



Why municipalities need to be reassessed?

The fairness, or equity, of the real property tax depends on whether similar properties are treated alike. Since 1981, Section 305 of the Real Property Tax Law has required the use of “uniform percentage” as the basis of assessing in New York State. This means that each assessing unit (city, town, village) chooses the percentage of market value to be used as the assessment standard and must apply this percentage uniformly among all properties within its boundaries. If your municipality has not conducted a reassessment recently, the assessment on your home or business is probably set at a dollar value below what the property would bring if you were to sell it today at market value.

This practice of assessing property for tax purposes at lower than actual market value has been used by many municipalities in New York and often is referred to as “fractional” assessing. Non-uniform, fractional assessing poses many serious problems and allows for an unfair distribution of the tax burden by any taxing jurisdiction that uses the assessment roll as the basis for its collection of taxes.

However, most unfair assessments have resulted from the most serious problem that most assessors do not have the time and resources to make sure that every property is assessed at a uniform percentage of its market value. Even if a reassessment has occurred recently, the assessor must constantly maintain the parcel inventory information and monitor the real estate market in order to keep assessments equitable.

Many assessors are overworked, and their offices are badly understaffed, if staffed at all. Consequently, many have not been able to maintain all assessments at a uniform percentage of market value – a shortcoming that has resulted in assessments in many municipalities being at any number of different fractions of market value.

This has led to easily recognized unfair assessments, because two properties of equal market value in the same municipality may end up with greatly different assessments. The one with the higher

assessment is obviously paying more in property taxes than the other, even though the properties are of equal value.

Again, the question in your mind should be whether you are being assessed consistently (at a uniform percentage of value) with other properties in your municipality. If the assessor has been able to keep pace with property changes and market conditions, inequities will have crept into the roll and some property owners are paying more than their fair share in taxes (over-assessed) and others are paying less (under-assessed). A properly conducted reassessment will result in each property taxpayer paying his or her fair share.

What is "my fair share"?

The property tax is designed as an "ad valorem" tax, which means it is a tax based on the value of the property.

The theory is that if somebody owns a \$200,000 property, he or she should pay twice as much in taxes as somebody who owns a \$100,000 property. Therefore, the market value of the property is the standard that should be used to determine one's fair share.

How is the market value of a property determined?

Trained appraisers generally use three different methods of estimating value:

Sales comparison: Used primarily for residential properties, this method compares a property with similar properties that have

recently sold in the same or similar neighborhoods.

Capitalization of income: Used primarily for commercial and apartment properties, this method estimates the net rental income, after expenses, that would be generated for the property and then determines the market value on the basis of what a prudent investor would pay for such property in order to earn that amount of income from his or her investment.

Replacement cost: Used primarily for industrial and utility properties, this method estimates what it would cost, at current local prices for construction material and labor, to replace the building. Depreciation and obsolescence are subtracted to reach a net value for the building, and then the value of the land is added to reach a market value for the entire property.

The sales comparison method is preferred for residential properties when there are a sufficient number of sales in a community to establish a market trend. If there aren't enough sales to draw a good comparison, the replacement cost method is used. Obviously, the capitalization of income method can be used only for properties capable of producing an income.

Is market value a reasonable standard for setting assessments? Why not just use the most recent purchase price of each property as its assessment?

The market value standard is the only truly fair and impartial yardstick for setting assessments. Even though state law allows for maintaining assessments at a uniform percentage of full value, the current market value of each property must still be determined in order to apply the uniform percentage in setting the assessment. Basically, there are two problems with using the most recent purchase price of each property in setting the assessment.

1. Over a period of time, market values in neighborhoods change. Take as an example two identical houses built in 1960 that sold for \$20,000. If one of the houses remained under the same ownership, its assessment today would be based on \$20,000. If the other sold last year for \$120,000, its assessment would be based on \$120,000. Thus, the new homeowner would be paying six times as much in property taxes as his neighbor, even though the properties are identical and presumably, of equal value.
2. The purchase price may not indicate the true market value of the property. The purchase price may have been affected by certain conditions of sale or the inclusion of personal property by the seller.

Therefore it is more appropriate to establish a market value from a group of comparable properties, one of which may be the property being assessed.

People are talking about using a computer to set assessments. Can a computer match the human judgments made by a professional appraiser?

If your locality undertakes a computer-assisted reassessment, the computer will not be determining your assessments. It will be used only as a tool to help appraisers do their work more quickly. The computer simply makes the mathematical calculations that, in the past, appraisers have had to do by hand.

When an appraiser tries to set a fair market value estimate on a property, he or she compares the property to similar properties that have sold recently. The appraiser makes certain adjustments for differences between the property being appraised and the properties that have sold. For instance, if the property being appraised has a garage and the one that has sold doesn't, the appraiser may add several thousand dollars to the estimate of the fair market value.

It still is the appraiser's or assessor's responsibility to review the computer estimate value at the property to arrive at an accurate final determination of value.

What rights do I have as a property owner to make sure the information for my property is correct?

If your municipality is conducting the revaluation using state guidelines, the property owner will have several opportunities to "look over the shoulders" of local assessment officials.

Before your assessor or reassessment firm can begin, however, they will need your permission to be on your property. Your cooperation in this regard along with that of all other property owners in your community, helps assure that the revaluation project will be a fair one based on complete and accurate information.

Without such cooperation, data collectors are forced to estimate how many bedrooms, bathrooms, etc. there are. Later, if you disagree with the value set for your property and ask that it be lowered, assessment officials will need precisely the information you refused to provide in order to rule on your request for a lower assessment.

The assessor has a right to go to your front door and seek admittance (possibly he or she will only want to inspect the exterior of the house) but must leave the premises if asked to do so.

If it is inconvenient to allow an inspection at the time, try to make an appointment for some other date. However, if you can spare the ten minutes or so that will usually be required, we urge that

you allow the inspection to proceed so that the information necessary for equitable assessment can be gathered.

Property owners are cautioned not to allow anyone into their homes without proper identification, preferably I.D. cards with photographs signed by an authorized town or city official. "No identification – no entry!"

After the inventory information on your property is gathered, you will receive a listing of the information that the assessor has recorded. Printed on this "data mailer" will be a telephone number you may call to alert the assessor's office about any inaccurate or misleading information regarding your property that may be in the assessor's records. The assessor or staff will make another visit, if necessary, to correct any misinformation you spot in this notice.

Only after the assessor is sure that all the property information is as complete and accurate as possible will the actual market value of your property be estimated by the computer. A qualified appraiser will review this value estimate and make a final determination. Then, before your new assessment is set, a notice will be sent informing you of the preliminary assessment of your property and estimating what your property taxes would have been during the current year had this preliminary assessment been used as the official assessment. From this notice you can get an idea of what effect the reassessment is likely to have on your annual tax bill.

If you have any questions or disagree with the preliminary assessment, you will be able to arrange for an informal conference at your assessor's office or the reassessment contractor's office to review the information on which the value is based. If the assessment officials feel that a mistake was made (or there is any other reason to question the accuracy of the value), another visit may be made to your property, and the preliminary assessment will be possible to recomputed the assessment without revisiting the site.

Only when the assessor is convinced that all the property assessments are as accurate as possible will they be placed on the tentative assessment roll.

If I am dissatisfied with my assessment after I have reviewed the tentative assessment roll, are there any grievance procedures available to me?

If you are dissatisfied with the assessment placed on your property as shown on the tentative assessment roll, you can protest your assessment to your local Board of Assessment Review (BAR). You should contact your assessor and ask for the proper grievance forms and the specifics regarding when the Board meets and how the protest should be filed. Free copies of the State Board's publication, "How to File A Complaint on Your Assessment," also should be available. The publication covers both filing with the BAR and the Small Claims.

Residential property owners who are dissatisfied with the determination made by the BAR can have their assessments reviewed at a Small Claims Assessment Review hearing or, if they prefer, in the State Supreme Court. Most residential property owners choose the Small Claims' hearing because it is conducted on an informal basis, does not require legal representation and is relatively inexpensive. The filing fee is \$25.

The Small Claims' petition for review must be filed within 30 days of the filing of the final roll or the published notice of such filing, whichever is later. A decision should be rendered within 30 days of

the hearing. You must file an assessment grievance with the BAR to be eligible to file later for review in Small Claims or in State Supreme Court.

Both residential and non-residential property owners who decide to file in State Supreme Court also will need to file a petition no later than 30 days after the date the final assessment roll is filed, and they should have legal counsel.

Isn't it true that, after reassessment, all residential properties will pay more taxes than other types of properties?

The oft-used statement that commercial property taxes will decrease while homeowners' taxes increase is a generalization that may not be true for any specific municipality.

Each locality is a separate case, and generalization about the impact of reassessments are usually inaccurate when applied to a specific place. In each case, the shifts in tax burdens that will occur depend on past assessment practices in the municipality in question. Usually the magnitude of these shifts is very difficult to predict before the reassessment project is started.

However, each parcel must be considered on a case-by-case basis. If an individual's taxes decrease, regardless of type of property, the owner of that property was paying more than his or her fair share of taxes before the reassessment. Using the new assessments, each parcel owner will be assured he or she is paying an equitable share based on the current value of the property.

If, as a result of this reassessment, my assessment increases, won't my taxes increase?

Not necessarily.

The effect of a reassessment on your tax bill may vary. There are a number of reasons why it is almost impossible to predict the effect on any individual property owner's tax bill.

However, it is important to understand that, although your assessment will increase, the tax rate applied to that assessment to calculate your tax bill is going to decrease. So if your assessment doubles, your tax bill will not double—in fact, it may actually remain about the same or decrease.

Isn't this reassessment just an attempt by our local governments to increase the amount of money they can raise from the real property tax so that they can spend more?

If you think that a reassessment is a way to raise more money for government spending, you are mistaken.

A reassessment generally does not increase the tax base. It simply redistributes the tax dollars within the tax base, i.e. the assessment rolls are used to distribute each owner's share of the taxes. The amount of taxes to be collected (tax levy) is arrived at independently of the assessor, and the total amount to be collected by your local government is not dependent on the size of the tax base.

For further information see the OPS website at <http://www.tax.ny.gov/research/stats/statistics/>