New York

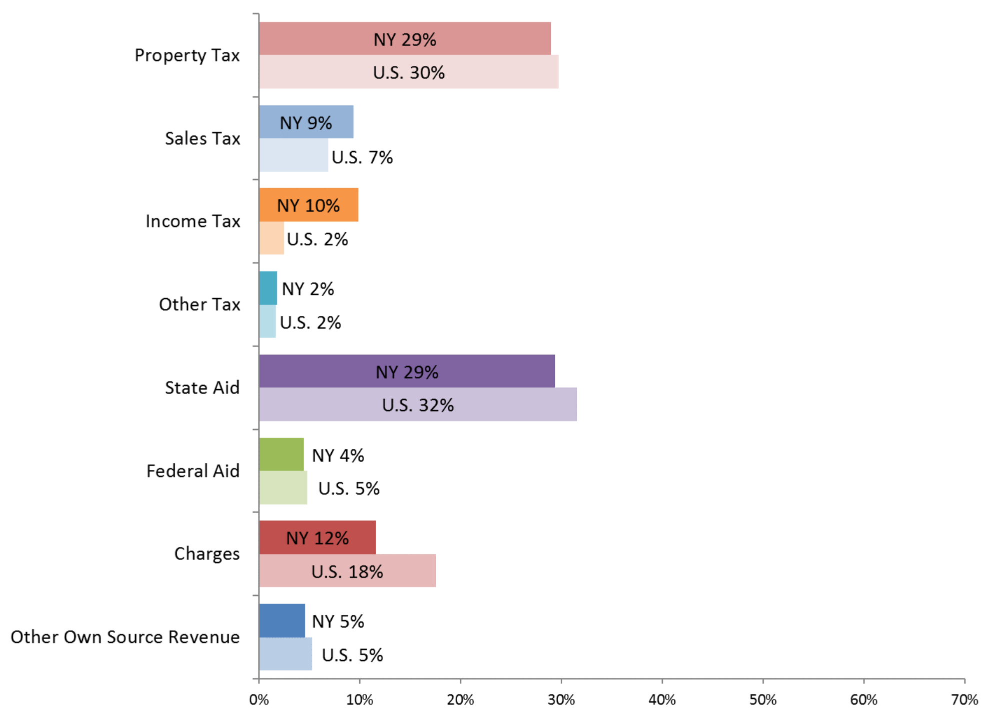
Highlights

The property tax is the foundation of New York State's local revenue system. It is the main local source of revenue for public schools in New York and for many other local services, such as police and fire. In 2013, the property tax provided 29 percent of local general revenue (figure NY-1). In the case of public elementary and secondary schools, it comprised 53 percent of local education revenue and 29 percent of total education revenue. In FY 2013, New York spent $19,818 per pupil on education, more than any other state (U.S. Census).

New York State has a particularly sizeable homestead exemption, called the School Tax Relief (STAR) Program, which provides an exemption from a portion of school taxes for all homeowners. The state then compensates school districts for the revenue they lose because of this exemption. In FY 2013, the program cost the state $3.3 billion, which was 7 percent of total 2013 property tax collections (New York State 2015 and U.S. Census via Significant Features of the Property Tax).

New York is one of two states, along with Illinois, in which property tax structures differ substantially by locality. New York City and Nassau County, a suburban county on Long Island, have property tax systems that are substantially different from those in the rest of the state.

Figure NY-1
Sources of New York Local General Revenue, 2013



Source: U.S. Census via Significant Features of the Property Tax

Property Tax Reliance

New York's property taxes per capita rank fifth in the nation, and property tax as a percentage of personal income ranks sixth (table NY-1).

Table NY-1
Selected New York Property Tax Statistics, 2013[1]

	New York	U.S. Average	Rank (of 51) *1 is highest*
Per capita property tax	$2,499	$1,441	*5*
Property tax percentage of personal income	4.7%	3.2%	*6*
Total property tax as percentage of state-local revenue	18.9%	16.9%	*11*
Median owner-occupied home value[2]	$288,200	$176,700	*7*
Median real estate taxes paid for owner-occupied home[2]	$4,330	$2,107	*4*
Effective tax rate, median owner-occupied home[3]	1.5%	1.2%	*12*

Sources: U.S. Census via Significant Features of the Property Tax, American Community Survey

[1] All revenue numbers in this table include the state government as well as local governments.

[2] The statistics for median owner-occupied home value and median real estate taxes paid for owner-occupied home are five-year average statistics for years 2009–2013.

[3] Calculated as the median real estate tax paid on owner-occupied homes as a percent of the median owner-occupied home value.

Administration and Assessment

Local governments are responsible for assessing property (table NY-2), and there are more than 1,450 different assessing units in the state. Special assessing units, defined as those units with a population of one million or more, include only New York City and Nassau County, with the remaining units considered "non-special" (Strom 2015).

Most assessing units do not employ property tax classification. Both New York City and Nassau County have classification systems with four different classes, in which both assessment ratios and tax rates vary. In New York City, for example, Class 1, which comprises residential real property except for cooperatives and condominiums, has an assessment ratio of 6 percent and a tax rate of 18.569 percent. Certain non-special assessing units have the option of using different tax rates for homestead and non-homestead properties.

The state government has attempted to improve the quality of assessments by tying funding to assessment standards. Its latest program, the Cyclical Reassessment Aid Program, requires a participating municipality to submit a plan for a reassessment cycle that must include a complete reappraisal at least once every four years. However, according to Nicely et al (2014), "some jurisdictions revalue annually, while others have not reassessed in many decades."

Personal property is not subject to the property tax in New York.

Limits on Property Taxation

New York law authorizes several limits on property taxation, including restrictions on both local property tax levies and on certain assessments (Paquin 2015). The local property tax levy limit, which was implemented in 2011, restricts the increase in any local government's property tax levy to 2 percent per year. In practice, however, a jurisdiction's limit may deviate from 2 percent because of adjustments for new property, capital spending, payments in lieu of taxes, and a few other things. The levy limit can be exceeded with the support of 60 percent of voters. New York also limits increases in base assessed value for agricultural property to 10 percent per year.

A separate assessment limit restricts growth in property values only in New York City and Nassau County; these limits vary by property class. For example, for Class 1, residential properties, assessments cannot increase more than 6 percent from the prior year or more than 20 percent over a five-year period.

Property Tax Relief and Incentives

New York provides several residential property tax relief programs, including a property tax circuit breaker program, a senior homestead exemption, and a school property tax exemption. New York's School Tax Relief (STAR) program provides exemptions from school property taxes for owner-occupied primary residences. For 2013, the basic exemption amount was $30,000 for Basic STAR and $63,300 for Enhanced STAR. All homeowners with incomes less than $500,000 are eligible for Basic STAR. Enhanced STAR provides exemptions to elderly homeowners with incomes less than $79,050. Exemptions are subject to adjustments based on local housing prices and vary considerably among localities. Recent changes to STAR include a 2 percent limit on the annual increase in a homeowner's STAR savings. STAR is the state's largest property tax relief program, available to 3.3 million taxpayers, and it is state funded (Eom, Duncombe, Nguyen-Hoang, and Yinger, 2014).

The Real Property Tax Credit for Homeowners and Renters is an income-tested circuit breaker program that provides a refundable credit against property taxes paid for claimants with household income up to $18,000. The maximum benefit was $375 in 2014. Under the Senior Citizen Homestead Exemption, local governments are permitted to exempt up to 50 percent of homestead value from taxation for elderly homeowners with incomes up to $37,400.

Both the system of property tax classification and the rules for valuing condominiums and cooperatives in New York City provide a substantial benefit to homeowners and owners of condominiums and cooperatives (Youngman 2016). This is reflected in the fact that the effective property tax rate on a $600,000 apartment building in 2015 was more than five times that for a homestead (Lincoln Institute of Land Policy and Minnesota Center for Fiscal Excellence 2016).

There is a wide array of property tax abatements for business property that are authorized by New York State. In 2013, New York had 28 programs with property tax incentives for economic development, some of which applied only to properties in New York City. One of those is a tax increment financing program.

Table NY-2
New York Property Tax Features, 2013

Feature	New York	Count for 50 states plus DC
Statewide Classification of Real Property	No	25
Assessment of property primarily by county	No	30
Limits on property tax rates or levies	Yes	45
Limits on the rate of growth of assessed value	Yes	19
Circuit breaker property tax relief program	Yes	34

Sources: Significant Features of the Property Tax

Key Property Tax History

Property taxes in New York State go back to at least 1654 and the Dutch New York Colony. By 1800, the property tax had become a state tax (with a hiatus during 1828 and 1842 when the Erie Canal was providing extensive revenue) and did not shift to the local level until 1928. Property taxes are now collected by all local governments (New York State Office of Real Property Services 2007).

The state has a long history of controversy surrounding assessment at less than full value and assessment inequality. The Assessment Improvement Law of 1970 provided some aid to improve assessment quality, encouraged state assistance with assessing complex properties, and encouraged localities to move from elected to appointed assessors. *Hellerstein v Assessor, Town of Islip* (1975) challenged the long-standing practice of ignoring the statutory requirement to value property at its full market value. In 1981, the legislature repealed the statutory requirement of valuation at full market value and substituted a requirement that property be assessed at a uniform percentage of value. It also instituted property tax classification for New York City and Nassau County (New York State Office of Real Property Services 2007, Quart 2015).

New York enacted its School Tax Relief (STAR) program in 1997 and has modified the program several times. STAR has conflicting impacts on property tax equity: It lowers the tax burden the most for the homeowners with the least valuable housing but does not provide any relief to renters and gives a higher exemption to homeowners in wealthier counties (Yinger 2014).

Recent Developments

In 2015, the legislature extended New York's property tax cap (better characterized as a levy limit) through 2020. Originally passed in 2011, the limit was to sunset in 2016. In laying out his policy priorities for 2015, Governor Andrew Cuomo had urged the legislature to make the tax cap permanent (Cuomo 2015).

Resources

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Publication Date

November 2016