Statutory Friction in Northeast Real Estate Transfers (2026): NYC Mansion Tax, CEMA § 255 Refinancing, NJ GIT/REP-1 Withholding, and NYS Form IT-2663

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EXECUTIVE SUMMARY & TRANSACTION FRICTION:
Real estate transactions in the New York, New Jersey, and Connecticut tri-state area face the highest statutory closing frictions in the United States. Sellers in NYC face combined transfer taxes (NYC Real Property Transfer Tax of 1.425% + NYS Real Estate Transfer Tax of 0.65%), while buyers on properties of $1,000,000 or greater face the progressive NYC Mansion Tax (NYS Tax Law § 1402-a) ranging from 1.00% to 3.90%. Furthermore, non-resident sellers face mandatory withholding at closing under NYS Form IT-2663 (up to 10.90% on estimated net gain) and New Jersey Form GIT/REP-1 (the higher of 8.97% of net capital gain or 2.0% of total consideration). This paper analyzes statutory tax savings through Consolidation, Extension, and Modification Agreements (CEMA § 255) and provides empirical models for closing cost optimization.

1. The NYC Progressive Mansion Tax Brackets (NYS Tax Law § 1402-a)

While residential transactions under $1,000,000 pay 0% mansion tax, transactions reaching $1M trigger an immediate 1.00% tax on the entire purchase price. On high-end luxury assets, the rate scales progressively up to 3.90% at $25M+:

Purchase Consideration Bracket	Base NYS Mansion Tax	Supplemental NYC Tax	Combined Rate	Tax on $5.0M Asset
$1,000,000 to $1,999,999	1.00%	0.00%	1.00%	—
$2,000,000 to $2,999,999	1.00%	0.25%	1.25%	—
$3,000,000 to $4,999,999	1.00%	0.50%	1.50%	—
$5,000,000 to $9,999,999	1.00%	1.25%	**2.25%**	**$112,500**
$10,000,000 to $14,999,999	1.00%	2.25%	3.25%	—
$25,000,000 or greater	1.00%	2.90%	**3.90%**	**$975,000 (at $25M)**

2. CEMA § 255 Refinancing & Purchase Arbitrage

Under NYS Tax Law § 253, New York City imposes a Mortgage Recording Tax (MRT) of 1.925% on mortgages under $500,000 and 2.175% (including NYS components) on mortgages of $500,000 or more. Under Section 255, an existing borrower or new purchaser can consolidate an existing mortgage debt via an Assignment of Mortgage. MRT is paid only on 'new money' (the delta between the existing unpaid principal balance and the new loan amount). On a $1,500,000 refinance where $1,000,000 is assigned, Section 255 eliminates MRT on $1.0M, generating **$19,250 in net cash savings**.

3. Interactive Closing Cost Simulators & Hubs

- NYC Mansion Tax & Closing Cost Simulator: https://eastcorpcapital.com/nyc-mansion-closing/
- CEMA Mortgage Tax Recording Calculator: https://eastcorpcapital.com/cema-mortgage-nyc/
- New Jersey Exit Tax (GIT/REP-1) Simulator: https://eastcorpcapital.com/nj-exit-tax/
- NYS Form IT-2663 Non-Resident Withholding Calculator: https://eastcorpcapital.com/nys-it2663-nonresident-sale-withholding/

Statutory Precedents: City of New York Admin Code § 11-2101; NY Tax Law §§ 253, 255, 1402; NJ Division of Taxation GIT/REP Regulations (N.J.A.C. 18:35-9.1).