UNITED NEIGHBORHOOD HOUSES

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UNH State Fiscal Year 2019-20 Budget & Policy Priorities
Flip Tax

Flip Tax – The Flip Tax, or Anti-Speculation Tax, modifies the existing Real Property Transfer Tax to impose additional fees on the sale of 1-4 family houses made within two years of the original purchase in order to deter predatory "flipping." Flipping is the practice of purchasing a low-cost home and then quickly reselling it while drastically increasing the price in order to turn a profit. Flippers often use predatory practices in order to acquire properties at bargain prices, and they accelerate the gentrification of some of New York's last affordable areas. A Flip Tax would impose an additional 15% tax on sales occurring within one year of the original purchase, and an additional 10% tax on sales made between the first and second year. The tax is primarily designed to act as a deterrent to predatory behaviors, but the additional revenue, directed to the New York City General Fund, could also be leveraged to help fund additional affordable housing subsidies to offset the effects of any flipping that continues to occur.

Challenge and Opportunity – According to a report by the Center for NYC Neighborhoods, home flipping is significantly diminishing the supply of affordable homes on the market in New York City. In 2017, only 11% of homes sold would be affordable to families who earned the area median income for a family of three. Of those sales, 38% went instead to investors and were ultimately flipped. According to the same report, flipped homes sell for an average of 33% more than comparable properties not sold by investors.

Flipping drives up costs in the housing market, accelerating gentrification and displacement in New York's few remaining affordable communities. Furthermore, flippers tend to use predatory practices that target financially vulnerable homeowners, such as seniors. In 2017, 42% of homes purchased by investors were in foreclosure at the time of the sale. This is in part fueled by "short sales," or professional flipper's practice of targeting and convincing low- or moderate-income homeowners who are facing a preventable foreclosure to "settle" with their bank, selling their home for less than it is worth to the flipper and walking away without a home or any profit from the sale. This practice is particularly problematic as it keeps potentially affordable homes off the market all together.

Given New York City's recent rezoning in East New York, Far Rockaway, and the South Bronx, where they have up-zoned large regions and promised to invest heavily in public resources, flipping is on the rise. Given that these regions tend to represent an outsize share of the affordable home market, we must take action now to curb the predatory practices of flippers and protect New Yorkers.

Benefits of a Flip Tax – A flip tax would have no impact on prospective home buyers, but would damper the potential return on investment for flipped properties, making it more likely that individuals who purchase affordable properties are doing so with the intent of living there. In New York City, many residential co-ops already use a flip tax, demonstrating the feasibility of their use in comparable markets. This would help to curb flipping, which has been most prevalent in New York City's low-income communities where investors are most likely to find properties available at bargain prices, slowing gentrification and displacement in those communities.

UNH Recommendation: Adopt a Flip Tax on properties in New York City
that are sold within two years of original purchase.

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