



TRUMP AND HOUSING

HOW NEW ADMINISTRATION'S TAX PROPOSALS COULD AFFECT LI REAL ESTATE

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President-elect Donald Trump wants to raise the standard deduction, which would blunt the benefits of deducting home mortgage interest and real estate taxes, and could prompt more Long Islanders to seek out rentals, local real es-

tate professionals and business leaders say.

The incoming administration wants to raise the standard income tax deduction for married couples to \$30,000 from the current \$12,600, according to Trump's campaign website. Single filers could deduct \$15,000, up from \$6,300.

The Republican-led Con-

gress has indicated it is eager to pass sweeping tax changes that also would increase standard deductions.

Households filing their tax returns can choose either to take the standard deduction or to itemize deductible expenses. Sharply raising the standard deduction would mean that for some taxpayers it would no

longer make sense to itemize deductions such as mortgage interest, which is now deductible for up to \$1 million in debt.

The fact that homeowners can deduct mortgage interest and property taxes encourages Americans to buy homes, said Stephen Breitstone, vice chairman of the law firm Meltzer, Lippe, Goldstein & Breitstone

LLP in Mineola. A typical Long Island family earning about \$100,000 and carrying a \$300,000 mortgage will likely pay between \$20,000 and \$30,000 a year in mortgage interest and property taxes, so homeownership lets them deduct more on their federal re-

See TAX on A32



JOHN ROCA

TRUMP AND TAXES

How his proposals could affect LI real estate

TAX from A31

turn and pay less in federal taxes, he said.

For many taxpayers under Trump's plan "you don't get that additional deduction anymore, so whether you rent or you buy, your taxes are essentially the same," he said.

The result, Breitstone said, is that "there would be less demand for homes and probably more demand for rentals."

Trump also would cap the amount that could be deducted at \$100,000 for single taxpayers and \$200,000 for married couples. Trump's choice for Treasury secretary, Steve Mnuchin, and House Speaker Paul Ryan (R-Wis.) also support limiting deductions.

Scaling back the deductibility of mortgage interest payments and property taxes

could have "devastating impacts" on Long Island's housing market, Kevin Law, president and chief executive of the Long Island Association, the region's largest business group, warned in a letter to Trump in December.

In the letter, Law urged him to either preserve tax deductions for homeowners or at least "take into consideration high-cost, high-tax regions like Long Island before adopting a uniform policy for the entire country."

The Trump transition team did not respond to requests for comment.

Long Island's housing market looms large in the finances of local residents. More than 80 percent of Long Island households own their homes — much higher than the national rate of 63.5

percent, census figures show.

Homes sold for a median price of \$335,000 in Suffolk County and \$460,000 in Nassau County in November, the Multiple Listing Service of Long Island reported.

On Long Island, home prices and property taxes are "way above the national norm," and "a lot of people are counting

on" the mortgage deduction, said Marianne Garvin, chief executive of the Community Development Corp. of Long Island in Centereach, which counsels home buyers and develops affordable housing. Curtailing those deductions, she said, would "impact the homeownership rate, especially on Long Island."

Tax deductions help offset the high costs of property taxes, mortgage interest and home maintenance, said Bethany Marten, broker and owner of the Home Buyers Resource Center in Baldwin.

"In certain neighborhoods it literally makes no sense to buy a home because the taxes are so high that you might as well rent," she said. Reducing tax incentives for homeownership, she said, "is going to depress the market a bit. . . . What it will do is keep it on the flat side."

For many Long Islanders the

tax incentive for buying "weighs heavily" as they decide whether to buy or rent, said Wendy Sanders, a real estate agent for Douglas Elliman in Great Neck. "When you combine that with the increase that's expected in mortgage rates, it looks like it's going to make renting a more appealing option," she predicted.

Rentals costly on LI

It is more difficult and expensive to find a rental apartment on Long Island than it is in other New York City metro area suburbs. Rentals make up about 20 percent of the housing stock on Long Island, compared with 37 percent in northern New Jersey and 34 percent in Westchester, a report last year by the Garden City-based Long Island Index showed.

On Long Island, one-bedroom apartments rent for a median \$1,709 in Nassau County and \$1,470 in Suffolk County,

BREAKDOWN

Standard deduction for single filers

Current: **\$6,300**
Trump proposal: **\$15,000**

Standard deduction for married filers

Current: **\$12,600**
Trump proposal: **\$30,000**

Sources: IRS (current); Trump campaign (proposal)

compared with \$1,180 in northern New Jersey and \$1,376 in Westchester, according to the report.

Roughly 5,000 new rental apartments have been built on Long Island since 2010, said Mitch Pally, chief executive of the Long Island Builders Institute, a trade group. Less than one-fifth of those are set aside as “affordable,” he said.

It remains to be seen what effect limiting deductions for homeowners would have on Long Island’s real estate market; cost is just one factor in deciding whether to rent or buy, Pally said. But, he said, “I don’t think there’s any question it will have an impact, especially in a high-cost area like where we live.”

If it weren’t for the tax deductions for homeowners, Nelson Nuñez said he might have continued renting an apartment in Brooklyn instead of buying a home on Long Island.

Deductions an incentive

Nuñez, 29, and his wife, Akiilah Lovell-Nuñez, bought a three-bedroom house in Rockville Centre for \$325,000 in July, shortly before the birth of their son, Connor, now 4 months. The fact that they can deduct more than \$21,000 in mortgage interest and state and local taxes was a key factor in deciding to buy a home, Nuñez said.

If the standard deduction were \$30,000, he said, they would likely take that standard deduction regardless of whether they rent or own, Nuñez said. And without that extra incentive to buy, he said, they might have stayed closer to his job as a project analyst at American Express in Manhattan.

“Renting would have been a great way for me to keep the short commute,” he said.

Some local tax and housing experts predicted Trump’s plan to overhaul the tax system would put more money in home buyers’ pockets and give the housing market a boost. Among other changes, Trump has proposed reducing the number of tax brackets from seven to three, and lowering the current top income tax rate from 39.6 percent to 33 percent.

“If he’s able to reduce the tax rates to the levels that he’s talking about, I see that as freeing up a lot of cash,” said Jude Coard, chair of the tax department at Berdon LLP in Jericho.



Tax deductions helped Nelson Nuñez and wife, Akiilah, with son Connor, buy their Rockville Centre home.

VERONIQUE LOUIS



Long Islanders count on mortgage deductions, says Community Development Corp.’s Marianne Garvin.

NEWSDAY / JOHN PARASKEVAS

An analysis by Coard shows the impact of the proposed changes to tax deductions and income tax rates on three theoretical Long Island married couples. The analysis does not include the impact of certain other proposals, such as child-care tax credits.

A couple earning \$70,000, with a \$200,000 mortgage,

could save about \$900, since instead of taking \$17,000 in itemized deductions, they could claim the \$30,000 standard deduction, resulting in less taxable income.

For a household making \$200,000, with \$400,000 in mortgage debt, the amount they pay in taxes would actually rise by about \$700, since

Trump has proposed eliminating personal exemptions. (Under current law, taxpayers can exempt \$4,050 per person.)

And for a couple earning \$1 million, with a \$1 million mortgage, Trump’s plan would save them about \$32,000, due to their lower tax rate.

Moreover, if Trump relaxes

regulations on lending, that could make it easier for Long Islanders to buy homes and “loosen up some funding for development,” said Anthony Bartone of Farmingdale-based Terwilliger & Bartone Properties.

Law, of the Long Island Association, said in an interview that Trump’s reduced tax rates “should be a benefit to almost all Long Islanders, so we’re certainly supportive of that.”

But, he said, limiting deductions — without setting different standards for high-cost regions — “would be an unfair burden to regions like Long Island.”

Interest rates rising

Changes to tax policy would come as the Island adjusts to higher interest rates. The average mortgage rate was 4.2 percent for the week ended Thursday, up 0.66 percentage point since Nov. 3, before Election Day, mortgage giant Freddie Mac reported. With stock prices rising, some investors are shifting money into equities from bonds, which drives up interest rates.

As interest rates rise, the mortgage deduction becomes “very important to those home buyers,” said Robert Dietz, chief economist for the National Association of Home Builders. Raising the standard deduction, he said, “would reduce housing demand, and the impact of that would be an impact on pricing and on the homeownership rate.”

Even without the proposed change to the standard deduction, higher borrowing costs “are going to have a dampening effect” on the local real estate market, since rising interest rates will make homes less affordable, said John Rizzo, the Long Island Association’s chief economist.

That rising cost is likely to slow the growth in home prices, or even keep them flat, Rizzo predicted.

Trump’s experience as a businessman encourages some experts. “He’s a builder, and that’s a positive,” said Neil Garfinkel, who is head of the real estate practice at the law firm Abrams Garfinkel Margo-lis Bergson LLP in Great Neck and has advised the Trump Organization on legal matters.

Still, Garfinkel said of the proposed limits on deductions, “Anything that takes away from any purchaser’s ability to purchase — it can’t help.”