September 22, 2017

United State House of Representatives
1711 Longworth Office Building
Washington DC 20515

The Honorable Chris Collins,

As Congress works on an overhaul of the federal tax code the major municipal organizations representing the schools, counties, cities, towns and villages of New York believe these pending reforms will hurt New York residents, schools, and local governments that provide essential services in our communities. Ending the deductibility of state income taxes and local property taxes, eliminating (or limiting) the federal tax exemption for municipal bonds, and limiting the mortgage interest deduction will have a direct and negative impact homeowners and local governments.

The deduction of state income and local property taxes for federal income tax purposes has been a part of the tax code since its inception in 1913, and even earlier with the precedent set by President Lincoln and the Civil War income tax. This was done to prevent double taxation, as local taxes are mandatory payments.

Eliminating the federal deduction for state income and local property taxes will harm New York taxpayers far more than those in other states. Our residents claim an average of $36,000 in federal deductions, and more than two-thirds of this attributable to state and local taxes. A recent study commissioned by the National Association of Realtors found that homeowners with incomes between $50,000 and $200,000 would see an average annual tax increase of $815 if the deduction for state and local taxes is eliminated.

Secondly, eliminating or limiting the federal tax exemption for municipal bonds would dramatically increase borrowing costs for local governments across the state. Over the last decade more than 3,500 projects have been financed using tax exempt bonds in New York, accounting for nearly $150 billion in investments in our future. If the exemption had not been in place, local governments would have spent $45 billion in higher interest costs. This reform would drastically reduce future investments in public safety, transportation, other critical infrastructure projects.

Finally, limiting the mortgage interest deduction to mortgages over $550,000 may have a chilling effect on home ownership and the economy. Home ownership stabilizes neighborhoods, promotes thriving communities and expands the local tax base. Eliminating the deduction increases the cost of acquiring a home, decreases the value of homes currently owned and could easily increase the number of abandoned or “zombie” properties. Depressing home values will also negatively impact local revenue, which is dependent upon assessed valuations.

As representatives of the local taxing jurisdictions across New York, we urge you to oppose efforts to eliminate the federal deduction for state and local taxes, change the mortgage interest deduction, and eliminate the federal tax exemption for municipal bonds.

Sincerely,

Gerry Geist, Executive Director
Association of Towns of the State of New York

Peter A. Baynes, Executive Director
New York Conference of Mayors

Stephen J. Acquario, Executive Director
New York State Association of Counties

Tim Kremer, Executive Director
New York State School Boards Association