

MEMORANDUM

TO RFF Attorneys and Legal Assistants

DATE 1/18/86

FROM Mary Sabatini DiStephan/Nancy Kramer *msd*RE New York City Tax Assessments  
(Replaces memo of 1/21/83)

Any building in New York City which is transferred to an entity which is not a residential cooperative corporation will automatically be reassessed at 45% of the market price (i.e., the sale price of the building.) This is usually a substantial increase in the assessment.

The reassessment thus has awesome consequences for a building which is purchased by an entity in contemplation of co-oping. Many sponsors are only contract vendees or have had title for a short period of time. These buildings will be reassessed the January after the sale occurs to 45% of the sale price and the new assessment will be effective starting the next July. In these plans, the three-year tax history is not particularly helpful. It may, in fact, be deceptive since a buyer may assume normal increases consistent with the tax history when the sale to the sponsor will actually trigger a new large assessment.

A building which is transferred to a cooperative corporation will not trigger a reassessment. Therefore a new assessment will not occur if a contract vendee, rather than taking title at closing, assigns the contract to the apartment corporation. Nor will an assessment occur if the original owner is the sponsor and sells directly to the cooperative corporation. The rationale for this is §581 of the Real Property Tax Law, a copy of which is attached. This section applies only to residential property -- a sale by an original owner to a commercial cooperative or condominium will result in a new assessment.

Please note that any increases as a result of a reassessment will be phased in over five years.

Note also that normal reassessments may occur as a result of increased market value, in addition to the reassessment triggered by a resale.

All offering plans should contain the foregoing tax disclosures.

Attachment

§ 581. Assessment of residential cooperative, condominium and rental property

1. (a) Notwithstanding any other provision of law, real property owned or leased by a cooperative corporation or on a condominium basis shall be assessed for purposes of this chapter at a sum not exceeding the assessment which would be placed upon such parcel were the parcel not owned or leased by a cooperative corporation or on a condominium basis. For the purposes of this section, the term "cooperative corporation" shall include any corporation organized under any special or general law of this state including but not limited to the business corporation law, the cooperative corporations law, the not-for-profit corporation law and the private housing finance law or predecessor statutes, primarily for providing housing accommodations to its stockholders or members and which is, or is to be operated for the benefit of persons or families who are entitled to occupancy by reason of ownership of stock or membership in the corporation.

(b) On and after January first, nineteen hundred eighty-four, the provisions of paragraph (a) of this subdivision shall not apply to such real property classified within the homestead class of an approved assessing unit which has adopted the provisions of section one thousand nine hundred three of this chapter; provided, however, that, in an approved assessing unit which adopted the provisions of section one thousand nine hundred three of this chapter prior to the effective date of this subdivision, paragraph (a) of this subdivision shall apply to all such real property (i) which is classified within the homestead class pursuant to paragraph one of subdivision (e) of section one thousand nine hundred one of this chapter and (ii) which, regardless of classification, was on the assessment roll prior to the effective date of this subdivision unless the governing body of such approved assessing unit provides by local law adopted after a public hearing, prior to the taxable status date of such assessing unit next occurring after December thirty-first, nineteen hundred eighty-three, that such paragraph (a) shall not apply to such real property to which this clause applies.

2. Notwithstanding any other provision of law, real property occupied for residential purposes on a rental basis (as distinct from a cooperative or condominium basis) shall be assessed without regard to the value the property might have if converted to a cooperative or condominium basis or if sold or owned for the purpose of such a conversion.

(Added L.1981, c. 1057, § 4; amended L.1983, c. 800, § 2.)

<sup>1</sup> July 30, 1983, retroactive to Apr. 30, 1983.

**Historical Note**

**1983 Amendment.** Subd. 1, par. (a), L.1983, c. 800, § 2, eff. July 30, 1983, retroactive to Apr. 30, 1983, designated existing text of subd. 1 as par. (a).

Subd. 1, par. (b), L.1983, c. 800, § 2, eff. July 30, 1983, retroactive to Apr. 30, 1983, added par. (b).

**Effective Date of 1983 Amendment; Application.** Amendment by L.1983, c. 800, § 2, deemed to have been in full force and effect on and after Apr. 13, 1983, and applicable to each parcel of

real property on the taxable status date of each such parcel next occurring on or after May 1, 1983, pursuant to L.1983, c. 800, § 5, set out as a note under section 1901.

**Effective Date.** Section effective Dec. 3, 1981, pursuant to L.1981, c. 1057, § 17.

**Separability of Provisions.** See section 16 of L.1981, c. 1057, set out as a note under section 305.