

# The New York City Property Tax

## Problems, Inequities, and Potential Reforms



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# The New York City Property Tax: Fiscally Important, Complex, Inequitable and Resistant to Reform



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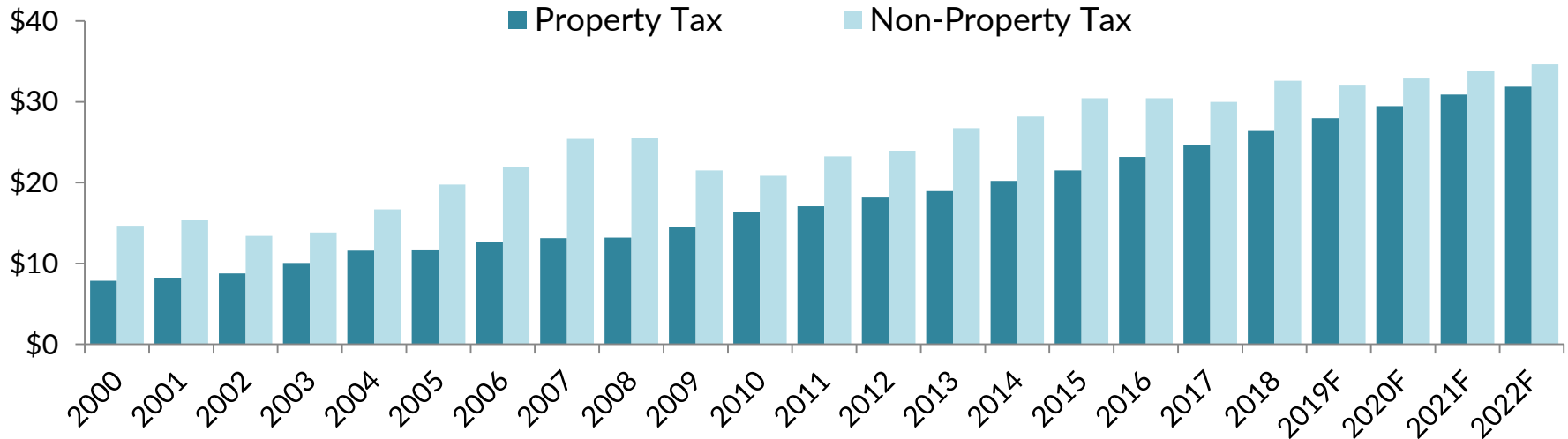
September 13, 2018



# Property Tax: NYC's Largest and Most Stable Revenue Source

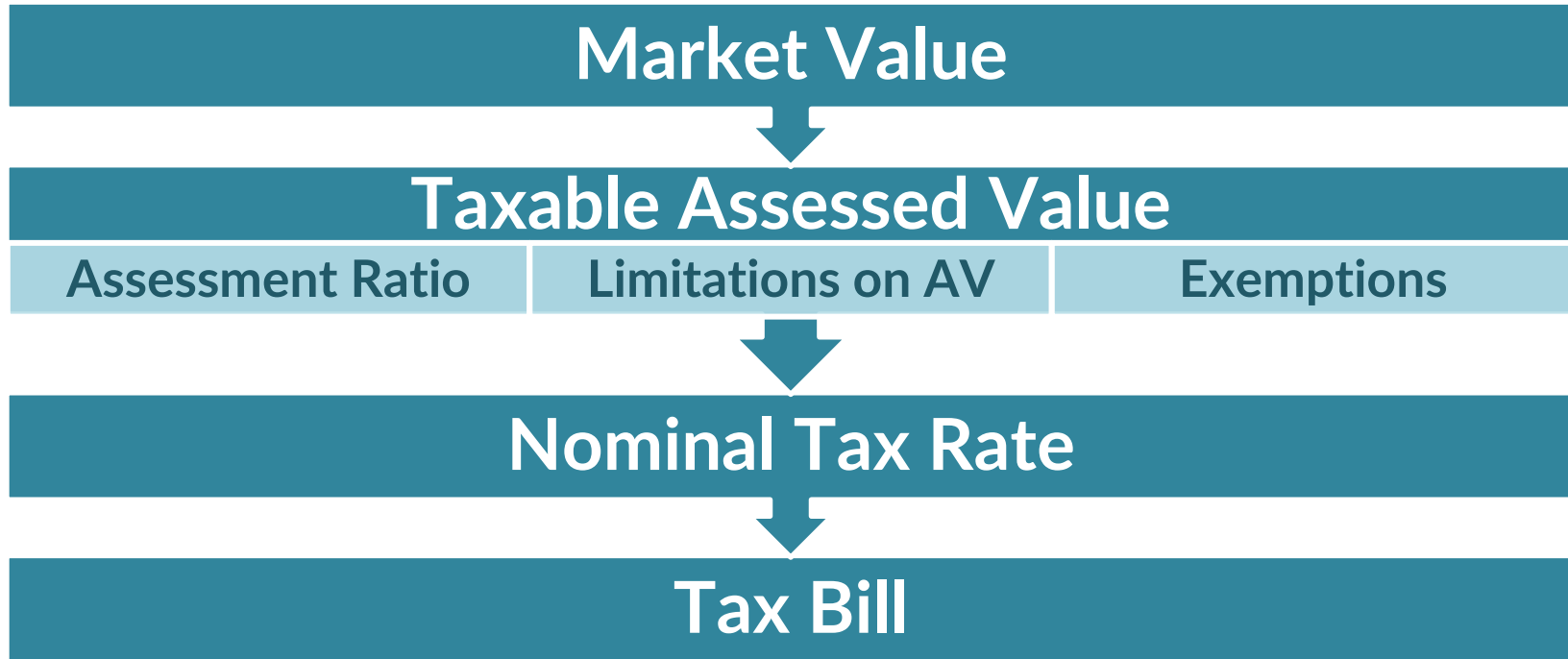
- \$28 billion in FY 2019
- 31% of all revenue; 47% of tax revenue
- 6% a year growth on average in last decade

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





# Calculating a Property's Tax





# Overview of NYC Property Tax

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



# FY 2019 Property Tax Liability by Class

Class	Parcel Shares	DOF Market Value Shares	Taxable Assessed Value Shares	Class Levy Shares	Avg. Effective Rate
Class 1	65.4%	47.5%	8.4%	15.3%	0.76
Class 2	25.4%	24.8%	37.0%	38.0%	3.63
Class 3	0.0%	2.7%	6.4%	5.8%	4.96
Class 4	9.1%	25.0%	48.4%	40.8%	3.87
Citywide Total	1,068,863	\$1.25 trillion	\$239.7 billion	\$29.6 billion	2.36



# 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
  - *Robinson v. City of New York*, 151679/2014 (Dismissed April 2015)
  - *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:

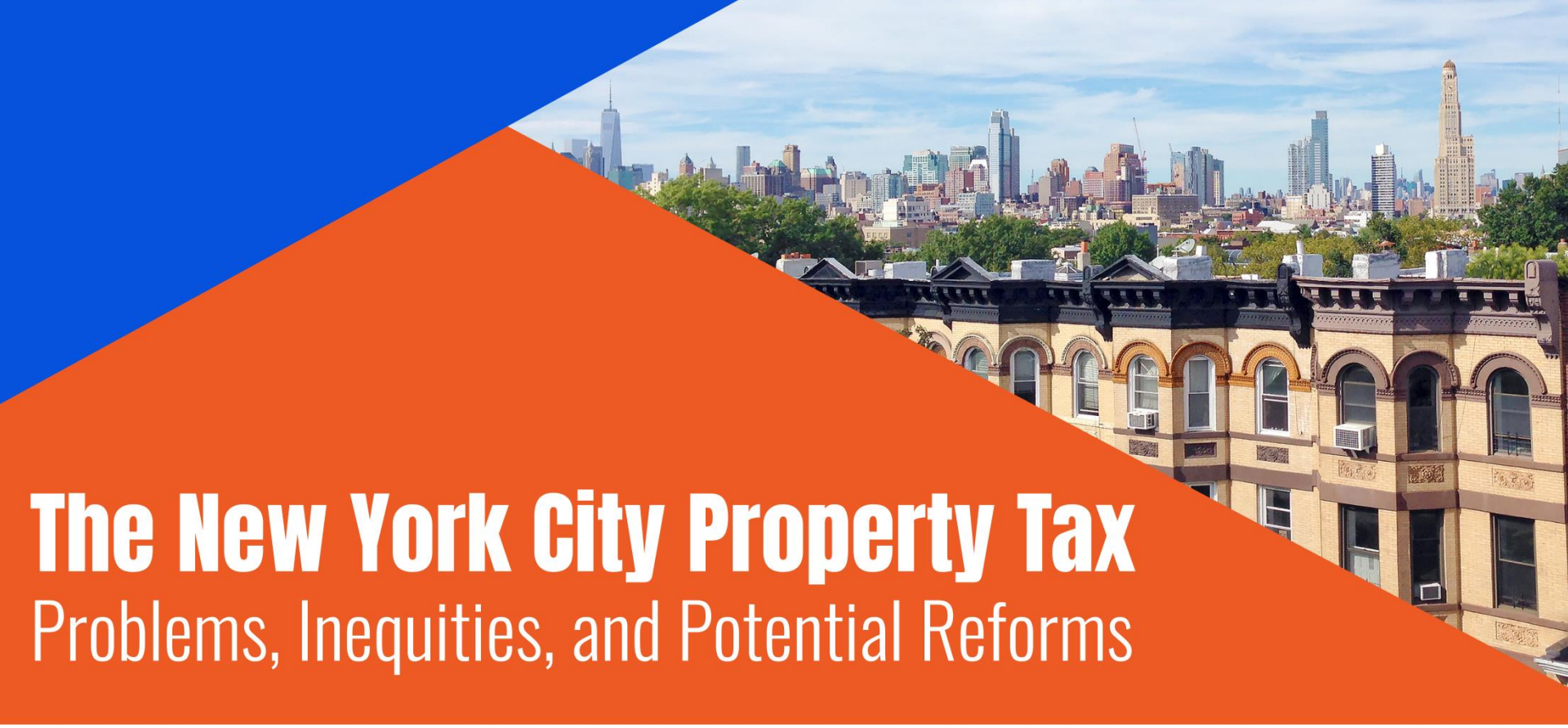
- fairer,
- simpler, and
- more transparent



# 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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