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Trump qualified for a tax break for New Yorkers making \$500K or less

City and state officials verify the incomes of residents who get the tax break. New Yorkers had to reapply for the tax deduction several years ago.

By Aaron Elstein

One of the enduring mysteries of Donald Trump is just how much wealth he has. *Forbes* pegs his net worth at \$4.5 billion, while Bloomberg News puts it at \$2.9 billion. The GOP front-runner himself has said he's "really rich."

Maybe, but Trump's income is low enough to qualify for a New York state property-tax break that most high-rollers don't get.

It's called the STAR program, which stands for the New York State School Tax Relief Program and has been around since 1997. It offers an approximately \$300 annual benefit for those who qualify. Hundreds of thousands of New York homeowners get it.

Here's where it gets interesting for Trump: To be eligible for STAR, a married couple must have annual income of \$500,000 or less. One wouldn't think a guy as rich as Trump claims to be would qualify, but records filed with the city's Department of Finance show he received a \$302 STAR benefit on his latest property-tax bill for his Trump Tower penthouse on Fifth Avenue.

That means whatever his annual income is, it's less than \$500,000. (The state defines income for STAR purposes as federal adjusted gross income minus the taxable amount of total distributions from annuities or individual retirement accounts.) And Trump would have to have declared his New York apartment as his primary residence and sent the state a copy of his federal income-tax return in order to qualify for the \$302 tax break.

"It's strange that a billionaire would apply for a \$302 tax benefit and, moreover, that he would take it," said Martha Stark, a property-tax expert and former New York City finance commissioner who is now a lecturer at Baruch College.

Trump's campaign manager, Corey Lewandowski, said the tax benefit was "an error on the part of the city of New York" and that Trump received the benefit over the past three years even though he

hadn't asked for it since 2009, when tax authorities began checking on applicants' income. The city's Finance Department said it checks with New York state tax authorities every year to make sure applicants for the STAR benefit have income under \$500,000. A spokesman for the New York State Department of Taxation and Finance said STAR recipients had to provide a social security number in 2013 as part of statewide registration program.

Of course, it's possible to be quite rich even with a low annual income. Much of Trump's wealth is in the value of the properties he owns or which bear his name thanks to licensing agreements. Still, that sort of wealth is quite different from having a lot of cash. Trump issued a financial statement last June that proclaimed his net worth to be \$8.7 billion, but the statement wasn't signed by an accounting firm, so it shouldn't be taken seriously. A month after the \$8.7 billion claim, he issued a press release upping the figure to "in excess of TEN BILLION DOLLARS."

"My net worth fluctuates, and it goes up and down with markets and with attitudes and with feelings, even my own feeling," Trump said in a December 2007 court deposition. In a filing last year with the Federal Election Commission, Trump disclosed \$362 million in "income" for 2014, although *Fortune* reporter Shawn Tully recently observed that lofty figure is actually revenue and not income, which is what's left over after paying staff salaries, private-jet costs and other expenses.

Whatever the reality may be, according to city finance records, Trump's annual property-tax bill is \$175,544. That suggests a big slug of his income is going to pay taxes, which might explain why he wants to cut them so aggressively for high earners.

Trump's property-tax bill was lowered by \$37,236 under a city abatement program for which many co-op and condo owners qualify.

The city estimates his home's market value at only \$5.2 million, vastly lower than its real-world value. (A unit below his went on the market for \$23 million last month.) That's the case because the city isn't permitted to use actual market values when assessing taxes, Stark said, but rather must pretend that Trump Tower is a rental property and judge how much the entire building would fetch in rent.

Joe Perry, partner-in-charge of tax services at the accounting firm Marcum, said there are many legitimate ways a real estate executive like Trump could lower his income. He noted that Trump could generate losses by accelerating the depreciation rates on properties and using those losses to offset income, including income that isn't generated from real estate activities. He added that Trump could deduct business expenses associated with promoting and maintaining his brand image.

"A person like Trump has options for reporting income that most people don't have," Perry said.

By the way, according to a 2007 study by the Manhattan Institute, 75,000 New Yorkers earn more than \$500,000 per year. In other words, 75,000 of Trump's neighbors earn more than he does. Which, if you think about it, is kind of rich.