

We still can make NYC Property Taxes Fair and Equitable

Testimony to NYC Advisory Commission on Real Property Tax Reform
Virtual Hearing, June 14, 2021

By Corey B. Bearak, Esq.

I am Corey Bearak. As I testified to you back in [October, 2018](#), I have researched and written and testified on real property tax reform going back to my time at Hofstra Law School. Find much of my research and recommendations on my website, [StrategicPublicPolicy.com](#). (At the end of this document, I include a link that lists most of my work and direct links to each.) 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 and later leading the borough wide Queens Civic Congress (2008-2010). I have testified at many City hearings.

I appreciate the efforts of the commission to attempt to address a complicated formula that hurts moderate income homeowners and tenants, and many small business people. Unfortunately the commission's proposals fail to protect these homeowners and tenants and small business people; instead it serves to repackage a system that currently apportions property tax revenue by state law among four property classes and perpetuates the core inequities of the current system. As with the existing law that limits tax assessment increases and perpetuates inequities, this set of proposal will limit the ability of the City to capture market value increases on many properties without regard to property occupancy and ability to pay.

Many proposals and recommendations aim to modestly help some groups but in doing so risk unduly helping many who already strongly benefit from the current system. It helps explain some unlikely alliances around proposals for change. I take a different approach that focuses on helping lower and modest income homeowners and tenants with an aim to support affordability in housing accommodations.

Let me take address each of the 10 initial recommendations

1) Lumping together co-ops, condos and rental building with 10 or less units with 1-3 families homes leaves out many moderate income co-ops, condos and rentals that house moderate and lower income New Yorkers. Worse, it will perpetuate existing valuation inequities that benefit the owners of some of the wealthiest and most luxurious New York City housing. Instead, assess all residential property at market value and apply a homestead exemption to insure affordability of the home, whether an-owner-occupied one, two or three-family home, condo, cooperative unit or rental housing developed as such. This targets relief where it ought to be and should be set initially to maintain existing taxation levels for moderate income homeowners, and reducing the taxes where inequities exist. To help lower income residents, the circuit breaker – refundable – ought to come into play.

2) Clarify the application of sales based methodologies proposed for residential properties to apply to all co-ops and condos so the luxury properties no longer get values akin nearby rent regulated housing.

3) Full value assessment must make sure to capture immediately the unintended benefit received by non-owner occupied class one properties, which I value at least \$6 billion and will help fund the tax relief I proposed while the system adjusts. It should also help return several hundred housing units to full residential use, creating a positive reverse domino effect on our housing market. Existing data on the STAR program indicate about one-third of Class One homes are not owner-occupied.

4) The phase in of full market value needs to be carefully reviewed as it benefits those without any Homestead Exemption, and may offer a financial benefit that other will seek to institutionalize.

5) Rather than apply a homestead exemption based on income, it must be applied based on the value of the property. At full value, for class one I recommend \$800,000 and for co-ops and condo units \$650,000; an appropriate level needs to be calculated for rental units meant as such that goes directly to reducing rents. A partial, graduated exemption similar to the SCHE program likely makes sense above those values. Further, I recommend the initial exemption level be set to reduce real estate taxes by \$1,000 for homes and \$800 for condos and co-ops.

6) Well, at least we agree on the circuit breaker.

7) The class share system helped to perpetuate inequities and repackaging it differently changes nothing.

8) Valuing commercial and rental buildings based on use – so-called income capitalization, must be clearly implemented so not to apply to any co-operative or condominium housing. As mentioned above its current use contributed to major inequality in real property taxation helping the wealthiest of taxpayers at the expense of moderate and lower income taxpayers – and renters.

9) A gradual transition helps the wealthiest owners the most and the system – all the data we needs exists, can be set immediately to help moderate and lower income taxpayers.

10) If we get this right now, any further reviews will only recommend minor, if any, tweaks.

So as before I emphasize the simple remedy I advocated since my service on my then Council Member's staff some three decades past:

Revise the City's Real Property Tax system as it currently applies
to one, two and three family homes ("Class one properties").

Why not 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.

How?

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 \$800,000 and reform the tax rate accordingly so high valued homes pay their fair share.

A news [story](#) on that report referenced above highlighted how the Mayor would have paid just \$3,581 in real estate taxes on each of two properties valued at more than \$1.6 million he owns but does not occupy. It juxtaposed that against a Laurelton homeowner who paid nearly \$1,000 more in real estate taxes for a home less than one-quarter in value. For that same tax year, the owner of a similarly valued home in the northern part of the same community board (CB13Q), in Bellerose, paid some \$200 more (than the Mayor) in property taxes. And unlike the mayor, both owners of the modest homes live in those homes. [Property Tax inequality alert here.](#)

As case study from March 2016 identified property at 28 Garden Place in Brooklyn that sold for \$5.2 million, in excess of the \$4.7 million at which the city assessed the property. The owners paid all of \$16,194 in real estate taxes. 6% of the sales price makes for an assessed value of \$312,000. Multiply that assessed value by that year's applicable 19.5554% tax rate; it would have yielded \$61,008.48 in taxes, nearly \$45,000 more. In fact the state law governing how much the City can increase actual assessments limits that property to an assessed valuation of \$85,994; that's \$226,000 less than the City could assess if the state legislature reformed existing law.

Contrast that calculus to a modest Bellerose, Queens townhouse discussed above with market value estimated then at \$421,000, assessed value at \$23,036 and taxes after Basic STAR School Tax relief of \$4,200. Both properties receive the same STAR benefit that reduces each property's real estate tax by \$308.

The taxes on the modest Bellerose home works out to about 1% of its market value. The Brooklyn luxury townhouse pays 0.3% of its market value in taxes.

The above example demonstrates how existing City assessment practices 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 will certainly fund property tax reforms.

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