

Possible Reform to Make NYC's Property Tax Fair and Equitable

Presentation to Douglaston Civic Association

June 16, 2026

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I have researched and written and testified on real property tax reform going back to my time at [Hofstra Law School](#).

You can find much of my [research and recommendations](#) on my website, [StrategicPublicPolicy.com](#).

My research reflects my service in [government](#) to a City Council Member and two borough presidents, candidates for [citywide](#), state and local offices, involvement in civic groups including co-founding with your distinguished civic president Sean Walsh and later succeeding Sean to lead the borough wide Queens Civic Congress (2008-2010).

I have testified at many City hearings and before many commissions on real property tax reform.

To some extent, my talk this evening follows the Mayor's [threat](#) earlier this year to raise – some say gouge – our property taxes.

Whether the Mayor sought to leverage this threat to secure from Governor Hochul other revenues on the income side favored by so-called Democratic Socialists, the fact remains —that across the board hikes in our real estate taxes always disproportionately impacts – dare I say discriminates – against most homeowners and tenants and co-op owners who do not reside in Manhattan.

Interestingly, the so-called [pied a terre tax](#) approved as part of the [state budget](#) that would apply to uber wealthy non-residents who own high-priced living spaces may not have the intended revenue impact.

Let me explain why.

It goes back some 45 years ago when our then State legislators created 4 classes of property in NYC.

It was an effort to insulate us from the Hellerstein decision.

That court ruling mandated all properties be assessed at the Full Market Value.

When this law aimed at protecting us got passed, the commercial real estate industry got some language inserted that pretty much protected them at our expense.

The law required that revenues of each of the four classes of property be totaled together with the proportion of revenue collected by each class set in stone but for very modest adjustments that the City Council can make.

As a result, if City Hall wanted to raise rates on commercial properties, it would need to raise rates on all of us.

Worse, the high powered and sophisticated lawyers and CPAs who guide those commercial property owners, often conglomerates, found ways to reduce the market values of those properties.

This worked to effectively reduce the assessed values of these commercial properties.

This meant that any tax rate increase the City might seek to impose to keep those commercial tax revenues in place might result in our own homeowner pockets getting picked.

It does not stop there, the law valued condos and co-op based on nearby rental property values — mostly low-valued rent stabilized and rent controlled building.

Can you imagine how applying that structure to the uber-valued co-op along Central Park West and South and Fifth Avenue and nearby blocks?

It grossly undervalued, and thus subsidized, housing for most of the uber-wealthiest among us!

And it's not a secret.

A NYC Independent Budget office report almost three decades old disclosed that fact: that erroneously valuing these condos and co-ops based grossly undertaxed the units compared our homes.

When I worked for our then local City Council Member as Chief of Staff and Council, I did some research using the City Housing reports that annually were used to guide the City Rent Guidelines board.

I found about one-third of homes throughout the City were not occupied by the owners.

They were rented out!

I argued the property tax benefits of homeownership we enjoy ought not to be extended to absentee owners.

My math then suggested a billion dollars could be realized to apply to cut taxes and further support to those on fixed incomes including seniors to help them stay in their homes; after all I think most civic groups in Queens see a benefit when their neighborhoods turnover less.

The Finance Department refused to accept my findings but the when New York State enacted the STAR program, applicants were required to certify as owner-occupiers and state incomes tax filing data was used to verify that.

The STAR data confirmed my original research.

So while all this was going on a so-called coalition was “created” to address the unfair impact of real property taxation in communities such as Southeast Queens – it was called Tax Equity Now New York or “TENNY” and fronted by a former Finance Commissioner under Mayor Bloomberg who was an Assistant Commissioner there under Mayor Dinkins.

The folks most likely to benefit by any solution promoted by TENNY in my opinion are connected with the Real Estate Board of NY and commercial owners.

It is a main reason I am concerned when I read a few weeks ago that the City and TENNY have agreed to a settlement process.

While negotiations overseen by a state court will follow in October, it remains important that other voices speak out for a reform that fails to address the high taxes we already pay.

I already plan to reach out to state and City legislators to share the work I’ve done which I believe best addressed the inequities in the current system and imposes no harm – think tax hikes on homeowner who already pay a lot, as well as help renters and owners of moderately priced co-ops and condos.

My proposal is to treat owner-occupied housing units alike for real estate taxation purposes and create a homestead exemption to ensure that the City's middle class and those less well to do can afford to remain in their homes.

As a first step, tax absentee owner houses as rental properties to capture many billions in new revenues.

Second, apply a homeowner exemption to homes valued under about \$1 million and reform the tax rate accordingly so ultra high valued homes pay their fair share.

We also need to stop existing City assessment practices that unfairly benefit wealthy New Yorkers who own expensive homes and apartments.

So let's look at the reforms outlined above and make similar application to reforms needed for condos and cooperatives and rentals.

The additional revenue captured by addressing the inequality in the City's property tax will certainly fund property tax equity.