

Home buyers figuring out how to game GOP tax plan

By Rob Urban and Prashant Gopal, Bloomberg

Out in the Hamptons, Wall Street's favored beach resort on Long Island, brokers and buyers already have a workaround for a tax-plan provision under consideration in Congress that would take away the mortgage-interest deduction for second homes.

A client of Brown Harris Stevens broker Jessica von Hagn who works at a hedge fund decided to turn the vacation home he's buying into an investment property by setting up a limited liability company. That will allow him to deduct the interest and earn rental income at the height of the season from the modern home on Bridgehampton's Lumber Lane, with four bedrooms, three baths and a swimming pool on an acre of land.

For the buyer: problem solved. For the Hamptons market: more high-end vacation properties getting listed as rentals, more competition and, most likely, falling rents.

In second-home markets across the U.S., from Cape Cod in Massachusetts to Lake Tahoe, brokers are bracing for a hit.

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