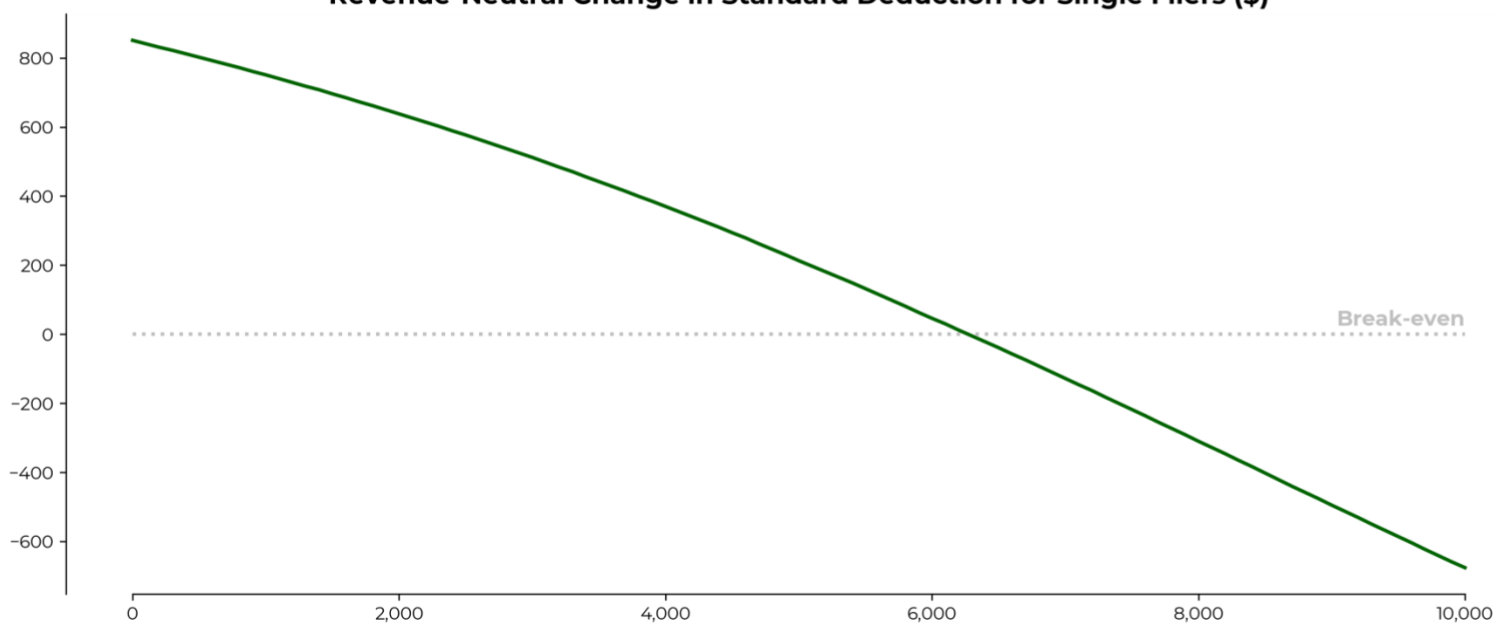
# OFRA Simulation S2024-004

**Figure: Substitute SALT (with No Marriage Penalty) with Standard Deduction**

Baseline: Current Policy[1]
Reform: Lowering SALT Cap in Exchange for Raising Standard Deduction, Starting 2026[2]
Calibration: Joint Committee on Taxation-Style Conventional Models[3]
Budget Window: 2026–2035

**Revenue-Neutral Change in Standard Deduction for Single Filers ($)**




**SALT Cap for Single Filers ($)**

Source: Tax-Brain (v.2.7.1), Tax-Calculator (v.4.3.0), Behavioral-Response (v.0.11.0), and Tax-Microdata-Benchmarking (as of September 30, 2024). See github.com/PSLmodels for open-source code.

1. The baseline assumes that Tax Cuts and Jobs Act temporary provisions are extended beyond 2025.

2. All the simulated proposals assume that, for both SALT and standard deduction, the caps for the "married filing jointly" and "qualifying surviving spouse" statuses are twice of that for single filers (i.e., eliminating the marriage penalty of SALT).

3. The revenue modeling is calibrated to the Joint Committee on Taxation's conventional models and considers two types of behavioral response triggered by the reform: (1) the substitution elasticity of taxable income, defined as proportional change in taxable income divided by proportional change in marginal net-of-tax rate on taxpayer earnings, and (2) the semi-elasticity of long-term capital gains, defined as change in logarithm of long-term capital gains divided by change in marginal tax rate on long-term capital gains. The first parameter ("be_sub" in the Behavioral-Response model) is set at 0.25, and the second parameter ("be_cg") is set at -3.45.