

New York

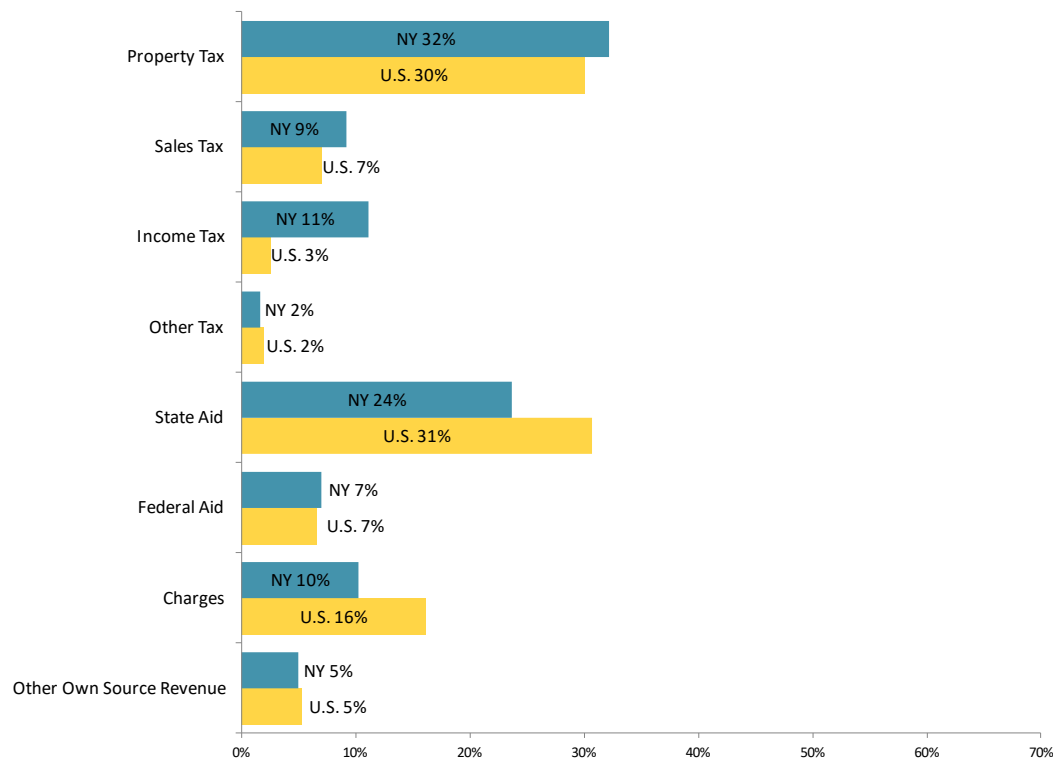
Highlights

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 2021, the property tax provided 32 percent of local general revenue (figure NY-1). In the case of public elementary and secondary schools, in 2021 the property tax comprised 67 percent of local education revenue and New York spent \$26,571 per pupil on education, more than any other state (U.S. Census 2021).

New York State has a 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, 2021



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

Property Tax Reliance

New York's property taxes per capita rank third 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, 2021¹

	New York	U.S. Average	Rank (of 51) <i>1 is highest</i>
Per capita property tax	\$3,343	\$1,898	3
Property tax percentage of personal income	4.4%	3.1%	6
Total property tax as percentage of state-local revenue	18.6%	15.5%	9
Median owner-occupied home value ²	\$340,600	\$244,900	9
Median real estate taxes paid for owner-occupied home ²	\$5,884	\$2,690	4
Effective tax rate, median owner-occupied home ³	1.7%	1.1%	8

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 2017–2021.

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 2021).

Most assessing units do not employ property tax classification. Two notable exceptions are New York City and Nassau County, which 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 1–3 unit residential properties except for cooperatives and condominiums, has an assessment ratio of 6 percent and a tax rate of 20.309 percent for the 2022–2023 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.

New York State does not require local assessing districts to revalue on any regular cycle. As a result, “some jurisdictions revalue annually, while others have not reassessed in many decades” (New York State Department of Taxation and Finance; Nicely et al. 2014). The state government has attempted to

improve the quality of assessments by tying funding to assessment standards. 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, 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 exceed 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). Another levy limit, known as the Constitutional Tax Limit, caps the levy at a set percentage of the jurisdiction's full valuation (1.5 percent), cities (2 percent, but 2.5 percent for New York City), and villages, but excludes towns and school districts.

New York assesses agricultural property based on the value of production with an adjustment for soil productivity. The base agricultural assessment may not grow by more than 2 percent per year (New York State Office of the Comptroller 2018; Significant Features of the Property Tax).

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. For 2021, 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 \$93,200 (2023–2024 program year) (New York State Department of Taxation and Finance). Basic and Enhanced STAR are both subject to adjustments based on local housing prices and vary considerably among localities. Relief is disbursed as a property tax exemption for taxpayers who have received the STAR exemption since 2015, and as a rebate check for those who enrolled after 2015. Maximum relief varies, but a taxpayer's relief under the program may not increase more than 2 percent 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 2021 for those with incomes under \$1,000. 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. New York has raised the income ceiling to \$50,000 effective July 1, 2023.

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 2021, New York had 27 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, 2022

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-standard 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.

Recent Developments

In 2022, New York State and New York City enacted policies to expand property tax relief for homeowners. The state passed a fiscal year 2023 budget that included a one-time \$2.2 billion property tax rebate for homeowners and a five-year property tax abatement for New York City childcare centers (Senate Bill 8009). The new tax credit benefits homeowners who are eligible for STAR with household income at or below \$250,000. The rebate is the lesser of \$150 or tax liability. The state sent out rebates to current STAR recipients with complete information automatically. Other homeowners were required to apply (City of New York 2022).

Senate Bill 3085A raised the income ceiling to \$50,000 for a property tax exemption for disabled or senior homeowners, the first increase since 2009. Senate Bill 8890 extended an expiring property tax exemption for first time homebuyers purchasing new construction (Hollingsworth 2022b). In August 2022, Mayor Eric Adams signed legislation passed by the New York City Council to provide \$150 rebates to city owners of single-to-three-family homes, condos, or coops, with household income at or below \$250,000. The rebate cannot exceed property tax liability.

New York enacted legislation dubbed the “Dark Store” bill in 2022 (A 894C/S 5715A). The law spells out what comparable sales or rentals assessors may use when determining the value of mixed-use or non-residential property using a sales, income, or cost method. The law states assessors should include “sales or rentals of properties that are similar in age, condition, use or the use at the time of the sale, type of construction, location, design, physical features and economic characteristics including but not limited to similarities in occupancy and market rent” (New York State Assessors Association 2021).

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. But subsequent court decisions dismissed the lawsuit (Muse 2022). 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). 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). New York lawmakers passed workaround legislation as part of the state’s 2021 budget and expanded eligibility in 2022 and 2023.

The property tax system in Nassau County has long been embroiled in controversy. A group of minority taxpayers sued the county in 1997 claiming outdated assessments led to gross underassessment of

residential property and failed to account for faster appreciation in high-value properties leading to “significant, racially disparate impacts on County residents.” The court settled the case by a consent decree that ordered a county-wide reassessment based on market value. The county complied and adopted a policy of annual adjustments. The policy was successful in achieving accuracy in assessments. Under the administration of Edward Mangano however, the county abandoned annual adjustments, freezing property values beginning in 2010 (*Hall v. Nassau County*). An investigation by *Newsday* in 2017 “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). After Mangano left office, the county instituted reforms to include reassessment and annual adjustments thereafter. After the 2021 reassessment, the county again froze assessments for the 2021–2022, 2022–2023, and 2023–2024 tax years (Malaszczyk 2023). In 2019, a group of minority communities sued the county alleging that the tax assessment system employed by Mangano was discriminatory, with the tax shift concentrated in low-income minority communities (Ferrette 2019). In March 2023, United States District Judge Lashann Dearcy Hall dismissed the case (*Hall v. Nassau County*).

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 commercial property values in New York City 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, with the largest declines in market values for office buildings (15.6 percent), retail (21.1 percent), and hotels (22.4 percent) (Arbetter 2021). Since 2020, residential values rebounded, but commercial values, specifically for retail, office, and hotel properties, have been slow to recover (Bram 2023).

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