

NYC Real Estate Biz is Fighting Bevy of New Taxes, Regulations

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The real estate industry is reeling in the face of new legislation, extended eviction moratoriums, environmental regulation and higher taxes. Now, trade organization and industry leaders vow to fight back. Most recently, industry executives are warning that the Biden administration's plans to hike the tax on long term capital gains above \$1 million from 20% to the top bracket would result in a top bracket rate of 43.4%. In late May, the administration also revealed that the

capital gains tax hike would be retroactively applied to assets sold after April 2021.

“It’s a perfect storm with the worst potential outcome,” said Robert Gilman, a partner with the accounting firm Anchin, Block & Anchin LLP.

Gilman notes the possible ending of 1031 exchanges — a method of reinvesting sale proceeds that is widely used to avoid paying capital gains taxes — as another blow to the biz.

“If you did a 1031 exchange in May, are they going to say it now doesn’t count?” he said.

Worse still, when New York State and city taxes are added, investors making just over \$1.1 million are suddenly facing a payout of 56.9% in taxes.

“Investors are going to be holding onto buildings,” Gilman said. “Usually when someone buys a new building, they spend money on the trades and so that will also hamper the construction industry.”

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