

# Bill to protect taxpayers OKd

■ **NY Senate measure** would prevent double tax hit

■ **Would allow deductions** over \$10G in local, NY taxes

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ALBANY — The State Senate took the first step Tuesday toward upending what it called a hidden aspect of the newly adopted federal tax plan — one that, if unaddressed, could result in New Yorkers paying more than \$1 billion in extra state taxes.

At issue is the loss of federal deductions for some New Yorkers (especially those with high property taxes) under the new federal law signed by President Donald Trump and how that might trigger a surprising tax hike on their state returns.

State law mandates that adjusted gross incomes reported on state and federal returns must match. The new federal law limits deductions for state and local taxes paid to \$10,000, meaning fewer deductions and higher reportable incomes for New Yorkers who pay more than \$10,000.

And if you have to report a higher income on federal returns, then you have to on state returns as well, under current law, meaning a bigger tax liability.

The Senate bill, approved in a 60-0 vote, would decouple state codes from the new federal tax code and instead tie them to the federal law on the books as of Dec. 1, 2017.

By doing so, the bill would do three things: allow those with state and local taxes of greater than \$10,000 to fully deduct those expenses on state returns; permit residents to itemize state tax returns even if they didn't itemize federal returns; and let more single householders claim the standard deduction on state returns.

The change, if approved by the Assembly and Gov. Andrew M. Cuomo, could save New York taxpayers \$1.5 billion or more annually, according to lawmakers and watchdog groups.

It also could wind up folded into a broader state response to the federal tax plan as lawmakers weigh several ideas, including Cuomo's pitch to switch from a state income tax to a payroll tax, that they want included in a state budget, which is supposed to be adopted by April 1.

If New York does nothing to change its state tax code, residents will endure a double whammy of a tax hit, said the sponsor of the measure, state Sen. Simcha Felder (D-Brooklyn).

"Right in our backyard, we're facing the possibility of New Yorkers having to pay another \$1.5 billion if we don't act," Felder said after the Senate vote. He said state residents shouldn't be "collateral damage" of the federal law.

Prior to 2018, the tie between federal and state returns was largely no big deal. But a tie-in now could have a ripple effect in areas such as Long Island that have high local taxes.

Under Felder's bill, the state tie-in would be based on 2017 In-

ternal Revenue Service codes — before the new tax law was signed by Trump.

The bill also would allow someone to itemize his/her state returns even while taking the standard federal deduction. This is crucial to those taxpayers who might be better off taking the standard deduction for federal returns (\$24,000 for couples), but itemizing the returns for the state where the standard deduction for couples is \$16,050.

About 25 percent of New Yorkers itemized their returns in 2014, the latest numbers available from the state Tax Department. That number is projected to plunge to close to 10 percent following the expansion of the federal standard deduction.

Felder's bill has not been introduced in the Assembly. Asked about the measure Tuesday, Michael Whyland, spokesman for Assembly Speaker Carl Heastie (D-Bronx), said: "There are many things we are still learning about the federal tax bill and we want to look at this issue in the context of the overall budget not only this year but also how it affects future budgets."

Cuomo has said he wants to possibly shift the state from an income-tax system to a payroll tax that would be collected from employers. His administration outlined options in a 37-page report last week.

Cuomo issued a statement Tuesday saying: "We are reviewing the federal changes and we will propose legislation to address the impacts arising from our coupled tax system and offer new protections from this federal assault."

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