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Renters get stuck with lion's share of taxes

Study finds apartment renters are effectively paying far higher property taxes than owners—especially those with one- to three-family homes. On average, NYC has second highest taxes.

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Owners of large apartment buildings in the city are bearing more of the property tax burden than owners of one-to-three family homes, according to a report released on Monday.

On average, New York City's tax on apartment buildings, which include rentals, condos and co-ops, is the second highest among the 50 largest cities in the country, ranking coming in only after Detroit, according to an NYU Furman Center for Real Estate and Urban Policy report titled "[State of New York City's Housing and Neighborhoods 2011](#)."

This is the first time in the report's 10-year history, that it has analyzed the property tax system in the city, says Ingrid Gould Ellen, co-director of the

Furman Center. The results reveal that the effective tax rate for apartment buildings in New York City is 4%. Whereas, the effective tax rate for one- to three-family homes in New York City is a mere 0.6%—which is actually one of the lowest among big cities. The effective tax rate on a piece of property is defined as the final tax liability divided by the property's fair market value

"We wanted to highlight the disparities," Ms. Ellen said. "We think we need more discussions about potential policy reform to the property tax system."

Apartment buildings account for 36% of the city's tax revenue. Meanwhile, one-to-three family homes and smaller residential buildings with up to three units make up less than half that amount, just 15%, despite the fact that they account for nearly half of the market value of all taxable property, according to the report.

It further points out that some co-op and condo buildings are taxed at the same rates as single- to three-family homes so they contribute less to the city's coffers. That means renters, not homeowners, bear much of the burden. Renters make up 67.9% of all occupied housing in the city, the report said.

"Renters are most burdened, but it's not apparent because the property tax is hidden to renters," said Ms. Ellen, adding that the property tax is usually passed on from the owner to the renter in higher rent or may result in the landlord cutting back on maintenance. "Most don't have a sense how much they are paying toward taxes."



Buck Ennis

Renters often get stuck with taxes they aren't aware of as owners pass the costs along.

Five community districts face the highest tax burden across the city, all of which, not surprisingly are in Manhattan, where there is a concentration of rental buildings, according to the report. Apartment buildings in Washington Heights/Inwood are hit with the highest effective tax rate of 4.3%. Midtown, Stuyvesant Town/Turtle Bay, the financial district and the Upper East Side round out the Top 5.

The 161-page report also analyzes demographics, mortgage finance trends and other socioeconomic data across the city. Its other findings show that in the city, 27,000 home-purchase loans were originated in 2010, up 11% from the year earlier, the first annual increase since 2005. However, that number was still far below 2007 and 2008 levels. Additionally, according to the report, more than half of the city's census tracts were racially integrated, or made up of at least two racial groups, in 2010. That compares with 38% of the tracts in 1990.

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