SCHWARTZ Report

March, 2019

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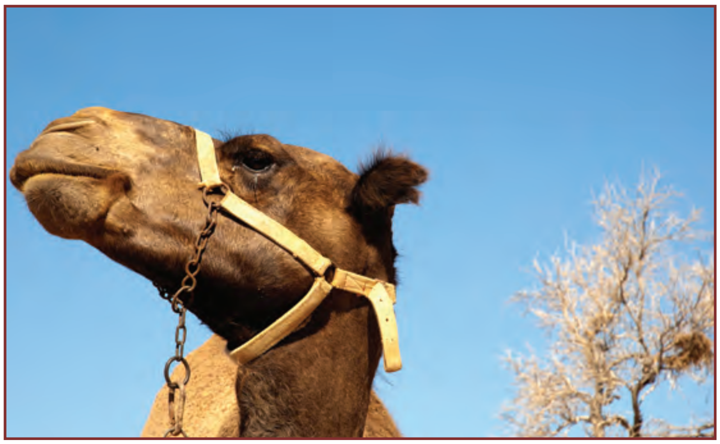
Maybe the Last Straw



How much does a straw weigh? Is it paper or plastic? No, I mean the kind that you make hay with; the kind of straw when enough of it is piled on eventually breaks the camel's back. We may be seeing the proverbial double-humped ship of the desert sag a bit as the impact of the new ceiling on state and local tax deductions manifests itself on 2018 federal tax returns. And what would you say about that public-sector pension and health care bill?

Governor Andrew Cuomo of New York recently blamed his state's $2.3 billion deficit on New Yorkers fleeing the effects of the 2017 Tax Cuts and Jobs Act. As 2018 itemizing tax filers lose the full deductibility of their state and local tax burden (capped now at $10,000) and faced with a mortgage interest deduction ceiling on loans in excess of $750,000, some folks might be pulling up stakes and moving south or west to escape. According to a recent Wall Street Journal editorial, Sun Belt states represent the fastest growing markets for retail banking. So, follow the money!

Now you might ask; is someone really going to contemplate a move if they can only deduct $10,000 of a $25,000 tax bill? Again, it could be the last straw on the camel's back for them. Some Miami Realtors are now considering New Yorkers as Florida's new foreign buyers. Certainly, if someone is making retirement plans and they are on the fence as to where to go, the savings would give an extra incentive to move to a climate which welcomes "tax refugees".

High-cost/high-tax states have masked some of effects of their profligate behavior by foisting part of their tax bill on the rest of the country. This was accomplished through the unlimited deductibility of state and local taxes. If my property tax burden in Delaware was $6,000 and yours had risen to $25,000 in New York prior to the new law; I would have been in effect subsidizing your living in New York via the operation of the unlimited tax deduction. This 2017 tax provision certainly raises the question of who was paying for that excess in past years.

Capping the deduction has the effect of raising the cost of owning property in those high-cost/high-tax locales. Higher costs also reflect negatively on the affordability of ownership and rental which translates into a damper on values. There are other straws blowing in the wind as well. Many states face unfunded pension and retirement cost liabilities for their public-sector employees which, left

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unrectified, will have a dramatic long-term effect on the tax base. A 2016 Pew Charitable Trust study of the state pension fund gaps found that plan assets as a percentage of liabilities in that year ranged from 31 percent in New Jersey to 99 percent in Wisconsin. Four states were less than 50 percent funded with seventeen other states having less than two thirds of the assets needed to make good on benefit promises.

Close to home, Delaware is in the lead at 81 percent with Maryland at 65 percent , Pennsylvania at 53 percent and New Jersey brings up the rear at 31 percent according to this study. I have observed before that the only thing unique to real estate that is not shared by other assets is that you can't move it. The trend of people moving and taking their capital with them looks not to be reversible any time soon. So what will happen to the real estate they leave behind? By one account, if you spread these unfunded pension liabilities over the households in each state, we are seeing some major straws floating down on the camel's back. Imagine a pension and post –retirement health-care obligation for your state's public employees that averages nationally $75,000 per household. That is some serious hay!

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27 Quick and Easy Fix Ups to Sell Your Home Fast and for Top Dollar

DE, MD, PA – Because your home may well be your largest asset, selling it is probably one of the most important decisions you will make in your life. And once you have made that decision, you'll want to sell your home for the highest price in the shortest time possible without compromising your sanity. Before you place your home on the market, here's a way to help you to be as prepared as possible.

To assist homesellers, a new industry report has just been released called "27 Valuable Tips That You Should Know to Get Your Home Sold Fast and for Top Dollar." It tackles the important issues you need to know to make your home competitive in today's tough, aggressive marketplace.

Through these 27 tips you will discover how to protect and capitalize on your most important investment, reduce stress, be in control of your situation, and make the best profit possible. In this report you'll discover how to avoid financial disappointment or worse, a financial disaster when selling your home. Using a commonsense approach, you will get the straight facts about what can make or break the sale of your home.

You owe it to yourself to learn how these important tips will give you the competitive edge to get your home sold fast and for the most amount of money.

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This report is courtesy of Charlie Schwartz of Patterson-Schwartz Real Estate.