Property Taxes and Assessments
What New Town Officials Need to Know

New York State Department of Taxation & Finance
Office of Real Property Tax Services
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As a newly elected town official, property taxes will undoubtedly be a significant topic for you and your taxpayers. The Office of Real Property Tax Services (ORPTS) oversees local property tax administration, and our staff is available to help you understand and manage the many issues you may encounter. Below is a brief overview of the property tax system. More information is available by contacting your assessor, calling your regional ORPTS office or visiting www.orps.state.ny.us.

Property Taxes in New York State

Property taxes are a critical part of the funding of most local governments in New York, on average making up 43% of a town's revenue. While school districts, by far, collect the largest amount of property taxes, the tax is also crucial to the budgets of counties, special districts, cities, villages and, of course, towns. In New York, the state does not collect or receive any direct benefit from property taxes.

The amount of property taxes to be collected is called the *levy*. Generally, the levy represents the difference between a town's budget and the total revenue from all other sources. To collect property taxes from individual property owners, the levy is distributed over the total value of all taxable real property in the town. The tax rate is calculated by dividing the levy by the total taxable value and is generally expressed as an amount per $1,000 of assessed value.

Assessments

The property tax is an ad valorem tax, meaning that it is based on the value of real property. In order to levy and collect property taxes, the value of each individual property in the town must be determined – this is the job of the *assessor*. Only the value of *real property* is assessed for property tax purposes. Real property is the land and any permanent buildings upon it. Personal property is not taxable in New York.

The assessor determines the value of property based on the real estate market and related factors. Many aspects can influence the value of a property - location, size, condition, type of improvements, etc. The assessor's goal is to determine the *market value* of a property – what the property would sell for in its present condition with neither buyer nor seller under pressure to act. While assessors in nearly half of the towns assess property at 100% of its current value, assessments in others towns are at a lower percentage. The percentage is referred to as the *level of assessment* or LOA.

The *assessment roll* lists the assessed value and the assessor's estimate of the market value of every property (or *parcel*), as well as any exemptions the property may be receiving. The market value multiplied by the LOA is the assessed value. Conversely, the assessed value divided by the LOA is the market value. In municipalities where assessments are at 100% of market value, the municipality has likely conducted a reassessment in recent years. Generally, the longer it has been since the last reassessment, the lower will be the LOA.

Town Responsibility for Assessing

Across New York, assessing is almost exclusively the responsibility of towns and cities (except in Nassau and Tompkins Counties - where the county manages the function). While school districts, counties and other taxing jurisdictions use assessment rolls to collect property taxes, they are not responsible for financial or operational support of the function. Of note, 75% of villages use town assessments to collect village taxes. The remaining villages continue to generate assessments for the collection of village taxes despite the town performing the same function.

Reassessments

To ensure that all properties are assessed fairly, assessors should conduct periodic *reassessments*. A reassessment is the comprehensive review and updating of all property values in a community. Most communities across New York regularly conduct reassessments. By adjusting the "assessed value" of each property to reflect full market value, assessors do not raise or lower the property tax for a community, but rather "level the playing field" so that all properties are fairly assessed and pay only their fair share of taxes.

Unlike most states, New York State does not mandate a reassessment cycle or require that all assessments are at 100% of market value. Nonetheless, the majority of cities and towns have conducted reassessments in recent years, and approximately 30% reassess every year or every third or fourth year. ORPTS provides aid to municipalities that commit to a reassessment cycle (up to $5 each reappraisal year; up to $2 in interim years).

In contrast, in more than 1/3rd of communities, reassessments have not been done in years – sometimes for decades or, even, generations. That means that properties in these communities continue to be assessed using very old property values. The lack of reassessment does not keep taxes from going up. However, it does result in some properties that are over-taxed actually subsidizing others who are paying too little. This is anything but transparent and very difficult for taxpayers to understand.

Assessment Review

Where a taxpayer disagrees with his or her assessment, the taxpayer can challenge the assessment by informally talking with the assessor and/or filing a formal *grievance* on the assessment. There is no cost to grieve an assessment, and the property owner does not need to hire a lawyer. Except in New York City and Nassau County (where special commissions hear tax appeals), the body that hears grievances and determines their outcome is the *Board of Assessment Review*, the members of which are appointed by the Town Board. In most towns, the formal grievance period takes place in May.

Taxpayers cannot grieve the amount of their taxes, they can only grieve their assessments. New York has the second highest property tax burden in the nation. As a result, many taxpayers are dissatisfied with the amount of their taxes and may direct their frustration at their assessments. These taxpayers sometimes require assistance to understand whether or not they are assessed fairly based on the market value of their properties. If they can sell their properties for the assessor's estimate of the full market value of their properties, they likely are assessed fairly.

Property Tax Bills

Town property taxes are typically billed to property owners at the same time as county property taxes – generally in early January. (School taxes are generally billed in early September.)

The amount of a particular property's tax bill is determined by two things: 1) the property's taxable assessment, and 2) the tax rate of the locality in which the property is located. As noted above, the assessment is based on the value of the property and the tax rate is determined by dividing the locality's tax levy by the total taxable value. Taxpayers can calculate their tax bills by multiplying their taxable assessments by the tax rate.

Property tax exemptions can reduce or eliminate a property's taxable assessment and property taxes. Wholly exempt properties that pay no property taxes include churches, hospitals, schools and government buildings. Qualifying homeowners can reduce their property tax burdens through various exemptions, including the School Tax Relief (STAR) exemption, the exemption for senior citizens with limited incomes and veterans' exemptions. Dozens of additional exemptions are available for other types of properties – agricultural, commercial, industrial, utility, etc.

Equalization Rates

To apportion taxes within counties and school districts where some municipalities are reassessing at market value and others are not, ORPTS determines equalization rates for every jurisdiction that assesses property. An equalization rate is the state's measure of a municipality's level of assessment - the ratio of total assessed value to total market value.

An equalization rate of 100% means that the municipality is assessing property at 100% of market value and has likely done a recent reassessment. An equalization rate of less than 100% means that the municipality's total market value is greater than its assessed value; in other words that the value of property has increased but assessments have probably not been adjusted to reflect those increases.

For More Information

Visit www.orps.state.ny.us and click on "*Information for New Local Officials*" or contact your Regional ORPTS Director:

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