

## The Public Ought to Know: Property tax system in Queens must be reformed

By Corey Bearak

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Just about a year after he delivered the largest real property tax increase ever, our mayor now proposes to cut taxes on a group of property owners who speculate on rather than live in one-, two- and three-family homes. The tax cut, actually a rescission of a tax passed but still to be imposed, surcharged these absentee owners 25 percent.

To its credit, the Council originally sought to impose a 100 percent surcharge, but even that was not enough. I called for a 563 percent increase to bring these investment properties in line with class-two (rental and cooperative) properties.

This troubles me not just because the mayor foregoes revenue when our city faces a deficit. The absentee owner tax, as I envisioned it more than a decade ago and even more so today, offers an opportunity to bring equity to a real property tax system so out of whack that some folks who live in ritzy co-ops facing Central Park pay lower effective property taxes than a middle-class homeowner in Queens.

Unfortunately, the same City Finance commissioner who, during testimony at a May 29, 2002 City Council Finance Committee budget hearing, graciously said the absentee owner tax is known as the "Corey Bearak proposal" in her agency, never wanted to implement it in the first place. She takes the position that homeowners have unfairly been paying very low taxes. I know, like and respect Commissioner Martha Stark, but we've disagreed on property tax policy for more than a decade.

Stark and Mayor Michael Bloomberg have failed to take steps to implement the absentee owner tax; it appears the mayor agreed to it during budget negotiations as a ruse to get the budget done and never intended to implement it.

Instead of setting forth a policy to move forward on the absentee surcharge, City Hall and the Finance Department mailed notices warning property owners that if they did not apply for and receive state STAR, or School Tax Relief, exemption (administered by the city) the owners would be considered absentee owners.

Now the legislation that set up the absentee surcharge exempted its application if your tenant was a parent, child or sibling. Owners of those homes would not qualify for STAR on those properties.

In addition, fueled by a study that stated absentee owner properties predominated in lower-income neighborhoods, the mayor challenged the Council, which traditionally is known to protect middle-class concerns, to void the

surcharge. The mayor argued rents would increase on tenants in absentee owner homes.

The advocates and City Hall appeared to forget the latest housing and vacancy survey that found market rents not too dissimilar from regulated rents. Again to its credit, the Council passed legislation to delay the tax — but the mayor recently vetoed it — so the Finance Department could implement a plan to identify those absentee owners who must pay the surcharge.

One simple way would be to distribute forms with the assessment notices this January that include an affidavit for owners who do not qualify for STAR or choose not to apply for it. (Why a homeowner would forego tax savings is beyond me.) The affidavit would simply state the owner is not an absentee.

The stakes are high for the city. While it needs revenue, it also needs to reform the real property tax. In June, I noted the need to address the unfair property tax treatment of owner-occupied cooperatives and condos.

An October article for the Drum Major Institute for Public Policy outlined how to reform the property tax using the funds generated by a full surcharge, not just on absentee owners of one-, two- and three-family homes but on absentee owners of four- to six-unit and seven- to 10-unit buildings who also receive a preference. In June, I estimated this program could generate more than \$1 billion, based solely on the city's low estimate of 75,000 class-one absentees.

In fact, other data identifying more than 40 percent of class-one homeowners as non-STAR filers estimate the potential yield of \$2.4 billion to \$3 billion. This generates sufficient revenue to redress the inequities on the residential side of the real property tax, including co-op and condo tax equity and lower overall homeowner taxes and lower taxes on rentals, which should translate into lower rents. (The first billion should cover these tax fairness goals.)

The additional revenue opens an opportunity for a “homestead exemption” that addresses the fact that the property tax is the most regressive form of taxation. A homestead exemption based on income further reduces property taxes for middle- and lower-income New Yorkers.

Would you not welcome a revenue measure that means we pay less property tax?

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