



New York City Comptroller
Scott M. Stringer

NEWS

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COMPTROLLER STRINGER AUDIT: DEPARTMENT OF FINANCE MISTAKENLY GAVE AWAY \$10 MILLION IN PROPERTY TAX ABATEMENTS TO CORPORATIONS

1,249 corporate-owned condos, cabanas, parking spaces & storage areas reaped improper tax benefits

(New York, NY) – Corporate-owned condos and other properties such as indoor parking spaces and gardens were granted more than \$10 million in improper tax abatements over the past 4 years because the New York City Department of Finance failed to conduct basic document checks, according to an audit released today by New York City Comptroller Scott M. Stringer.

“The City handed out millions in tax abatements to corporate-owned condos, parking spots and cabanas because no one bothered to review basic tax records,” New York City Comptroller Scott M. Stringer said. “This money could have been used to fund our schools, put more police on our streets and help house our homeless but instead they lined the pockets of LLCs and corporations. The Department of Finance needs to significantly step up its game and collect all the taxes the City is owed.”

The audit investigated the Department of Finance’s administration of the Co-Op/Condo Tax Abatement during Fiscal Years 2013-2016. The abatement is designed to give individual homeowners in co-ops and condos tax relief through a partial property tax reduction. A 2013 amendment to the law clarified that to receive the abatement, the property must be the owner’s primary residence, and it cannot be owned by a corporate entity. During Fiscal Year 2015, there were 35,335 condominium units that received abatements totaling \$76.46 million, and 226,284 cooperative units that received abatements totaling \$322.98 million.

Audit findings include:

Corporate-Owned Condos Improperly Received Abatements

- Although the law specifically states that only individual owners can receive Co-Op/Condo Tax Abatements, auditors identified 1,085 condos owned by corporate entities that incorrectly received abatements:

- 1,049 of these abatements were for condos originally owned by individuals that were then sold to corporations. Auditors found that the abatements stayed in effect because the Department of Finance failed to check its own records.
 - The remaining 36 abatements were originally granted for ineligible, corporate-owned condos. When auditors asked to see the supporting documentation to determine how this occurred, the Department of Finance was unable to locate any files for 75% of the units.
- Between Fiscal Years 2013 and 2016, these improper abatements cost the City \$9,858,638 in lost tax revenue.

Abatements were given to Non-Residential Properties

- Auditors also identified abatements that were given to 164 non-residential properties. These abatements were incorrectly granted because the Department of Finance neglected to check its own records to see if the units were commercial or residential.
- The tax abatements were given to:
 - 138 storage areas;
 - 16 indoor parking spaces;
 - Five terraces, gardens, or cabanas;
 - Three offices; and
 - Two retail locations.
- Between Fiscal Years 2013 and 2016, these abatements cost the City \$159,710 in lost tax revenue.

The audit contains a dozen recommendations, including that the Department of Finance:

- Immediately begin the process to recover the \$10,018,348 that was lost due to improper tax abatements;
- Modify or upgrade internal systems to automatically reject tax abatements for properties that are owned by corporations or are not classified as residential;
- Require staff to verify that a unit applying for a tax abatement is both individually-owned and residential; and
- Enforce the state law which requires condo boards to submit documents each year detailing which units have been sold, and if the new owner is a corporation – and thus ineligible for abatements.

“Every tax dollar counts. It’s time for the Department of Finance to take action now and recoup these lost millions on behalf of all New Yorkers,” Stringer said.

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