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New York Law Journal

CO-OPS AND CONDOMINIUMS

New York City Property Taxes of Condominiums: Suffixes, Square Footage and Common Interests

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December 16, 2025

Ask a New York City condominium owner how their property taxes are calculated and you'll usually hear about their purchase price or their apartment's "price per square foot." Neither of those drives the assessment.

For condominiums, the Department of Finance (DOF) starts by deciding what the property *is* in its system (building class, tax class and suffix), how big it is (gross, not net, square footage), and how much income it would generate as a rental. DOF then values each residential and commercial "suffix" as if it were its own standalone incomeproducing property and only at the end uses an allocation to decide each unit's share of the tax burden.

This article walks through those steps and then highlights where things go wrong: inflated gross-up factors, incomparable suffixes, misallocations, and the impossibility of correcting unfair allocations.

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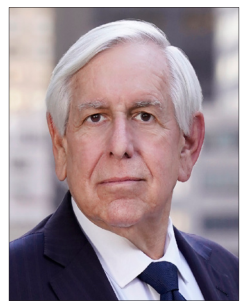
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I. DOF's Building Classes, Tax Classes and Suffixes

Every tax lot in New York City has a twocharacter *building classification code* that reflects use. Condominium unit codes start with "R," with the second character describing the particular use. Common condo building classes are:

- **R4** – individually owned residential condo unit in an elevator building;
- **RK** – retail;
- **RB** – office;
- **RG** – indoor parking (garage);
- **RS** – nonbusiness storage condo unit;
- **R9** – coop within a condominium ("condop");
- **RR** – condo unit that itself contains rental apartments.

Tax class then follows:

- **Class 2** for residential properties (with more than three units) [R4, R9, RR];
- **Class 4** for commercial properties (including most retail, office, garage and storage condo units) [RK, RB, RG, RS];
- **Class 2C** for condos with four to ten units.

Within a condominium, DOF adds a less-obvious layer: *suffixes*. Suffixes group similar-use units.

- Residential units are grouped into suffixes **R1, R2, R3**, etc.
- Commercial units are grouped into suffixes **C1, C2, C3, C4**, etc.

A mixeduse condo might look like:

- Groundfloor stores: building class **RK**, suffix **C1**, tax class 4;
- Secondfloor offices: **RB**, suffix **C2**, tax class 4;
- Basement garage: **RG**, suffix **C3**, tax class 4;
- Cellar storage units: **RS**, suffix **C4**, tax class 4;
- Apartments: **R4** units in suffix **R1**, tax class 2.

For valuation purposes, the key point is: *Each suffix is treated as its own hypothetical incomeproducing property*. DOF doesn't value each apartment separately and then add them up. It values the entire residential suffix as one asset and later apportions that value among the apartments.

If the units in a suffix are dissimilar (e.g., prime corner retail unit vs. basement retail), we may ask DOF to split them into *separate suffixes* so each can be valued independently.

II. How Big Is the Suffix? Net vs. Gross Square Footage

Condominium declarations usually talk about *net* square footage—often measured from inside the walls. Buyers compare units' price per square foot on that net basis.

DOF, however, values incomeproducing property based on *gross* building area: measured from *outside wall to outside wall;* and including hallways, stairs, elevator cores, and mechanical rooms.

In a residential example, assume a condo's declaration totals *50,000 net* square feet for the apartments, but the floor plans and DOB filings show a *gross building area of 60,000 square feet* including common spaces.

To reconcile those, DOF "grosses up" the net areas by 20% (50,000 × 1.2 = 60,000). On the January 15th Notice of Property Value (NOPV), you'll often see each unit's *net* area, but DOF's valuation is based on the suffix's *gross* area.

That matters for individual condo units in building class R4 because DOF essentially estimates the suffix's *gross income per square foot* and multiplies it by the *gross area of the suffix*. If the suffix gross area is overstated, such as through an inflated gross-up factor, the estimated gross income—and therefore assessed value—will be too high. A retail unit could be over-assessed where its grossed-up area includes condo common areas that it doesn't even have access to, like a lobby or elevator. Correcting an inflated gross square footage figure can reduce assessed value for every unit in the suffix.

III. How DOF Values Each Suffix: Income and Cap Rates

The legal basis is Real Property Law §339y and Real Property Tax Law §581. Coops and condos are not valued by unit sale prices. They are valued as if the building were a *rental property,* and then that buildinglevel value is allocated among units. The aggregate of the unit assessments cannot exceed what the property would be worth if it were assessed as a single (non-condo) rental building.

For each suffix, DOF's process is:

1. **Estimate income.** DOF uses Real Property Income & Expense (RPIE) filings and

comparable rental properties—similar use, size, age and location—and estimates *potential gross income* less vacancy and collection loss and gets to an effective gross income for the suffix.

2. **Estimate expenses.** DOF uses RPIEs and applies typical operating expense ratios (management, maintenance, utilities, insurance) and subtracts those from income to arrive at a pretax *net operating income (NOI)*.
3. **Apply a capitalization rate.** For each building category (yet another DOF variable), DOF selects a *base cap rate*. It adds an *effective tax rate* (45% assessment ratio times tax rate) to get an overall "loaded" cap rate. Suffixlevel "market value" is NOI divided by the overall cap rate. For tax classes 2 and 4, the *assessed value (AV)* is 45% of market value.

IV. Allocation: From Suffix to Individual Units

Everything up to now answers "how big is the pie?" The next question is "how is that pie sliced among units?"

For New York City condos, the splitting is driven primarily by *common interest percentages (CIPs)* from the declaration:

- Each unit has a stated percentage interest in the condominium's common elements;
- CIPs determine common charges and voting power; and
- In practice, they are the template DOF uses to allocate suffixlevel values among units.

DOF's Allocation Methods: Pre2008 vs. Newer Condos

To determine how much of the suffix's market value to allocate to a unit, DOF has historically used one of three approaches:

1 The percentage for the unit from the condominium *declaration,* as amended.
2. Information from the developer about the *original offering prices* for all units and allocating based on the ratio of the unit's offering price to the total.
3. The unit's market value on the *2007/2008 final assessment roll,* divided by the total market value for all units in the building for that year.

DOF has further stated: "Since January 1, 2008, Finance has allocated the market value for condominium units based *solely* on the percentages in the condominium declaration for all new condominium developments."

So, for *post2007 condos*, allocation tends to follow the CIP schedule in the recorded declaration very closely. For *older condos,* allocation factors may still reflect original offering prices or legacy 2007/2008 marketvalue splits that do not match the current CIP schedule.

The NYC Office of the Taxpayer Advocate (OTA) has noted that for condos created since 2007, allocation factors were generally taken from the condo plan, while earlier buildings were left with grandfathered, sometimes inequitable, allocation factors that owners may not discover for "years or even decades."

Relative CIP Inside a Suffix

From a tax perspective, what matters for a unit is not just its CIP in the entire building, but its share of the *suffix* it sits in.

Example: all residential units together have *80%* of the building's CIPs; a particular apartment has a *1%* CIP.

Assuming DOF puts all apartments in residential suffix *R1,* that unit's *relative residential share* is: 1% ÷ 80% = *1.25%*. Once DOF values suffix R1, the unit is likely to be allocated *1.25% of R1's assessed value*.

The critical point is that *CIP decisions at the offeringplan stage directly drive longterm tax allocations*.

V. Protesting the Numbers: Group Applications

Once DOF has: valued each suffix using income and a loaded cap rate; and allocated suffixlevel values to units using allocation factors tied to CIPs, owners can still challenge the resulting assessments at the *Tax Commission*.

For *residential* condos, it rarely makes sense for individual owners to file separately. Instead, the *board of managers* typically authorizes one application that covers all apartments. This authorization is often in a by-law or power-of-attorney.

In 2024, the Tax Commission received *3,944 applications* for tax class 2 condominiums covering *184,959 condo tax lots*—an average of about *47 units per application*.

When the Tax Commission makes a reduction offer, it is usually: an offer to reduce the *total assessed value* for the protested group of units; if accepted, each unit's assessed value is reduced *proportionally* based on its existing allocation factor. The *relative* allocations between units don't change.

VI. Where Things Go Wrong: Conversions and Misallocation

Often, the process works. But there are situations where allocation becomes skewed and unfixable.

Changed Use: Commercial to Residential

A problem arises when a commercial condo unit is converted to residential.

Imagine a firstfloor professional office that was: a commercial condo, building class *RB*, in a commercial suffix. Years later, the owner converts it to a dwelling unit. After DOB approves the alteration, DOF: changes its building class to *R4*; and moves it into the *residential suffix R1* with the other apartments.

DOF must then adjust the allocation factors within suffix R1. We have seen buildings where a converted unit which should be allocated *5%* of the residential suffix ends up with *20%* of R1's assessed value, leaving the remaining 95% of the residential CIPs to pay only 80% of the tax. From the converted unit's perspective, that is an unfair, fourtoone misallocation. From the other owners' perspective, it is a quiet windfall.

Why Not Reallocate?

DOF has a "condominium reallocation affidavit" procedure that allows a board to ask DOF to realign allocations with the declaration. But the form requires a unitowner resolution "approved by all the owners of the condominium units that would be the subject of the reallocation."

Because allocation is a zerosum game, reducing one unit's allocation necessarily increases others'. In a building where 95% of the units would see their taxes rise to correct an unfair allocation, unanimous consent is unattainable.

The Office of the Taxpayer Advocate has documented several allocation issues and has recommended that DOF audit condo allocations and seek legislative authority to correct "patent inequities," particularly in pre2007 buildings, but those recommendations have not been adopted.

Meanwhile, in many misallocated buildings:

- the overallocated unit pursues individual Tax Commission challenges each year and gets relief;
- the underallocated units remain underassessed and don't get further reductions; and
- the *total* assessed value of the suffix can end up *lower* than it would have been under a fair allocation, reducing City tax revenue while locking in inequities among owners.

Conclusion

New York City condominium property taxes are not a function of sale price or "price per square foot." Most importantly, the condominium is first assessed as a rental building not individual units that are for sale. By law, the sale prices of condominiums do not affect the value of the building's assessment. The division of the building's value is the product of four main drivers:

1. **How DOF classifies and groups the property**: building class and the suffixes that DOF treats as separate rental properties.
2. **How big DOF thinks those suffixes are**, based on gross square footage.
3. **How DOF values each suffix** using rental income, expenses and a capitalization rate, independent of condo sale prices.
4. **How the resulting suffixlevel assessed values are allocated** among units, i.e. using common interest percentages.

For most condos, those mechanics are invisible but reasonably consistent. For some—especially older condos, conversions, and buildings with dramatic CIP disparities—the combination of suffixlevel valuation and rigid allocation can produce outliers: units whose taxes are wildly out of proportion to their income or to their neighbors.

Boards and managing agents who understand these levers can look past the surface of the tax bill and see what is really driving it: the suffix assignment, the gross area, the income model, and the unit's share of the suffix.

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