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Salute to industry organizations: REBNY stays busy

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Now more than ever as our industry faces difficult and challenging times, The Real Estate Board of New York (REBNY) has been busy advocating a wide range of ideas and proposals to benefit our members at all levels of government.

In Washington, we have advocated for provisions that would stimulate new investment, restore credit and lure buyers back into the market. In Albany, we have urged the state to dramatically control spending as the principal means of balancing the budget. At city hall we have recommended enhancements to a number of successful economic development programs as a method of promoting business activity. We have objected to the tax increases enacted (the real property tax and the hotel tax) and to the proposed sales tax. This additional financial burden on taxpayersâ€"businesses and residentsâ€"would impede the capital investment, the consumer spending, and the economic growth that is urgently needed.

Here are highlights of some of our recent activities and accomplishments.

Washington: The American Recovery and Reinvestment Act (the stimulus bill) was signed on February 17. This act extends to 2009 the benefits created by the Emergency Economic Stabilization Act of 2008, which provides a 50% bonus depreciation of investments. For capital expenditures including leasehold improvements, and furniture and equipment used in a business, the taxpayer is allowed an immediate deduction of 50% of the cost of the investment and the balance will then be depreciated over its depreciable life (39 years for leasehold improvements; three or five years for equipment).

The stimulus bill also includes a new cancellation of debt (COD) income provision, which defers any tax on 2009 and 2010 income until 2014, providing a significant tax relief for businesses that reacquire, satisfy or otherwise discharge debt obligations at a discount in 2009 and 2010.

The COD provision expands the potential number of companies that can benefit since it applies to debt-for-debt acquisitions as well as cash-for-debt transactions. REITS and corporations benefit since these entities previously had no relief from taxation on COD. The provision also offers individuals and partnerships with an alternative to a previous requirement on COD, that it was taxable unless a basis reduction was associated with secured real property.

Albany: We have applauded the governor for opposing the imposition of an increase in the personal income tax on households with incomes greater than $250,000 (a proposal has been deceptively labeled a millionaire's tax) and for his recognition that the state has a spending problem, not a budget problem. However, in closing a nearly $15 billion budget gap for this year and next, the governor in our view has relied too heavily on new taxes and fees. Unfortunately, the recent announcement of an agreement on the state budget includes a $4 billion personal income tax surcharge for three years on high-income taxpayers.

To convey our concern about the other new taxes, we wrote to the governor stating our opposition to the imposition of sales tax on the labor portion of capital improvements. As a result of our efforts, the sales tax proposal was eliminated from the proposed 2009-2010 executive budget.

We have also expressed our concern about the impact that the luxury tax will have on the demand for retail space and the tax on non-residents sale of a partnership interest if more than 50% is comprised of real estate. We opposed this tax on the sale of partnerships last year and it was not enacted.

We have been working with the Association for a Better New York (ABNY), the Business Council, and the Citizens Budget Commission (CBC) to promote fiscal reform. As part of our call for fiscal reform, the state, and the city as well, must control spending otherwise, taxpayers will continually face tax increases as the principal way to address the deficits resulting from uncontrolled growth in expenses.

In February, the NYS assembly passed a package of rent regulation bills that would have an adverse economic impact on the more than one million rent regulated units in New York. This includes an increase in income (to $240,000 from $175,000) and rent (to $2,700 from $2,000) for luxury and vacancy decontrol; a reduction in vacancy allowance to 10% from 20%; would extend rent stabilization to section 8 properties that come out of the program; would extend rent stabilization to all post-1974 Mitchell-Lama projects which have or will leave the program; and would transfer responsibility for rent regulations to the New York City Council.

Expanding rent regulations sends the message that New York is closing its doors to outside investors - that the rules keep changing and public policy is unpredictable. We have been working with the Rent Stabilization Association (RSA) and we hope that the NYS senate will recognize the problems and leave the current rent stabilization system unchanged.

City hall: In the State of the City address, mayor Bloomberg announced his proposal to significantly reduce the number of individuals and unincorporated businesses subject to the Unincorporated Business Tax (UBT). Currently, firms subject to the UBT receive a 100% tax credit if their tax liability is $1800 or less, and a partial credit if their liability is between $1,800 and $3,200. The proposal would increase the credit to provide a 100% credit for tax liability up to $3,400 and a partial credit for tax liability between $3,400 and $5,400.

REBNY has been an advocate for the elimination of the UBT. This proposal is an important reduction in the cost of doing business in New York, especially for brokers, and should encourage the creation of new businesses and new jobs.

REBNY has developed a series of economic development proposals, including commercial, retail and housing proposals, intended to stimulate job creation, job retention and real estate activity, particularly office and retail leasing, and new housing production.

REBNY will continue to advocate positions at all levels of government over the next few months to benefit our membership, our industry and our city. The goal of our efforts is to help bring us out of the recession, restore confidence in the credit market, control government spending and lower taxes.

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