

Research Note: A Taxing Conversation

WHY SOFLA MAY NOT BE A HAVEN FOR WEALTHY NYERS

The exodus of ultra-high net worth individuals from Manhattan to “SoFla” (South Florida) is a popular topic these days. The impetus, we are told, is twofold: Florida’s lower tax burden and NYC’s punitive taxation of the ultra-wealthy “one percenters,” or folks who land in the top 1% of wage earners in the United States.

As the impacts of the COVID pandemic on municipal budgets place taxes squarely under the spotlight, we were compelled to look under the hood of this “tax migration” narrative, specifically as it pertains to real property taxes. Income and estate taxes, and their associated “loopholes”, are complex issues and beyond the purview of this analysis.

SOUTH FLORIDA IS NO (PROPERTY) TAX HAVEN

According to H&R Block (referencing data from Smart Asset)¹ and Business Insider (referencing data from WalletHub),² Florida’s average property tax rate is 0.98%. However, a visit to the tax appraiser’s websites for Palm Beach, Broward and Miami-Dade counties reveals a much higher property tax rate:

| MUNICIPALITY | TAX % |
|------------------------------|-------------------|
| West Palm Beach ³ | 2.19703 - 2.29703 |
| Palm Beach ³ | 1.64939 |
| Boca Raton ³ | 1.71763 - 1.80581 |
| Ft. Lauderdale ⁴ | 1.84499 - 1.95148 |
| Surfside ⁵ | 1.97947 |
| Miami Beach ⁵ | 1.93596 - 1.94369 |
| Miami ⁵ | 2.12981 - 2.17662 |
| Coral Gables ⁵ | 1.88671 |

Based upon the municipalities on the left, the average South Florida tax rate is roughly 2%, double the state average.

Not surprisingly, the two regions utilize a different tax calculation, but we are able to generate the proverbial “apples to apples” comparison by examining effective property tax rate, i.e., property tax as a percentage of purchase price.

To compare effective tax rates paid by ultra-high net worth individuals within the two regions, we need look no

further than the highly publicized mega-purchases by Russian billionaire Dmitry Rybolovlev and Citadel CEO Ken Griffin.

TRUMP TO RYBOLOVLEV

In 2008, Rybolovlev purchased 515 N County Road in Palm Beach for \$95M from now President Donald J. Trump.⁶ Four years later, he closed title on an \$88M condo within Manhattan’s 15 Central Park West.^{7,8}

In 2016, when Mr. Rybolovlev subdivided that Palm Beach estate and tore down the home, the property tax bill was \$1,403,887,⁹ an effective tax rate of 1.48%. That same year, his NYC property tax levy was only \$106,819,¹⁰ or an effective rate of 0.12%.

The current property tax for his NYC property is \$151,858,¹¹ or an effective tax rate of only 0.17%.

| PURCHASER | REGION | PURCHASE PRICE | 2016 PROPERTY TAX | EFFECTIVE TAX RATE |
|-------------------|----------------|----------------|-------------------|--------------------|
| Dmitry Rybolovlev | Palm Beach, FL | \$95,000,000 | \$1,403,887 | 1.48% |
| | NYC | \$88,000,000 | \$106,819 | 0.12% |

Although the statewide average property tax rate is 0.98%, South Florida rates are approximately 2%.

An “apples-to-apples” comparison between South Florida and NYC property tax rates is achieved by calculating tax as a % of purchase price.

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GRIFFIN ASSEMBLAGE

From 2012–2019, Ken Griffin amassed a residential portfolio in Palm Beach¹² with an aggregate price tag of \$349,232,500. In January 2019, he closed on a \$239,958,219 condo in Manhattan.^{13,14}

His 2020 Florida tax bill? \$5,055,714. And his 2020 NYC tax bill?¹⁵ A “mere” \$557,881. Comparing effective tax rates, he pays 1.45% in SoFla and only 0.23% in NYC.

| PURCHASER | REGION | PURCHASE PRICE | 2020 PROPERTY TAX | EFFECTIVE TAX RATE |
|-------------|----------------|----------------|-------------------|--------------------|
| Ken Griffin | Palm Beach, FL | \$349,232,500 | \$5,055,714 | 1.45% |
| | NYC | \$239,958,219 | \$557,881 | 0.23% |

The billionaires analyzed pay 6x to 12x more in property tax per unit of value in South Florida than they do in Manhattan.

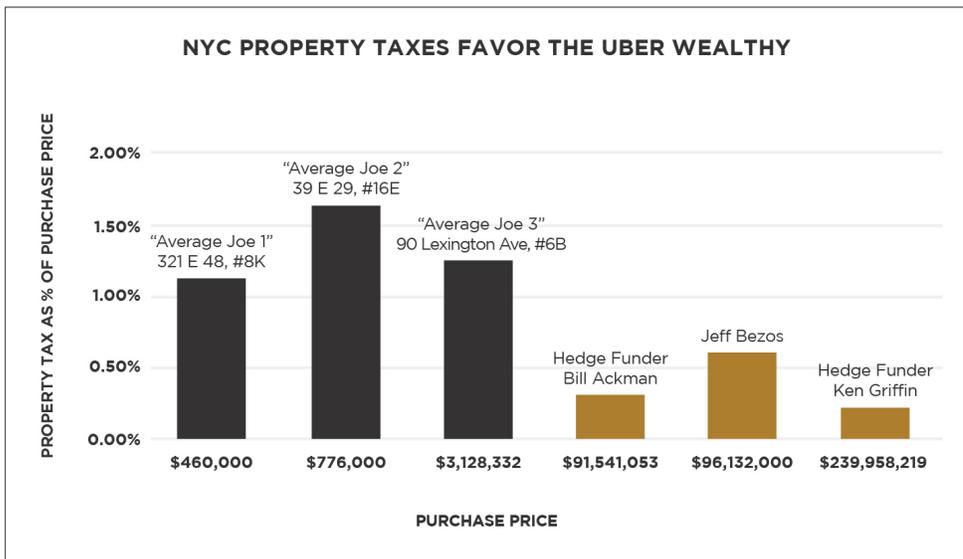
Compared to “average” NYC purchases, record acquisitions receive a substantial property tax break.

WEALTH DISCRIMINATION? YES, BUT IT’S NOT THE BILLIONAIRES WHO SHOULD DECRY INJUSTICE...

The second goal of our analysis was to test the validity of the grievance that they, the uber wealthy, are being unfairly targeted by NYC’s tax assessors.

Our “uber wealthy” condo deck, in addition to Ken Griffin’s palatial pad, includes Bill Ackman’s ONE57 duplex^{16,17,18} and Jeff Bezos’ assemblage within 212 5th Avenue.^{19,20,21,22,23,24,25,26,27}

The 2020 property taxes paid by those billionaires, as a percentage of purchase price, were compared to the “average” purchases of three individuals described below as “Average Joe 1”,^{28,29} “Average Joe 2”^{30,31} and “Average Joe 3”.^{32,33}



Clearly, the billionaire club isn’t taking up residence in SoFla for either real property tax savings or justice. ■

— Jason Thomas

APPENDIX

Ken Griffin's Palm Beach Assemblage^{34,35,36,37,38,39,40,41}

| BILLING ADDRESS | INCLUDED LOTS | PURCHASE DATE | PURCHASE PRICE | 2020 PROPERTY TAX |
|-------------------------|-------------------|-------------------|----------------------|--------------------|
| 1265 S Ocean Blvd | 50 Blossom Way | December 27, 2012 | \$37,950,000 | \$3,323,356 |
| | 20 Blossom Way | December 28, 2012 | \$14,300,000 | |
| | 30 Blossom Way | December 28, 2012 | \$35,700,000 | |
| | 40 Blossom Way | December 28, 2012 | \$41,650,000 | |
| | 1290 S Ocean Blvd | January 9, 2017 | \$85,000,000 | |
| 70 Blossom Way | | June 30, 2015 | \$15,250,000 | \$258,414 |
| 10 Blossom Way | | May 15, 2018 | \$20,250,000 | \$306,584 |
| 60 Blossom Way | | September 6, 2019 | \$99,132,500 | \$1,167,360 |
| ASSEMBLAGE TOTAL | | | \$349,232,500 | \$5,055,714 |

ENDNOTES

- 1 <https://www.hrblock.com/tax-center/filing/states/florida-property-tax/#:~:text=Florida's%20average%20real%20property%20tax,that%20amount%20varies%20between%20counties>
- 2 <https://www.businessinsider.com/personal-finance/average-property-taxes-every-us-state>
- 3 https://www.pbcgov.org/papa/pdf/taxroll/2020_Final_Total_Millage_Rates_Levy.pdf
- 4 <https://bcpa.net/millage.asp>
- 5 <https://www.miamidade.gov/pa/library/2020-adopted-millage-chart.pdf>
- 6 <https://www.palmbeachdailynews.com/news/20190705/updated---exclusive-palm-beach-homes-russian-sells-last-lot-from-trumps-95m-deal-deed-shows>
- 7 <https://www.forbes.com/sites/luisakroll/2011/12/19/billionaires-daughter-pays-record-sum-for-nyc-pad/#132e2cf94db3>
- 8 https://a836-acris.nyc.gov/DS/DocumentSearch/DocumentDetail?doc_id=2012021600147001
- 9 <https://www.pbcgov.com/papa/Asps/PropertyDetail/PropertyDetail.aspx?parcel=50434314160000010>
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- 11 <https://a836-edms.nyc.gov/dctm-rest/repositories/dofedmspts/StatementSearch?bbl=1011141533&stmtDate=20200829&stmtType=SOA>
- 12 Please refer to Appendix.
- 13 <https://www.reuters.com/article/us-usa-hedgefunds-griffin/citadels-griffin-buys-new-york-condo-for-record-238-million-idUSKCN1PH2GD>
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- 19 <https://therealdeal.com/2019/06/04/amazons-jeff-bezos-pays-80m-at-212-fifth/>
- 20 <https://nypost.com/2020/04/16/jeff-bezos-drops-16m-on-another-nyc-apartment-at-212-fifth-ave/>
- 21 https://a836-acris.nyc.gov/DS/DocumentSearch/DocumentDetail?doc_id=2019061301162001
- 22 https://a836-acris.nyc.gov/DS/DocumentSearch/DocumentDetail?doc_id=2019052901000001
- 23 https://a836-acris.nyc.gov/DS/DocumentSearch/DocumentDetail?doc_id=2020041300226001
- 24 <https://a836-edms.nyc.gov/dctm-rest/repositories/dofedmspts/StatementSearch?bbl=1008271048&stmtDate=20200829&stmtType=SOA>
- 25 <https://a836-edms.nyc.gov/dctm-rest/repositories/dofedmspts/StatementSearch?bbl=1008271047&stmtDate=20200829&stmtType=SOA>
- 26 <https://a836-edms.nyc.gov/dctm-rest/repositories/dofedmspts/StatementSearch?bbl=1008271046&stmtDate=20200829&stmtType=SOA>
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- 32 https://a836-acris.nyc.gov/DS/DocumentSearch/DocumentDetail?doc_id=2016122801618001
- 33 <https://a836-edms.nyc.gov/dctm-rest/repositories/dofedmspts/StatementSearch?bbl=1008821124&stmtDate=20200829&stmtType=SOA>
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- 35 <https://www.palmbeachdailynews.com/article/20130101/NEWS/301019971>
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- 40 <https://www.pbcgov.com/papa/Asps/PropertyDetail/PropertyDetail.aspx?parcel=50434402000010022>
- 41 Griffin's assemblage includes another lot at 1285 S Ocean Blvd; however, the purchase price is not publicly available. Therefore, the address and tax have been purposefully omitted.

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