# The "SALT Torpedo": Why Trump's Big Beautiful Bill Could Trigger a Hidden Tax Hike for High Earners

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President Donald Trump's recently enacted "Big Beautiful Bill" includes a headline-grabbing boost to the state and local tax (SALT) deduction—raising the cap from $10,000 to $40,000 beginning in 2025. While this change sounds like welcome news for taxpayers in high-tax states, the legislation includes a lesser-known income-based phaseout that could result in a **significant—and surprising—tax hit** for some higher earners.

## What Is the SALT Deduction?

The **SALT deduction** allows taxpayers who itemize to deduct **state and local income taxes and property taxes** paid throughout the year. Under prior law, this deduction was capped at $10,000—a controversial limitation for professionals in states like California, New York, and New Jersey.

Trump's new tax law temporarily increases the SALT deduction cap to **$40,000** beginning in **2025**, with a **1% annual increase through 2029**, before reverting back to $10,000 in 2030.

But there's a catch.

## The Phaseout: A Hidden Tax Spike Between $500,000 and $600,000 of Income

For taxpayers with **modified adjusted gross income (MAGI)** above **$500,000**, the increased SALT deduction **begins to phase out**. By the time MAGI reaches **$600,000**, the benefit is fully eliminated—reducing the deduction back down to $10,000.

This **30% phaseout rate** creates what tax professionals refer to as a **"SALT torpedo"**—a sudden spike in your effective federal tax rate on income between $500,000 and $600,000.

### A Real-World Example

Let's consider two simplified scenarios:

- **Taxpayer A** earns **$500,000**, claims **$75,000** in itemized deductions (including the full $40,000 SALT deduction), resulting in **$425,000 of taxable income**.
- **Taxpayer B** earns **$600,000**, but because their SALT deduction is phased down to $10,000, they can only claim **$45,000** in total deductions. Their **taxable income jumps to $555,000**.

That's a **$130,000 increase in taxable income**, largely driven by the **$30,000 lost SALT deduction**. At a 35% marginal tax rate, this results in an additional **$45,500 in federal tax**—a **45.5% effective rate on the extra $100,000 earned**.

### Who's Most at Risk?

- Physicians, specialists, and other high-income professionals with MAGI between $500,000–$600,000.
- Taxpayers in high-tax states who typically itemize deductions.
- Households with large capital gains, Roth conversions, or significant investment income.

### Tax Planning Considerations

If your 2025 income could approach or exceed $500,000, it's essential to plan ahead. Strategies to consider include:

- **Income deferral or acceleration** to avoid falling within the $500,000–$600,000 “torpedo zone.”
- **Charitable contribution planning** to maximize deductions outside SALT.
- **Reducing MAGI** through retirement contributions, health savings accounts, or business deductions.
- **Evaluating the timing of Roth conversions, cap gains and retirement plan withdrawals**

## Final Thoughts

Trump’s “Big Beautiful Bill” offers temporary relief for SALT deduction limits—but the income-based phaseout introduces new complexity and risk for high earners. For many professionals, especially in high-tax states, failing to plan around the SALT torpedo could result in a higher-than-expected tax bill.

Whether you’re a professional or executive, physician in private practice or employed by a large healthcare system, the right tax strategy can make a measurable difference in your financial outcomes.

Tax law is constantly evolving, and what worked last year may no longer apply. That’s why our clients count on us to stay one step ahead—with strategies that reflect both today’s realities and tomorrow’s opportunities.

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