



ULSTER COUNTY COMPTROLLER

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Ulster County Property Transfer Transactions: An Opportunity for Ulster County Revenue

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Ulster County Property Transfer Transactions: An Opportunity for Ulster County Revenue

The Ulster County Clerk administers two property transfer taxes - a Mortgage Recording Tax (MRT) and a Real Estate Transfer Tax (RETT). Ulster County does not charge a local MRT or RETT, but the county collects a fee for administering these taxes. The lion's share of the revenues from each tax are distributed by the county to the state and local municipalities.

If Ulster County adopted both a local Mortgage Recording Tax and a local Real Estate Transfer Tax like other counties in New York, the County could have seen 2019 revenues of between \$3.4 and \$6.5 million depending on the structure of each tax.

Mortgage Recording Tax

Mortgage Recording Tax (MRT) is a tax levied at the recording of the mortgage for the "privilege of recording a mortgage."¹ Mortgage Recording Tax applies to all properties with up to 6 dwelling unit so long as they have a separate kitchen.² Certain public policy exceptions have been carved out.³

Ulster County collects a Mortgage Recording Tax on each mortgage recorded in the Ulster County Clerk's Office. In 2019 the Clerk recorded 4,450 mortgages. Mortgage recording tax revenue is distributed to the state as well as the city, towns, villages based on the location of the property. Ulster County keeps an administrative fee based on the monthly costs to administer the recording process and receipts.



¹ See Mortgage Recording Tax. Department of Taxation and Finance, accessed June 5, 2020, [available at https://www.tax.ny.gov/pit/mortgage/mtgidx.htm](https://www.tax.ny.gov/pit/mortgage/mtgidx.htm)

² N.Y. Tax Law Article 11 §253 1-a (a) (2017).

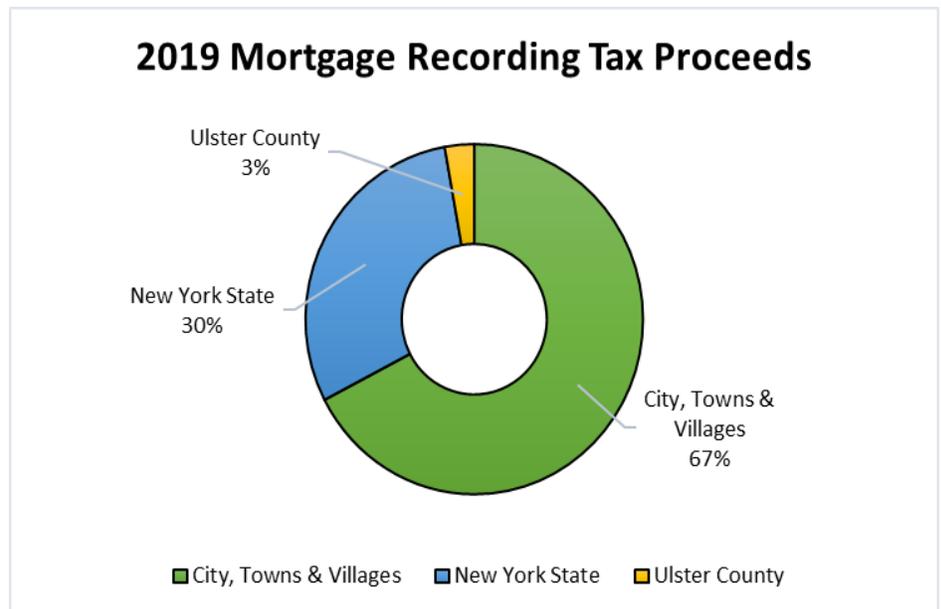
³ Reverse mortgages, mortgages of seniors to satisfy real property debt, nonprofit hospital mortgages and ambulance service mortgages are exempt. Tax Law §252A-A-2.

Ulster Mortgage Recording Tax Components:

- **Basic tax** of .50 per \$100 of mortgage debt or obligation secured which is allocated to the City or town of the transaction.
- **A special additional tax** of .25 per \$100 of mortgage debt or obligation secured that is allocated to New York State. This fee is generally paid by the lender.
- **An administrative fee** paid to Ulster County of \$14,586.36 monthly which is taken from the City/town shares.

Ulster County Distributions:

In 2019, the Ulster County Clerk's Office recorded 4,450 mortgages and reported collecting \$6,216,573.73 in Mortgage Recording Tax, of that \$4,188,806.93 was distributed to the City, towns and villages and \$1,852,730.48 went to the State of New York.⁴ Ulster County retained \$175,036.32 for administrative fees.



Uses of County MRT Collections:

Unlike some other Hudson Valley counties, Ulster County does not bear the extra recording fee levied on transactions to support transportation infrastructure. For example, Orange and Dutchess Counties assess an additional .30 per \$100 in value to support the Metropolitan Transportation Authority.⁵ Similarly, additional mortgage recording tax supports the Niagara Rochester-Genesee, Capital District, and Central New York regional transportation districts.⁶ Twenty-six other New York State counties have a local Mortgage Recording Tax (see Appendix B). Most of these counties charge .25 per \$100 in value with Columbia and Greene Counties being the exceptions charging .50 per \$100 in value. For some counties, mortgage recording tax supports public infrastructure such as community colleges, correctional facilities, court facilities, or the general fund.⁷

⁴ See Ulster County Clerk, Annual Report (2019), p. 15.

⁵ MRT is not charged on the first \$10,000 of debt secured by the mortgage for one and two-family residences. Tax Law §253 (2)(a).

⁶ Tax Law §257 (1)(b)-(d).

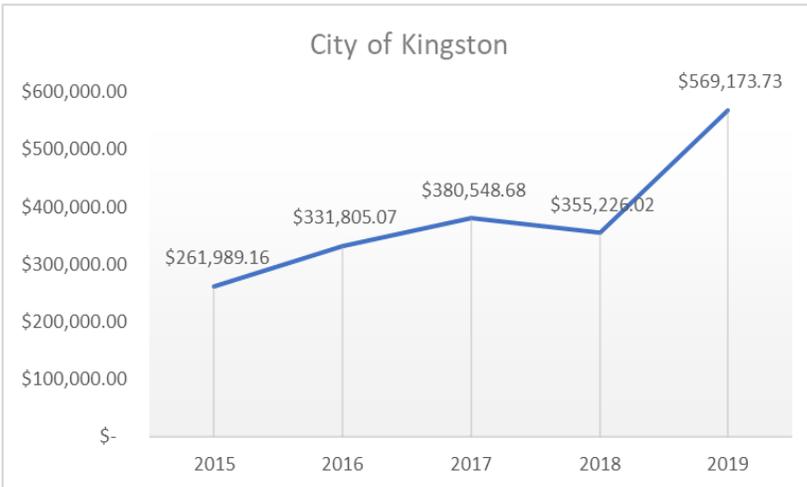
⁷ Tax Law §257 (1)(g)-(m).

MRT Distributions City, Towns & Villages:

Distributions of Mortgage Recording Tax to the City, towns and villages has provided those local governments substantial revenue over the last five years. The payments are made twice yearly: June (for recordings between October 1st and March 31st) and December (for recordings between April 1st and September 30th). In some cases, Mortgage Recording Tax revenue for the towns and villages can exceed sales tax revenues.

Ulster County Disbursement of Mortgage Recording Tax Payments 2015-2020			
Municipality	Totals	Municipality	Totals
Kingston, City	\$2,331,175	Plattekill	\$940,953
Denning	\$75,862	Rochester	\$1,143,692
Esopus	\$870,332	Rosendale	\$547,503
Gardiner	\$969,803	Saugerties	\$1,831,408
Hardenburgh	\$30,312	Shandaken	\$448,139
Hurley	\$932,010	Shawangunk	\$1,233,927
Kingston, Town	\$93,644	Ulster	\$1,755,162
Lloyd	\$1,548,203	Wawarsing	\$723,492
Marbletown	\$1,000,023	Woodstock	\$1,454,354
Marlborough	\$1,004,979	Ellenville, Village	\$109,663
New Paltz	\$1,224,732	New Paltz, Village	\$439,905
Olive	\$662,491	Saugerties, Village	\$360,948
Total Mortgage Recording Tax Payments			\$21,732,713

Five Year Growth of MRT:



The Towns of Shandaken and Hardenburgh, and the City of Kingston saw five-year increases in MRT revenue of 121%, 135%, and 117% respectively but other municipalities saw relatively flat growth during this period. Mortgage Recording Tax distributions to the City, towns and villages by specific jurisdiction over the last five years are available in Appendix A.

Ulster County Local Mortgage Recording Tax:

A local Mortgage Recording Tax of .25 per \$100 surcharge was proposed in 2004 by the late Legislator James Maloney to address a looming budget deficit but never acted upon.⁸

If Ulster County had a local Mortgage Recording Tax in place in 2019 the County could have raised \$1.8 million in revenue with a .25 per \$100 mortgage recording tax and \$3.6 million with a .50 per \$100 local mortgage recording tax.

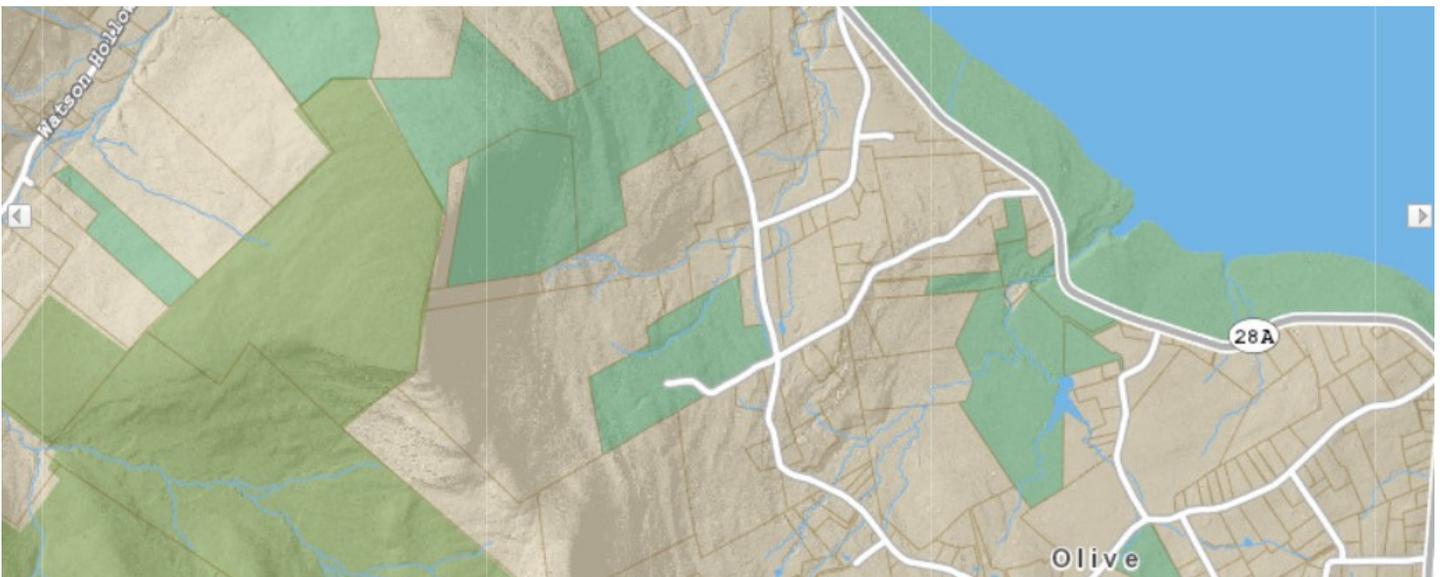
⁸ See Implementation of New Revenue for Ulster County from Additional Mortgage Tax Being Collected by the Ulster County Clerk’s Office, Resolution 2004-173 (2004), available at <https://ulstercountyny.gov/sites/default/>

Real Estate Transfer Tax

Real Estate Transfer Tax (RETT) is a tax charged by states and municipalities for the privilege of transferring real property. New York State has had a transfer tax since 1968. The tax is borne by the grantor (the seller) of real property unless the grantor fails to pay and then the buyer is liable for the tax.⁹ The Real Estate Transfer Tax is imposed on real property conveyances at a rate of \$2 per \$500 of cash consideration, or in other words \$4 per \$1,000 of cash consideration. Residential properties over \$1 million in value are subject to a special tax of 1% of the consideration attributable to the residence.¹⁰

In 2019, Ulster County Clerk's Office handled 6,106 real property transfers subject to the Real Property Transfer Tax. Of that a total of \$4.6 million was collected in Transfer Tax. Ulster County receives \$1 for each of the first 5,000 deeds processed and then \$.75 for each deed processed over 5,000. In 2019 Ulster County received \$5,839 in administrative fee revenue for recording property transfers while New York State received \$4,633,594.27 in Real Estate Transfer Tax collected in Ulster County.

Towns are permitted, subject to a referendum, to impose a transfer tax of up to 2% of the consideration for the purpose to be deposited into a community preservation fund.¹¹ No Ulster County towns have done so, but the Towns of Fishkill, Warwick and Red Hook have.¹² Five New York State counties have enacted a local Real Estate Transfer Tax. Broome, Columbia, and Tompkins¹³ counties' tax goes to their general funds while Essex and Nassau have targeted RETT to the specific purposes of public safety radio communications infrastructure development and debt service respectively.¹⁴



⁹ Tax Law Article 31 §1402A (a) (2014).

¹⁰ Tax Law Article 31 §1402A (a) (2014).

¹¹ Tax Law Article 33-B §1561 (2010).

¹² Tax Law Article 31-a-1 §1438 (2006), Article 31-a-2 §1439 (2006) and Article 31-F § 1449 (2007).

¹³ Tax Law Article 31-a-2 (2007), Article 31-C (1994) and Article 31-G (2006).

¹⁴ Tax law Article 31-C §1449 (1999) and Article 31-B-1 (2009).

Of the five New York State counties that impose a separate county Real Estate Transfer Tax all of them are paid by the seller. The amount of potential revenue for Ulster County is dependent on the tax charged and the volume of transactions. Exceptions to the tax have been made for public policy purposes. For example, Columbia County provides an exception for residential properties under \$200,000 in value.¹⁵

If Ulster County had a Real Estate Transfer Tax in 2019 it could have seen revenue of between \$1.6 and \$2.9 million depending on the tax imposed.

Potential Local Real Estate Transfer Tax Revenues Based on 2019 Transactions		
<u>Jurisdictions</u>	<u>Transfer Tax Imposed</u>	<u>Potential Revenue</u>
Broome	.50 per \$500	\$1,156,938.82
Columbia, Essex, Tompkins	\$1.00 per \$500	\$2,313,877.64
Erie	\$2.50 per \$500	\$2,892,347.04

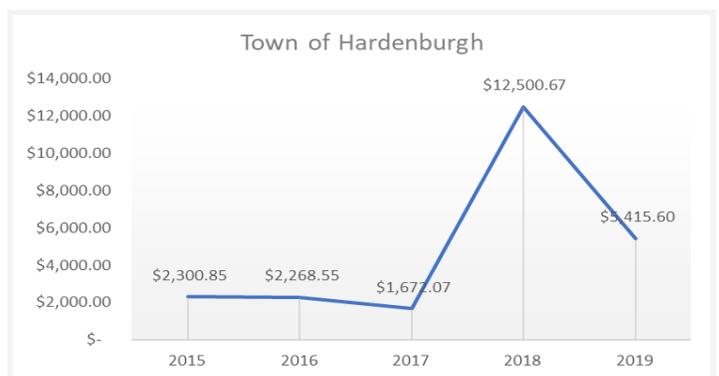
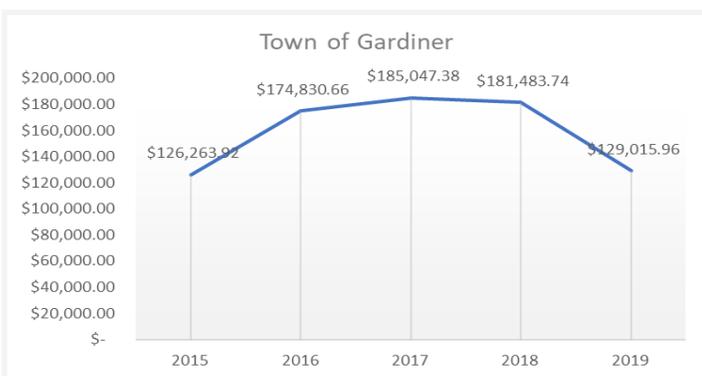
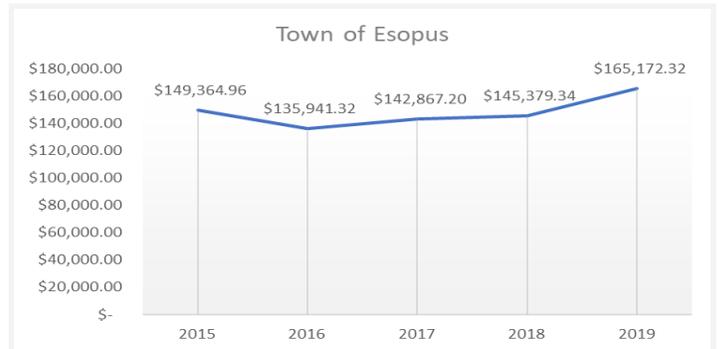
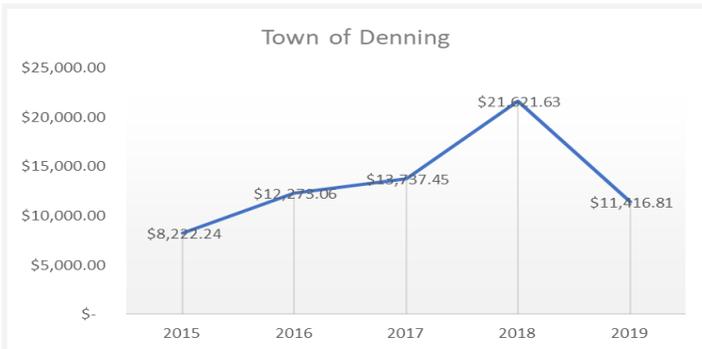
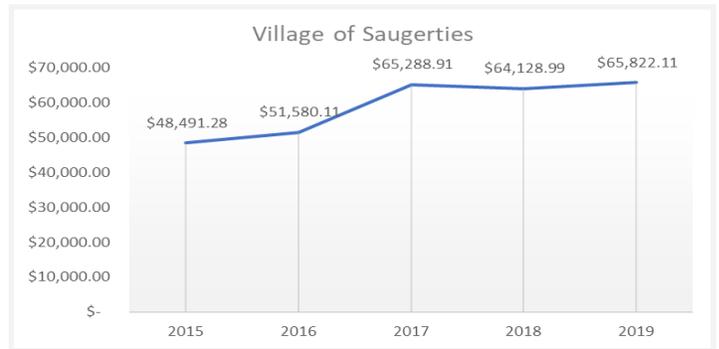
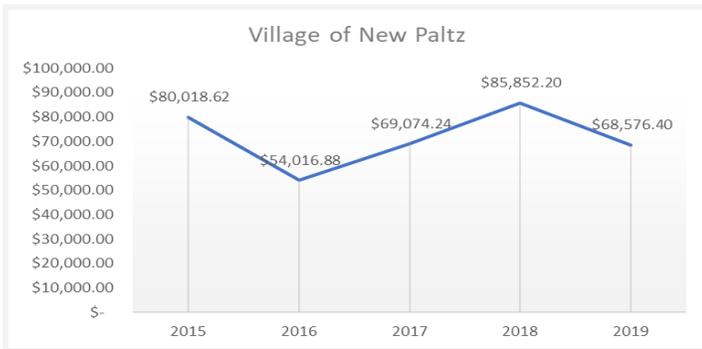
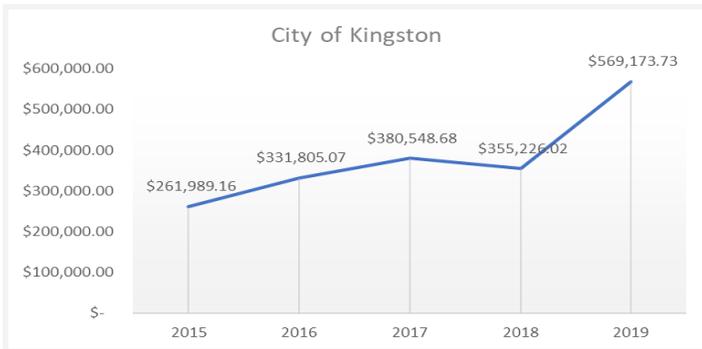
Conclusion

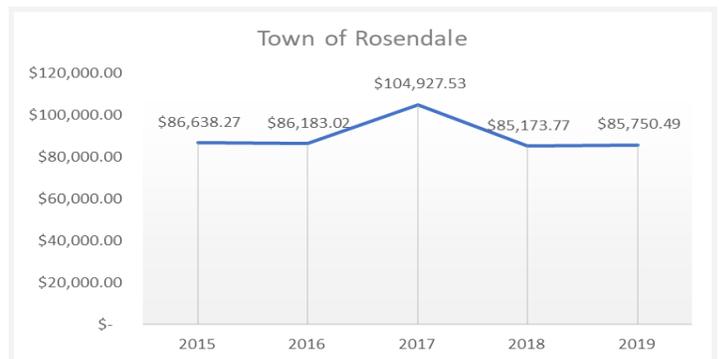
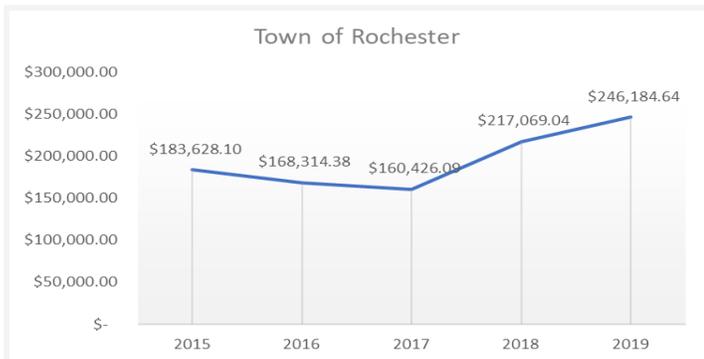
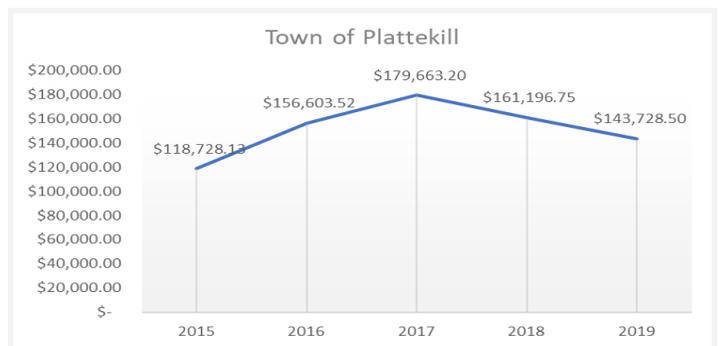
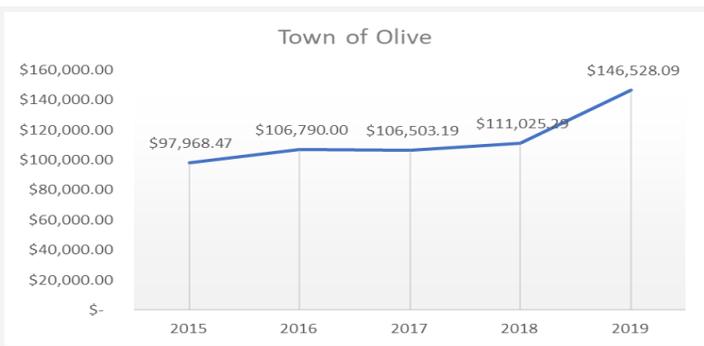
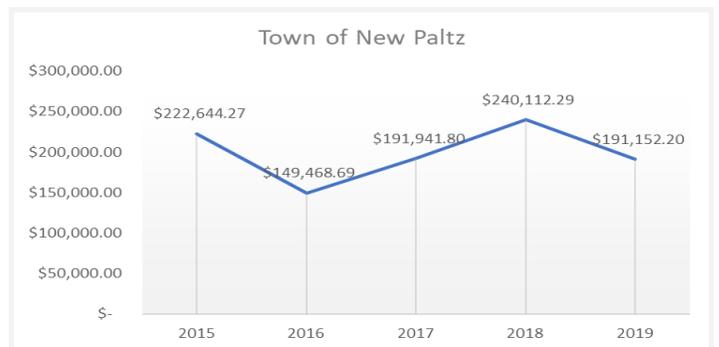
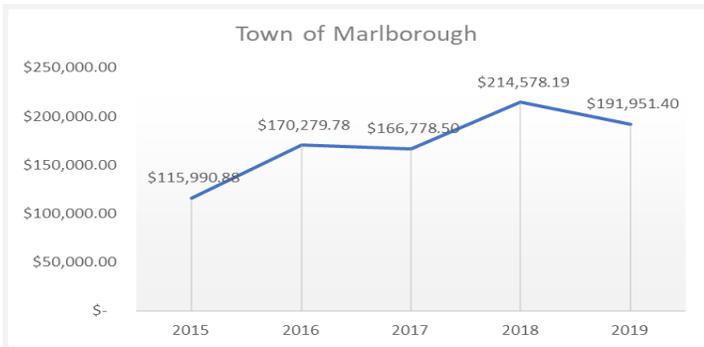
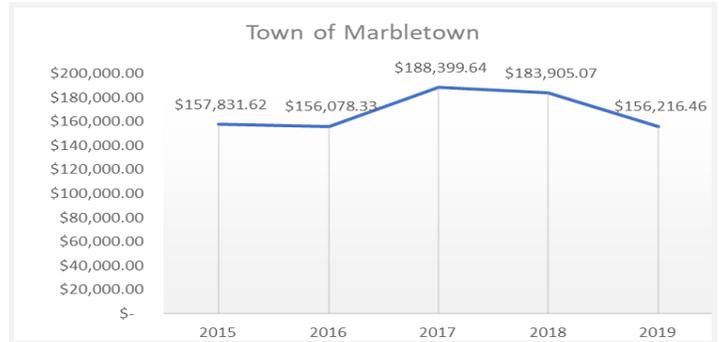
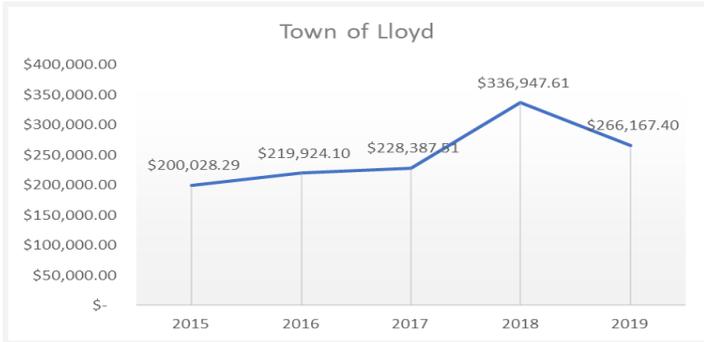
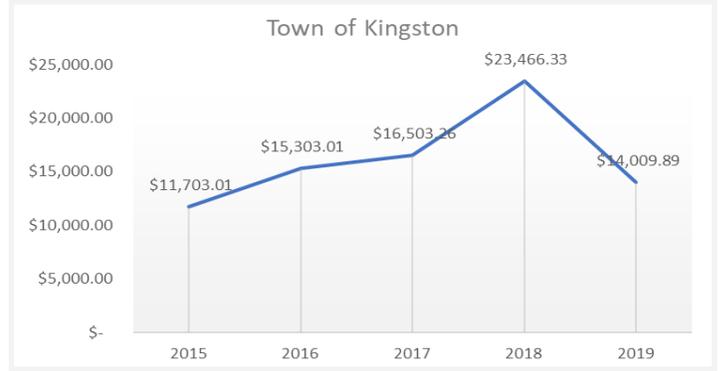
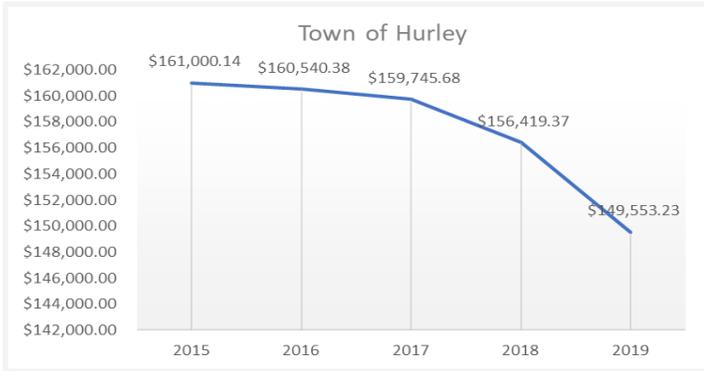
A significant amount of Real Estate Transfer Tax and Mortgage Recording Tax is generated from the sale and mortgaging of property in Ulster County yet Ulster County sees little revenue from these taxes. Given the COVID-related revenue shortfalls anticipated over the next few years as well as the anticipated uptick in relocations, Ulster County may want to reconsider these potential revenue sources by imposing either a local Mortgage Recording Tax, a local Real Estate Transfer Tax, or both. Consideration of these local taxes can provide additional needed revenue, but will also require weighing and mitigating the impact on first-time and low-income home buyers.

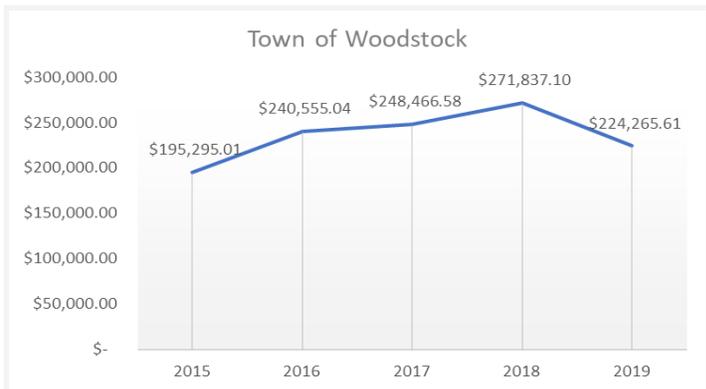
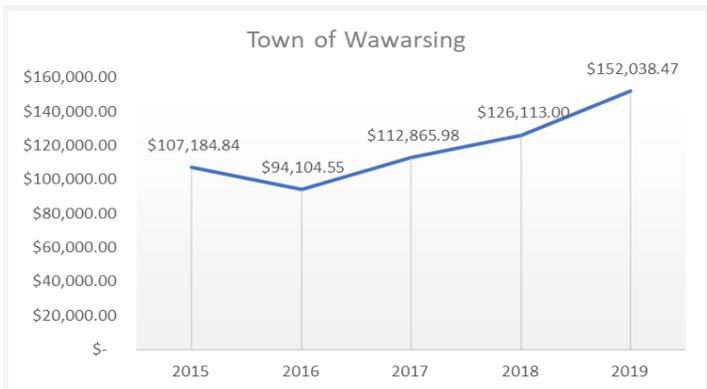
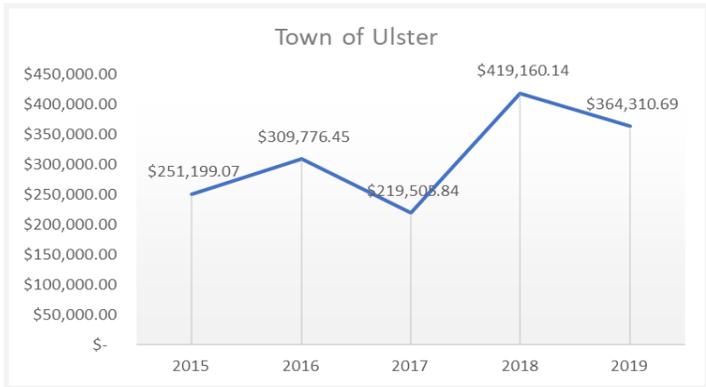
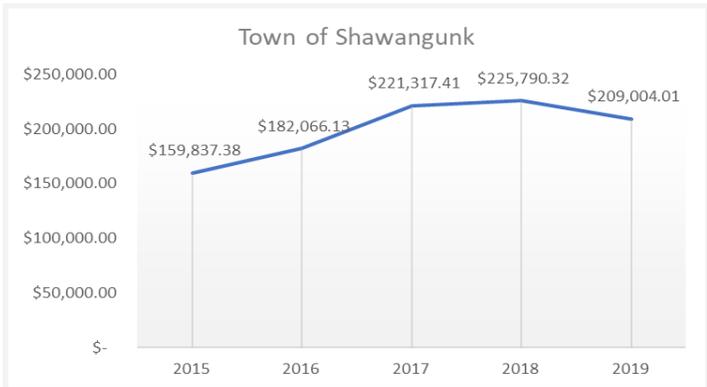
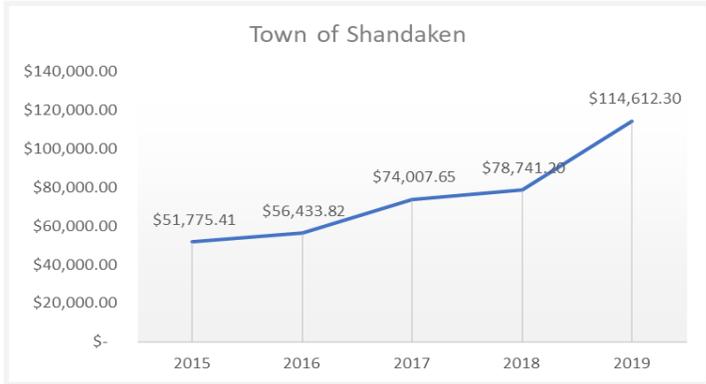
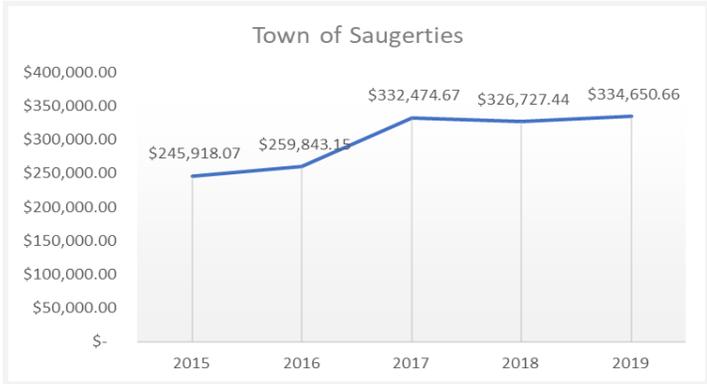
¹⁵ Tax Law Article 31-A-2 C §1439-E (1)(j) (2007).

APPENDIX A

Mortgage Recording Tax (MRT) collected by the Ulster County Clerk for each mortgage filed is allocated to the City, town or village in which the property is located. Ulster County makes disbursements of these funds to the municipalities twice annually. The charts below show the five year annual total disbursements for each municipality in Ulster County.







APPENDIX B

<u>Local County Mortgage Recording Tax</u>			
<u>NYS Counties Mortgage Tax</u>	<u>Local Tax Per \$100</u>	<u>2019 Collections</u>	<u>Tax Law Section</u>
Albany	0.25	\$1,458,074	Tax Law 253-P
Broome	0.25	\$1,116,091	Tax Law 253-E
Cattaraugus	0.25	\$258,622	Tax Law 253-X
Chautauqua	0.25	\$667,513	Tax Law 253-O
Columbia	0.5	\$1,454,988	Tax Law 253-I
Cortland	0.25	\$285,349	Tax Law 253-V
Essex	0.25	\$314,742	Tax Law 253-J*3
Genesee	0.25	\$388,375	Tax Law 253-K
Greene	0.5	\$712,162	Tax Law 253-X*2
Hamilton	0.25	\$92,755	Tax Law 253-J*2
Herkimer	0.25	\$415,958	Tax Law 253-U
Lewis	0.25	\$148,272	Tax Law 253-H
Livingston	0.25	N/A	Tax Law 253-Y*2
Madison	0.25	N/A	Tax Law 253-Y
Rensselaer	0.25	\$1,500,193	Tax Law 253-L
Rockland	0.25	\$5,231,607	Tax Law 253-F
Schenectady	0.25	\$1,513,440	Tax Law 253-R
Schoharie	0.25	\$187,519	Tax Law 253-J*4
Steuben	0.25	\$553,656	Tax Law 253-S
Sullivan	0.25	\$707,080	Tax Law 253-J
Warren	0.25	\$744,221	Tax Law 253-W
Washington	0.25	N/A	Tax Law 253-Y*3
Wayne	0.25	\$717,661	Tax Law 253-M
Westchester	0.25	\$18,008,460	Tax Law 253-G
Wyoming	0.25	\$247,317	Tax Law 253-N
Yates	0.25	\$238,029	Tax Law 253-T
		\$36,962,084.00	