

**Report of the**

**Committee on Finance**

**Finance Division**

**Tanisha Edwards, Chief Financial Officer and Deputy Chief of Staff to the Speaker**

**RESOLUTION COMPUTING AND CERTIFYING BASE PERCENTAGE, CURRENT PERCENTAGE AND CURRENT BASE PROPORTION OF EACH CLASS OF REAL PROPERTY FOR FISCAL 2023 TO THE STATE BOARD OF REAL PROPERTY TAX SERVICES PURSUANT TO SECTION 1803-a OF THE REAL PROPERTY TAX LAW**

**Introduction**. Section 1803-a of the Real Property Tax Law requires the City Council to certify to the State Board of Real Property Tax Services ("SBRPTS") certain calculations used in the process of updating the class shares from the previous year. These calculations are made every year by the Council to reflect the following changes in each class of real property:

1. Changes in the market value of taxable real property (as determined by SBRPTS sample studies),
2. Physical changes as a result of new construction or demolitions,
3. Changes in taxable status, and
4. Transfers of real property among the four classes of real property as a result of changes in use or for other reasons.

Under SBRPTS regulations, the Council must update the class shares by making two separate certifications. The action to be taken in the above-referenced resolution constitutes the first step of establishing the class shares of the four classes of taxable real property in the City to which the tax levy for the Fiscal 2023 budget will be applied. The purpose of this step is to give effect to the latest class equalization rates required by Article 18 of the Real Property Tax Law. Using these rates, new estimates of market values for each class are calculated.

The second step, certifying the "adjusted base proportions," requires a separate resolution that takes into account all the changes included in the final assessment roll, after the Tax Commission’s review of taxpayer protests. Attached hereto, as Exhibit A, are definitions of terms used in the analysis below.

**Analysis.** The class equalization rates described above normally generate a prospective current base proportion increasing over the prior fiscal year adjusted base proportion, or "class shares" (as shown in column R of SBRPTS Form RP-6700 attached to the above-captioned resolution). Pursuant to Section 1803-a(1)(c) of the Real Property Tax Law, if the increase in any class’ current base proportion exceeds five percent growth, the Council is directed to shift the excess (and only the excess) to any other class or classes so long as the shift does not cause the current base proportion of any other class to increase by more than five percent. However, notwithstanding that provision of State law, Chapter 215 of the State Laws of 2022, authorizes the City to adjust the class share cap by changing the percent increase of the current base proportion of any class over its adjusted base proportion of the immediately preceding year for purposes of determining the current base proportion, provided that such percent increase shall not exceed five percent, and provided further that such determination must be made by October 1, 2022.

Pursuant to that State law, the Council has adopted a resolution limiting the increase in any class share to zero percent.

The chart below shows the changes of the Fiscal 2023 current base proportions of all four classes from their adjusted base proportions in Fiscal 2022.

|  |  |
| --- | --- |
| Class | Percent Change of FY23 Current Base Proportions from FY22 Adjusted Base Proportions |
| 1 | 0.0 |
| 2 | 0.0 |
| 3 | 0.0 |
| 4 | 0.0 |

However, these current base proportions must still undergo adjustments for the physical changes and transfers among classes introduced in the final assessment roll. These adjustments ensue in a separate resolution, constituting the Council's second step. The "adjusted base proportions" derived from the adjustments will become the class shares used for allocating the Fiscal 2023 real property tax levy.

 **EXHIBIT A**

"Class equalization rate" represents the percentage that the total assessed value of each class is of the market value of the class, as shown in SBRPTS sample studies.

"Base percentage" represents the percentage of total market value that each class constitutes in the 1989 base tax roll. The 1989 base tax roll is the one that was used in setting the tax levy for Fiscal 1990.

"Current percentage" is similar to the base percentage, but applies to the most recent year for which the SBRPTS has established class equalization rates (in this case, the Calendar Year 2021 assessment roll).

"Local base proportions" are the class tax shares used to fix the tax rates for Fiscal 1991.

"Current base proportions" are the local base proportions modified to take into account the market value changes revealed by the latest class equalization rates.