

Federal Tax Reforms Could Threaten Long Island's Competitiveness and Hurt Our Middle Class

There are discussions between the new Administration and Congressional leadership about eliminating and/or limiting the ability to itemize certain deductions on federal tax returns. Ending itemized deductions would have a major impact on Long Island. Federal-level tax reform that ends itemized deductions would cost Long Island taxpayers **\$4.4 billion**.¹

A Long Island Association Research Institute report in 2013, Balance of Payments: A Summary of Findings, found Long Island already sends the federal government \$23.1 billion more than it receives back in programs and services from the government each year. Long Island taxpayers in all income groups would be impacted by the elimination of itemized deductions for federal income tax purposes.

Elimination of Total Itemized Deductions for Long Island²

Income	Number of Returns	Amount Paid Total Itemized Deductions	Average Deduction	Average Tax Rate (%)	Average Tax Increase	Total Amount Lost to Long Island
\$1 under \$10,000	11,320	\$ 199,423,000	\$ 17,617	10.11	\$ 1,781	\$ 20,163,685
\$10,000 under \$25,000	34,730	\$ 586,642,000	\$ 16,892	5.80	\$ 979	\$ 34,010,355
\$25,000 under \$50,000	87,630	\$ 1,620,130,000	\$ 18,488	7.34	\$ 1,356	\$ 118,863,594
\$50,000 under \$75,000	106,880	\$ 2,230,516,000	\$ 20,869	9.28	\$ 1,937	\$ 206,978,776
\$75,000 under \$100,000	106,400	\$ 2,585,056,000	\$ 24,296	10.23	\$ 2,486	\$ 264,505,314
\$100,000 under \$200,000	249,140	\$ 7,889,973,000	\$ 31,669	12.57	\$ 3,980	\$ 991,652,009
\$200,000 or more	117,550	\$ 10,832,444,000	\$ 92,152	25.17	\$ 23,196	\$ 2,726,722,112
Total	731,650	\$ 25,944,184,000	\$ 36,354	21.44	\$ 7,794	\$ 4,362,895,844

Major Itemized Deductions Eliminated- Mortgage Interest

The Long Island economy would lose **\$732.8 million** per year if the mortgage interest deduction for federal income tax purposes were eliminated.

Elimination of Mortgage Interest Deductions for Long Island

Income	Number of Returns	Amount Paid Mortgage Interest	Average Deduction	Average Tax Rate (%)	Average Tax Increase	Total Amount Lost to Long Island
\$1 under \$10,000	5,030	\$ 38,858,000	\$ 7,725	10.11	\$ 781	\$ 3,928,937
\$10,000 under \$25,000	15,150	\$ 110,156,000	\$ 7,271	5.80	\$ 422	\$ 6,386,254
\$25,000 under \$50,000	43,180	\$ 332,729,000	\$ 7,706	7.34	\$ 565	\$ 24,411,229
\$50,000 under \$75,000	61,970	\$ 495,217,000	\$ 7,991	9.28	\$ 742	\$ 45,953,227
\$75,000 under \$100,000	70,710	\$ 617,311,000	\$ 8,730	10.23	\$ 893	\$ 63,163,831
\$100,000 under \$200,000	190,130	\$ 1,967,350,000	\$ 10,347	12.57	\$ 1,301	\$ 247,266,572
\$200,000 or more	90,080	\$ 1,357,399,000	\$ 15,069	25.17	\$ 3,793	\$ 341,681,883
Total	476,250	\$ 4,919,020,000	\$ 10,329	21.44	\$ 2,214	\$ 732,791,934

¹ Data from the U.S. Internal Revenue Service, "Individual Income Tax Returns: Selected Income and Tax Items by State, County, and Size of Adjusted Gross Income, Tax Year 2014."

² Total itemized deductions are greater than the total of the 3 major itemized deductions discussed below.

Major Itemized Deductions Eliminated– State Income Tax

The Long Island economy would lose **\$1.54 billion** per year if the state income tax deduction for federal income tax purposes were eliminated.

Elimination of State Income Tax Deductions for Long Island						
Income	Number of Returns	Amount Paid State Income Tax	Average Deduction	Average Tax Rate (%)	Average Tax Increase	Total Amount Lost to Long Island
\$1 under \$10,000	2,290	\$ 5,454,000	\$ 2,382	10.11	\$ 241	\$ 551,455
\$10,000 under \$25,000	12,980	\$ 16,105,000	\$ 1,241	5.80	\$ 72	\$ 933,681
\$25,000 under \$50,000	58,960	\$ 107,194,000	\$ 1,818	7.34	\$ 133	\$ 7,864,470
\$50,000 under \$75,000	85,100	\$ 261,092,000	\$ 3,068	9.28	\$ 285	\$ 24,227,803
\$75,000 under \$100,000	90,430	\$ 399,342,000	\$ 4,416	10.23	\$ 452	\$ 40,861,042
\$100,000 under \$200,000	227,470	\$ 1,733,334,000	\$ 7,620	12.57	\$ 958	\$ 217,854,249
\$200,000 or more	113,950	\$ 4,983,376,000	\$ 43,733	25.17	\$ 11,008	\$ 1,254,405,888
Total	591,180	\$ 7,505,897,000	\$ 12,696	21.44	\$ 2,722	\$ 1,546,698,588

Major Itemized Deductions Eliminated– Real Estate Taxes

The Long Island economy would lose **\$1 billion** per year if the real estate tax deduction for federal income tax purposes were eliminated.

Elimination of Real Estate Tax Deductions for Long Island						
Income	Number of Returns	Amount Paid Real Estate Tax	Average Deduction	Average Tax Rate (%)	Average Tax Increase	Total Amount Lost to Long Island
\$1 under \$10,000	8,890	\$ 75,361,000	\$ 8,477	10.11	\$ 857	\$ 7,619,760
\$10,000 under \$25,000	26,430	\$ 215,835,000	\$ 8,166	5.80	\$ 473	\$ 12,512,955
\$25,000 under \$50,000	62,790	\$ 538,982,000	\$ 8,584	7.34	\$ 630	\$ 39,543,331
\$50,000 under \$75,000	83,300	\$ 730,236,000	\$ 8,766	9.28	\$ 813	\$ 67,761,609
\$75,000 under \$100,000	89,500	\$ 833,673,000	\$ 9,315	10.23	\$ 953	\$ 85,302,190
\$100,000 under \$200,000	227,330	\$ 2,434,199,000	\$ 10,708	12.57	\$ 1,346	\$ 305,942,533
\$200,000 or more	111,470	\$ 2,012,701,000	\$ 18,056	25.17	\$ 4,545	\$ 506,633,251
Total	609,710	\$ 6,840,987,000	\$ 11,220	21.44	\$ 2,405	\$ 1,025,315,631

Conclusion

The elimination of itemized deductions would have a devastating \$4.4 billion impact to the Long Island economy. While the largest impacts would be those who make \$200,000 per year (more than \$23,000 per year on average), every income level, especially the middle class, would see their taxes increase if these deductions were eliminated (anywhere from \$1,000-\$4,000 per year). If only these three major itemized deductions were eliminated, it would be more than a \$3 billion blow to our regional economy.