MONEY TROUBLES

The Tax Man Cometh for Your Condo: Albany Must Act or Unbalanced Apartment Taxes Will Jump

By Kim Velsey 10:00am

Best to start saving, just in case. (Tax Credits, flickr)

Time. We really have so little of it. Just a few years ago it seemed like condo and co-op owners had all the time in the world with their beloved tax abatement and now it's expiring.

There are plenty of abatements out there, of course—ones for new construction and capital improvements, senior citizens and veterans, but this one is special. This is the one that gives a generous 17.5 percent property tax reduction to just about all co-op and condo owners. And it's going to die on June 30 if an extension doesn't come along to save it.

The situation has looked bad before, of course. The abatement, first passed in 1996 to help offset the disparity between the tax rates of co-op and condos versus one- to three-family houses, has required several renewals. Still, have things ever been this dire?

"I don't think that it's ever been this down to the wire," said Eva Talel, an attorney at Strook & Strook & Lavan who specializes in real estate law.

It's been a pretty sweet abatement. Owners can get the abatement on up to three apartments in the same building and none of them have to be a primary residence. There's also no cap on the assessed value of a property.

Several bills are pending in the state legislature to extend the abatement, so not all hope is lost, and two of them would extend the current policies through 2016. The third, sponsored by the city, would only extend the current policy for one year before instituting a much less generous one.

The tax abatement costs the city hundreds of millions of dollars in lost revenue. Maybe the city's being greedy here, as the Real Estate Board of New York loves to point out, real estate taxes are the largest single source of revenue for the city. But the cash cow could be producing a lot more milk.

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Under the city's new guidelines, the unit receiving the abatement would have to be a primary residence, ruling out investor properties and *pied-a-terres*. It would also restrict the benefits to the first $100,00 in assessed value, according to Ms. Talel, which makes a pretty huge difference in tax savings for most New York apartments.

"The impact would be felt the most in Manhattan," Ms. Talel said. "The assessed valuation for buildings are getting higher and higher. The combination of that and capping the benefit at $100,00 per unit will have a very serious impact and result in a big tax increase for co-ops and condos."

Ms. Talel said there is confidence in the real estate community that at least one of the bills will pass before the new fiscal year starts July 1. Will the wait cool New Yorkers' recent ardor for buying rather than renting? Probably not. When it comes to real estate in New York, the choices are basically expensive and more expensive.

Still, even an extension does pass, the real problem remains: the tax code is unfair, and while the abatement may address disparities between two categories of property owners, the people who are left to bear the brunt of the city's real estate tax bills don't own property at all—they're renters.

Multi-unit apartment buildings pay the high rate without the benefit of abatements, a cost that is passed on to renters, according to a report NYU's Furman Center for Real Estate and Urban Policy that was released this spring.

The tax code "effectively requires renters to subsidize owners, even though the demographic and socioeconomic characteristics of the two groups suggest that renters already are having a harder time meeting their housing costs," according to the report.

Ok. We admit that rewriting the tax code sounds miserable. But wouldn't it be better than abatements and special programs and incentives and favors to different constituencies? New York is a city of renters, many of whom live in multi-unit buildings, so why keep tax codes that privilege owners of single-family homes?

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