Long Island Business News

Destination unknown: Finance

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Tax reform is going to be one of the most impactful developments in 2018, especially for Long Island, which is a high net worth and high tax region. It will result in a change in taxes for many Long Island taxpayers, depending on the composition of their income. Some will pay reduced taxes, and some will pay more. Owners of closely held businesses will benefit from the lower tax rates proposed for flow through entities. However, this will not be as helpful to taxpayers that are personal service businesses. It also does not apply to the financial industry. The favorable rates proposed for pass through entities will not apply to investment funds such as hedge funds or private equity funds that typically are structured as pass through entities. Those taxpayers will still pay the highest rate on ordinary income, but will continue to benefit from the more favorable rates on long-term capital gains and qualified dividends. Deductions for state, local property taxes will be limited to $10,000. Interest on new mortgages will be limited to $750,000. Interest on home equity lines will no longer be deductible. Because home ownership is such a prevailing fact of life on Long Island, these changes will hurt. It is not unusual to pay in excess of $10,000 in property taxes on Long Island, even on a modest home. Given the high income and property taxes, the loss and limitation of these deductions will impact most taxpayers in this region. The economy seems to be promising on Long island and unemployment remains low. And even though we're continuing to see some companies relocate off the Island, we're still seeing growth. Our clients are cautiously optimistic about the immediate future.

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