The New York City Property Tax
Problems, Inequities, and Potential Reforms
Property Tax:
NYC’s Largest and Most Stable Revenue Source

- $28 billion in FY 2019
- 31% of all revenue; 47% of tax revenue
- 6% a year growth on average in last decade

NYC Property Tax and Non-Property Tax Revenue, FY 2000 - FY 2022
*(nominal dollars in billions)*

![Bar chart showing property tax and non-property tax revenue from FY 2000 to FY 2022.](chart.png)
Calculating a Property’s Tax

1. Market Value
2. Taxable Assessed Value
   - Assessment Ratio
   - Limitations on AV
   - Exemptions
3. Nominal Tax Rate
4. Tax Bill

4
# Overview of NYC Property Tax

<table>
<thead>
<tr>
<th>Class</th>
<th>Type of Property</th>
<th>DOF Valuation Method</th>
<th>Target Assessment Ratio</th>
<th>Assessment Limitations</th>
<th>FY 2019 Class Shares</th>
<th>FY 2019 Nominal Tax Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Class 1</td>
<td>1-, 2-, and 3-Family Homes</td>
<td>Comparable Sales</td>
<td>6%</td>
<td>Capped 6%/20%</td>
<td>15.34%</td>
<td>21.861%</td>
</tr>
<tr>
<td>Class 2</td>
<td>Classes 2A, 2B, 2C: 4-10 Unit Residential Buildings</td>
<td>Gross Income Multiplier</td>
<td>45%</td>
<td>Capped 8%/30%</td>
<td>38.04%</td>
<td>12.690%</td>
</tr>
<tr>
<td></td>
<td>Class 2: 11+ Unit Residential Buildings</td>
<td>Net Income Capitalization</td>
<td>45%</td>
<td>5-Year Phase-in</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Class 3</td>
<td>Utility Property</td>
<td>Cost</td>
<td>45%</td>
<td>None</td>
<td>5.77%</td>
<td>11.207%</td>
</tr>
<tr>
<td>Class 4</td>
<td>Commercial Property</td>
<td>Net Income Capitalization</td>
<td>45%</td>
<td>5-Year Phase-in</td>
<td>40.85%</td>
<td>10.402%</td>
</tr>
</tbody>
</table>
## FY 2019 Property Tax Liability by Class

<table>
<thead>
<tr>
<th>Class</th>
<th>Parcel Shares</th>
<th>DOF Market Value Shares</th>
<th>Taxable Assessed Value Shares</th>
<th>Class Levy Shares</th>
<th>Avg. Effective Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Class 1</td>
<td>65.4%</td>
<td>47.5%</td>
<td>8.4%</td>
<td>15.3%</td>
<td>0.76</td>
</tr>
<tr>
<td>Class 2</td>
<td>25.4%</td>
<td>24.8%</td>
<td>37.0%</td>
<td>38.0%</td>
<td>3.63</td>
</tr>
<tr>
<td>Class 3</td>
<td>0.0%</td>
<td>2.7%</td>
<td>6.4%</td>
<td>5.8%</td>
<td>4.96</td>
</tr>
<tr>
<td>Class 4</td>
<td>9.1%</td>
<td>25.0%</td>
<td>48.4%</td>
<td>40.8%</td>
<td>3.87</td>
</tr>
<tr>
<td>Citywide Total</td>
<td>1,068,863</td>
<td>$1.25 trillion</td>
<td>$239.7 billion</td>
<td>$29.6 billion</td>
<td>2.36</td>
</tr>
</tbody>
</table>
Recent NYC Property Tax History

• *Hellerstein v Assessor of Town of Islip, 37 N.Y.2d 1.* (1975)
• NYS Legislature passed A9200/S7000A (1981)
• New York City Real Property Tax Reform Commission (1993)
• Many critiques of the property tax since then
• Recent Legal Challenges
  – *Tax Equity Now NY LLC v. City of New York, 0153759/2017*
What Are the Main Problems?

• Valuation of property is not reflective of the market
• Assessment growth caps and phase-ins lead to intra-class inequities
• Distribution of levy according to class shares leads to inter-class inequities
• Exemptions and abatements can be poorly targeted
• Lacks transparency and simplicity
Current Reform Effort

NYC Advisory Commission on Property Tax Reform
Vicki Been and Marc Shaw, Co-Chairs

The charge to the Commission is to evaluate the current property tax system and recommend revenue-neutral reforms that make the tax:

- fairer,
- simpler, and
- more transparent
Panel Discussion

• Does the Commission have the right charge?
• How should it go about its work?
• Will this be different from prior efforts?
• How should the tax be reformed?
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