Who's paying their fair share?

By law, the taxable property value of a building cannot increase more than 8% (6% in the case of 1-3 family homes) each year.

As property values and rent in gentrifying neighborhoods skyrocket, proportional tax increases don't follow.

These policies benefit landlords of the red properties (that coincide with the outlined areas which experienced large rent increases over the past four decades) at the cost of tenants everywhere else.

This map shows every residential building in NYC, colored based on what fraction of the actual tax rate they paid in 2017.

Blue areas are gentrifying, while
Gray areas were already higher–income

Tax Inequity

(effective tax rate : actual tax rate)

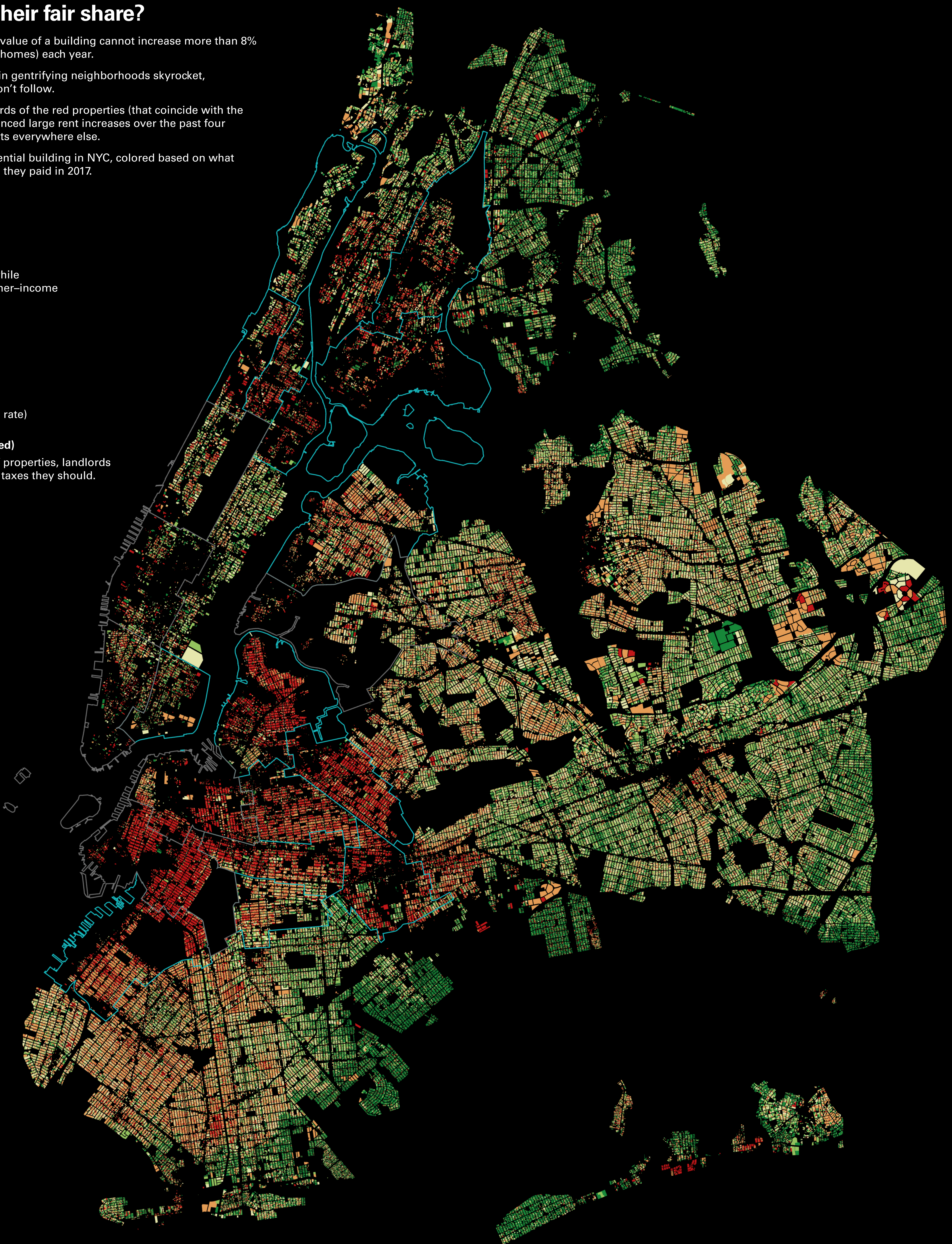
<42% **(undervalued)**
In more than a fifth of properties, landlords pay less than half the taxes they should.

42 – 68%

68 – 79%

79 – 88%

100%
(quintile buckets)



How does this happen?

Between 2010 and 2015, 1 Gramercy Park West (a 10 unit elevator co-op) saw its market value increase from $3 million to $6 million, doubling over 5 years.

However, the taxable value of the apartment only increased from $590 thousand to $770 thousand, exactly 30%, due to the assessment cap.

As a result, the taxes they paid actually decreased from $20.4 thousand to $19.9 thousand.

The kicker? A unit was just sold for $5.4 million, so the building is likely worth much, much more than $6 million.

It gets worse.

The market value that we call "fair" here is estimated by the NYC Department of Finance, which means that it is often also significantly underestimated.

16 Sutton Square, a mansion on the East River owned by a former Goldman Sachs (and Reagan administration) aristocrat was valued at "only" $9 million in 2017. Of that $9 million, they paid taxes on $6 million. That same year, the property went on the market at $30 million.

If taxes actually reflected NYC's real estate market, he should have paid $360 thousand. Instead, he paid just $77 thousand.

And this is just one man, nothing compared to the multibillion dollar corporations that now dominate the NYC real estate market.

Vornado Reality Trust owns 30 million square feet, with a net revenue of $2,163,720,000 in 2018.
SL Green owns 49 million square feet and had a net revenue of $1,511,473,000 in 2018.