New York

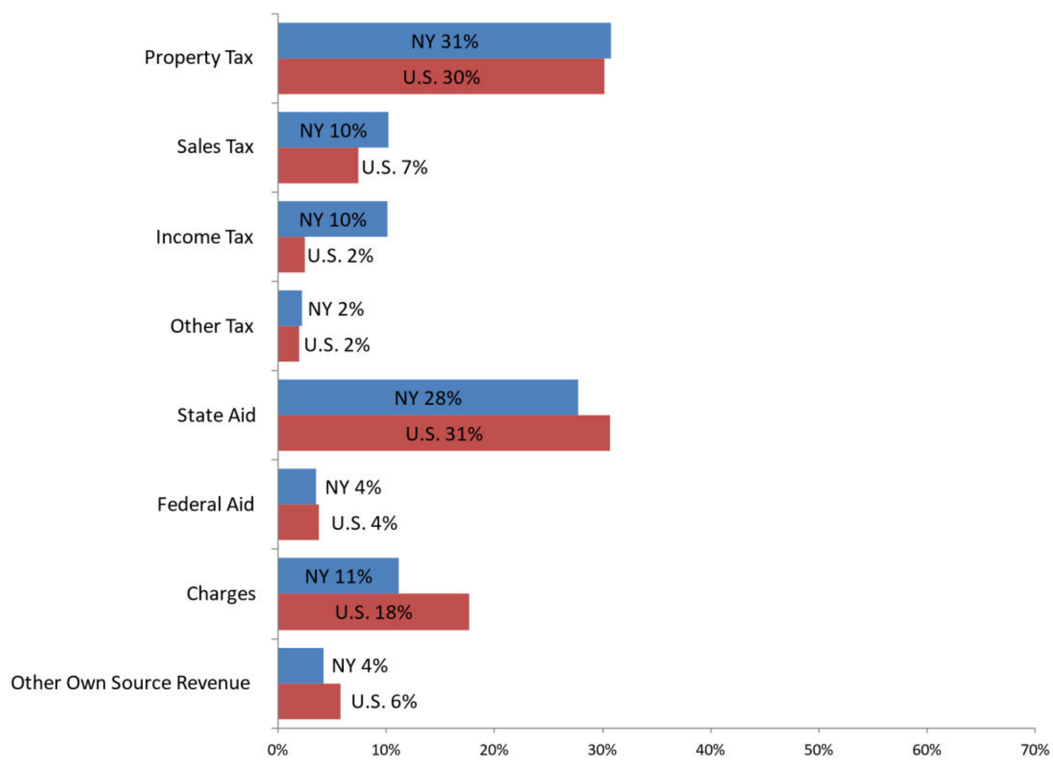
Highlights

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 2019, the property tax provided 31 percent of local general revenue (figure NY-1). In the case of public elementary and secondary schools, in 2018 the property tax comprised 56 percent of local education revenue and New York spent $24,040 per pupil on education, more than any other state (U.S. Census 2018).

New York State has a particularly sizeable homestead exemption, called the School Tax Relief (STAR) Program, which provides relief from a portion of school taxes for all homeowners. The state then compensates school districts for the revenue they lose because of this exemption.

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, 2019



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 seventh (table NY-1).

Table NY-1
Selected New York Property Tax Statistics, 2019[1]

	New York	U.S. Average	Rank (of 51) *1 is highest*
Per capita property tax	$3,180	$1,758	*5*
Property tax percentage of personal income	4.4%	3.1%	*7*
Total property tax as percentage of state-local revenue	18.9%	16.6%	*12*
Median owner-occupied home value[2]	$313,700	$217,500	*9*
Median real estate taxes paid for owner-occupied home[2]	$5,407	$2,471	*4*
Effective tax rate, median owner-occupied home[3]	1.7%	1.1%	*9*

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 2015-2019.

[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 21.045 percent for the 2020–2021 tax year (City of New York). 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 cap, a type of 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. In 2019, the state's property tax cap was made permanent (New York State Office of the Governor 2019). 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 relief from school property taxes for owner-occupied primary residences in the form of an income tax credit. For 2019, the basic exemption amount was $30,000 for Basic STAR. All homeowners with incomes less than $500,000 are eligible for Basic STAR. Enhanced STAR provides larger exemptions to elderly homeowners with incomes less than $86,300. Exemptions are subject to adjustments based on local housing prices and vary considerably among localities. STAR exemptions for individual homeowners are limited to a 2 percent annual increase per year (Significant Features of the Property Tax).

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 2017. 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 $29,000.

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).

There is a wide array of property tax abatements for business property that are authorized by New York State. In 2019, 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 (Significant Features of the Property Tax).

Table NY-2
New York Property Tax Features, 2020

Feature	New York	Count for 50 states plus DC
Statewide classification of real property	No	25
Assessment of property primarily by county	No	31
Limits on property tax rates or levies	Yes	45
Limits on the rate of growth of assessed value	Yes	18
Circuit breaker property tax relief program	Yes	31

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

Part of the 2017 state budget made the property tax cap stronger. The budget tied county funding for juvenile justice reform to whether the county exceeded the property tax cap, providing state funding for juvenile justice reform only if the county remained under the tax cap or was able to prove financial hardship (Campbell 2017).

The property tax system in Nassau County has recently been a subject of great controversy. An 18-month investigation by *Newsday* "documented a shift of $1.7 billion in taxes over the past seven years from the roughly 61 percent of property owners who won assessment appeals to the 39 percent who haven't" (Clark 2017a). Following the publication of *Newsday*'s findings, a record number of property owners filed property tax appeals (Clark 2017b). In 2019, a group of minority communities sued the county alleging that the tax assessment system employed by Edward Mangano, who was county executive from 2010 to 2017, was discriminatory, with the tax shift concentrated in low-income minority communities (Ferrette 2019).

The Tax Cuts and Jobs Act of 2017 capped the federal income tax deduction for state and local taxes (SALT) at $10,000. In 2018, New York joined Connecticut, Maryland, and New Jersey in a legal challenge to the SALT cap, arguing it interfered with state sovereignty and harmed the plaintiff states. A federal court judge dismissed the lawsuit in September 2020, finding that "the states have cited no constitutional principle that would bar Congress from exercising its otherwise plenary power to impose an income tax without a limitless SALT deduction" (Reitmeyer 2019). The average amount of the deduction claimed by New York taxpayers in 2015 was $21,779, more than double the new limit (Tax Policy Center 2017). New York lawmakers devised policies such as charitable deductions for taxes paid and a payroll tax under which employees would pay state and local taxes on behalf of employees to shield taxpayers from the effects of the cap, but the IRS issued rules to block these workarounds (Davison 2019). In 2020, the IRS released regulations that permitted an entity-level tax workaround that shields owners of pass-through businesses from the effect of the cap by reclassifying income tax payments by those business owners as entity-level taxes which are deductible (Walczak 2020).

In the first six months of the Covid-19 pandemic, growth in property tax revenue helped to offset pandemic-related sales tax revenue declines; however, by January 2021, the devastating effect of the pandemic on city property values was casting a shadow on property tax revenues (Braun 2020). New York City property values declined as a result of the pandemic, by over 20 percent in some sectors. In the city's annual tentative assessment roll released in January 2021, citywide market value was down 5.2 percent compared to fiscal year 2021. While the market value of Class 1 (one- to three-family homes) rose slightly (0.8 percent), the market value of Class 2 property (co-ops, condos, and apartments) declined 8 percent, and market value of Class 4 (commercial properties) declined 15.7 percent, with office buildings (15.6 percent), retail (21.1 percent) and hotel properties (22.4 percent) suffering the largest market value declines. Property tax revenue is predicted to decline 4.3 percent overall for fiscal year 2022. Expected growth in personal income tax revenue and business tax revenue and federal assistance were expected to offset the projected property tax revenue losses (New York City Comptroller Scott M. Stringer 2021). Governor Andrew Cuomo's proposed fiscal year 2022 includes a proposal to reduce the state reimbursement to school districts for STAR benefits (Arbetter 2021).

In a January 2021 executive order, Governor Andrew Cuomo permitted local governments to renew property tax exemptions instead of requiring recipients to reapply in person (Executive Order No. 202.83 of 2021).

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