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## News Coverage on Property Tax Reform

### **New York City: The (New) Real Estate Tax Capital of the United States**

[Robert Knakal](#) <sup>[1]</sup> <sup>[2]</sup> <sup>[2]</sup> <sup>[2]</sup> <sup>[2]</sup>

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<http://www.observer.com/2011/11/new-york-city-the-new-real-estate-tax-capital-of...> <sup>[3]</sup>

"There are two components that make up the real estate tax calculation. The first is the real estate tax assessment. This number is supposed to bear some relationship to the market value of the subject property and is typically a percentage of that value (there are other aspects of assessments like a "target assessment" and a "transitional assessment," but for the purposes of this discussion we will assume there is an assessment upon which taxes are based). The other component is the tax rate, and there are different rates for different classes of properties. The tax assessment is multiplied by the tax rate to come up with the amount of tax that is due each year.

When politicians say they are going to support a platform of "no real estate tax increases," they are typically speaking about the tax rate alone. Even when the rate stays flat, if the assessment rises, an owner's tax bill is going to increase. From the owner's perspective, they really don't care if the rate goes up or down, or if the assessment goes up or down. All they really care about is how much they have to pay each year."

"...practices implemented in the city that keep tax revenues rising. For instance, let's use the early 1990's as an example. Throughout the 1980's, the city had a policy of reassessing properties at 45 percent of their selling prices. The difference between this new target assessment and the current assessment was phased in equally over a five-year period. To the extent that a property may have been sold multiple times within a five-year period, or other reassessments had been made, there may have been several of these assessment "clocks" in motion concurrently.

Throughout the '80s, when values were increasing every year, the city was very happy as real estate tax revenue continued to climb each year and this process of reassessment was thought to be wonderful. However, when the savings and loan crisis hit in the early 1990's, values began to fall sharply and properties were selling for a fraction of what they were selling for years before.

Had the city kept the same assessment practices in place, real estate assessments would have fallen dramatically as would have real estate tax revenue. Seeing the writing on the wall, this system of reassessment was suddenly not so wonderful and was abandoned to ensure that real estate tax revenues would continue to flow.

Manipulations like this have continued to exert upward pressure on the amount of real estate tax each property pays and these burdens continue to escalate. During the recent recession, New York City saw its average property value drop by 38 percent from peak-to-trough over a three-year period (2007-2010) yet tax assessments continued to climb during this period and continue to climb today. If taxes are supposed to bear a relationship to market value, something is amiss. But maybe intentionally so."

#### Press Clip Relevance

In New York City, the system of property assessment is manipulated and changed so that the city can ensure constantly rising tax collections. Even with property values dropping 38% from 2007 - 2010 in New York City, the tax assessments continued to climb. A constitutional amendment that institutes an equitable and standardized assessment practice across the state would be more fair to the taxpayers of New York, especially in New York City.

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**Source URL:** <http://nyconstitution.org/press-clip/news-coverage/property-tax-reform/new-york-observer-new-york-city-new-real-estate-tax-cap>

#### Links:

[1] [http://nyconstitution.org/press-clip-author/Robert Knakal](http://nyconstitution.org/press-clip-author/Robert_Knakal)

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[3] <http://www.observer.com/2011/11/new-york-city-the-new-real-estate-tax-capital-of-the-united-states/>