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## WHY NOT CHANCE REAL PROPERTY TAX REFORM?

In testimony presented today (Monday, May 2, 2011) to the New York City Council Committee on Finance, chaired by Council Member Domenic Recchia, Queens civic leader and Government & Public Affairs Counselor Corey Bearak called for real reform of the New York City Real Property Tax and Assessment System. The statement, presented at the Council's 250 Broadway, NYC hearing room, follows:

Thank you Chairman Recchia for scheduling this oversight hearing to examine the current NYC property tax system and to understand the methodology the Finance Department applies when it determines assessments. City assessment practices – that unfairly benefit the wealthiest New Yorkers who own luxury homes and apartments – require change. The opportunity to capture some [five billion dollars](#)<sup>1</sup> to re-invest in targeted tax relief for the middle and working class and businesses, many struggling in these tough times, must not be overlooked.

For more than three decades I have followed, commented and proposed reforms to NYC's real property tax system. My work in the field even preceded my service as a chief of staff/counsel to one of your former colleagues (who served on this committee), as legislative counsel and later Director of Policy, Planning and Budget to Borough Presidents Ferrer and Carrion, as a Public Policy columnist, and now as a Government and Public Affairs Counselor. I have been published many times on this topic dating back to law school.<sup>2</sup> I also bring the unique perspective of a civic leader<sup>3</sup> who co-founded a borough-wide coalition of homeowner, condo and co-operative associations, the [Queens Civic Congress](#);<sup>4</sup> I was elected three times as president this organization which new [Brooklyn Neighborhood Congress](#)<sup>5</sup> modeled itself on. Its [CIVIC2030](#)<sup>6</sup> platform includes a reform proposal that I first developed as a City Council staffer:

*Implement Co-op and Condo Property Tax reform without shifting any burden to owners of one, two or three family homes. Capture upwards of one billion dollars in lost real estate tax revenue based on illegal uses and improper property classifications through a combination of fines and improvements in the classification of real property.<sup>7</sup>*

Throughout its evolution remained one constant: the implementation of a fair and equitable system that no longer discriminates against the low, moderate and middle income homeowners, co-op and condo owners and tenants when it comes to assessing real property and levying the real estate tax.

I submit this imperative should be the council's chief concern in achieving reform.

Something remains really wrong when a system perpetuates inequities such as a co-ops along the perimeter of Central Park paying less – based on effective tax rates -- than a typical homeowner.<sup>8</sup>

Something remains wrong when I scour the real estate pages of my daily newspapers and find million dollar homes that pay less taxes than my simple home.<sup>9</sup>

Something remains wrong when City Hall rejects the “absentee owner” reform at the heart of this core proposal but used the same information as the standard necessary to qualify for the meager rebate it once offered.

If the City embraced this reform and applied it strategically beyond Class 1 to my [last](#)<sup>10</sup> and [prior](#) civic congress testimonies on the City budget, including my finding that the Real Property Tax Reform recommendation would yield “at least \$2 billion” (in Class 1), the actual revenues could exceed **\$5,000,000,000**. Six columns<sup>11</sup> and a [report](#)<sup>12</sup> for the Drum Major Institute for Public Policy indicate how conservative that number remains today. I previously shared these documents, all available online, with the committee's counsel.

Bottom line, this tax reform proposal will help more New Yorkers who need the help – Middle, moderate and lower income homeowners and tenants with tax bills that approximate the payments made before the infamous 25 percent (that was the actual percent increase on homeowners' bills when the rate increased 18% a few years back taking into account the actual 22% hike on homeowners on top of the increase property tax assessment). Assessment increases four out of every five years and annual rate increases just exacerbate the pain.

Again, please do not salivate at the amount of money available through this reform. As you face tough budget decisions, the temptations exists to apply new revenues to avert cuts. For NYC taxpayers to embrace a concept that raises substantial new revenues, they need to know that their lawmakers will re-invest the bulk of the resources to reduce burdensome taxes paid by the middle and working classes. Make that the priority, or face those who rightly ought to pay under this reform and caught a break for three decades, perhaps longer, using the stigma of a tax increase to garner unwarranted public antipathy for a worthwhile reform. Substance matters but so does its packaging.

I offer a simple solution in concept. The means necessary requires changes in state and city laws. Why not commit to simple solutions? Why not commit to the reforms needed to make it happen? This reform proposal identifies where to impose equity based on a property's use and occupancy; we identify substantial revenue; we identify how to employ this revenue to address inequities. We need to keep housing affordable in this city. Property tax reform goes a long way to ensuring modest housing that predominates in Classes 1 and 2 remains or returns to affordability. Property tax reform helps give NYC small business a break.

As always I remain available to assist the council to realize this significant reform. Thank you.

- 1 See: [http://queensciviccongress.org/Media/files/2008/2008-12-18\\_Moldy\\_Property\\_hikes\\_wont\\_do.pdf](http://queensciviccongress.org/Media/files/2008/2008-12-18_Moldy_Property_hikes_wont_do.pdf)
- 2 See "Full-Value Tax Assessment (Are Fears Warranted?), CONSCIENCE, Hofstra Law School, February 1980
- 3 See [http://queensciviccongress.org/Media/files/2007/2007-10-15\\_Bearak\\_installed.pdf](http://queensciviccongress.org/Media/files/2007/2007-10-15_Bearak_installed.pdf) and [http://queensciviccongress.org/Media/files/2009/2009-03-12\\_Ways\\_to\\_make\\_a\\_Difference\(TimesLedge\).pdf](http://queensciviccongress.org/Media/files/2009/2009-03-12_Ways_to_make_a_Difference(TimesLedge).pdf)
- 4 See: <http://queensciviccongress.org/index.php>
- 5 See: [http://brooklyn.nyl.com/content/top\\_stories/134778/brooklynites-gather-to-discuss-borough-wide-issues?ap=1&MP4](http://brooklyn.nyl.com/content/top_stories/134778/brooklynites-gather-to-discuss-borough-wide-issues?ap=1&MP4)
- 6 See: <http://queensciviccongress.org/platform/CIVIC2030.pdf>
- 7 See CIVIC2030, page 29 @ <http://queensciviccongress.org/platform/CIVIC2030.pdf>
- 8 See The Public Ought to Know: Property tax inequities unfair to modest owners, January 20, 2005, *TimesLedger* @ [http://coreybearak.com/columns/2005-01-20\\_Property\\_tax\\_iniquities\\_unfair\\_to\\_modest\\_owners.pdf](http://coreybearak.com/columns/2005-01-20_Property_tax_iniquities_unfair_to_modest_owners.pdf)
- 9 See The Public Ought to Know: Queens residents need fairer property tax system, June 3, 2004, *TimesLedger* @ [http://coreybearak.com/columns/2004-06-03\\_Queens\\_residents\\_need\\_fairer\\_property\\_tax\\_system.pdf](http://coreybearak.com/columns/2004-06-03_Queens_residents_need_fairer_property_tax_system.pdf)
- 10 See: [http://queensciviccongress.org/Media/files/2009/2009-02-18\\_Preliminary\\_Budget\\_testimony\\_to\\_Borough\\_Board.pdf](http://queensciviccongress.org/Media/files/2009/2009-02-18_Preliminary_Budget_testimony_to_Borough_Board.pdf)
- 11 See The Public Ought to Know in *TimesLedger*: Renters soon to feel sting of property tax increase, June 19, 2003 @ [http://coreybearak.com/columns/2003-06-19\\_%20Property\\_Tax\(unfair\).pdf](http://coreybearak.com/columns/2003-06-19_%20Property_Tax(unfair).pdf); Property tax system in Queens must be reformed, December 18, 2003 @ [http://coreybearak.com/columns/2003-12-18\\_Property\\_tax\\_system\\_in\\_Queens\\_must\\_be\\_reformed.pdf](http://coreybearak.com/columns/2003-12-18_Property_tax_system_in_Queens_must_be_reformed.pdf); Non-absentee boro property owners need tax relief, January 29, 2004 @ [http://coreybearak.com/columns/2004-01-29\\_Non-absentee\\_boro\\_property\\_owners\\_need\\_tax\\_relief.pdf](http://coreybearak.com/columns/2004-01-29_Non-absentee_boro_property_owners_need_tax_relief.pdf); Queens residents need fairer property tax system, June 3, 2004 @ [http://coreybearak.com/columns/2004-06-03\\_Queens\\_residents\\_need\\_fairer\\_property\\_tax\\_system.pdf](http://coreybearak.com/columns/2004-06-03_Queens_residents_need_fairer_property_tax_system.pdf); Property undervaluation affects homeowners' tax, December 16, 2004 @ [http://coreybearak.com/columns/2004-12-16\\_Property\\_undervaluation\\_affects\\_homeowners\\_tax.pdf](http://coreybearak.com/columns/2004-12-16_Property_undervaluation_affects_homeowners_tax.pdf); Property tax inequities unfair to modest owners, January 20, 2005 @ [http://coreybearak.com/columns/2005-01-20\\_Property\\_tax\\_iniquities\\_unfair\\_to\\_modest\\_owners.pdf](http://coreybearak.com/columns/2005-01-20_Property_tax_iniquities_unfair_to_modest_owners.pdf)
- 12 "The Property Tax - Creating stable, middle-class neighborhoods," The Drum Major Institute For Public Policy, October 2003 @ [http://coreybearak.com/projects/the\\_property\\_tax.shtml](http://coreybearak.com/projects/the_property_tax.shtml)