



NEW YORK STATE SENATOR

Jeffrey D. Klein

Federal Tax Proposal Could Cost Homeowners \$21 Billion More in Taxes: IDC Report

JEFFREY D. KLEIN May 26, 2017

| ISSUE: **PROPERTY TAXES**

Senator Carlucci & IDC Step Up to Protect Taxpayers in ‘Taxing Times’

Albany, NY – Senator David Carlucci (D-Rockland/Westchester) and members of the **Independent Democratic Conference** released a policy report, “Taxing Times: Protecting New Yorkers from Bad Tax Policy in Washington,” examining how Washington’s proposal to eliminate one’s ability to deduct property taxes on the federal level deals taxpayers another blow on the state level. The federal change could wind up costing taxpayers a whopping \$21 billion more in taxes.

Senator Carlucci also introduced legislation (S.6502) to protect New Yorkers’ ability to deduct property taxes on state income taxes in the event this bad federal policy becomes law.

“Donald Trump's tax plan would rob middle-class New Yorkers and force some residents who already pay the highest property taxes in the nation, to pay even more. With State taxation rates impacted by federal policy, the elimination of this deduction would amount to a double tax on New Yorkers who struggle to make ends meet as it is. If Washington's out of touch leadership takes this tax deduction away from New Yorkers, it would cost a shocking \$21 billion throughout the State. Taxpayers can't afford to lose this deduction and New York has

to continue to be a safety net to Washington's destructive direction,” **said Senator Carlucci.**

“The bad tax proposals coming from Washington will hurt millions of hardworking New Yorkers who already pay steep property taxes. This trumped-up tax plan only hurts our middle-class who could least afford to pay more taxes. The Independent Democratic Conference will act on a state level to protect taxpayers’ ability to continue to deduct their property taxes on a state level,” **said IDC Leader Jeff Klein (D-Bronx/Westchester).**

“This proposed change to federal tax policy would affect thousands of Central New Yorkers who claim a property tax deduction to reduce their tax burden. Asking hard-working families to pay more is wrong, and the IDC’s report explains the cost families would face if this policy is implemented,” **said IDC Deputy Leader David Valesky (D-Syracuse).**

“New Yorkers consistently face some of the nation's highest tax burdens at every turn. Another tax hit from Washington with the elimination of the property tax deduction is one that will cause our middle-class families to suffer most. The Independent Democratic Conference is taking a proactive and pragmatic step to ensuring New York homeowners can rest easier at night,” **said Senator Diane Savino (D-SI/Brooklyn).**

“It seems that every time President Trump puts a proposal forward, hardworking New Yorkers will be seriously hurt by it. His tax plan is no exception. My conference and I will do everything possible to ensure homeowners are capable of continuing to deduct their property taxes,” **said Senator Jose Peralta (D-Queens).**

“Residents of New York City and State are subject to some of the highest taxes in this nation. Being able to deduct state and local taxes from our taxable federal income is the only relief we see and losing this deduction would hit New Yorkers, particularly those in my District, exceptionally hard. This legislation being introduced by the IDC to protect taxpayers across

the state will provide much-needed relief in the event of Donald Trump's tax plan becoming law," **said Senator Tony Avella (D-Queens).**

"Taxing Times' shines a spotlight on a key area of policy where the wrong choice in DC could negatively impact millions of New York households. The Trump administration has a record of bringing forward unwise, unsound, and unreasonable policies and we need to be prepared for Trump's total lack of judgement to appear in tax policy. Senator Carlucci's legislation serves as an important step to help shield New Yorkers from a damaging change that has the potential to harm millions of our fellow New Yorkers. We must act in every area we can to meet faulty federal policy with wisdom here on the state level. Senator Carlucci's legislation does precisely that," **said Senator Jesse Hamilton (D-Brooklyn).**

"The policies coming out of Washington are wrongheaded and disproportionately affect working people and states with high property taxes like New York. By unlinking state property tax deductions from federal deductions, we can minimize the blow to New York homeowners and HDFO owners of this regressive policy," **said Senator Marisol Alcantara (D-Manhattan).**

The federal government allows taxpayers to deduct state and local taxes from their income when determining their taxable federal income. Currently, a third of New York filers claim this itemized deduction on their federal returns, with an average deduction of \$21,000 based on 2014 numbers.

Unfortunately the Trump administration's plan for "tax reform" includes cuts that would end this deduction, resulting in a net tax increase for New Yorkers and leaving them at risk to lose this important money saving tool. Similar plans from Congress would enact similar cuts.

The Independent Democratic Conference estimates a \$21 billion increase in federal taxes for New Yorkers, based on an analysis of 2014 tax data, if this policy is enacted.

IDC Analysis of Value of State and Local Tax Deduction

| Type of State or Local Tax | Total Deductions Claimed (In Thousands of \$) | Value of Deductions (In Thousands of \$) | Number of Filers claiming the deduction | Value per filers |
|---|---|--|--|-----------------------------|
| Real property Taxes | \$20,158,375.00 | \$5,266,850.86 | 2,375,850 | \$2,216.83 |
| State and Local Income Taxes | \$47,302,123.00 | \$15,045,552.51 | 2,839,750 | \$5,298.20 |
| All State and Local Taxes | \$68,400,903.00 | \$21,049,806.20 | 3,251,300 | \$6,474.27 |

If this federal itemized deduction were to be repealed, then state taxpayers would no longer be able claim a property tax deduction on their state returns either. Current state law links the itemized deduction at the state level to federal itemized deductions.

In order to unlink the two, in the event a policy change, the IDC is introducing legislation that would enshrine New Yorkers' ability to claim an itemized deductions for their property taxes on state returns.

It would not impact the state's bottom line differently since this deduction already exists. Taxpayers saved \$716.6 million in 2014 and this year they are expected to save \$704 million in taxes. It is the second largest deduction after the mortgage and investment interest

deduction at the state level. Over 1.6 million New Yorkers deducted property taxes in 2014, with an average deduction of \$9,883.

If the state does not act, it could cost taxpayers over \$704 million this year on a state level.

“The New York State Association of REALTORS® applauds Senator Carlucci and the Senate Independent Democratic Conference for addressing this critical homeownership issue.

While we support efforts to reform the federal tax code to create a more simplified and fair system, eliminating the deduction of state and local taxes, including property taxes, will only serve to hurt New Yorkers disproportionately compared to other states. Ensuring that New York’s homeowners will be able to deduct their property taxes at the state level, regardless of any change in federal tax code, is forward thinking, sound policy,” **said Dawn Carpenter, President of NYSAR.**

RELATED LEGISLATION

2017-S6502

-
- Introduced

 - - In Committee Assembly
 - In Committee Senate

 - - On Floor Calendar Assembly
 - On Floor Calendar Senate

- ◦ Passed Assembly
 - Passed Senate
- Delivered to Governor
- Signed By Governor
-

Grants a state income tax itemized deduction for the full amount of a taxpayer's property taxes

May 26, 2017

In Senate Committee Investigations and Government Operations

Sponsored by David Carlucci

Do you support this bill?