



## Legislation Text

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**File #:** Res 0690-2015, **Version:** \*

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### Res. No. 690

Resolution calling upon the New York State Legislature to introduce and pass, and the Governor to sign, legislation amending Section 1402-a of the New York State Tax Law to raise the minimum threshold for imposition of the “Mansion Tax” from \$1,000,000 to \$1,750,000 and to assess an additional one-half percent tax on all sales over \$5,000,000

By Council Members Johnson, Chin, Mendez, Richards, Gentile and Rosenthal

Whereas, Section 1402-a of the New York State Tax Law, passed in 1989 and commonly referred to as the “Mansion Tax,” levies a one percent tax on residential properties that sell for \$1,000,000 or more; and

Whereas, The \$1,000,000 threshold has not changed since the law was approved in 1989; and

Whereas, The original law was intended to impose an additional tax on purchasers of luxury properties, however it currently is a burden on the purchaser of the average home in New York City; and

Whereas, A \$1,000,000 property in today’s market is no longer certainly equivalent to a luxury property; and

Whereas, According to Bureau of Labor Statistic’s Consumer Price Index Inflation Calculator, the purchasing power of \$1,000,000 in 1989 is different from the purchasing power of \$1,000,000 in 2014 and vice versa; and

Whereas, \$1,000,000 in 1989 is equivalent to \$1,904,443.55 in 2014, and conversely \$1,000,000 in 2014, adjusted for inflation, is equivalent to \$523,790 in 1989; and

Whereas, According to the Real Estate Board of New York’s (“REBNY”) Fourth Quarter Report on New York City Residential Sales, the average sales price of a home in New York City in the fourth quarter of 2014, which includes all condominiums, cooperatives, and one- to three-family dwellings, was \$841,000; and

Whereas, According to REBNY’s report, excluding one- to three-family dwellings which is the least

commonly sold dwelling type in New York City, the average sales price of an apartment in New York City was \$1,001,000;

Whereas, It has become apparent that the Mansion Tax is out of touch with the current economic condition and no longer applies only to luxury residential real estate sales; and

Whereas, Because this additional tax burden is now being applied to the average New York City homebuyer, it is making it more financially difficult to purchase a home; and

Whereas, Additionally, some argue that the Mansion Tax's \$1,000,000 threshold is causing the volume of sales around that threshold to decrease; and

Whereas, In "Transfer Taxes and the Real Estate Market," a working paper published by Columbia University in 2014, the authors found that the Mansion Tax created a "notch" in the \$1,000,000 market and opined that as many as 2,800 sales of residential properties at or over \$1,000,000 did not take place between 2003 and 2011 because potential buyers wanted to avoid the Mansion Tax; and

Whereas, By keeping the tax at the \$1,000,000 threshold, prospective buyers of the average New York City apartment are missing out on the opportunity to buy a home; and

Whereas, Increasing the threshold to \$1,750,000 would reflect the economic changes of the past twenty-five years, more accurately reflect the current New York City real estate market, and align the law with its original intention; and

Whereas, In today's real estate market, residential property sales of \$5,000,000 or more are generally considered super-luxury properties; and

Whereas, Assessing an additional one-half percent tax on these sales would also conform with the original intention of the legislation to impose an additional tax on the sales of high-value properties; and

Whereas, The additional one-half percent tax would also help offset the forgone revenue caused by the increase of the minimum threshold from \$1,000,000 to \$1,750,000; now, therefore, be it

Resolved, That the Council of the City of New York calls upon the New York State Legislature to

introduce and pass, and the Governor to sign, legislation amending Section 1402-a of the New York State Tax Law to raise the minimum threshold for imposition of the “Mansion Tax” from \$1,000,000 to \$1,750,000 and to assess an additional one-half percent tax on all sales over \$5,000,000.

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