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## The Public Ought to Know: Renters soon to feel sting of property tax increase

By Corey Bearak 06/19/2003



**Corey Bearak**

Prodded by the mayor and with few notable exceptions, city council members last December voted overwhelmingly to hike our property taxes 18.5 percent, including 22 percent to homeowners. The mayor threatened cutbacks or elimination of essential programs, including those for seniors and youth, if the Council refused to raise property taxes. But what the mayor says, just as the song goes, “ain’t necessarily so!”

Homeowners felt the pain when they received their bills for the third and fourth quarters of the fiscal year, which ends June 30. Those who live in cooperatives or rentals experienced this pain a bit later.

Some cooperatives may impose assessments; others may vote to increase monthly maintenance. Renters will start to feel the pain after the Rent Guidelines Board — which was to vote June 19 — hikes rents, or if the buildings are not rent-regulated, landlords simply will raise the rents.

As this year unfolded, we observed additional municipal tax jolts, including one-eighth of 1 percent to the city sales tax and a city income tax increase for individuals earning more than \$100,000 and married couples earning more than \$150,000 in state-adjusted gross income. The city hiked tickets and many fees and threw in a 5.5 percent water and sewer hike.

The Queens Civic Congress last year urged an alternative to raising property taxes. The borough-wide organization of homeowners, tenants, cooperatives and some business groups proposed reforming the property tax.

Based on analyses done more than a decade ago for a council member and later fine-tuned for a borough president and candidate for mayor, the plan targets so-called absentee owners. It would raise \$1 billion, enough to roll back the December 2002 property tax bite and address other needs.

A 2003 city council report estimated that 75,000 Class One homeowners act as “absentee landlords.” This group pays \$176 million in property taxes.

While the Council proposed a 100 percent surcharge to generate \$176 million, it subsequently agreed to the mayor’s lesser surcharge and the state Legislature passed it. The mayor-council absentee owner plan, in contrast to the civic plan, anticipates \$45 million in new revenues in the upcoming fiscal year and \$90 million the following fiscal year, which begins July 1, 2004.

Why the difference? The city plan imposes a 25 percent surcharge on absentee owner properties in Class One; it increases to 50 percent the following fiscal year.

The civic plan proposes to treat absentee owner properties as Class Two properties. Class Two includes condos, cooperatives and rental buildings. Unlike Class One properties, currently assessed at 8 percent of market value, Class Two properties get assessed at 45 percent of market value.

Do the math. Class Two assessments are  $5 \frac{5}{8}$  greater than those of Class One. Multiply that amount by the \$176 million paid by absentee owner properties as identified by the Council. The product, \$988 million, reduced by the original \$176 million, yields \$812 million in new revenue. And remember, this uses the City Council's figures.

The revenue opportunity may in fact be much, much greater. The Finance Department plans to identify absentee owner properties by contacting all property owners in Class One who failed to apply for the New York State School Tax Relief Program. STAR provides an exemption from the school portion of property taxes for owner-occupied primary residences.

The Finance Department simply will notify all non-STAR filers that they face a 25 percent increase in the tax year that begins July 1 if they fail to qualify for STAR. The agency expects this process to take up to six months.

Here's the catch: STAR data indicates a higher level of absentee or non-residential uses. A city Independent Budget Office fiscal brief estimates \$70 million in revenue from 130,000 absentee owners; it also notes other data that as many as 280,000 properties represent some combination of non-filers or illegal uses. This data would put more than 40 percent (41.6 percent) of Class One properties in absentee ownership or non-residential use.

This contrasts with the 11.5 percent identified by the Council. Either a lot of property owners miss a property tax break, or maybe a lot of owners live in homes other than their private houses. The \$812 million exists as a bottom line, and the IBO's analysis increases it to \$1.3 billion. But the actual amount may even triple or quadruple the \$812 million.

Now add absentee owners of four- to six- and seven- to 10-unit houses (Classes 2a and 2b) getting preferential treatment and on which the city failed to impose a surcharge.

And what about cooperatives and condos, many of which are owner-occupied? Should they not be taxed the same as someone like me who owns a home? By early next year, we'll know the real number of absentee owners and the real revenue possibilities. With the new resources, the city can realize the long-needed property tax system reforms. Stay tuned.

Corey Bearak is an attorney and adviser on government, community and public affairs. He also is active in Queens civic and political circles.

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