

NY MORTGAGE TAX STUDY



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AGENDA

- I. Mortgage Tax Definitions
- II. Current Low Income vs High Income vs Greedy Investor Scenarios
- III. Hypothesis
- IV. Method
- III. Data and Insights
- IV. Proposal
- V. Revised Low Income vs High Income vs Greedy Investor Scenarios
- VI. New Hypothetical Total Estimated Revenue

MORTGAGE TAXES



ONLY **7** STATES HAVE A MORTGAGE TAX

Alabama, Florida, Kansas, Minnesota, **New York**, Oklahoma and Tennessee

WHAT ARE THE HOME PURCHASE TAXES IN NY?

When buying a home, New York imposes a mortgage tax and Mansion Tax which is paid upfront at Closing

Mortgage Tax

The tax rate in NY is 1.8% on mortgaged amounts <\$500,000 and 1.95% on mortgages >\$500,000

*Paid upfront at closing

Mansion Tax \$\$

There is only a sales tax on homes > \$1,000,000 and this amount is only 1%

*Paid upfront at closing

Ubiquitous Sales Tax



HOW DO THESE TAXES WORK?

Investors + Corporations



John, 50 yrs old, kingpin investor

Home Purchase Price: \$625,000

Down Payment: \$625,000 (100%)

Mortgaged Amount: \$0

Mortgage Tax: \$-

Lower Incomes



Susan, 30 yrs old, earns \$55K

Home Purchase Price: \$625,000

Down Payment: \$18,750 (3%)

Mortgaged Amount: \$606,250 (above \$500K)

Mortgage Tax (1.95%): \$11,821.87



Higher Incomes



Matthew, 37 yrs old, earns \$200K

Home Purchase Price: \$625,000

Down Payment: \$156,000 (25%)

Mortgaged Amount: \$468,000 (under \$500K)

Mortgage Tax (1.8%): \$8,424



HYPOTHESIS

OUR HYPOTHESIS

- We believe that if this **tax was lowered and applied across the board to all home purchases, with a higher tax rate applied to investment property purchases, based on property price not mortgage amount**, the policy would not only be more equitable, **but also raise MORE REVENUE for the government.**

- We also believe that the mortgage tax is an unfair tax that has a disproportionate impact on people with lower incomes (essentially those that borrow large sums to purchase a home).

2022 Estimated Home Purchase Tax Revenues Raised in Brooklyn

	Residential	Investors	
Mortgage Tax	\$ 95,857,551.00	\$ 119,713,118.00	\$ 215,570,669.00
Mansion Tax	\$ 76,258,944.00	\$ 78,907,589.00	\$ 155,166,533.00
			\$ 370,737,202.00

THE METHOD

APPROACH

Step 1

We analyzed the sales data of 15,550 homes sold in Brooklyn, NY in 2022, as well as 2,164 homes sold in 2022 of four of the highest income zip codes and the four lowest income zip codes in the other boroughs. We then segmented the data into two groups – the top and bottom income zip codes

Step 2

We calculated how much Mortgage tax was raised in Brooklyn. We calculated how much Mansion tax was raised in Brooklyn

Step 3

We calculated how much would be raised if there was a sales tax that was only 50% of the current Mortgage tax rate and if the Mansion tax was cut in half at 0.5% instead of the current 1%

Step 4

We used census data to examine the differences in demographics of the different zip codes to see if people with lower incomes are paying a large portion of this tax than people living in zip codes with higher average incomes.

THE DATA



OUR DATASETS

2022 real estate sales transactional data for Brooklyn NY only

Home Sales broken down by:

Zip, Home Type, Address, Purchase Amount, Purchase Down %, CLTV%, Owner Occupy (y/n), Listed for Sale, Purchase Date, Mortgage Tax Paid, Mansion Tax Paid

Census Bureau API Data

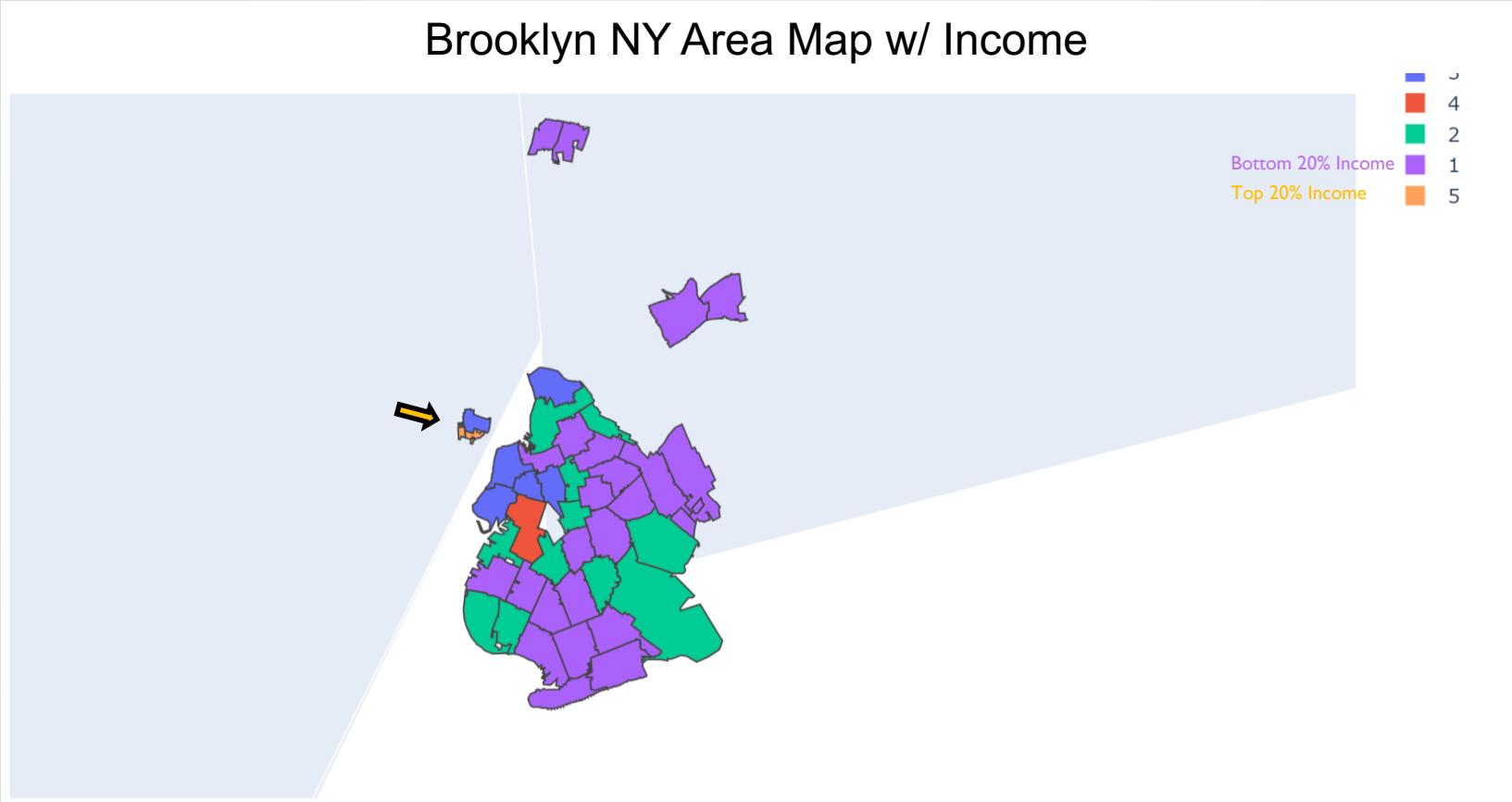
Census data fields:

Zip, Population, Median Age, Household Income, Per Capita Income, Median Gross Rent, Poverty Count, Poverty Rate

	Count	ZIP	Type	Owner Occ?	Purchase Down %	Purchase Amt	Amount Mortgaged	Mtg Tx Pd	Mansion Tax Pd	New Sales Tax Amount
0	1	11201.0	CND	0.0	33.0	4600000.0	3062500.0	59718.75	46000.0	41400.0
1	1	11201.0	CND	0.0	30.0	4550000.0	3185000.0	62107.5	45500.0	40950.0
2	1	11201.0	CND	0.0	69.0	2620000.0	825084.0	16089.138	26200.0	23580.0
4	1	11201.0	CND	0.0	100.0	4740000.0	0.0	0.0	47400.0	42660.0
8	1	11201.0	CND	0.0	81.0	4200000.0	787743.0	15360.9885	42000.0	37800.0
9	1	11201.0	CND	0.0	30.0	4395000.0	3076500.0	59991.75	43950.0	39555.0
10	1	11201.0	CND	0.0	100.0	5050000.0	750000.0	14625.0	50500.0	45450.0
11	1	11201.0	CND	0.0	100.0	5700000.0	0.0	0.0	57000.0	51300.0000000000
12	1	11201.0	CND	0.0	38.0	2100000.0	1300000.0	25350.0	21000.0	18900.0

Zipcode	Population	Median Age	Household Income	Per Capita Income	Median Gross Rent	Poverty Count	Poverty Rate
10007	7506.0	34.7	250001.0	191709.0	3501.0	152.0	2.025046629363180
10013	29453.0	40.2	150675.0	157378.0	2113.0	2762.0	9.377652531151330
10282	6450.0	38.7	250001.0	190521.0	3501.0	373.0	5.782945736434110
10453	80385.0	33.8	34800.0	19016.0	1362.0	27796.0	34.57859053305970
10457	79817.0	30.8	41145.0	20187.0	1381.0	27317.0	34.224538632121000
11201	69755.0	35.1	163310.0	108933.0	3110.0	7004.0	10.040857286216000
11203	78506.0	42.3	68006.0	34492.0	1495.0	11030.0	14.049881537716900
11204	80575.0	34.7	64172.0	25404.0	1677.0	15434.0	19.154824697486800
11205	50319.0	29.7	74839.0	46352.0	2107.0	14408.0	28.633319422087100

[PLACEHOLDER] Coverage Area Sorted By Income]



[PLACEHOLDER] Avg income as percent of mortgage tax?

AVERAGE MEDIAN INCOME GRAPH



[PLACEHOLDER] Zip code map showing percent of sales tax paid



[PLACEHOLDER] Brooklyn showing the amount borrowed by income level

- Total , owner occ, investor



[PLACEHOLDER] **Other Zips** showing the amount borrowed by income level

- Total , owner occ, investor



[PLACEHOLDER] Income level vs zip code



PROPOSAL

PROPOSED NEW TAX SOLUTION

To make taxes on home sales more equitable...

- ❖ We propose the mortgage tax get slashed by 50% and we instate a **NEW Sales tax on ALL home sales in lieu of a Mortgage tax.**
- ❖ We would **do away with the Mansion tax.**
- ❖ For the corporation/ investor population, **we would create an Investment tax of 4.4357%.**

OLD

Mortgage Tax = 1.8% < \$500,000, 1.95% > 500,000

Mansion Tax = 1.0%

NEW

Home Sales Tax = .9% < \$500,000, 1.4% > \$1,000,000

Sales Tax on Investments = 4.4357%

HOW DOES THE NEW TAX AFFECT BUYERS?

Investors/Corporations



John, 50 yrs old, kingpin investor

Home Purchase Price: \$625,000

Down Payment: \$625,000 (100%)

Mortgaged Amount: \$0

Investment Sales Tax (4.4357%): \$27,723

Lower Incomes



Susan, 30 yrs old, earns \$55K

Home Purchase Price: \$625,000

Down Payment: \$18,750 (3%)

Mortgaged Amount: \$606,250

Sales Tax (.9%): \$5,625

Higher Incomes



Matthew, 37 yrs old, earns \$200K

Home Purchase Price: \$625,000

Down Payment: \$156,000 (25%)

Mortgaged Amount: \$ 468,000

Sales Tax (.9%): \$5,625

• **[PLACEHOLDER]** New Sales Tax vs Income level



DOES THE SALES TAX GENERATE MORE REVENUE FOR NY?

Yes, assuming that home purchase behaviors will remain the same. Based on our sample 2022 data, we have confidence that these revenues are realistic.

PRE

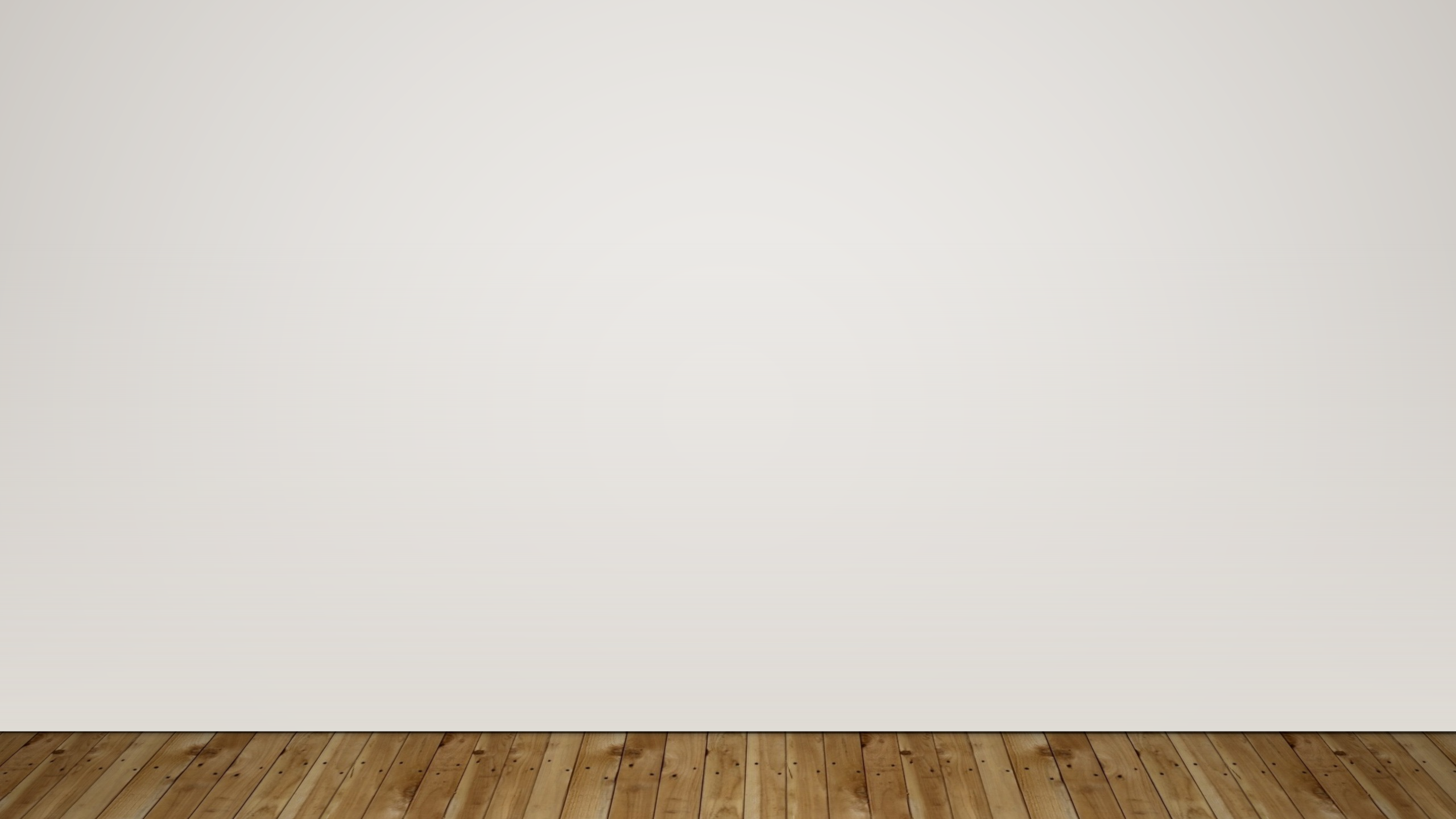
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Mortgage Tax	\$ 95,857,551.00	\$ 119,713,118.00	\$ 215,570,669.00
Mansion Tax	\$ 76,258,944.00	\$ 78,907,589.00	\$ 155,166,533.00
			\$ 370,737,202.00

POST

	Residential	Investors	Total
Sales Tax	\$ 114,342,909.00	\$543,095,776	\$ 657,438,685.00

- **[PLACEHOLDER]** Pie Chart - Total Amount Tax Collected 2022 vs New Sales Tax





QUESTIONS?