

# **Property Taxes and Assessments**

## **What You Should Know**

**Information for Taxpayers and  
Local Officials**

# Presenters

## Assessor

Web Address/E-Mail

## CRM

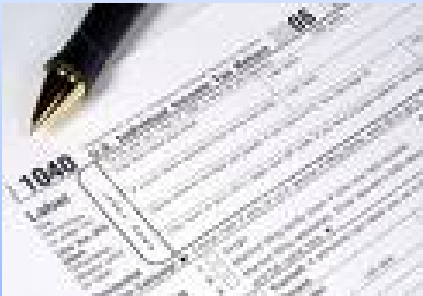
Web Address/E-Mail

## 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- **Rescinded in 1872**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

## Median Household Tax by County

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

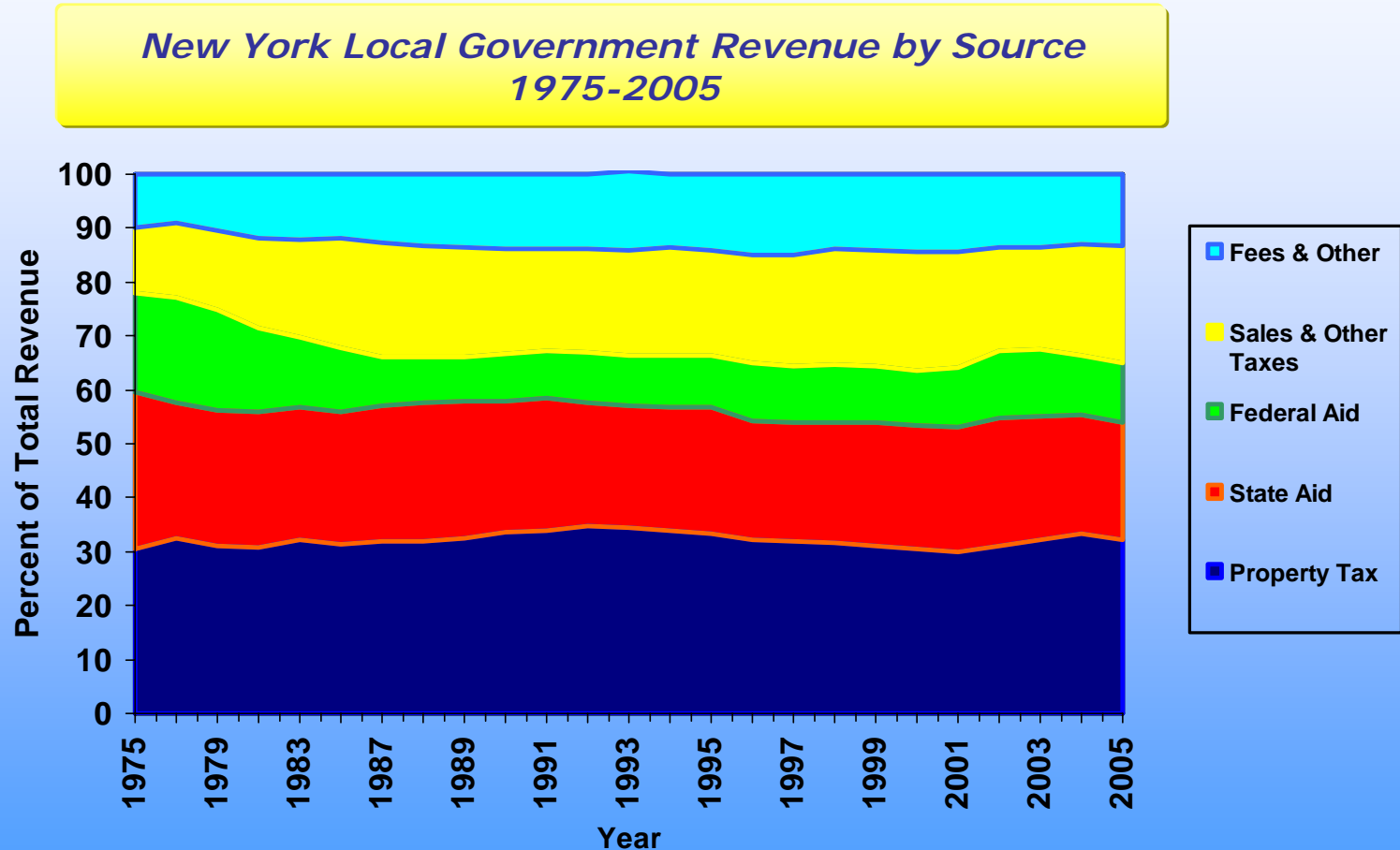
## Effective Tax Rate by County

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

## NYS Most Complex System

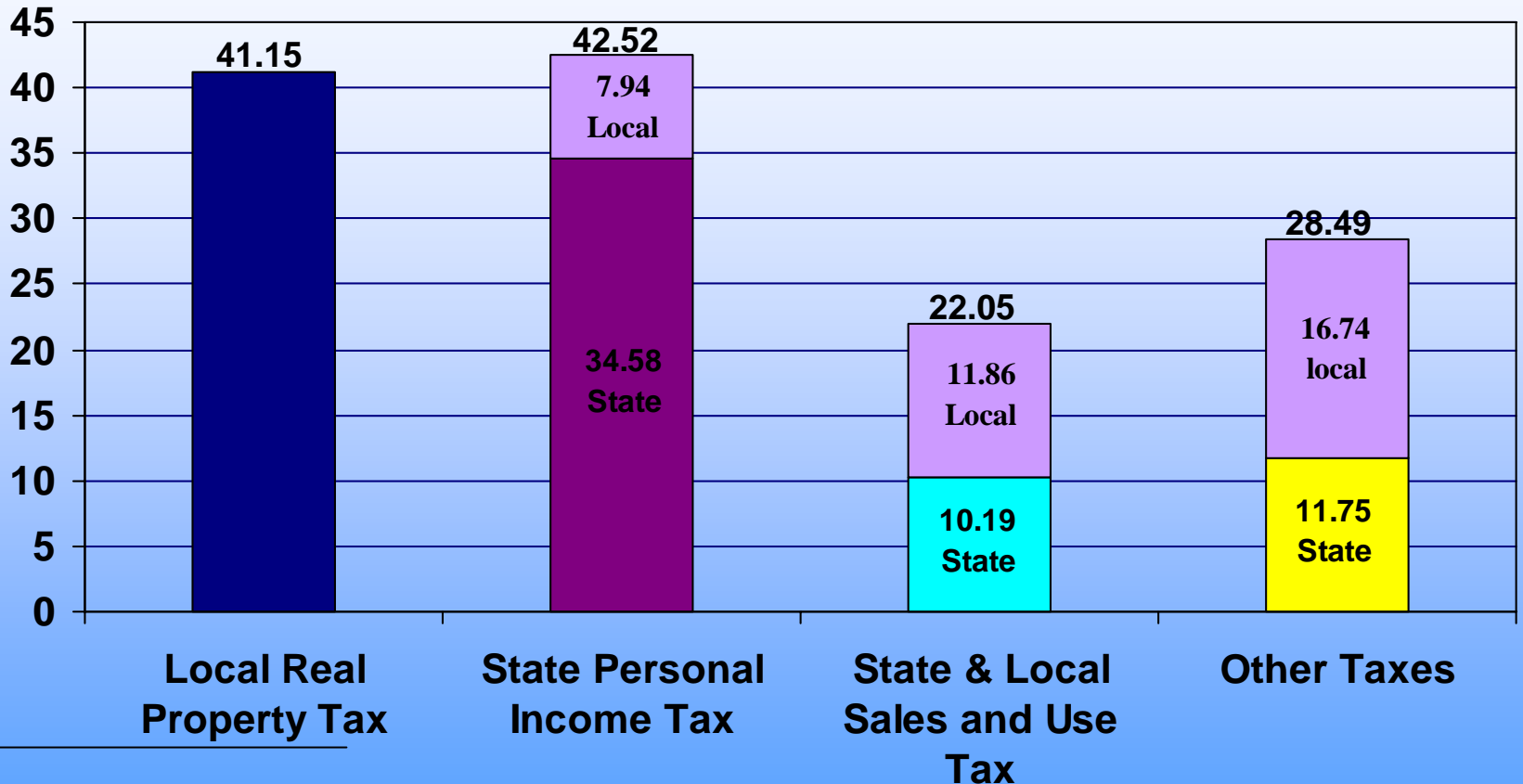
- **New York State contains 983 towns and cities that assess real property, as do 145 of the state's 554 villages.**
- **There are almost 700 school districts, most of which cross over municipal boundaries, creating a mosaic of 2900 different school district segments.**

# The property tax is the largest revenue source for NY local governments – roughly one-third of all funding



# Annual Tax Collections in New York State For Fiscal Year Ending in 2007

*(billions of dollars)*

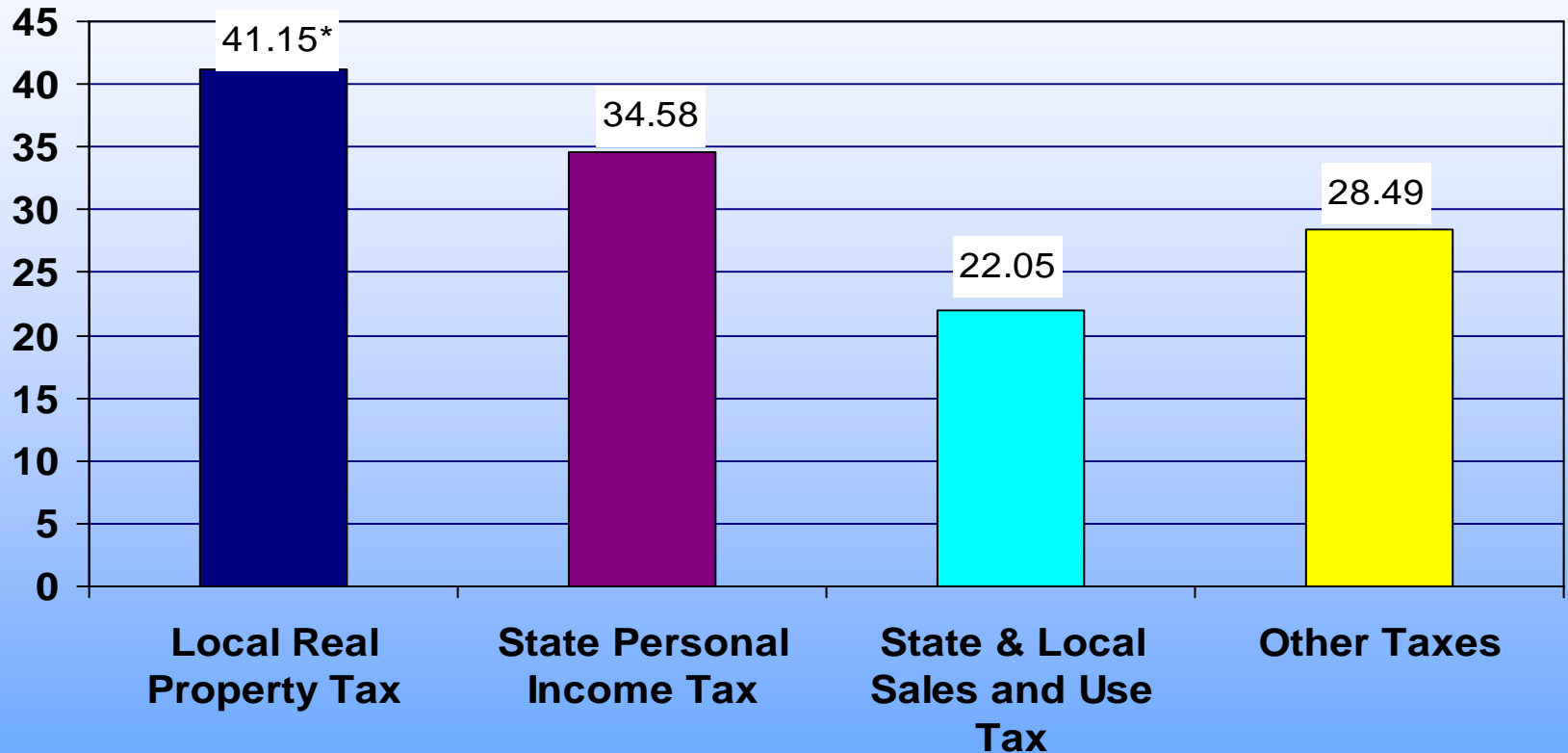


\* The 2008 RPT collections amount is not yet available; the number shown is the 2007 RPT levy mount.

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)

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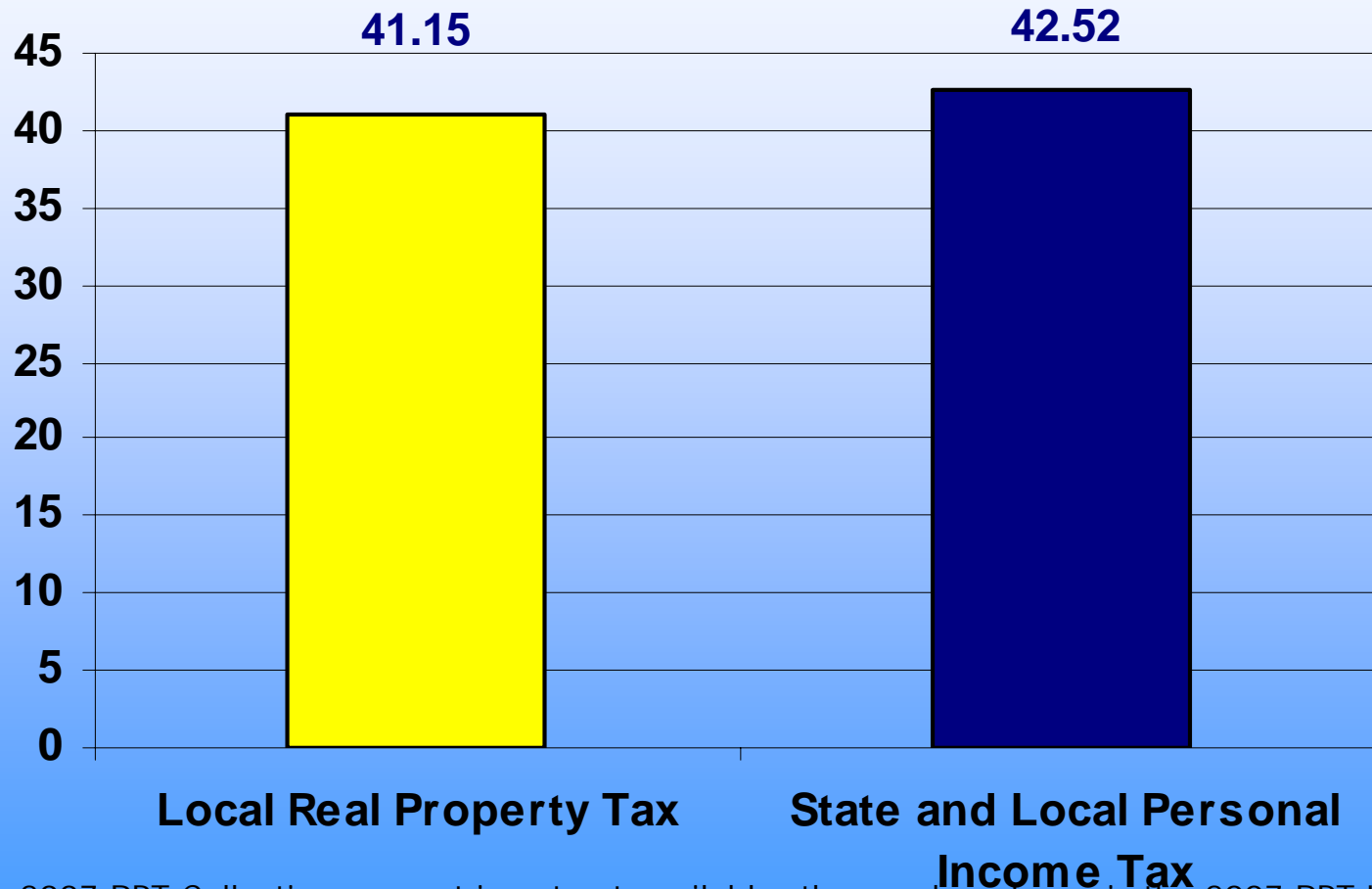


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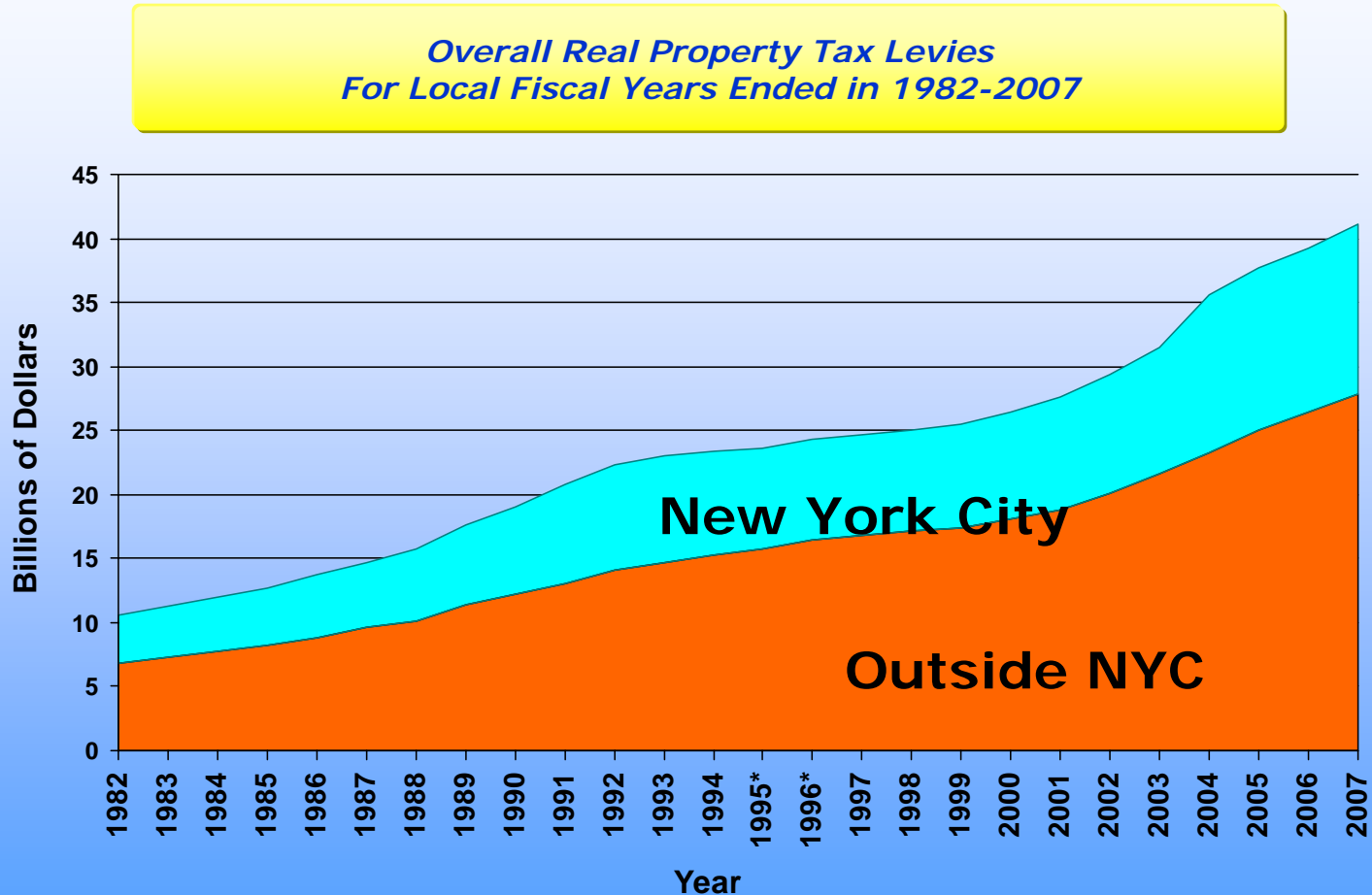
# Total property tax collections are nearly as much as state and local income taxes combined

*Fiscal Year Ending in 2007 (Billions)*



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

Since 1982, property tax collections in New York State have increased 350 percent and now exceed \$40 billion

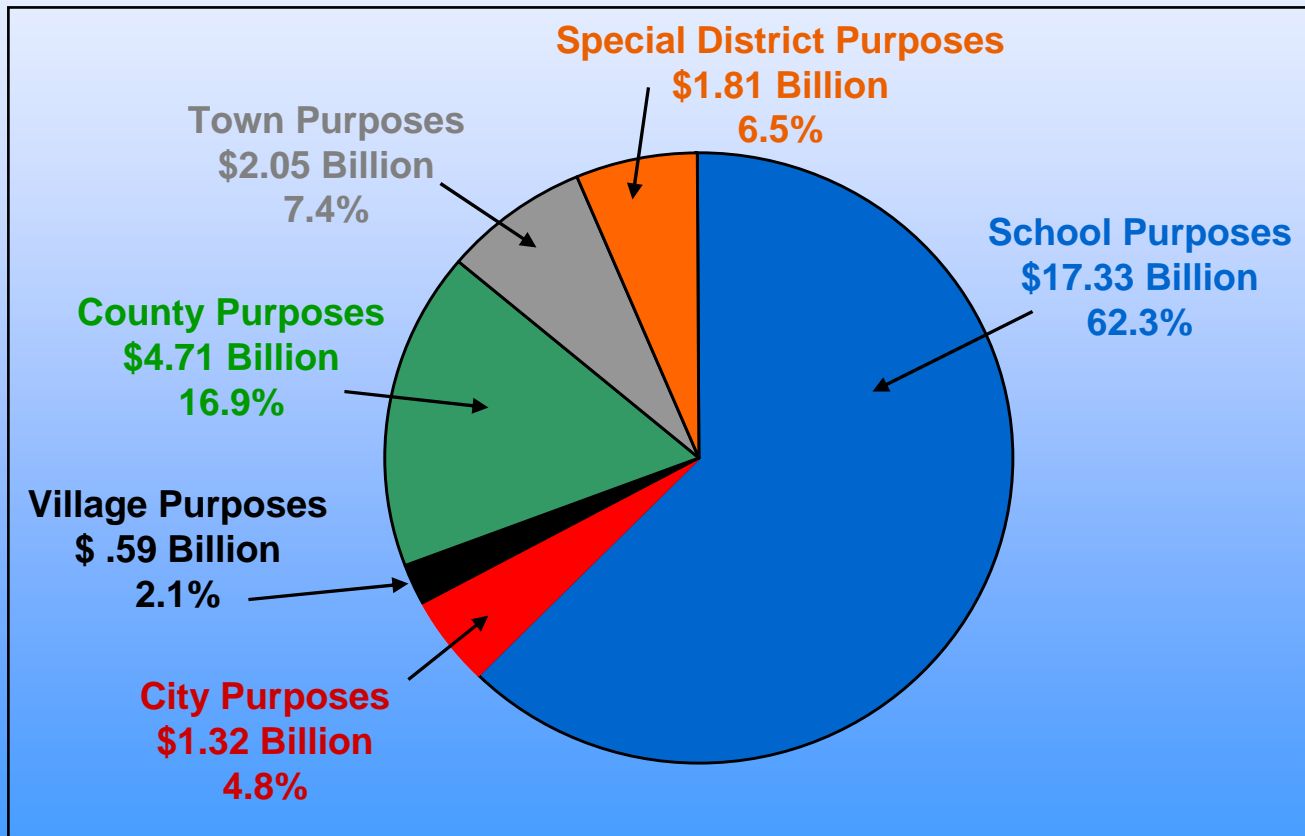


Note: Based on levies for all purposes after adjustments for sales tax credits to reduce county level and payments to reduce taxes



# School districts collect 62 percent of the total property taxes statewide

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



# New York has 4,250 local government entities, of which 1,100 perform the assessing function

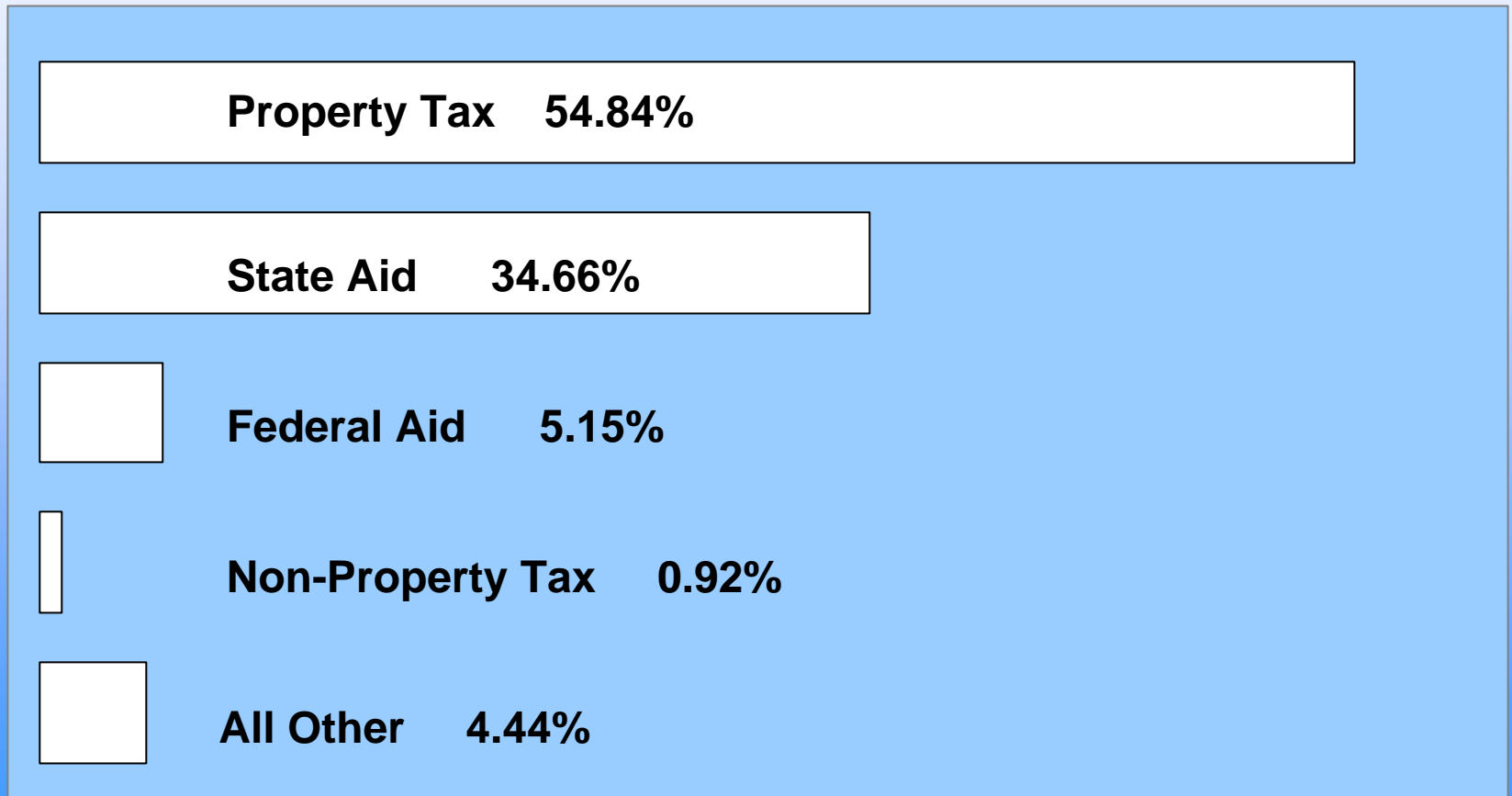
	<u>Number</u>	<u>Assessing</u>
<b>General Purpose / Property Tax</b>	<b>1,607</b>	<b>1,128</b>
Counties	57	2
Cities	62	61
Towns	932	920
Villages *	556	145*
<b>Special Purpose / Property Tax</b>	<b>1,817</b>	–
School Districts	698	–
Fire Districts	867	–
Library Districts	186	–
Town Special Districts**	66	–
<b>Other Special Purpose / Authorities</b>	<b>826</b>	–
<b>Independent Local Government Entities</b>	<b>4,250</b>	<b>1,128</b>

\* 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  
Total outside of New York City - \$28.347 billion*



## 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.

**Levy / Taxable Assessed = Tax Rate**

**\$10,000,000 / \$500,000,000 = \$20.00 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 it's 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

2008



Mrs. Smith

Full Market Value =  
\$300,000

Assessed Value =  
\$100,000

2008



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?

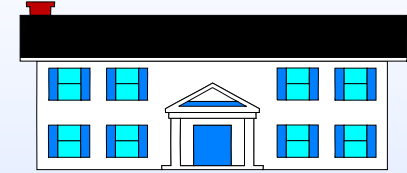
- ***Location, Location, Location***
- **Some locations are more desirable than others.**
  - **Some people may desire lakefront or lake-view property.**
  - **Some people may prefer to be near a city**
  - **Others may want to get back to nature**
  - **As communities age, ranch style homes may become more popular**

## What Else Drives Market Value?

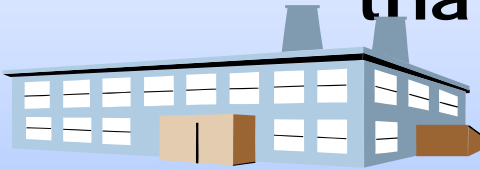
- **Economic influences**
- **Interest rates**
- **Availability of amenities and jobs**
- **Commuting distance to industry**
- **Consumer needs and the condition and amenities of a property**

# 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



<b>Valuation Date</b>	<b>July 1st, preceding year</b>
<b>Taxable Status Date</b>	<b>March 1st</b>
<b>Exemption Filing Deadline</b>	<b>March 1st</b>
<b>Tentative Roll Filed</b>	<b>May 1st</b>
<b>Grievance Day</b>	<b>4th Tuesday in May</b>
<b>Final Roll Filed</b>	<b>July 1st</b>

## 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...**

<b><u>Example #1</u></b>	<b><u>2007</u></b>	<b><u>2008 Reval</u></b>
Assessed Value	\$100,000	\$200,000
<b>LEVY</b>	\$100,000	\$150,000
Tax Rate	\$1/1,000	\$.75/1,000
Taxes Paid	\$100	<b>\$150</b>

**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....**

<b><u>Example #2</u></b>	<b><u>2007</u></b>	<b><u>2008 No Reval</u></b>
Assessed Value	\$100,000	\$100,000
<b>LEVY</b>	\$100,000	\$150,000
Tax Rate	\$1/1,000	\$1.50/1,000
Taxes Paid	\$100	<b>\$150</b>

**Taxes Go Up, BUT....They Are the Same as in Example 1!!!**

## Now Consider This.....

<u>Example #3</u>	<u>2007</u>	<u>2008 Reval</u>
Assessed value	\$100,000	\$200,000
<b>LEVY</b>	\$100	\$100,000
Tax Rate	\$1/1,000	\$.50/1,000
Taxes Paid	\$100	\$100

This town completed a reval....

The tax rate was sufficiently reduced

The levy did NOT increase

**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***