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How Italy's Taxes Could Boost NYC Real Estate

By Robbie Whelan

This Christmas, Italian condo investors got a lump of coal in their stockings: a new tax on residential property owned in foreign countries. But some New York City brokers say that for them, the new tax could be a shiny holiday gift.

According to the new law, Italian nationals must pay an additional 0.76% tax to the Italian government on the value of second homes they own in other countries. But the law establishing the tax also allows investors to write off the property taxes they already pay in those foreign nations.

In effect, that means that below the new 0.76% level, the lower a city's tax rate, the more wealthy Italians will now have to pay in new Italian taxes. But in New York, where the effective tax rate is relatively high compared with many European cities, Italian investors will feel much less of a pinch, if any.

Indeed, some brokers predict it could draw more buyers — seeking the two-fold safe haven of stable tax rate and stable currency — to New York City.

"People see an inherent risk in keeping their money in euros in Italy," says Guido Pompilj, of Vivaldi Real Estate, who specializes in selling property to Italians.

"Investors will end up netting more in New York than they would in Paris or Berlin," adds Pompilj.