



**THE COUNCIL OF THE CITY OF NEW YORK
FINANCE DIVISION**

LATONIA MCKINNEY, DIRECTOR

FISCAL IMPACT STATEMENT

PRE CONSIDERED SLR: S6488 / A7406

COMMITTEE: State and Federal Legislation

TITLE: AN ACT to amend the administrative code of the city of New York, in relation to a tax on the transfer of certain real property within three years of the prior transfer of such property.

SPONSOR(S): Karen Koslowitz

SUMMARY OF LEGISLATION: This bill would help prevent property speculation and subsequent flipping of properties across the City. Such property flipping – buying a property, making certain repairs or upgrades, and then reselling for a profit – will be limited with the imposition of a “flip tax.” The flip tax will have a rate of 15 percent if the transfer of property occurs less than one year since the prior conveyance, and 10 percent if the transfer occurs more than one year but less than two years since the prior conveyance.

The flip tax established in this legislation will be imposed only on properties of one to five separate residential units. Exempt from this legislation are the following:

- Property owners conveying property to a family member
- Property owners who demonstrate a financial hardship which justifies the flip
- Property which was conveyed within one year of the death of the property owner
- Property being sold as new housing
- Property which the conveyance or value conveyed is less than or equal to the consideration or value of such property conveyed at the time of the prior conveyance
- Property which is otherwise exempt from payment of a real property transfer tax

Lastly, the flip tax will expire two years after the conveyance of the property.

EFFECTIVE DATE: This law would take effect 90 days after it becomes law and would apply to conveyances occurring on or after such date.

FISCAL YEAR IN WHICH FULL FISCAL IMPACT ANTICIPATED: Fiscal 2018

FISCAL IMPACT STATEMENT:

	Effective FY18	FY Succeeding Effective FY19	Full Fiscal Impact FY19
Revenues (+)	\$59,525,926	\$83,561,296	\$83,561,296
Expenditures (-)	\$0	\$0	\$0
Net	\$59,525,926	\$83,561,296	\$83,561,296

IMPACT ON REVENUES: The proposed bill would increase revenues in Fiscal 2018 by \$59.5 million due to the increased tax for resales within two years of the prior sale. Based on recent estimates of annual resale transactions within two years of the prior sale, Council Finance estimates that a total of \$120 million could be raised from the flip tax. However, the tax is expected to disincentives flipping of properties across the City by 30 percent

according to recent literature. Additionally, the revenue from the Real Property Transaction Tax will decrease by approximately \$4.5 million, bringing the expected revenue increase to \$79.4 million. Given the effective date is 90 days after the bill becomes law, the Fiscal 2018 revenue is additionally sheared down for three quarters only, for a total of \$59.5 million in expected increased revenue. It is difficult to forecast the exact effect of the disincentive on the number of transactions that would be deterred through the flip tax. While literature suggest a decline of 30 percent, the effect could be much higher.

IMPACT ON EXPENDITURES: None

SOURCE OF FUNDS TO COVER ESTIMATED COSTS: N/A

SOURCE OF INFORMATION: The New York City Council Finance Division

ESTIMATE PREPARED BY: Maria Enache, Senior Economist, City Council Finance Division

ESTIMATE REVIEWED BY: Emre Edev, Assistant Director, City Council Finance Division

LEGISLATIVE HISTORY: This bill will be voted out of the State and Federal Legislation Committee as a Preconsidered SLR on June 6, 2017. Upon successful vote by the Committee, the Preconsidered SLR will be introduced and submitted to the full Council for a vote on June 6, 2017.

DATE PREPARED: June 5, 2017