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Big Opposition to Big 6 Proposal

The Trump administration's proposal to eliminate the federal deduction for state and local property taxes "must be considered a non-starter for every one of New York State's elected representatives in Congress," says the New York Building Congress.



President Trump speaking on tax reform in Springfield, MO., Aug. 30, 2017. (Photo: YouTube)

By Betsy Kim

NEW YORK CITY – New York CRE professionals are recoiling from President Donald Trump's tax reform that proposes eliminating state and local income and property tax deductions on federal returns. In 2014, New York County nationally took the highest [state and local deductions](#) per tax return, deducting an average of \$24,898.

The New York Building Congress issued the following statement: "The proposal to eliminate the federal deduction for state and local property taxes must be considered a non-starter for every

one of New York State's elected representatives in Congress. This provision would be crippling to the middle class, sharply decrease our competitiveness as a city and state, and do considerable harm to the national economy by robbing New York City of the funding it needs to invest in its infrastructure and other vital services.”

The NYBC says the tax deduction for New York is a matter of simple fairness. As it has been well documented for decades, New York sends billion more in tax dollars to Washington each year than it gets back.

Most people who take the SALT (state and local tax) deduction have higher incomes and reside in Democratic states, with the leading counties in New York, California, Connecticut and New Jersey. On Sunday's *Meet the Press*, Treasury Secretary Steven Mnuchin acknowledged the tax proposal would differently affect people depending on the states in which they lived.

All members of the “Big 6” committee, which issued the nine-page [tax reform framework](#), are Republicans: Mnuchin, Speaker of the House Paul Ryan, Chairman of the House Ways and Means Committee Kevin Brady, National Economic Council Director Gary Cohn, Senate Finance Chairman Orin Hatch and Senate Majority Leader Mitch McConnell. When asked by Chuck Todd, Mnuchin denied the proposal aims to punish blue state voters. He maintains its purpose is simplifying taxes and spurring economic growth.

Real Estate Board of New York president John Banks opposes the proposal, calling it double taxation. He notes the deduction has been in place since the creation of income taxes in 1913 and the proposed change would diminish basic municipal services for all New Yorkers.

Banks tells GlobeSt.com “The elimination of the deduction of real property taxes for homeownership as an adjustment to home owners’ taxable income would make New York, and other states and cities across the country, less competitive for real estate investment.”

The National Association of Realtors warns such a law could trigger another housing crisis. The group cites its commissioned [PwC report](#) that estimates the change could cause home values to plunge by more than 10%.

Jerry Howard, CEO of the National Home Builders Association, which represents 130,000 builders ardently opposes the plan. He says NHBA members employ more than seven million people, and his group will fiercely resist the tax code change.

The proposal maintains the mortgage interest and charitable deductions. However, due to the near doubling of the standard deductions, National Association of Realtors president William Brown says the Big 6 framework recommends a “backdoor elimination of the mortgage interest deduction for all but the top five percent who would still itemize their deductions.” This lost incentive to purchase a home would adversely affect the real estate housing market and industry, according to Brown.

Richard Haggerty, CEO of Hudson Gateway Association of Realtors reiterated Brown's sentiments that any tax reform plan should at its core not harm homeowners. Haggerty tells GlobeSt.com “Unfortunately, this is not the case with this current tax proposal. I believe the

possible elimination of the state and local tax deduction would have an immediate and dramatic chilling effect on property values and homeownership in New York.”

However, the National Multifamily Housing Council and National Apartment Association issued a joint statement saying they welcome the release of the Republican tax reform framework and applaud the efforts by lawmakers to develop pro-growth tax reform that sparks economic growth. As an industry largely comprising flow-through entities, these organizations support the 25% pass-through rate. They also advocate for tax reform that retains the deduction for business interest; maintains like-kind exchanges; ensures depreciation rules avoid harming real estate; preserves capital gains treatment of carried interest; and protects the Low-Income Housing Tax Credit.

With Trump’s heading into his second year of his presidency, with no major legislation passing through Congress, the White House has motivation to complete tax reform before the end of the year. A Senate budget proposal sets Nov. 13 as the deadline to draft the bill, with a Senate Budget Committee budget resolution allowing for a \$1.5-trillion tax cut over 10 years. The Committee for a Responsible Federal Budget estimates the framework amounts to \$5.8 trillion lost revenue due to lower rates and other changes, with \$3.6 trillion recouped by eliminating deductions. This leaves a \$2.- trillion gap.

Disagreements lie ahead for lawmakers not only with the CRE industry but also within Congress. Following Mnuchin, Senator Bob Corker (R-TN.), who is not seeking re-election, also appeared on *Meet the Press*. He called the deficit the greatest threat to the nation, warning if the reform adds one penny to the deficit, he would not support it.