



Legislation Text

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Res. No. 1440

Resolution calling upon the State Legislature to pass, and the Governor to sign, S.5324, which would eliminate the cap on assessment increases for Class 1 dwellings valued at more than \$3,000,000 where the owners have a gross household income not exceeding \$250,000.

By Council Member Brannan

Whereas, Under the New York State Real Property Tax Law, New York City divides all real property into four different categories for purposes of assessment and taxation; and

Whereas, The four classes are as follows: Class 1 is all residential property with one, two, or three dwelling units, Class 2 is all other residential property, Class 3 is utility properties like power plants and substations, and Class 4 is all other property including commercial and industrial buildings; and

Whereas, Each class must bear a specific percentage of the overall tax levy for the City, known as a “class share;” and

Whereas, As The Regional Plan Association noted in its 2018 report “Residential Property Taxation in New York City,” because of these predetermined percentages, reforms such as changes to exemption eligibility, assessment caps, or valuation methods, which do not impact the division of the class shares, almost exclusively of shift tax burdens among property owners within a class rather than between classes; and

Whereas, As a result, a change in how the assessment caps for Class 1 properties are structured would change the tax burden within the pool of Class 1 taxpayers, but would have little to no impact on the taxes paid by Class 2, 3, or 4 property owners; and

Whereas, Many argue that a shift of tax burden within Class 1 is needed in order to provide relief to low and middle-income homeowners; and

Whereas, New York State Senator Andrew Gounardes has introduced S.5324, which would induce such a shift by amending the Class 1 cap on assessed value growth so that it applies only to homes valued at less than \$3,000,000 with a gross household income of \$250,000 or lower; and

Whereas, Currently, the cap on assessed value growth for all Class 1 properties limits increases on the assessed value to six percent a year or 20 percent over five years, without regard to home value or property owner income; and

Whereas, The existing cap structure was originally formulated to protect against spikes in home valuations that would lead to sudden and dramatic increases in property tax bills, and

Whereas, According to the sponsor's memorandum in support of S.5324, this mechanism has long since outlived its purpose because it fails to reflect the tremendous appreciation of real estate in the City, and

Whereas, For example, between the year 2000 and 2020 the value of Class 1 real property more than quadrupled from \$158.9 billion to \$657.4 billion; and

Whereas, That increase in value combined with the cap on assessed value growth resulted in homeowners in rapidly gentrifying neighborhoods bearing a disproportionately small burden of the tax levy since almost all of the market value of their homes escapes assessment; and

Whereas, This puts their property tax bills on par with those of middle-class homeowners throughout the City who struggle to make ends meet and provide for their families in an increasingly expensive locale; and

Whereas, The limitation on the cap contained in S.5324 would ensure that only households that are owned by truly lower- or middle-class property owners will continue to receive the assessment cap while owners of higher-end properties will pay more of their fair share in property taxes to reflect the vastly appreciated market value of their homes, thus offering relief to the other homeowners within Class 1; now, therefore, be it

Resolved, That the Council of the City of New York, calls upon the State Legislature to pass, and the Governor to sign S.5324, which would eliminate the cap on assessment increases for Class 1 dwellings valued

at more than \$3,000,000 where the owners have a gross household income not exceeding \$250,000.

NB
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9/29/2020