



AUDIT AT A GLANCE

The Department of Finance's Co-op/Condo Tax Abatement Program

What questions did the audit look at?

- ▶ Did the New York City Department of Finance (DOF) effectively oversee the Cooperative/Condominium Tax Abatement program?
- ▶ Did DOF ensure that co-op and condo owners receiving the abatement met eligibility requirements?

Why does it matter for New Yorkers?

DOF administers New York City's tax laws, including the Co-op/Condo Tax Abatement Program. Under this program, owners of eligible condos and co-ops receive tax abatements that reduce their annual property taxes. The audit set out to determine whether DOF ensures that residents who are receiving the abatement are meeting eligibility requirements. Though the vast majority of condo and co-op owners did comply with the law and were eligible to receive the abatement, the audit found serious problems with DOF's management of the program.

The auditors reviewed abatements granted in Fiscal Year 2023 and found 720 units (678 condos and 42 co-ops) that should not have received the abatement. These ineligible apartments included almost 300 condos owned by businesses instead of families. The audit found that between 2019 and 2024, the City lost approximately \$6.5 million in tax revenue.

The purpose of the Co-op/Condo Tax Abatement Program is to make the prospect of home ownership more feasible for regular New Yorkers, not to pad the profits of businesses. DOF should do everything in its power to make sure that this tax benefit does not go to actors who don't deserve it.

What changes did the agency commit to make following the audit?

- ▶ DOF agreed to remove the abatement from ineligible units, attempt to recoup lost tax revenue, and conduct testing to ensure that ineligible units do not receive the abatement.
- ▶ DOF agreed to ensure that submitted prevailing wage affidavits are accurate.
- ▶ DOF agreed to correct inaccurate tax eligibility codes in its database.

AUDIT FINDINGS



Most condo/co-op owners are eligible to receive the tax abatement.



In 2023, 720 ineligible units—678 condos and 42 co-ops—received the tax abatement.



Ineligible abatements cost New York City approximately \$6.5 million in tax revenue between 2019 and 2024.



Audit Recommendations	Agency Response
<p>Remove the Co-op/Condo Abatement from condo units that are:</p> <ul style="list-style-type: none"> not classified as Tax Class 2 or do not have building classification code R1, R2, or R4. receiving the UDAAP exemption. owned by a business. receiving the clergy exemption. violating primary residency requirements. 	<p>AGREED</p>
<p>Recover as much as is feasible of the approximately \$6.5 million in abatements that should not have been granted:</p> <ul style="list-style-type: none"> \$989,793 granted to owners within developments that are not Tax Class 2, have an ineligible building classification code, or are receiving the UDAAP exemption from Fiscal Years 2019 to 2024. \$4,918,373 granted to condo units owned by businesses or receiving clergy exemptions from Fiscal Years 2019 to 2024. \$293,408 granted to condo units violating primary residency requirements from Fiscal Years 2019 to 2024. \$264,318 granted to condo and co-op developments that did not submit the correct prevailing wage affidavit in Fiscal Year 2023. 	<p>AGREED¹</p>
<p>Ensure that submitted prevailing wage affidavits are saved, reviewed for correctness, and associated with the correct development.</p>	<p>AGREED</p>
<p>Ensure the error from the XY eligibility code has been corrected and is no longer in use to prevent Property Tax System eligibility checks from being bypassed and to ensure that ineligible developments and owners are not granted the Co-op/Condo Abatement. In addition, update the ineligibility coding in the Property Tax System to prevent developments receiving UDAAP from concurrently receiving the abatement.</p>	<p>AGREED²</p>
<p>Conduct periodic sample-based testing to check for ineligible units receiving the Co-op/Condo Abatement.</p>	<p>AGREED</p>

¹ Though DOF agreed with the recommendation, the agency stated that it will only attempt to recover the value for abatements granted to condo units owned by businesses.

² Though DOF agreed with the recommendation, the agency did not specify in its response whether the system was or will be updated to prevent developments receiving the UDAAP exemption from also receiving the Co-op/Condo Abatement.