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|  | **The Council of the City of New York**  **Finance Division**  **Latonia Mckinney, Director**  **Fiscal Impact Statement**  **Proposed Intro. No: 1143-A**  **Committee:** **Finance** |
| **Title:** A Local Law to amend the administrative code of the city of New York, in relation to installment agreements for the payment of real property taxes, assessments and other charges | **Sponsor(S):** Council Members Dromm, Yeger, Powers, Chin, King and Holden |

**Summary of Legislation:** Currently, when property owner owes property tax arrears they may enter into an installment agreement with the Department of Finance (DOF) to pay off the debt over a period of up to ten years with a zero dollar down payment. The installment amounts are then calculated based on the amount owed, interest rates, and pay-off period, but without regard for income or ability to pay. Proposed Intro. 1143-A would create three income-based installment agreements for eligible one- to three- family and condominium property owners where such property is the primary residence. All three installment agreements would be available only to property owners with combined incomes of $58,399 or less. The senior low-income installment agreement would allow property owners who are at least 65 years old to defer payment of all or a percentage of their tax arrears and prospective tax liability until the termination of the installment agreement, or upon expiration, death, or transfer of the property. The fixed-length income-based installment agreement would allow property owners to pay off tax arrears and one year of prospective tax liability by paying installments based on a percentage of income until the debt is repaid. Finally, the extenuating circumstances income-based installment agreement would allow property owners with extenuating circumstances (such as loss of income due to unemployment, death, treatment of an illness, military service, or involuntary absence) to enter into a one-year installment agreement to pay off tax arrears and property taxes that accrue during that year by paying installments based on a percentage of income. Under these new agreements, an owner would only be able to defer taxes up to a certain threshold: for a Class 1 home the threshold would be 25 percent of their net equity in the property, and for condos the threshold would be 50 percent of net equity. A property that is the subject of one of the installment agreements would be exempt from the tax lien sale. The current ten-year, zero down payment plan would continue to exist alongside these new payment plan options. Lastly, the bill would require DOF to issue an annual report to the Council on the usage of the payment plans and conduct an outreach campaign to publicize the new agreements.

**Effective Date:** This local law would take effect March 1, 2019.

**Fiscal Year In Which Full Fiscal Impact Anticipated:** Fiscal 2020

**Fiscal Impact Statement:**

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|  | **Effective FY19** | **FY Succeeding Effective FY20** | **Full Fiscal Impact FY20** |
| **Revenues** | TBD | TBD | TBD |
| **Expenditures** | $45,000 | $45,000 | $45,000 |
| **Net** | TBD | TBD | TBD |

**Impact on Revenues:** It is estimated that there would be no impact on revenues in the long-term resulting from the enactment of this legislation because this bill would not impact the amount of property taxes that a homeowner would be liable to pay. However, there would likely be an impact on revenues in any given year because the installment agreements would impact the timing of those payments. The year-by-year impact on revenue is not easily forecasted at this time because there are a multitude of unknown variables, including the participation rate in the program, the term lengths chosen, and the deferral and income percentages selected.. In the first few years of the program, the City would not collect some revenue it otherwise would have, but as payments begin to be deferred through the plans, over time the amount deferred would be offset by the maturing of older plans, balancing out collections from the plans as some current year revenues are deferred and some prior year deferrals become due. In addition, limits on the amount a taxpayer can defer ensure that the City will be able to recoup the deferred taxes should the taxpayer default on the payment plan.

In a general sense however, the City will not lose revenue because of the payment plans, as the plans only adjust the timing of the tax payments. This adjustment in timing may affect collections in any one given year, resulting in some years with slightly higher or lower collections. So it may be that the program is revenue positive or negative at certain points, but the fluctuations are expected to smooth out when viewed over time.

The payment plans can also be seen as revenue neutral for the City insofar as the interest rate charged on the plans is equal to or greater than the present value of those future collections. Should the interest rate be higher or lower than this cost, then the payment plans would become revenue positive or negative, respectively. However, since interest rates are set annually and are subject to change, a revenue neutral interest rate is assumed for the purposes of this fiscal impact statement.

**Impact on Expenditures:** It is estimated that this legislation would have an impact on expenditures in the amount of $45,000 per year resulting from the enactment of this legislation. This amount would be to contract for the title search services referenced in the bill. In addition, DOF anticipates hiring five new staff to implement the new program. However, the Council Finance Division estimates that this will not have a fiscal impact on expenditures because DOF already has 302 budgeted, vacated positions in the financial plan and hiring for the new program can be achieved through the existing budget.

**Source of Funds To Cover Estimated Costs:** General Fund

**Source of Information:** New York City Council Finance Division

Department of Finance

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**Estimate Reviewed By:** Chima Obichere, Unit Head, NYC Council Finance Division

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**Legislative History:** This legislation was introduced to the full Council on October 17, 2018 as Intro. 1143, and was referred to the Committee on Finance (the “Committee”). The Committee considered the legislation at a hearing held on November 20, 2018, and the legislation was laid over. The legislation was subsequently amended, and the amended legislation, Proposed Intro. 1038-A, will be considered by the Committee on January 24, 2019. Upon a successful vote by the Committee, Proposed Intro. 1038-A will be submitted to the full Council will for a vote on January 24, 2019.

**Date Prepared:** January 23, 2019