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GOP rep pledges property tax, mortgage deduction plan

By Marisa Schultz

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WASHINGTON – Homeowners would get a choice between deducting property taxes or mortgage interest on their federal tax returns as Republicans on Tuesday discussed modifications to the sweeping tax code overhaul proposed last month.

“I am confident that there will be an accommodation for SALT [state and local taxes] so it won’t be repealed,” Rep. Chris Collins (R-NY) told The Post.

One potential compromise would allow homeowners to choose between two popular tax deductions: property taxes or mortgage interest.

To keep the focus on helping the middle class, the property tax deduction could be limited to homes valued at $1 million or less, much like the mortgage deduction is now limited to interest paid on loans of up to $1 million.

There’s also discussion of restoring the deduction for state and local taxes — but based on income levels.

“There will be a compromise that doesn’t penalize middle income taxpayers in high-tax states,” said Collins, who said he’s received assurances from Majority Leader Kevin McCarthy.

Under Trump’s tax plan, almost all deductions would be eliminated except for mortgage interest and charitable donations.

The White House believes that by doubling the standard deduction and lowering rates, taxpayers overall would come out ahead.

But elected officials from higher tax states like New York, New Jersey and California have balked at the proposed repeal of state and local taxes, believing their constituents would end up paying more.

More than 3.2 million people in New York — or about 35 percent of the state’s tax filers — claim their state and local taxes as deductions on their federal returns.

Rep. Dan Donovan, the only New York City Republican, confirmed compromise options are being considered.

"I'm very optimistic that we'll reach a conclusion that will be beneficial," Donovan (R-S.I) told The Post. "I just ask that people be patient and open-minded and not critical of something that actually doesn't exist yet."

He's said he open to the compromise plans that eliminates the SALT deduction for high-earners, but expressed concern about how lawmakers define wealthy.

"A $200,000 cutoff may be really good if you live in Ames, Iowa … but for New York City, that's not making anyone rich," Donovan said. "That's a two-family income of civil servant workers … I'd be cautious if we're going to go down that road."

Choosing between mortgage interest and property tax deductions won't offer much relief compared to what New Yorkers enjoy today, said Joseph Perry, a tax expert at Marcum LLP, an accounting firm in New York.

Indexing the deduction based on income may help, but it also "flies in the face of simplification" – one of the stated tax reform goals.

New Yorkers making $1 million or more should come out even if the SALT deduction is fully repealed because the lowering of the top individual tax rate to 35 percent should make up for the loss, Perry said.

Families making $80,000 or less will benefit from the doubling of the standard deduction to $24,000 for couples and $12,000 for individuals. But those in-between will be hard hit.

"I believe the people that are in the middle are going to be stuck carrying the burden," Perry told The Post.