

A HOUSE DEVALUED?

■ **Property tax** deduction cap in bill imperils LI prices

■ **Limit could** affect 300G owners in Nassau, Suffolk

BY MAURA MCDERMOTT

maura.mcdermott@newsday.com

The proposed federal tax overhaul will reduce tax incentives for homeownership, potentially depressing the prices of Long Island homes with high property taxes and spurring demand for already-scarce lower-cost homes and rentals.

In a change that could cause some taxpayers to stop itemizing their taxes — and eliminate some benefits of homeownership — the standard deduction would nearly double, to \$12,000 for single taxpayers and \$24,000 for married couples. And the legislation would cap deductions for state and local taxes at \$10,000.

The burden of property and other local taxes weighs more heavily on Long Island than it does nationally. Nassau County taxpayers claimed an average \$23,856 in deductions for state and local property, income, sales and other taxes in 2015, nearly double the national average of \$12,471, Internal Revenue Service figures show. Suffolk County residents claimed an average of \$18,413.

The \$10,000 cap could affect more than 300,000 Long Island homeowners. More than half of Nassau homeowners and nearly 33 percent of Suffolk homeowners owe at least \$10,000 in property taxes, far exceeding the national rate of 4.4 percent, according to California-based real estate information company Attom Data Solutions.

The measure appears likely to pass by a narrow margin in Congress and could go to President Donald Trump for his signature before Christmas.

The \$24,000 standard deduction for couples eliminates the tax incentive for homeownership for many, since they would qualify for a large deduction whether or not they own a home, said Lawrence Yun, chief economist of the National Association of Realtors.



That would cause a drop in home sales and an increase in inventory, Yun said. “It’s not good news for the housing market, and it’s not good news for homeowners. The higher-priced areas will feel a stronger impact . . . while the more affordable areas of the country . . . may not feel it all that much.”

And the limit on deductions for state and local taxes amounts to a “tax hike” on homeowners, he said.

Some local real estate brokers and economists predicted the prices of homes with high property taxes — \$15,000 or more — could fall, or at least stop rising. Estimates of potential declines range from a few percentage points to as much as 15 percent.

The \$10,000 cap “immediately makes houses more expensive,” said John Rizzo, chief economist for the Long Island Association trade group. Sellers “are going to have to drop [their] prices because it’s costlier to buy a home.”

Prices of homes with the highest taxes could fall by 10 percent to 15 percent, said Joe Moshé of Plainview-based Charles Rutenberg Realty. Even so, he predicted the impact of the tax changes would be muted by other motivations to buy a home — including a desire for more space as a family grows, and the appeal of being able to renovate.

Homeownership “is really a mindset more than anything else,” Moshé said.

Indeed, some brokers are op-



Nicole, left, and Alicia Laurentz's house hunt is affected by tax bill.

timistic about the proposed legislation’s overall impact, predicting it would lower taxes for many Long Islanders and increase spending power. “As long as the economy is continuing to grow, that will keep demand strong,” said Gary Baumann of Douglas Elliman in Dix Hills and Port Washington.

However, Rep. Peter King (R-Seaford), who voted against the House tax plan, said the limits on deductions for state and local taxes, as well as the loss of deductions for medical and student loan expenses, would harm New York and other high-tax states.

Long Islanders “may be getting the tax cut in their pay-

checks . . . [next year], but the following April when they do their taxes, they’ll find out the deductions aren’t there,” he said.

In Nassau County, slightly more than half of homeowners — 183,629 — pay at least \$10,000 in property taxes, a county spokesman said. Nearly 26,000 pay double that amount, and 9,000 pay more than \$30,000.

In Suffolk, more than 150,000 homeowners pay at least \$10,000 in property taxes, and more than 15,000 pay at least \$20,000, an analysis by Attom shows.

Another provision of the tax bill, lowering the limit on mortgage interest deductions for new loans, will affect a much

DATABASE
See a breakdown of deductions Llers take on taxes.
newsday.com/data

smaller number of home buyers. It allows taxpayers to write off interest on up to \$750,000 in new mortgage debt, down from the current \$1 million.

In Nassau, 8.2 percent of purchases — 367 home sales — involve loans of at least \$750,000, Attom reported. In Suffolk, 5.3 percent of homes — 399 sales — exceed that limit.

While the \$10,000 cap will lead some buyers to seek homes with lower property taxes, demand for those homes already outstrips supply, agents said.

For homes listed in the \$400,000 to \$600,000 price range, “there are bidding wars,” said Jamie Gorman of Plainview-based Charles Rutenberg Realty.

Prospective buyer Alicia Laurentz, 37, who has been shopping for a home on Nassau’s South Shore with her wife Nicole, 36, said the loss of the deductions makes them “more inclined to look for a less valuable home.” The couple, now renting in Cedarhurst, have been hoping to buy in the mid-\$400,000 range.

But they’ve already been outbid for several homes. If more home buyers seek out low-cost homes, Nicole Laurentz said, “it would make it a lot harder.”