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NYC buyers rush to close ahead of July 1 mansion tax

The mansion and transfer taxes are expected to generate \$365 million annually



The city's new progressive mansion tax went into effect on July 1. Shutterstock.com

The city's new progressive mansion tax goes into effect today, meaning buyers of properties priced \$1 million and up are now on the hook for a one-time fee that increases with the price of the home.

The looming mansion tax coupled with a transfer tax spurred closings in recent weeks, as wealthy buyers rushed to beat out the new fees. But the wave of buyers wasn't enough to offset a weakening residential market, the *Wall Street Journal* reports.

City property records cited by the *WSJ* show that 14 sales priced over \$10 million closed in a recent week, marking the most robust week for high-priced sales in the past two years. But even with the rush to closings, sales in the second quarter fell 2.3 percent, mirroring a similar decrease of five percent in the second quarter of 2018.

Donna Olshan, who tracks luxury sales priced \$4 million and more in a weekly report, found that contracts to those specifications fell by over 16 percent in the second quarter when compared to the same time last year, marking the slowest sales pace for the luxury residential market in seven years.

The brokerage firm CORE found that in the second quarter buyers received an average discount of nine percent off of the initial listing price at closing, marking the highest such discount in a long time.

All in all, this quarter has proven that buyers are being more cautious when it comes to doling out funds. “Rich people didn’t get rich by wasting money,” the vice chairman of Stribling told the *Journal*, speaking on the tax increases.

The progressive mansion tax increases as the price of the home does (hence “progressive”): There’s a flat 1 percent tax on homes valued at \$1 to \$2 million, 1.25 percent on ones valued at \$2 to \$3 million, and so on; it ultimately tops out at 4.15 percent for homes valued at \$25 million or more.

This, coupled with the one-time transfer tax, is expected to generate \$365 million annually, which can then be put toward funding the MTA.