Anti-Displacement Policy Toolkit

Flip Tax aka Anti-Speculation Tax

This tool would impose an additional tax on residential properties that are bought and then resold within five years. The intent of the policy is to discourage speculative property flipping, i.e. purchasing and reselling a property for a higher value within a short periods of time.

For NYC:

POLICY OBJECTIVE:
The primary objective of a Flip Tax in NYC would be to discourage speculative investors from buying and selling apartments within a short period of time. Property flipping usually entails displacing low-income tenants as investors seek high returns, which necessitate charging higher rents.

HOW MIGHT IT WORK?
There are different ways of imposing flip taxes – e.g. an income versus transfer tax or a flat tax versus a percentage of flipping – but the Flip Tax proposed in New York would be imposed as an additional transfer tax. Buyers and sellers of real estate are already required to pay what is called a "Real Property Transfer Tax" for all property sales in New York State. The Flip Tax would impose an additional amount to this transfer tax if the property has been bought and resold within 5 years. The additional tax would be the highest for properties that have sold within just one year of purchase and decrease proportionally for properties sold within 2, 3, 4 or 5 years of purchase. Revenue from this additional tax could either go into a general fund or be directed specifically for affordable housing programs.

WHO WOULD BENEFIT?
The Flip Tax legislation proposed in NYC would primarily target the speculative flipping of 1-4 unit homes in outer borough neighborhoods. According to a 2016 study by the Center for NYC Neighborhoods, 1,800 1-4 unit properties were flipped in 2015, with East New York having more flips than any other neighborhood. By limiting the profit made on flipping small homes, the Flip Tax...
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would benefit small homeowners, low- to moderate-income families looking to purchase an affordable home, and renters who rely on 1-4 unit homes in the outer boroughs as unregulated affordable housing stock. If applied to larger multi-family properties as well, the Flip Tax would benefit renters in those buildings by directly cutting down on the profit speculative investors can make from flipping properties.

HOW WOULD IT BE ENACTED?

State Legislation: Flip Tax legislation has been drafted and introduced in the NYS Assembly and NYS Senate by Assembly member Erik Dilan and State Senator Jesse Hamilton respectively.

HOW WOULD IT BE ENFORCED?

Buyers and sellers of property that has been bought and resold within 5 years would have to file and pay the additional transfer tax the same way as they would file and pay for the Real Property Transfer Tax. Therefore, the Flip Tax would be the oversight of the New York State Department of Taxation and Finance.

WHAT IS THE FEASIBILITY FOR ACHIEVING THIS IN NYC?

Potential Proponents:

- Low- to moderate-income homeowners and aspiring homeowners
- Residents in neighborhoods with low-density homeownership stock, particularly those in gentrifying areas
- Renters in multifamily buildings who are threatened with displacement due to speculative property flipping
- Community-based organizations
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Potential Opponents:
- Real estate investors
- Middle- and small-scale real estate developers
- Realtor and homeownership associations

Challenges:
- Some impacted areas may lack a local a traditional community-based organization.
- Elected officials in low-density areas who may be less engaged with current NYC affordable housing efforts which focus more on multi-family buildings.
- Would require State legislation.

WHO’S INVOLVED?

Center for New York City Neighborhoods
Coalition for Community Advancement: Progress for East New York/Cypress Hills
Cypress Hills Local Development Corporation
Assembly member Erik Dilan
State Senator Jesse Hamilton
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Example Policy: San Francisco, CA

HOW DOES IT WORK?

In 2014, organizers in San Francisco put an Anti-Speculation Tax on the ballot. The proposed ballot measure would have imposed an additional transfer tax on the total sale price of multi-unit residential properties sold within five years of purchase. However, the measure was defeated 54% to 46%.

WHO BENEFITS?

The Anti-Speculation Tax would have applied to small multifamily buildings under 30 units, with exemptions for single-family homes, newly built housing, and properties sold at a loss. The tax was intended to help prevent displacement in smaller multifamily buildings since those properties were most impacted at that time by what are called ‘Ellis Act’ evictions.

HOW WAS IT ENACTED?

San Francisco’s Transfer Tax was introduced as new legislation for the San Francisco City-Business and Tax Regulation Code and Municipal Code Stock. The Anti-Speculation Tax was put on the ballot as Proposition G in San Francisco in 2014 but did not pass.

HOW IS IT ENFORCED?

If passed as an additional transfer tax, sellers of property would have had to pay file and pay the tax with the Office of the Treasurer and Tax Collector of San Francisco.