

**SENATE STANDING COMMITTEE ON LOCAL GOVERNMENT
ASSEMBLY STANDING COMMITTEE ON REAL PROPERTY TAXATION**

PUBLIC HEARING

June 1, 2009

Legislative Office Building

Hamilton Hearing Room B

Albany, New York

Comments from the New York State Assessors' Association, Inc.

Concerning Real Property Assessments

Presented by:

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&

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Senator Stewart-Cousins and Assemblyperson Galef and members of your committees, thank you for allowing us to once again share with you the thoughts and comments of the New York State Assessors' Association on your topics concerning the assessment process.

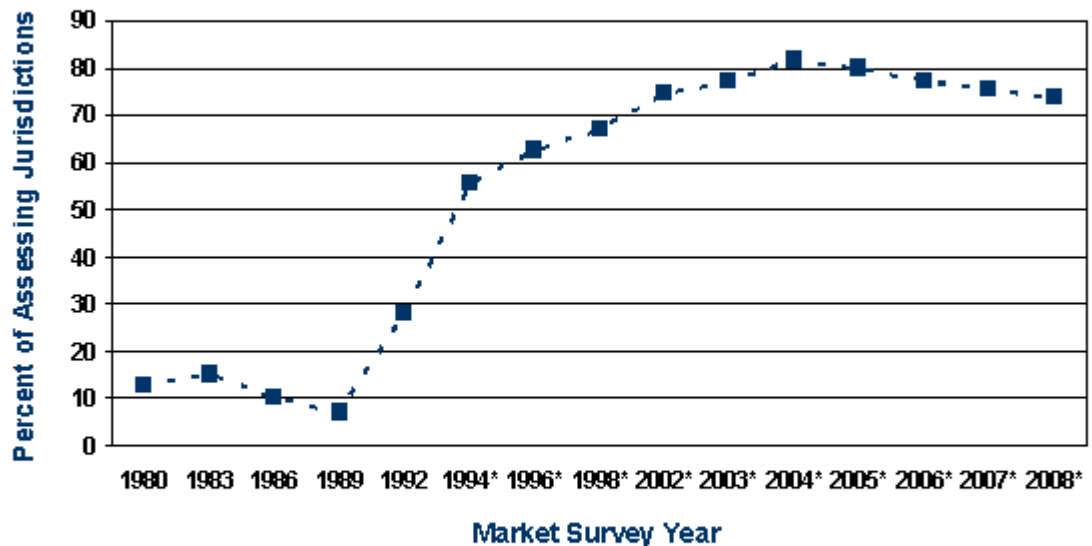
You have requested that comments be limited to selected topics as listed in your notice of public hearing and we would like to address all of those issues.

In general, are assessments across New York State uniform and equitable? If not, what actions should New York State take to address this?

The important language in the question is, "In general", and we believe the answer is yes. Are there assessing units that have non-uniform and inequitable assessments? Absolutely, but when you look across the entire State, the process of determining what share of the tax burden each taxable property has to pay, the assessment process is working. We do not share the same opinion as some within State government that the system is broken and is the most complex and dysfunctional system in the country. While the New York State real property tax system as a whole has some major problems, the assessment portion is the most transparent and reviewed part of the entire structure. There are local governments all across the State doing reassessments and updating assessments on a regular basis and are maintaining the tax burden in as fair a manner as possible.

A report from the Office of Real Property Services titled, "Assessment Equity in New York: Results from the 2008 Market Value Survey", states "a total of 723 (73.6%) of the state's assessing units had uniform assessment rolls." In the summary and conclusions this report also states, "Assessment equity in New York improved dramatically over the past thirty years, reached a peak earlier in this decade and, since then, has hovered around 75 percent of assessing units." We have included a copy of the graph that indicates the percent of assessing jurisdictions with assessment uniformity from 1980 to 2008. Please note that assessment equity has increased from a low of below 10% in 1989 to the current level of just below 75% in 2008. We believe this shows that, "in general", assessments are uniform and equitable>

Figure 1. Percent of County, City and Town Assessing Jurisdictions With Assessment Uniformity, 1980-2008



* In measuring assessment equity for survey years 1994 through 2008, acceptable levels of the coefficient of dispersion (COD) statistic were increased for the more rural assessing units. Recent reassessment programs that were reviewed and verified for the 1996 and subsequent surveys were deemed uniform.

Even though we believe the current assessment system works, “in general”, we also strongly feel it can be greatly improved with help from the State Legislature. We will attempt to answer your question number two as part of this response. **Should statewide assessment standards be adopted? If so, what should those standards include?** We have been working on assessment guidelines with the NYS County Directors of Real Property Services since the end of last year. I have attached a copy of the draft document to our comments for your review. Please understand this is not a final document and is a work in progress that has not been accepted by all the groups working on it as of this time. We feel that if the guidelines are reasonable and do not paint the entire state with the same brush, they would be a helpful guide to not only the assessment community but the property taxpayer as well.

There needs to be a reasonable assessment cycle law in New York. We have recently asked our membership what they thought was a cycle that would work for them and the overwhelming response was a 3 or 4 year cycle. This would give the assessors the ability to analyze the real estate market over a period of time and not arrive at assessments from a snapshot of the marketplace nor create such a large gap in time that the results are shocking to the taxpayers. There should be some type of statistical measurement of the assessments that

would allow an extension between reassessments if the uniformity and equity was within guidelines. For example, if the real estate market was level and the assessment to sale price ratios indicated acceptable levels, the municipality would not be required to expend monies and time to perform an unnecessary reassessment.

Legislation needs to be passed that will reform the inequitable restrictions to the methods required to value condominium and cooperative ownerships. Assessors are required to appraise property based on the market value of the real estate. We are forced to ignore the market value of condominium and cooperative properties and the result is a shifting of the tax burden to all other property owners.

The basic appraisal principal of using the highest and best use of the property for valuation is not being applied in New York State; instead current use must be used for assessment purposes. This flies in the face of good appraisal practices and should be changed.

We will address the exemption problem later on in our comments, but the proliferation of them has corrupted the fairness of the real property tax system.

Are property owners affected when reassessments are not done regularly? What is the impact on property owners when their locality is not assessing at 100 percent of full value?

The simple answer to this question is yes; but we need to define “regularly” to try to determine any impact on property owners. Is regularly every year, every four years or every fifty years? One of the economic principles of real estate is the Principle of Change, which holds that change is inevitable and results from cause and effect relationships. Real estate values are always changing, sometimes slowly and other times rapidly; also change happens in different ways based on location, economics, government actions and many other causes. If there is a long delay between assessments, this change will have caused inequities between property owners and the taxes they pay.

Assessing at 100 percent of value makes it easier for the property owner to understand the assessment process. It makes it less difficult for assessors to explain the assessment to the property owner and they can relate the assessment to what they believe to be the market value of their property. That doesn't mean you can't have a uniform and equitable assessment roll at a level of assessment of less than 100%, but that only adds another step to the process of reviewing the market value and becomes less transparent to the taxpayer.

Are municipalities that are assessing at full value negatively affected by neighboring municipalities that are assessing at a different percentage of full value?

Not necessarily. If the equalization rate process is being done correctly, there should be no affect on the municipality. The question should also be asked in the opposite form, are municipalities that are assessing at less than full value being negatively affected by a neighboring municipality assessing at full value? Our response is the same, if the equalization rate process is working, the apportionment of taxes, based on the equalized full value should hold all municipalities harmless. Since it is a State responsibility to set equalization rates, the agency in charge must be supported with proper funding and staff levels to provide competent rates.

Are there instances where monies from state and federal programs are jeopardized due to lack of the continual reassessments of properties?

We have no objective information about monies being jeopardized due to the lack of reassessments. The assessment of real property has been in place for over two hundred years in New York to raise money for local government needs. If in fact state and federal programs have been jeopardized, the question must be asked, is the state providing sufficient funding to local governments to conduct reassessments? If it was local government that had monies jeopardized, it would have been their responsibility to fund a reassessment program.

What is the impact of the increasing number of real property exemptions on localities and taxpayers?

There will never be tax equity in New York, as long as real property exemptions are enacted to provide a social impact or for a political benefit. Two properties with the same market value may have vastly different tax burdens based on if the owner is a senior citizen, veteran, first-time homeowner, firefighter or a not-for-profit owner, farmer, new business, or a number of other equally deserving classes of property owners. Yes, they may very well deserve a thank you from state government in the way of paying less money, but it should not be on the back of the real property tax. The use of real property exemptions for this type of recognition

completely ignores all those seniors, veterans, firefighters and other state citizens that don't own real property. Are they any less deserving?

The other part of the exemption equation is that every time a property owner pays less due to an exemption, everyone else pays more. The cost of local government doesn't go down when someone receives a senior or veteran exemption it is just moved to someone else. If the State government wishes to reward certain classes of people, encourage new businesses, assist farmers and all the other deserving reasons, give them an income tax credit or send them a check. Don't keep granting new exemptions and expanding existing ones that continues to erode the real property tax base. Everyone wants to provide property tax relief and we agree with that endeavor, just don't do it by creating different tax burdens by way of exemptions for the certain property owners. That isn't property tax relief; it's only moving the burden to someone else.

Have other states imposed standards of assessments on their localities? What effect have these standards had?

Yes, many other states have assessment standards. California for example has legalized, "welcome stranger", by enacting Proposition 13 many years ago, where you only reassess property at the time of sale. Some states have annual assessments and others have a ten year cycle. A number of mid-western states have different levels of assessment for agricultural land as compared to residential and commercial. You can find states that require assessments be at 100% of market value and other states require different fractional assessments based on property types.

We shouldn't think that New York doesn't have standards of assessment. The Real Property Tax Law is a standard, the NYS Rules for Real Property Administration is a standard, Procedures of the Office of Real Property Services is a standard and a long list of case law decisions are standards.

The answer to the question of what effect have the standards had, differ based on the standards. Some standards have proven to be beneficial to taxpayers by making the assessment process easier to understand. Other standards have only proved to confuse the public such as creating classified assessments and classified tax rates based on property types.

We believe that assessment standards, when crafted responsibly and with the cooperation of the people that use and are affected by such standards, are beneficial to everyone.

We thank you on behalf of the Assessors' Association for allowing us to comment today and we would be happy to answer any questions you may have.