

COOPERATIVES & CONDOMINIUMS FEDERATION OF NEW YORK HOUSING



February, 2010

SHAREHOLDERS ALERT!! PROPOSED RECORDING TAX ON CO-OP LOANS-A BURDEN ON COOP OWNERS

BY GEOFFREY MAZEL, ESQ.

Once again, New York State is attempting to close their budget gap by charging a new exorbitant tax on Coop Owners. On January 15, 2010, New York Governor Paterson's Proposed Draft Budget Bill, in an attempt to provide the City of New York and county governments with potential additional revenue, proposes to expand the Scope of the Mortgage Recording Tax to apply to Cooperatives. The Governor is proposing a bill which would expand the scope of the Mortgage Recording Tax, which is currently imposed on the recording of mortgages on real property with the county clerk, to include the filing of a financing statement securing a loan for the purchase of an ownership interest in a cooperative housing unit. The bill would subject the filing of a financing statement with the county clerk to a tax that is calculated, administered, collected and distributed according to the laws pertaining to the tax on mortgages under Article 11 of the Tax Law.

This Legislation will add a tremendous expense in the purchase of a Cooperative apartment. If passed a Coop Owners would have to pay an additional fee of 1.85% or 1.95% of the

loan amount to New York State in the form of a recording tax. On a mortgage of \$500,000 a Coop Owner will pay almost \$10,000.00 in additional closings costs for this recording fee.

Essentially, this new proposed tax may have a significant negative impact on the Coop Market. Bank underwriters are already making it very difficult to lend to Coops in this area and by adding a significant cost to the closing is a major step in the wrong direction.

The Federation is working hard to make sure this regressive tax never sees the light of day. We have already met with State officials and expressed our opposition to adding a new significant tax on Coops in these challenging times.

Geoffrey Mazel, Esq. is a partner in the lawfirm of Hankin & Mazel, PLLC, 7 Penn Plaza, suite 904, NY, NY, 10001

