

We can make NYC Property Taxes Fair and Equitable
Testimony to NYC Advisory Commission on Real Property Tax Reform
October 3, 2018, York College

By Corey B. Bearak, Esq.

I am Corey Bearak. I have 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 reflect my service in government to a City Council Member and two borough presidents, candidates for citywide office, involvement in civic groups including co-founding and later leading this borough civic umbrella's organization. I have testified at many City hearings.

A complicated formula apportionments property tax revenue proportionally by state law among four property classes. In addition, the same law limits tax assessment increases and perpetuates inequities; this limits the ability of the City to capture market value increases on many properties without regard to property occupancy and ability to pay. This system, originally intended to promote home ownership, just begs for reform.

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 explains 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.

A report last year helped direct renewed focus on the many homes over one million dollars that pay less in real estate taxes than modest homes. This pattern of unfairness must be addressed and soon. It exacerbates economic inequality. It begs for the remedy advocated 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.

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Testimony to NYC Advisory Commission on Real Property Tax Reform by Corey B. Bearak
October 3, 2018, York College, page 2

A news [story](#) on that report referenced above highlighted how the Mayor would have paid just \$3,581 in real estate taxes last year 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 (that 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 reform 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.

For additional information including links to previous commentaries, testimonies and research, click [here](#) or copy and paste

http://coreybearak.com/blogs/Real_Property_Tax_Reform_Commentaries_List.pdf
into your browser.

Thank you.