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New REBNY report, “The Invisible Engine,” highlights role real estate sector has on NYC tax revenues

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New York, NY The Real Estate Board of New York (REBNY), the City’s leading real estate trade association, released a new report, “The Invisible Engine,” which highlights the critical role of the real estate sector for New York City tax revenues. The single largest source of tax collections by the City of New York, real estate related taxes have played a critical role in supporting the City’s economy during the pandemic and will play an even larger role in the future. Among other findings, the report demonstrates the year-over-year reliability of these collections and the important linkage between the health of the real estate sector and the wellbeing of the City’s budget and economy.

“This report is another reminder that the health of the real estate sector and the City’s finances and economy are inextricably linked,” said REBNY president James Whelan. “Even throughout the pandemic, the real estate industry has been the single most important source of revenue for New York City, a fact that will only become more pronounced in the years ahead. We look forward to our continued partnership with City and State leaders to further strengthen these ties.”

Key findings from the report include:

Real estate related taxes are the largest source of taxes collected by New York City and have comprised over half of all taxes gathered for the last eight years. In New York City’s FY 2023 Adopted Budget, real estate related taxes are projected to account for more than $35 billion compared to $30 billion generated by all other tax sources.

The diversity and depth of real estate related taxes played a critical role in supporting New York City’s finances during the COVID-19 pandemic. While Manhattan’s office and retail districts were devastated during 2020 and much of 2021, record-breaking residential sales during 2021 helped real estate related taxes exceed projections by $1.3 billion. This additional revenue was critical to supporting New York City government programs and services.

The importance of real estate taxes to the New York City budget is expected to increase in the years ahead. In FY21, the most recent year with full data available, real estate related taxes made up 54.1% of tax collections compared to an average of 51.9% from 2015-2018. The importance of real estate related taxes will only increase as the City budget projects growth in collections from real estate related taxes and declines in personal income and corporate taxes.

Real estate related taxes gathered by New York City and New York State provide significant funding for general MTA operations and the MTA’s capital plan, a pillar of the region’s economy. The Mansion tax and new urban transit/mortgage-recording taxes enacted in 2019 contributed more than

$1.3 billion to MTA operating expenses and the Capital Lockbox in 2021. Due to record-setting residential sales (and luxury sales in particular), tax collections from the mansion and mortgage recording exceeded forecasts by more than $300 million.

The sustained contributions to New York City's tax base outlined in this report are linked to the continued performance of the real estate sector. Real estate professionals and stakeholders have diligently worked to sustain momentum in transaction activity and new development in the face of unprecedented challenges in recent years, and are preparing for impending significant economic and political headwinds. This includes rising interest rates, elevated construction costs, the expiration of key tax incentives to spur new development and a time consuming and increasingly contentious land use process.