Property Taxes and Assessments

What You Should Know

Information for Taxpayers and Local Officials
Presenters

Assessor
Web Address/E-Mail

CRM
Web Address/E-Mail
5 Areas of Focus:

- The Property Tax in New York State
- The Job of the Assessor
- Assessment Process
- What Can Taxpayers Do?
- Wrap Up: Myths vs. Facts
3 Major Forms of Taxation in NYS

- **Income Tax**
- **Sales Tax**
- **Property Tax**
The New York State Tax Burden

- New York State is among the top seven states for the three major taxes; property, sales, and income.

- It is the combination of high local taxes across the board, that causes the state’s overall local tax ranking to rise to the top.
The Income Tax

- Administered at the federal and state level
- Based on income (what we make)
- First income tax – 1861 – Civil War
- Rescinded in 1872
- Sixteenth Amendment – 1913
- Very complex
- No way to contest rates or tax liability
The Sales Tax

- Administered at the state and local level
- Based on goods purchased (what we buy)
- Rates are established by law
- NY State – among the highest sales tax rates in the nation
- No way to contest the sales tax
The Property Tax

- Administered locally
- All revenues go to support local services; none to the state or federal governments
- Based on the value of real property
- Ad Valorem (At Value)
- The only form of taxation that provides the taxpayer the opportunity to dispute the base assessments.
More Facts about the Property Tax

• It has been used since Colonial times – long before there was an income tax.
• It is the most stable tax. Income tax and sales tax can vary greatly from year to year.
• It is the least costly to administer – only about 2% of total town budgets.
• It is difficult to evade – no tax shelters.
• It’s a broad tax – all property owners pay.
New York has one of the highest property tax burdens in the nation

<table>
<thead>
<tr>
<th>County</th>
<th>State</th>
<th>Tax / HH ($)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Hunterdon</td>
<td>NJ</td>
<td>$7,999</td>
</tr>
<tr>
<td>2. Nassau</td>
<td>NY</td>
<td>$7,706</td>
</tr>
<tr>
<td>3. Westchester</td>
<td>NY</td>
<td>$7,626</td>
</tr>
<tr>
<td>4. Somerset</td>
<td>NJ</td>
<td>$7,318</td>
</tr>
<tr>
<td>5. Bergen</td>
<td>NJ</td>
<td>$7,237</td>
</tr>
<tr>
<td>6. Essex</td>
<td>NJ</td>
<td>$7,148</td>
</tr>
<tr>
<td>7. Rockland</td>
<td>NY</td>
<td>$7,041</td>
</tr>
<tr>
<td>8. Morris</td>
<td>NJ</td>
<td>$6,852</td>
</tr>
<tr>
<td>9. Union</td>
<td>NJ</td>
<td>$6,703</td>
</tr>
<tr>
<td>10. Passaic</td>
<td>NJ</td>
<td>$6,663</td>
</tr>
</tbody>
</table>

Source: Tax Foundation (based on Census Data)

<table>
<thead>
<tr>
<th>County</th>
<th>State</th>
<th>Tax Rate (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Wayne</td>
<td>NY</td>
<td>2.94%</td>
</tr>
<tr>
<td>2. Niagara</td>
<td>NY</td>
<td>2.91%</td>
</tr>
<tr>
<td>3. Monroe</td>
<td>NY</td>
<td>2.83%</td>
</tr>
<tr>
<td>4. Erie</td>
<td>NY</td>
<td>2.54%</td>
</tr>
<tr>
<td>5. Fort Bend</td>
<td>TX</td>
<td>2.53%</td>
</tr>
<tr>
<td>6. Chautauqua</td>
<td>NY</td>
<td>2.52%</td>
</tr>
<tr>
<td>7. Onondaga</td>
<td>NY</td>
<td>2.50%</td>
</tr>
<tr>
<td>8. Cayuga</td>
<td>NY</td>
<td>2.42%</td>
</tr>
<tr>
<td>9. Chemung</td>
<td>NY</td>
<td>2.41%</td>
</tr>
<tr>
<td>10. Schenectady</td>
<td>NY</td>
<td>2.39%</td>
</tr>
</tbody>
</table>
NYS Most Complex System

- New York State contains 983 towns and cities that assess real property, as do 145 of the state’s 554 villages.
- There are almost 700 school districts, most of which cross over municipal boundaries, creating a mosaic of 2900 different school district segments.
The property tax is the largest revenue source for NY local governments – roughly one-third of all funding

Source: Office of the State Comptroller, Special Report on Municipal Affairs
Annual Tax Collections in New York State
For Fiscal Year Ending in 2007
(billions of dollars)

* The 2008 RPT collections amount is not yet available; the number shown is the 2007 RPT levy mount.

Source: NYS Office of the State Comptroller “Special Report on Municipal Affairs” (Annual) and NYS Dept. of Taxation and Finance “Statistical Report of New York State Collections” (Annual)
Annual Tax Collections in New York State
For Fiscal Year Ending in 2007
(billions of dollars)

<table>
<thead>
<tr>
<th>Tax Type</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Local Real Property Tax</td>
<td>41.15*</td>
</tr>
<tr>
<td>State Personal Income Tax</td>
<td>34.58</td>
</tr>
<tr>
<td>State &amp; Local Sales and Use Tax</td>
<td>22.05</td>
</tr>
<tr>
<td>Other Taxes</td>
<td>28.49</td>
</tr>
</tbody>
</table>

* The 2008 RPT collections amount is not yet available; the number shown is the 2007 RPT levy mount.

Source: NYS Office of the State Comptroller “Special Report on Municipal Affairs” (Annual) and NYS Dept. of Taxation and Finance “Statistical Report of New York State Collections” (Annual)
Total property tax collections are nearly as much as state and local income taxes combined

Fiscal Year Ending in 2007 (Billions)

Source: Office of the State Comptroller

Note: The 2007 RPT Collection amount is not yet available; the number shown is the 2007 RPT Levy amount.

Source: Office of the State Comptroller
Since 1982, property tax collections in New York State have increased 350 percent and now exceed $40 billion.

Note: Based on levies for all purposes after adjustments for sales tax credits to reduce county level and payments to reduce taxes.

Source: Office of the State Comptroller
School districts collect 62 percent of the total property taxes statewide

Total Outside NYC = $27.80 Billion
Local fiscal years ending in 2007

Source: Office of the State Comptroller.
New York has 4,250 local government entities, of which 1,100 perform the assessing function

<table>
<thead>
<tr>
<th></th>
<th>Number</th>
<th>Assessing</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>General Purpose / Property Tax</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Counties</td>
<td>57</td>
<td>2</td>
</tr>
<tr>
<td>Cities</td>
<td>62</td>
<td>61</td>
</tr>
<tr>
<td>Towns</td>
<td>932</td>
<td>920</td>
</tr>
<tr>
<td>Villages *</td>
<td>556</td>
<td>145*</td>
</tr>
<tr>
<td><strong>Special Purpose / Property Tax</strong></td>
<td>1,817</td>
<td>–</td>
</tr>
<tr>
<td>School Districts</td>
<td>698</td>
<td>–</td>
</tr>
<tr>
<td>Fire Districts</td>
<td>867</td>
<td>–</td>
</tr>
<tr>
<td>Library Districts</td>
<td>186</td>
<td>–</td>
</tr>
<tr>
<td>Town Special Districts**</td>
<td>66</td>
<td>–</td>
</tr>
<tr>
<td><strong>Other Special Purpose / Authorities</strong></td>
<td>826</td>
<td>–</td>
</tr>
<tr>
<td><strong>Independent Local Government Entities</strong></td>
<td>4,250</td>
<td>1,128</td>
</tr>
</tbody>
</table>

* Village assessing is duplicative of assessing done by overlapping municipalities

** Typically commissioner-run districts; reported data to OSC
As the largest users of the property tax, school districts derive 54 percent of their revenues from the tax.

### School District Revenues - Fiscal Year ended in 2005

<table>
<thead>
<tr>
<th>Revenue Source</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Property Tax</td>
<td>54.84%</td>
</tr>
<tr>
<td>State Aid</td>
<td>34.66%</td>
</tr>
<tr>
<td>Federal Aid</td>
<td>5.15%</td>
</tr>
<tr>
<td>Non-Property Tax</td>
<td>0.92%</td>
</tr>
<tr>
<td>All Other</td>
<td>4.44%</td>
</tr>
</tbody>
</table>

Source: Office of the State Comptroller.
Budget vs. Levy

• The taxing jurisdiction – school, town, county, etc. are responsible for developing and adopting a budget. **Several Steps.**

• Revenue from all sources other than the property tax is determined.

• These revenues are subtracted from the budget to arrive at the tax levy.
More on Budgets and Taxes

- There are two additional factors besides the levy that determine your property taxes:
  - The tax rate is determined by dividing the tax levy by the total taxable assessed value of all taxable real property in your community.
  - Assessments – determined by the assessor.

\[
\text{Levy / Taxable Assessed} = \text{Tax Rate}
\]

\[
$10,000,000 / $500,000,000 = $20.00 \text{ per thou.}
\]
Assessments and Taxes

• **Remember;** Although assessments play an integral part of the tax calculation, **the tax levy is the controlling factor** in the amount of your tax bill!
The Job of the Assessor

- Provide fair assessments by determining the market value of each property.
- Keep inventory on all properties accurate and current.
- Help taxpayers understand assessments.
- Process exemptions, such as STAR, Senior Citizens, and Veterans.
- Maintain all changes related to the assessment roll using computerized software.
## Practices in Other States

### Most States

1. Require assessments at a stated level statewide
2. Require periodic reassessments
3. Less than 100 assessing units

### New York

1. Each municipality determines its own level of assessment
2. No statutory reassessment cycle
3. 1,128 assessing units
Fair Assessments??

How are assessments administered here in New York State?
New York State Assessment Standard

• The "Assessment Standard" (RPTL 305): “all real property in each assessing unit shall be assessed at a uniform percentage of value.”
  - "value" is defined as "market value" - the most probable sale price, in a competitive and open market, between a willing and knowledgeable buyer and seller, made without duress to either party
  - tax bills must display the municipality's uniform percentage and the parcel's market value
Uniformity is the Law in NYS!

- Many municipalities however, do not adhere to this standard.
  - Data shows that 25% of municipal assessment rolls fail the measure of uniformity that is a national standard.
  - Properties are not assessed uniformly or equitably either within class or across classes of property.
  - This results in unfair property taxes for property owners in those municipalities!
Assessment Equity

• Equity with respect to assessments and real property taxes means:

  – Properties are assessed at a uniform percentage of value
  – Properties with similar values pay similar taxes
  – Taxpayers pay their FAIR share
EQUITY is the GOAL

New York State law requires that every property within a municipality be assessed at a uniform percentage of value.

When assessment equity exists, it ensures that the tax burden is distributed equally and fairly among ALL taxpayers.
Equity versus Inequity

- If one property or neighborhood is significantly under-assessed, not only are they paying too little in taxes, but other property owners are subsidizing that taxpayer’s or neighborhood’s share of the tax bill.
Effect of Inequitable Assessments

1990

Mrs. Smith

Full Market Value = $100,000
Assessed Value = $100,000

1990

Mrs. Jones

Full Market Value = $100,000
Assessed Value = $100,000
Effect of Inequitable Assessments

Mrs. Smith

Full Market Value = $300,000
Assessed Value = $100,000

Mrs. Jones

Full Market Value = $150,000
Assessed Value = $100,000

Mrs. Jones is subsidizing Mrs. Smith’s taxes!
How Can we Keep Assessments Fair and Equitable?

• The way to keep assessments fair for all taxpayers is through frequent reassessments.

• What is a reassessment?
  – A systematic review of all locally assessed parcels to assure that all assessments are at a stated uniform percentage of value as of the valuation date of the assessment roll upon which the assessments appear. (Section 102, Real Property Tax Law.)
  – Why do we need to reassess?
Remember!!

• **Property Taxes** – based on value

• **Value** is defined as market value – what a willing seller will pay a willing buyer in a fair and open real estate market.
Why are Frequent Reassessments Necessary?

1. The real estate market is constantly changing

2. Not all properties will change in value at the same rate.
How Is Market Value Determined?

• The Assessor does NOT create market value

• Market value is determined by the interaction of buyers and sellers.

• The assessor monitors and analyzes real estate transactions to establish market value estimates for real property within the town.
What Drives Market Value?

• Location, Location, Location

• Some locations are more desirable than others.
  
  ➢ Some people may desire lakefront or lake-view property.
  ➢ Some people may prefer to be near a city
  ➢ Others may want to get back to nature
  ➢ As communities age, ranch style homes may become more popular
What Else Drives Market Value?

- Economic influences
- Interest rates
- Availability of amenities and jobs
- Commuting distance to industry
- Consumer needs and the condition and amenities of a property
Three Major Approaches to Appraising

**MARKET DATA APPROACH**
Compare the subject property to others like it that have sold recently.

**COST APPROACH**
Compute the cost of building a similar structure on a similar site.

**INCOME APPROACH**
Determine value based on the rental income the property is capable of earning.
Changes in Property Values

• One thing is a given. Different types of properties, in different locations, change in value at a different pace.

• After a period of time without a reassessment and systematic analysis of all property values, the equity may diminish.

• Loss of assessment equity will result in some people paying more than their fair share in taxes and some people paying less!
The question to ask yourself . . .

- Is the market value estimate the assessor has derived for your property a reasonable representation of what you would expect to receive for your property if it was offered for sale on the open market?
What can taxpayers do when they have questions or concerns regarding their assessed value?

- Most information at the assessors office is open to the public.
- Check the town’s website for information regarding assessments and sales.
- Make an appointment to sit down informally with the assessor or appraiser.
- If information about your property is incorrect, allow an inspection.
# Assessor’s Calendar

<table>
<thead>
<tr>
<th>Event</th>
<th>Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>Valuation Date</td>
<td>July 1st, preceding year</td>
</tr>
<tr>
<td>Taxable Status Date</td>
<td>March 1st</td>
</tr>
<tr>
<td>Exemption Filing Deadline</td>
<td>March 1st</td>
</tr>
<tr>
<td>Tentative Roll Filed</td>
<td>May 1st</td>
</tr>
<tr>
<td>Grievance Day</td>
<td>4th Tuesday in May</td>
</tr>
<tr>
<td>Final Roll Filed</td>
<td>July 1st</td>
</tr>
</tbody>
</table>
Next Steps Available

- Board of Assessment Review **BAR**
- ORPS Pamphlet “What To Do If You Disagree With Your Assessment”
- **SCAR** – Small Claims Assessment Review – for owner occupied residential properties, who have already gone before the Board of Assessment Review.
- Court challenge – must have an attorney.
**Presumption of Law:**
The Burden of Proof is on **YOU**!

- Your assessment is assumed to be correct.

- Taxpayer **MUST** present convincing evidence that assessor’s judgment was incorrect.
Assessor’s Job – Fair Assessments

• Assessors have no interest to overvalue or undervalue any real property. The objective is to produce an equitable assessment roll for the fair distribution of the real property tax burden.
Myths and Facts

- **Myth**: Tax levies grow at a faster rate in municipalities that conduct reassessments.

- **Fact**: Generally, school district levies increase at similar levels regardless of whether a reassessment was conducted.

- **Fact**: “Rate” driven systems tend to produce windfalls during reappraisals.

- **Fact**: “Budget” or dollar driven systems force the tax rate to float and require the budget to be set without regard to the underlying taxable value.
**Myths and Facts**

- **Myth**: Assessors raise values in response to taxing district pressure for revenue (the town needs more money).

- **Fact**: Values change in response to economic changes measurable in the market place.

- **Fact**: Tax rates should drop proportionately to assessment increases- otherwise, additional taxes are being collected.
FACT:
In the Year of a Reval...

• The tax rate usually decreases creating the illusion that the town has reduced taxes.

• This creates a misconception that the increased assessments are causing the increase in tax bills.

• Actually, the levy was increased, and the higher assessments allowed for a tax rate reduction. In most cases, the tax rate is not reduced enough to reflect no increase in taxes.
**FACT:**
2008 Reval: Rate drops, but not as far as it should...

<table>
<thead>
<tr>
<th>Example #1</th>
<th>2007</th>
<th>2008 Reval</th>
</tr>
</thead>
<tbody>
<tr>
<td>Assessed Value</td>
<td>$100,000</td>
<td>$200,000</td>
</tr>
<tr>
<td><strong>LEVY</strong></td>
<td>$100,000</td>
<td>$150,000</td>
</tr>
<tr>
<td>Tax Rate</td>
<td>$1/1,000</td>
<td>$.75/1,000</td>
</tr>
<tr>
<td>Taxes Paid</td>
<td>$100</td>
<td>$150</td>
</tr>
</tbody>
</table>

Taxes Go Up
FACT:
In a Non-Reval Year....

• If the town needs MORE money, they will raise the LEVY causing a HIGHER tax rate.
**FACT:** Rate increases because there is no increase in assessments....

<table>
<thead>
<tr>
<th>Example #2</th>
<th>2007</th>
<th>2008 No Reval</th>
</tr>
</thead>
<tbody>
<tr>
<td>Assessed Value</td>
<td>$100,000</td>
<td>$100,000</td>
</tr>
<tr>
<td><strong>LEVY</strong></td>
<td>$100,000</td>
<td>$150,000</td>
</tr>
<tr>
<td>Tax Rate</td>
<td>$1/1,000</td>
<td>$1.50/1,000</td>
</tr>
<tr>
<td>Taxes Paid</td>
<td>$100</td>
<td>$150</td>
</tr>
</tbody>
</table>

Taxes Go Up, BUT....They Are the Same as in Example 1!!!
Now Consider This.....

<table>
<thead>
<tr>
<th>Example #3</th>
<th>2007</th>
<th>2008 Reval</th>
</tr>
</thead>
<tbody>
<tr>
<td>Assessed Value</td>
<td>$100,000</td>
<td>$200,000</td>
</tr>
<tr>
<td>LEVY</td>
<td>$100,000</td>
<td>$100,000</td>
</tr>
<tr>
<td>Tax Rate</td>
<td>$.50/1,000</td>
<td>$.50/1,000</td>
</tr>
<tr>
<td>Taxes Paid</td>
<td>$100</td>
<td>$100</td>
</tr>
</tbody>
</table>

This town completed a reval.... The levy did NOT increase.

The tax rate was sufficiently reduced.

NO INCREASE IN TAXES!!!
FACT:
It is NOT the Assessor Who Raises Taxes!!!

So....

Even though the AV **doubled** in Example #3, the taxes did NOT increase because the levy determined by the town did NOT increase.

In Examples #1 and #2, the reason the taxes went up was due to the **INCREASE** in the levy.
Myths and Facts

• **Myth**: The assessor sets the property taxes

• **Fact**: Property tax levies and rates are set by school boards, town boards, village boards, and county legislatures, **Not by assessors!!!**

• **Fact**: The assessor is only responsible for placing a fair market value on each property.
Myths and Facts

• **Myth:** User fees may be a better alternative than the property tax.

• **Fact:** The property tax is a broad based tax... everyone pays. For example:
  - Who would pay for our county jails? prisoners? their families?
  - What about municipal parks and public recreational areas?
  - What about schools?
Myths and Facts

- **Myth:** Taxes would be lower if assessments were capped.
- **Fact:** If assessments are capped, then properties that increase at a higher rate would get a benefit.
- **Fact:** Properties that decrease in value more slowly would be at a disadvantage.
- **Fact:** The amount of taxes collected would not be affected.
If You Would Like More Information:

Visit the New York State Office of Real Property Services web site at:

www.orps.state.ny.us