



What the New 'Mansion' Tax Increase Means for New York's Residential Real Estate Market

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Question: What is the New York Mansion Tax?

Answer: In 1989, Governor Mario Cuomo instituted New York Consolidated Laws, Tax Law § 1402-a, which imposed a 1% tax on sales of residential properties for \$1,000,000 or more across the State of New York. In April 2019, lawmakers enacted the state's 2019-2020 budget, which included a new tax bracket for New York City properties sold for more than \$1,000,000. This new tax increase became effective on July 1, 2019.

Q: What is changing?

A: The mansion tax increased from a 1% surcharge on any residential properties sold for over \$1,000,000 to a tiered bracket applicable to New York City properties as follows:

Purchase Price	Mansion Tax Rate
\$1,000,000 – \$1,999,999	1.00%
\$2,000,000 – \$2,999,999	1.25%
\$3,000,000 – \$4,999,999	1.50%
\$5,000,000 – \$9,999,999	2.25%
\$10,000,000 – \$14,999,999	3.25%
\$15,000,000 – \$19,999,999	3.50%
\$20,000,000 - \$24,999,999	3.75%
\$25,000,000 or more	3.90%

For example, a home that sells for \$2,250,000 will be subject to a tax of \$28,125 rather than \$22,500. The difference in taxes owed for the most lavish properties, however, could be as significant as \$725,000 for a \$25,000,000 property, revitalizing the meaning of the name "mansion" tax. This tax is separate and apart from the New York City Transfer Tax,

which will remain at 1% for sale prices of \$500,000 or less and 1.425% for any sale over \$500,000. The transfer tax is the seller's burden, while the mansion tax is the purchaser's burden.

Q: Why is this coming up now?

A: This increase, which applies only to properties sold in New York City, was largely a response to recent record-breaking deals in the city's residential real estate market. Most notably, Ken Griffin's approximately \$240 million purchase at 220 Central Park South — the most expensive home ever sold in the United States — inspired lawmakers to draft the first revision to the New York Mansion Tax in 30 years. The increase has been enacted to help improve the city's subway system, after the governor's plan to tax marijuana sales fell short.

Q: Who will this most likely affect?

A: Experts are divided on how the new tax increase will affect the real estate market. Most agree, however, that although it will take some time for the market to adjust, this will not have a chilling effect on luxury sales in the long term. Others say that, given the current buyer's market, even though the mansion tax is the buyer's burden, sellers and developers will feel the brunt of this tax the most and will have to adjust pricing accordingly in order to accommodate the increase.