EXHIBIT 1

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

STATE OF NEW YORK,
STATE OF CONNECTICUT,
STATE OF MARYLAND, and STATE OF
NEW JERSEY,

                Plaintiffs,

                v.

STEVEN MNUCHIN, in his official capacity
as Secretary of the United States Department
of Treasury; the UNITED STATES
DEPARTMENT OF TREASURY; DAVID J.
KAUTTER, in his official capacity as Acting
Commissioner of the United States Internal
Revenue Service; the UNITED STATES
INTERNAL REVENUE SERVICE; and the
UNITED STATES OF AMERICA,

                Defendants.

DECLARATION OF LYNN HOLAND

LYNN HOLAND, declares under penalty of perjury pursuant to 28 U.S.C. § 1746, that

the following is true and correct:

I.   Education and Background

1. I am the Director for Economic Studies of the New York State Division of the Budget ("DOB"). I was appointed to this position in March 2014.

2. In the above capacity, my primary responsibility is overseeing the work of the economic side of the Division's Economic and Revenue Unit, which includes economic forecasting for both the revenue and spending sides of the New York State Executive Budget; quarterly Financial Plan updates; construction of computer simulation models for forecasting and policy analysis in the areas of taxes, economic development, and health care; fiscal impact

analysis of proposed and enacted legislation; conducting research identifying economic, demographic, and revenue trends that may have an impact on the State's long-term fiscal condition; and budget negotiation with legislative fiscal committee staffs.

3. I previously served as Assistant Unit Chief, Principal Fiscal Policy Analyst, and Associate Fiscal Policy Analyst within the Economic and Revenue Unit at DOB, and as a Principal Economist with the New York State Assembly Committee on Ways and Means.

4. I hold a Bachelor's Degree in Economics from the University at Albany and was a Ph.D. candidate ("all but dissertation") at the University at Albany.

5. In December 2017, the federal government enacted a new cap on the federal deductibility of state and local taxes ("SALT Deduction Cap") in Public Law No. 115-97 ("2017 Tax Act"), § 11042. When used herein, the term "SALT" refers to state and local income, property, and sales taxes.

6. This Affidavit details some of the likely consequences of the SALT Deduction Cap for the State of New York, including with respect to the projected decline in real estate values in New York.

7. In summary, I find that the SALT Deduction Cap will likely cause a decline in New York's real estate market as homeowners find it relatively more expensive to own a home in New York due to the increase in federal taxation, resulting in up to $63.1 billion in lost equity for New York homeowners. This decline in home equity could result in a corresponding decrease in economic activity in the State of between $1.26 billion - $3.15 billion, and result in the State losing between 12,500 - 31,300 jobs.

8. I have substantial experience with economic modeling and New York State budget estimates, and believe the following statements are true and accurate to the best of my knowledge.

II. **Projected Decline in Real Estate Values in New York and Corresponding Effects**

9. The 2017 Tax Act contains numerous provisions that could adversely impact residential real estate prices in New York State.

10. In December 2017, Moody's Analytics presented an analysis of the 2017 Tax Act, called "Assessing the Trump Tax Bill," and it published estimates by county of the percentage change in house prices due to the 2017 Tax Act compared with a baseline scenario that assumes no change in tax law.

11. Moody's Analytics identifies five primary ways through which the 2017 Tax Act is likely to reduce New York State home prices. Those mechanisms include the SALT Deduction Cap; the lowering of the maximum qualifying loan amount for the mortgage interest deduction; the doubling of the size of the standard deduction; the projected increase in interest rates that could potentially result from the 2017 Tax Act; and the likely migration of residents to States with relatively lower tax rates.

12. Table E1, attached as Exhibit A to this Affidavit, presents Moody's Analytics' estimates of the decline in New York home prices, by county, as a result of the passage of the 2017 Tax Act.[1] Utilizing data from Moody's Analytics and data on New York homeownership and home prices, we estimate that the 2017 Tax Act could result in a statewide loss of home equity totaling $100.8 billion (in 2016 dollars).[2]

13. Based on Internal Revenue Service ("IRS") Statistics of Income data for the 2015 tax year, the most recent year available, approximately 3.3 million New York State taxpayers itemized their deductions on their federal tax returns. The average federal SALT deduction

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[1] The Moody's Analytics analysis is based on the Federal Housing Finance Agency Home Price Index (HPI), which measures average price changes in repeat sales or refinancing on the same properties and, as such, represents a broad measure of the movement of single-family house prices. The Moody's Analytics HPI models account for the impact of the 2017 Tax Act through the construction of a comprehensive after-tax cost of homeownership that includes the mortgage rate after adjusting for inflation, the number of itemizers, the mortgage interest deduction, and the property tax deduction. *See* Chris Lafakis et al., *Economic Consequences Republican Tax Legislation*, Moody's Analytics (2017), *at* https://www.moodysanalytics.com/webinars-on-demand/2017/economic-consequences-of-republican-tax-legislation (last visited Apr. 3, 2018).

[2] The home price series used for this analysis was the Corelogic Inc.'s average single-family home price series by county, obtained via Moody's Analytics.

for that year for those taxpayers was $21,943. Among the 1.9 million State resident taxpayers that itemized on their New York State tax returns, the majority reported SALT deductions that exceeded the new $10,000 cap. The mean such deduction was $25,092, while the median deduction was $12,522. Indeed, about 724,000 State homeowners pay local property taxes alone in excess of $10,000. Historically, these tax burdens have been one of the reasons why the federal deductibility of state and local taxes has been critical to New Yorkers.

14. Of the various factors identified by Moody's Analytics, the SALT Deduction Cap is likely the most important factor that will cause residential real estate prices to decline in New York State. While New York homeowners have previously been able to fully deduct the cost of the property taxes assessed on their homes, the SALT Deduction Cap severely restricts such deductions and thus increases the federal tax burden on New York homeowners.

15. The total cost of owning a home in New York to an individual is comprised of a number of factors including, but not limited to, the cost of the home, the interest rate on any potential mortgage, local property taxes, and the ability to deduct local property taxes from any federal and state income taxes owed. By removing a long-standing deduction relied upon by millions of New Yorkers, the SALT Deduction Cap is likely to increase the total cost of owning a home in New York. In other words, it will be more expensive to own a home in the State (when taxes are considered). This increase in the cost of owning a home, in turn, would be expected to depress home values in New York as buyers account for the 2017 Tax Act's constraints on full SALT deductibility in their real estate market valuations and bid prices.

16. To isolate the adverse impact of the SALT Deduction Cap, we constructed an estimation model to quantify the effect of various county characteristics on the direction of county home prices, as projected by Moody's Analytics.[3] Regression analysis was used to

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[3] These characteristics include the county's average residential property tax bill; average county household income multiplied by the top marginal state personal income tax rate for the state in which the county is located; average county income multiplied by the highest top marginal local personal income tax rate assessed by a municipality within the county; the number of owner-occupied housing units with a mortgage in the county; the county percentage of itemizers based on 2015 IRS Statistics of Income data;

estimate the size of the impact of each of these characteristics. The estimation results indicate that the total value of home equity potentially lost due to the SALT Deduction Cap alone could be as high as $63.1 billion (See Table E1).

17. There are several corresponding economic results of this loss in home equity. Although a loss in home equity value is not realized until homeowners sell their homes, homeowners are likely to feel less wealthy even in the short term as they observe homes in their neighborhoods losing market value based on actual sales. This, in turn, is likely to impede their spending capacity through the wealth effect. The wealth effect is a commonly-accepted economic principle that the value of an asset to an individual, such as a financial security or a home, is evaluated through the prism of the value of a future income stream from that asset. Thus, consumers perceive the rise and fall of the value of an asset as a corresponding increase or decline in income, causing them to alter their spending practices.

18. In this instance, the decline in real estate prices would make New Yorkers feel less secure about their financial position, and, in turn, would be expected to result in less spending and economic activity. Less spending could, in turn, result in lower sales tax collections for the State.

19. The loss of wealth associated with the decline in home prices is expected to have a statistically significant impact on household spending in the State through the wealth effect. Since there is a range of estimates for the magnitude of the wealth effect, we use two alternative values to obtain a low-range estimate and a high-range estimate of the impact of the loss of home equity on the State economy. To construct a low-range estimate, we use a value of 2% derived from the Budget Division's U.S. macroeconomic model,

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the county unemployment rate for 2017; and a dummy variable equal to one if county i is located in state j and zero otherwise. Each of these respective factors is hypothesized to have an independent effect on home prices. Those factors that are related to state and local taxes are hypothesized to capture the impact of the SALT Deduction Cap, which effectively increases the state and local tax burden. Isolating the impact of those factors on Moody's Analytics' home price decline estimates allows us to, in turn, estimate how much of those declines are related to the SALT Deduction Cap alone.

DOB/US.[4] To obtain a high-end estimate, we use a value of 5%.[5] These two estimates suggest that, because of the decline in home equity due to the SALT Deduction Cap, we can expect an annual reduction in household spending in New York State between $1.26 billion and $3.15 billion.

20. Reductions in household spending by New York residents will also result in lower sales for the State's businesses, which, in turn, is likely to cause further reductions in economic activity and employment.[6] Under the low-range estimate of the impact of the wealth effect discussed *supra,* we estimate that the potential reduction in economic activity could result in the loss of approximately 12,500 jobs. Utilizing the high-range estimate relating to the impact of the wealth effect, the State could lose approximately 31,300 jobs as a result of the decline in home equity associated with the imposition of the SALT Deduction Cap.

21. Moreover, falling home prices could result in homeowners delaying the sale of their homes. The combined impact of lower home prices and fewer sales transactions could result in lower real estate transfer tax collections. DOB estimates that home price declines of the magnitude estimated above could result in a decline in real estate transfer tax collections of $24.5 million for FY 2019, with $15.3 million attributable to the SALT Deduction Cap. This estimate climbs to $110.4 million for FY 2020, with $69.2 million attributable to the SALT Deduction Cap alone.

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[4] For a description of the role of the wealth effect in forecasting household spending within DOB/US, please see https://www.budget.ny.gov/pubs/supporting/MethodologyBook.pdf, p 24-25.

[5] *See* Calomiris, Charles W. & Longhofer, Stanley D. & Miles, William, 2013. "The Housing Wealth Effect: The Crucial Roles of Demographics, Wealth Distribution and Wealth Shares," *Critical Finance Review*, vol. 2(1), pp. 49-99, July.

[6] To estimate the total size of the ultimate impact, we use the input-output model developed by Economic Modeling Specialists International ("EMSI").

Respectfully submitted,

Dated: 6/15/18   _____

                            LYNN HOLAND

EXHIBIT A

			Total Impact		Impact Due to SALT Cap	
County	Average Single Family Home Prices*	Number of Owner Occupied Homes**	Home Value Declines***	Potential Home Equity Losses (Mil.)	Home Value Declines	Potential Home Equity Losses (Mil.)
Albany	$207,132	71,279	-4.3%	($630.6)	-2.3%	($337.8)
Allegany	$61,269	13,334	-2.3%	($18.8)	-1.4%	($11.6)
Bronx	$379,278	93,569	-2.1%	($733.2)	-1.1%	($391.3)
Broome	$97,581	51,475	-3.2%	($161.3)	-1.8%	($91.2)
Cattaraugus	$85,448	22,606	-2.2%	($43.2)	-1.4%	($26.5)
Cayuga	$112,929	21,993	-3.3%	($83.0)	-1.9%	($48.4)
Chautauqua	$98,729	36,888	-2.0%	($71.3)	-1.2%	($42.7)
Chemung	$107,025	23,815	-2.5%	($62.8)	-1.4%	($35.0)
Chenango	$81,090	14,968	-2.2%	($26.5)	-1.4%	($16.4)
Clinton	$121,186	21,598	-3.7%	($95.7)	-2.0%	($53.1)
Columbia	$236,260	18,331	-2.7%	($115.8)	-1.6%	($70.0)
Cortland	$101,971	11,511	-3.7%	($43.9)	-2.2%	($26.3)
Delaware	$123,759	13,787	-1.9%	($32.8)	-1.1%	($19.4)
Dutchess	$255,845	73,505	-6.2%	($1,173.0)	-3.6%	($680.9)
Erie	$147,657	249,815	-3.6%	($1,336.7)	-1.8%	($673.7)
Essex	$191,573	11,316	-1.9%	($42.1)	-1.1%	($24.8)
Franklin	$111,374	13,956	-1.9%	($30.1)	-1.2%	($18.4)
Fulton	$111,581	15,808	-2.0%	($35.8)	-1.2%	($21.0)
Genesee	$97,703	17,456	-3.4%	($57.1)	-1.9%	($33.2)
Greene	$184,276	12,895	-1.9%	($45.9)	-1.1%	($25.4)
Hamilton	$172,602	1,055	-0.2%	($0.4)	-0.1%	($0.2)
Herkimer	$105,800	18,066	-1.9%	($35.5)	-1.1%	($21.3)
Jefferson	$132,174	24,333	-2.2%	($70.3)	-1.2%	($38.4)
Kings	$844,612	276,447	-3.1%	($7,288.3)	-1.8%	($4,100.6)
Lewis	$88,680	7,849	-2.1%	($14.6)	-1.2%	($8.7)
Livingston	$124,683	17,745	-4.3%	($95.6)	-2.5%	($54.8)
Madison	$130,100	19,703	-4.2%	($107.7)	-2.5%	($63.6)
Monroe	$145,443	191,707	-6.6%	($1,850.3)	-3.5%	($979.9)
Montgomery	$82,796	13,040	-2.4%	($26.1)	-1.4%	($15.4)
Nassau	$574,326	353,420	-9.4%	($19,152.1)	-6.3%	($12,700.1)
New York	$1,356,866	174,361	-10.4%	($24,622.5)	-6.4%	($15,157.5)
Niagara	$106,812	62,309	-3.5%	($235.8)	-2.0%	($134.5)
Oneida	$103,677	60,083	-2.5%	($158.2)	-1.4%	($89.6)
Onondaga	$138,508	120,159	-5.8%	($959.1)	-3.1%	($517.4)
Ontario	$193,999	32,075	-5.5%	($344.4)	-3.2%	($197.1)
Orange	$225,088	85,306	-7.3%	($1,408.6)	-4.5%	($865.2)

(Continued on next page)

County	Average Single Family Home Prices*	Number of Owner Occupied Homes**	Total Impact		Impact Due to SALT Cap	
			Home Value Declines***	Potential Home Equity Losses (Mil.)	Home Value Declines	Potential Home Equity Losses (Mil.)
Orleans	$85,896	12,186	-3.0%	($31.8)	-1.9%	($19.5)
Oswego	$94,114	32,850	-3.9%	($122.0)	-2.2%	($67.6)
Otsego	$128,415	17,350	-1.8%	($41.0)	-1.1%	($24.0)
Putnam	$327,489	27,961	-8.7%	($795.5)	-5.8%	($532.7)
Queens	$544,869	341,363	-2.3%	($4,326.6)	-1.3%	($2,502.6)
Rensselaer	$152,323	40,749	-4.3%	($268.4)	-2.4%	($151.6)
Richmond	$463,444	114,502	-1.9%	($1,012.5)	-1.2%	($616.6)
Rockland	$423,479	68,276	-8.7%	($2,519.2)	-5.9%	($1,714.4)
St. Lawrence	$81,936	29,591	-2.3%	($55.4)	-1.3%	($32.0)
Saratoga	$262,861	65,099	-3.8%	($643.1)	-2.0%	($335.2)
Schenectady	$143,247	36,997	-5.4%	($284.9)	-3.1%	($163.4)
Schoharie	$101,489	9,287	-1.9%	($17.9)	-1.1%	($10.7)
Schuyler	$116,098	5,767	-3.2%	($21.1)	-1.9%	($12.8)
Seneca	$129,648	9,922	-3.0%	($38.8)	-1.9%	($23.8)
Steuben	$107,609	28,545	-4.0%	($122.2)	-2.3%	($71.4)
Suffolk	$457,522	389,182	-6.8%	($12,060.2)	-4.2%	($7,559.4)
Sullivan	$132,530	18,762	-2.3%	($57.6)	-1.4%	($33.7)
Tioga	$103,007	15,415	-3.6%	($58.0)	-2.2%	($34.7)
Tompkins	$215,273	21,175	-5.2%	($238.9)	-3.0%	($134.7)
Ulster	$193,453	48,343	-4.3%	($405.8)	-2.6%	($242.3)
Warren	$230,093	19,037	-2.0%	($87.1)	-1.1%	($49.2)
Washington	$130,067	17,368	-2.0%	($46.3)	-1.2%	($28.2)
Wayne	$115,407	28,037	-4.6%	($149.1)	-2.7%	($87.8)
Westchester	$691,392	210,004	-11.1%	($16,115.5)	-7.6%	($11,038.2)
Wyoming	$91,718	11,936	-2.8%	($30.6)	-1.7%	($18.2)
Yates	$162,224	7,346	-2.0%	($24.1)	-1.3%	($15.6)
Statewide	-	3,894,613	-	($100,782.9)	-	($63,111.4)

Sources: Corelogic via Moody's Analytics (*); 2016 American Community Survey 5-year estimates (**); Moody's Analytics (***); DOB staff estimates.