UNDERSTANDING ASSESSMENTS AND PROPERTY TAXES

by Nathaniel A. Jackson, F.I.A.O.

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NOTE TO THE READER

The facts and discussion of legal requirements and guidelines contained in this booklet are, to the best of the author's knowledge, true and accurate descriptions as of the time that the current edition of this booklet was written. However, because both relevant statutes and their implementing regulations are continuously being amended and changed, the reader should consult the New York State Real Property Tax Law and other statutes and their implementing regulations or an attorney or a knowledgeable public official before taking action or relying on any statements contained in this booklet. This booklet does not constitute legal advice. Neither the New York State Assessors Association nor the author shall be liable to anyone who relies to his or her detriment on the material contained in this booklet.

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INTRODUCTION

No one likes taxes, and we are not so foolish as to suppose that reading this booklet is going to make you like the real property tax. What we do hope to accomplish, however, is to provide you with a good basic understanding of the assessment process and real property tax administration so that you can make an intelligent judgment as to whether or not you are paying your fair share of the tax burden in your community.

We cannot hope to cover the entire subject in detail in this booklet. Just to give you an idea of its complexity, the New York State Real Property Tax Law presently consists of four volumes totaling nearly 2,100 pages and is expanded by new legislation every year. There are nearly 700 pages devoted solely to exemptions! Ten volumes of opinions of counsel expanding on this body of law have already been issued by the New York State Office of Real Property Services (ORPS) and new opinions are prepared as needed. In addition, there is a large book of ORPS rules and regulations and any number of textbooks on the appraisal of real property. All that we can do is cover the essentials. If you have questions that aren't answered here, the first person to turn to is your assessor. He or she should be able to answer most of them or know where to direct you if additional information is needed. Another excellent source of information is the website of the State Office of Real Property Services at *www.orps.state.ny.us*. Subjects such as exemptions, opinions of counsel, new legislation, forms & publications, names and addresses of local assessors, equalization rates and residential assessment ratios are all covered.

Your best assurance that the real property tax will be equitably distributed in your city, town or village is the commitment of your elected officials and the experience and knowledge of those people, particularly your assessor, who are responsible for its administration. The selection of an assessor should be based only on professional qualifications. That official should then be allowed to do the job as required by the laws of our state. Finally, you as a property owner should realize that property taxation is a necessary fact of life and that you must pick up your fair share so that others do not have to pay more than they should. The property tax is as much a part of the cost of home ownership as are your mortgage, insurance, utility bills and normal maintenance. A sense of fairness on the part of all the participants is essential if true equity is to be achieved.

* * *

This booklet has been written primarily for the owners of single-family homes and that type of property is used in examples throughout the text. The principles explained, however, apply to all classes of real property. Inasmuch as the later sections of the booklet build on information provided in earlier chapters, we hope that initially you will read it all the way through and then go back to those subjects which you find of particular interest.

THE REAL PROPERTY TAX

Let's start with a few simple definitions. The real property tax is just that: a tax based on the value of real property. Real property can loosely be defined as land and the structures (usually called improvements) that are permanently attached to it. Yes, houses can and have been moved from one lot to another, but for purposes of the property tax they are considered to be permanently attached to the land. An automobile, to the contrary, is easily moved from place to place and is described as personal (vs. real) property. The dividing line becomes a bit fuzzy on occasion when we consider, for example, partially in-ground pools and prefab tool sheds set on permanent foundations.

The real property tax is described as an *ad valorem* (a Latin term meaning "in relation to the value") tax because it is based on the value of the property. This value is best described as current fair market value which is the price at which the property would sell under normal circumstances. If you put your home on the market and it was shown to numerous prospective buyers for several weeks or even months before you came to an agreement with one of them, that would probably be considered a sale under normal circumstances. If, on the other hand, you had only a week to sell your house before moving to a foreign country to accept an excellent job offer, you might let your house go too cheaply, and that would probably not be considered a normal or "arm's length" sale.

The assessor, in valuing any parcel of property, always starts with market value even though it may go on the assessment roll at some fraction thereof. That's what the law in New York State requires. The fact that you do not have any intention of selling your house is not pertinent. The assessor must still make an estimate of market value based on the best available data..

Most of us are aware of the various taxing jurisdictions which use the real property tax to raise the money needed for their operations. Every county uses this form of taxation as do the cities and towns within a county. Within towns one sometimes finds villages which also levy property taxes. The biggest property tax bite for most homeowners is the school tax. (Yes, the school tax is also a property tax because it is based on real property value.) Finally, there are special district taxes, usually a minor item on the overall tax bill, which are levied on behalf of sewer, water and fire districts to name the more common types. No property taxes are directly paid to New York State.

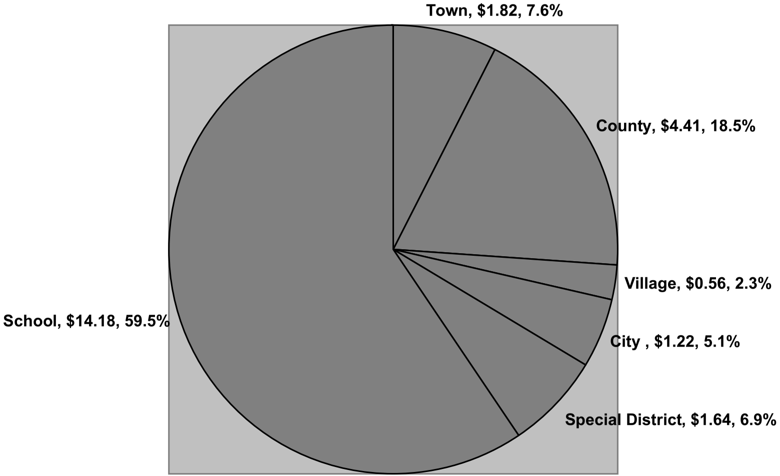
Property taxes provide the bulk of the funds required for local government and public primary and secondary education. A large variety of services including road maintenance, police protection, libraries, deed registry, justice courts, building code enforcement, etc. are all provided for by county, city, town and village taxes. The school tax pays the salaries of teachers and administrators and maintains the buildings and equipment required by the school system. Special district taxes, of course, fund the operations of the districts that levy them. For example, even if you have a volunteer fire department you may pay fire district taxes to provide for the fire trucks and the fire house which are needed to protect your home. A taxing jurisdiction can be compared to a business which provides services and products which must be paid for. Obviously, there is a limit to just how much of these products and services the taxpaying public wants and can afford.

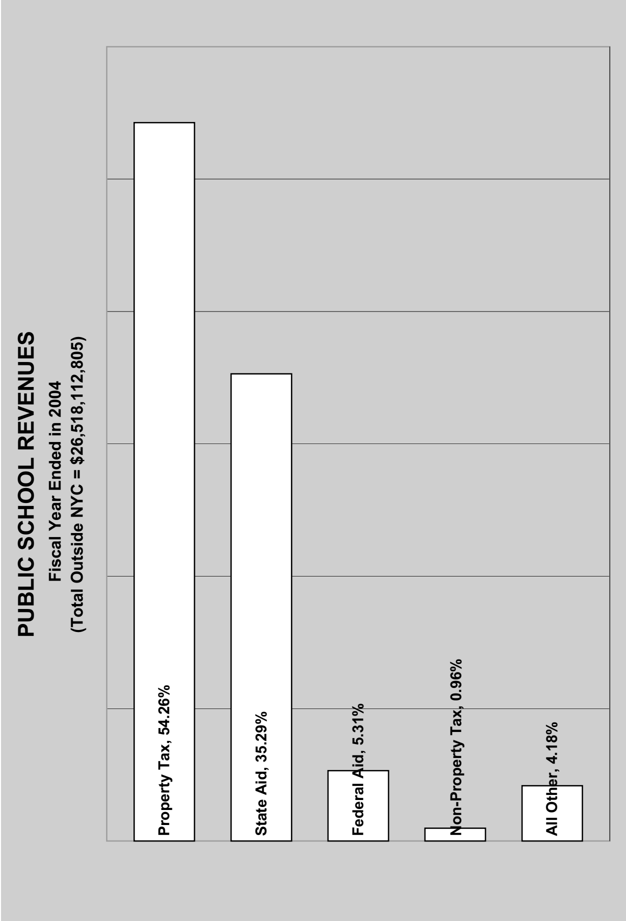
Statistics can sometimes be dull, but we think that the reader might be interested in the following graphs which are taken from the 2006 Annual Report of the Office of Real Property Services. He or she might also want to review a publication entitled "Property Taxes in New York State" (April 2006) published by the Office of the New York State Comptroller. [The entire report, which is available on-line, is highly recommended reading for anyone wanting to study the subject in greater depth.] What should be immediately obvious is that the property tax raises huge amounts of money: some $38 billion in 2005 up 42% since 2000. It is a major source of funding for local governments and school districts and is growing more rapidly than other revenue sources. New York taxpayers have the highest combined state and local tax burden in the U.S. This burden is entirely driven by local taxes which are 60% higher than the national average and nearly 22% higher than those of the next highest state. Is it any wonder that those who have suggested that the property tax should be abolished have never been able to devise some other practical way to replace the huge sums that the present system provides?

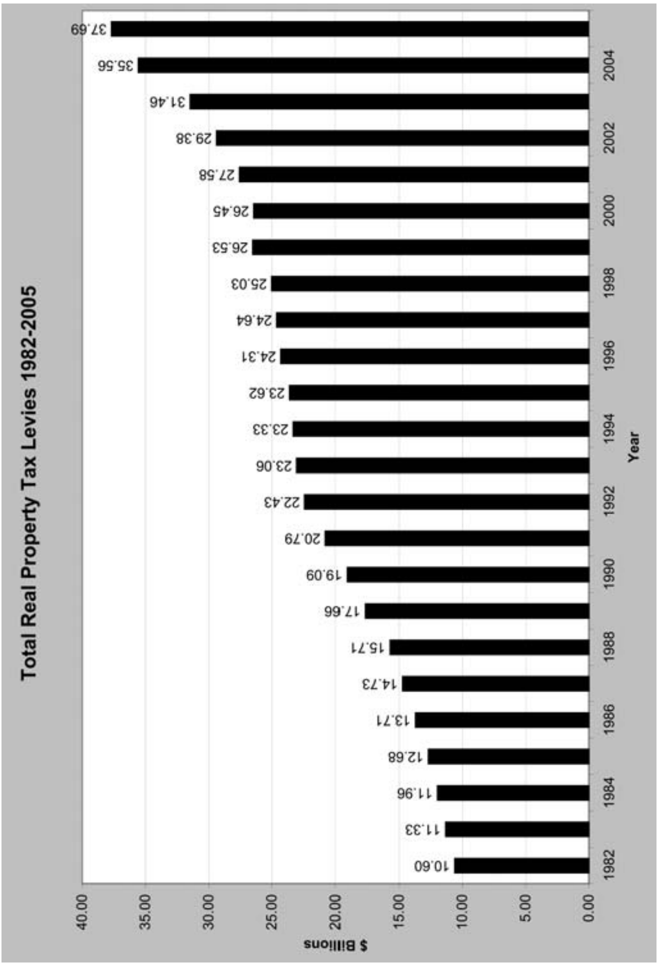
WHERE THE PROPERTY TAX GOES

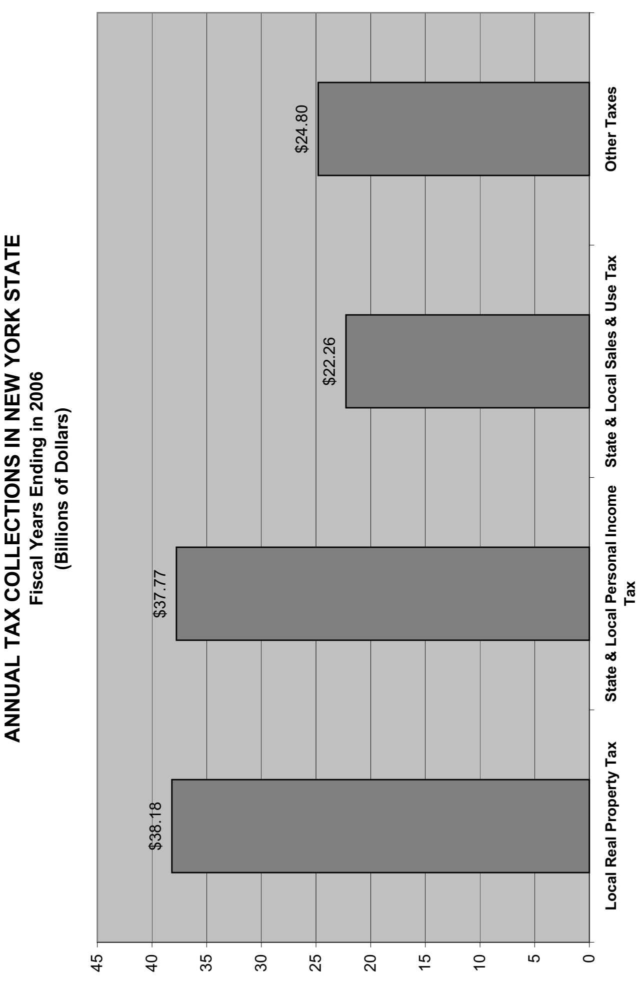
Real Property Tax Levies by Purpose ($ Billions) - Outside of NYC

Local Fiscal Years Ending in 2005




PUBLIC SCHOOL REVENUES
Fiscal Year Ended in 2004
(Total Outside NYC = $26,518,112,805)
Property Tax, 54.26%
State Aid, 35.29%
Federal Aid, 5.31%
Non-Property Tax, 0.96%
All Other, 4.18%


Total Real Property Tax Levies 1982-2005
$ Billions
40.00
35.00
30.00
25.00
20.00
15.00
10.00
5.00
0.00
Year
1982
1984
1986
1988
1990
1992
1994
1996
1998
2000
2002
2004
10.60
11.33
11.96
12.68
13.71
14.73
15.71
17.66
19.09
20.79
22.43
23.06
23.33
23.62
24.31
24.64
25.03
26.53
26.45
27.58
29.38
31.46
35.56
37.69


ANNUAL TAX COLLECTIONS IN NEW YORK STATE
Fiscal Years Ending in 2006
(Billions of Dollars)
45
40
35
30
25
20
15
10
5
0
$38.18
$37.77
$22.26
$24.80
Local Real Property Tax
State & Local Personal Income Tax
State & Local Sales & Use Tax
Other Taxes

SOME PROS AND CONS

There are a number of points to be made in favor of the property tax compared to other types of taxes and, as one might expect, it also has its negative aspects. To be fair, we want to present both points of view, so let's start with some of the advantages.

1. It is generally under local control although budgets, which determine how much must be collected, may be somewhat influenced by federal and state mandates. Assessments, which determine how the burden will be shared, are (with a few exceptions) made by your local assessor. Public hearings are held during the municipal budget-making process and you have a right to attend them and speak out. With respect to school budgets, not only are there public hearings, but the budget, except in cities, must be approved by the voters of the district (although voter turnout is often very low). Also, as will be discussed later, you have an opportunity to contest your assessment before a local board of assessment review if you feel that it is not fair. Your property tax dollars go only to local governments and school districts. None go to the state or to the federal government. In short, the property tax and home rule go hand-in-hand.

2. It is the least expensive to administer. That is to say, for each dollar collected more is available for the taxing purpose and less is swallowed up in the administration of the tax itself. Also, all of the calculations are done for you. It isn't necessary to spend hours struggling with something like the IRS 1040 form or to hire someone else to figure it out.

3. Property tax receipts do not fluctuate as widely with economic cycles as do income or sales tax receipts. If a manufacturing company shows a loss during a recession, it may pay no income taxes whatsoever. But the value of its factory will probably change very little and can be expected to yield about as many tax dollars as it did when the business was profitable. Of course, no business can absorb losses indefinitely and still pay its taxes.

4. The asset which is taxed, namely the property itself, cannot be removed or hidden. A dishonest person may hide earnings on which he has not paid income taxes in a foreign bank account, but three acres of valuable residential land cannot be sent overseas to avoid the property tax. Assuming that your town or city has been adequately

mapped and that the assessor keeps up with new construction, no real property should escape lawful taxation. If taxes are not paid, the property may be taken and sold by the municipality and the proceeds applied to satisfy the debt.

5. Under the current federal tax law, property taxes remain a deduction on your federal income tax return.

* * *

Now let's turn to some disadvantages of the property tax.

1. The first problem is perhaps more apparent than real. The sales tax comes out of your pocket every day in nickels and dimes. One scarcely notices it except on big ticket items. Those of us who work for a regular wage are subject to withholding and we never even see that part of our earnings extracted to pay federal, state and city income taxes. But the property tax is highly visible because (unless you are paying it to a bank with your mortgage) it arrives in the form of two or three large bills each year which can play havoc with the checkbook.

2. If you live in a part of the state where the total sales tax is 7%, you will pay a tax of seven cents on a purchase of one dollar. You may not like the tax, but there is no argument about how much you owe: 7 cents is 7% of $1.00. Not so with the property tax because, as we discussed before, your assessment is based on an estimate of value, and all estimates can be open to differences of opinion. Since it is sometimes difficult to be objective where a lot of tax dollars are at stake, is it any surprise that property owners and assessors don't always agree?

3. It should be apparent that, all other things being equal, a home that is well cared for will have a higher market value than one which has been allowed to deteriorate and thus should be subject to a higher assessment and higher taxes. But should a property owner be penalized for keeping his property in good condition and should an owner who lets his property become a blight on the neighborhood be rewarded in the form of lower taxes? That's a tough question! Most of us would agree that the addition of a fireplace or central air conditioning increases the value of a home. But should a homeowner whose house is freshly painted, whose roof is in good repair and whose grounds are well-kept pay more taxes than a neighbor who has let his property become an eyesore? Even though the first owner will get more money for his house when he sells it, he may, in the meanwhile, pay more

taxes as a reward for his good care of his home. It has been suggested that the property tax sends a negative message to taxpayers about the importance of caring for their real property, and, to a certain extent, that may be the case.

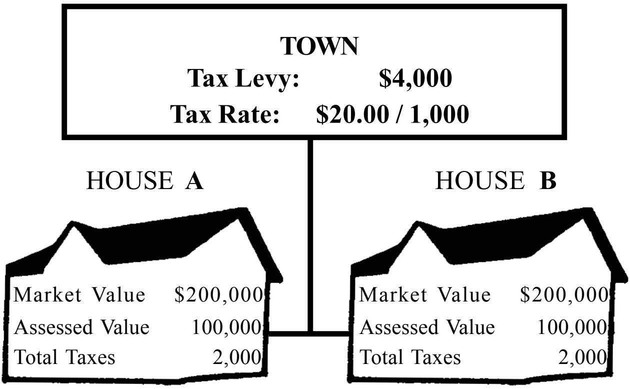
In summary, as is true with almost everything that we deal with, we must accept the good with the bad in the property tax and hope that there is more of the former than the latter.

SOME SIMPLE ARITHMETIC

It is essential that property owners understand the relationships between spending (in the form of budgets), assessments, tax rates and taxes. It is a waste of time to complain to your town council that the town is spending too much money, when, in fact, it is an inequitable assessment that is causing your taxes to be out of line. Likewise, if the school board is providing a Rolls Royce for the principal to use on official business, you will get absolutely nowhere by blaming your assessor for a whopping school tax bill.

In a general way - and this is probably the most important paragraph in this whole booklet - municipal and school budgets determine the total amount of taxes that must be paid. Assessments determine how that total tax is shared among the property owners. Your own tax bill is the result of both budgets and assessments, and you need to know how they work before you can begin to make a judgment about the fairness of the property tax in your community. The school board or town council is not responsible for your *share* of the total tax burden; that's the assessor's function. Likewise, your assessor is not responsible for the actual dollars to be collected. **Nothing your assessor can do will change the total dollar figure; he or she only determines the proportionate amount you pay.**

Let's look at a few examples:



In the little town above, there are two houses, both of which, to make things simple, have an undisputed market value of $200,000. The town needs to raise $4,000 to pay the police, maintain the roads and so forth. We will assume in these examples that all of the funds needed by the town must be raised by the property tax. In actual fact, there are other sources of revenue including state aid. Now, let us say that the assessor is assessing all property at 50% of its market value so that each house is assessed at $100,000. The total assessed value of our little town is thus $200,000 ($100,000 + $100,000). House A has half of this total so it will pay half of the total taxes or $2,000. House B obviously has the other half of the total assessed value so it also pays $2,000. Simple, isn't it?

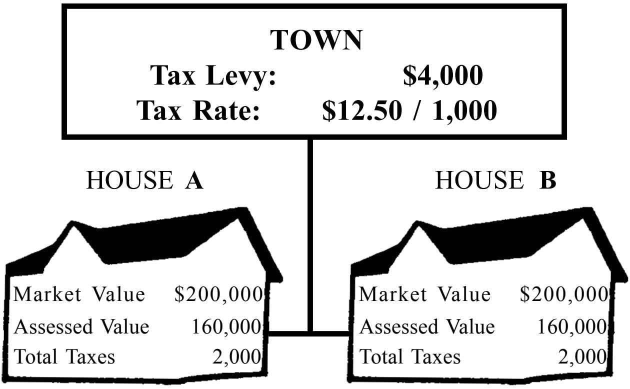
In real life, of course, towns don't have just two houses and one's share of the tax burden can't be expressed in fractions such as one-half. Instead of telling you that your share of the taxes is some silly figure such as .0001271% (it could be done that way, however) a tax rate is developed by a very simple formula. The amount of money that must be raised is divided by the total taxable assessed value against which it is to be raised.

$$\textbf{Tax Rate} = \frac{\textbf{Tax Dollars Required}}{\textbf{Taxable Assessed Value}}$$

We speak of "taxable" assessed value because property which is exempt (to be discussed later) obviously does not contribute. The tax rate is usually expressed in terms of a certain number of tax dollars per $1,000 of assessed value such as "$37.76 per 1,000". To determine the rate per thousand we use the taxable assessed value expressed in thousands of dollars in the formula above.

Let's put that all together for our mythical two-home town. The tax dollars required are 4,000. The total taxable assessed value is $200,000 which, expressed in thousands of dollars, is simply 200. Therefore, the tax rate is $4,000 divided by 200 which equals $20 per thousand. We can test this result. House A's assessed value is $100,000 or, expressed in thousands, 100. If the tax rate is $20 per thousand, then House A's tax bill should be $20 x 100 or $2,000. This is the same figure that we arrived at above when we determined by simple common sense that each house would pay one half of the $4,000 that has to be raised. All tax rates are determined in exactly the same manner, whether for a village of a few hundred people or a large city such as Albany or Buffalo. A given taxable assessed value and a given amount to be raised can produce one and only one tax rate. Ten divided by five equals two. No other answer can possibly be correct. [Note: In New York City, Nassau County and municipalities using the homestead provisions of Article 19 of the Real Property Tax Law, different rates may be set for different types of properties. The mathematical procedure is, however, identical.]

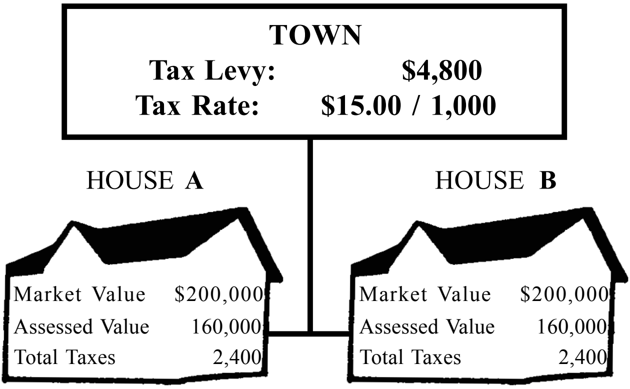
Now let's see what happens when some of the figures change. We will start by assuming that the assessor decides to assess at 80% of value instead of 50% so he raises the assessment on each house to $160,000. Everything else remains unchanged.



There is no change in the amount of money that must be raised (properly called the tax levy), but the total taxable assessed value of our town is now $320,000. The tax rate is determined by dividing the levy, $4000, by the taxable assessed value expressed in thousands, 320. Thus, $4,000/320 equals a tax rate of $12.50 per thousand. If we multiply the tax rate by the assessment of house A in thousands we get $12.50 x 160 = $2,000. Both houses pay exactly the same tax as they did in the first example because the dollars to be raised and their assessments relative to each other have remained unchanged. All that happened is that the assessments went up and the tax rate went down. **Increased assessments - even full value assessments – do not of themselves result in a tax increase.**

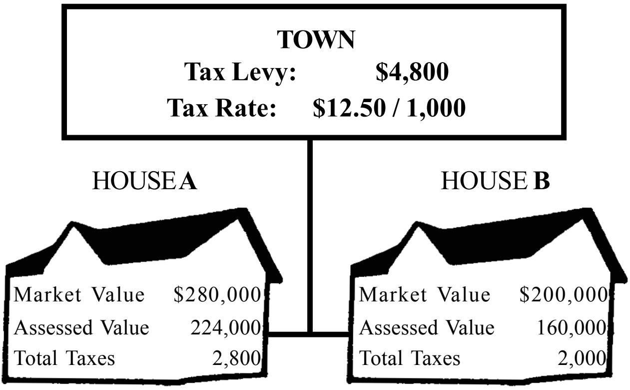
We might note in passing, that our examples have been set to result in tax rates which come out to even dollars and cents. In fact, most tax rates are carried out to tenths, hundredths and even thousandths of cents in order to minimize rounding adjustments.

Next, let's see what happens when the budget of our town increases from $4,000 to $4,800 with the assessments remaining unchanged at $160,000 for each house.



The rate is now determined by dividing $4,800 by 320 which comes to exactly $15.00 per thousand. The tax on house A equals 15 x 160 which comes to $2,400. Obviously, this is half of the total $4,800 that must be raised. In this example it should be noted that taxes have gone up while assessments remained unchanged because the budget has increased. The total tax burden of any municipality can only increase as a result of budget increases; no combination of assessment changes can have that effect.

Let's look at one final example and then we will go easy on the mathematics for the rest of this booklet. The owner of house A builds a large addition with a market value of $80,000. Inasmuch as the assessor is assessing at 80% of market value, he increases the assessment of house A by $64,000 to $224,000. House B's assessment and the budget remain unchanged.



The total taxable assessed value is now $384,000 and the budget requires a levy of $4,800, so the tax rate becomes $4,800/384 which equals $12.50 per thousand. House A's tax will be 224 x 12.50 or $2,800. House B's tax will now be

160 x 12.50 or $2,000. The total tax for both houses is $4,800 which is unchanged, and this is to be expected because the levy has not changed. However, the distribution of the tax has certainly changed! House A is paying $400 more than in the previous example, and house B is paying $400 less. A's loss has, so to speak, become B's gain.

We can summarize the effect demonstrated in the above example by stating that an increase in the assessment of any other parcels in your city, town or village, while your own assessment remains unchanged, will reduce your share of the tax burden. If the levy remains unchanged, your actual tax dollar obligation will also decrease. If, on the other hand, your assessment is raised while other assessments remain unchanged, you can usually expect to pay more taxes.

Obviously, when hundreds of assessments are raised or lowered for various reasons in a given year, and the budgets of the various taxing jurisdictions change (usually increase), it is difficult to sort out the individual effects in relation to your own tax bill. You only know where you stand when that bill arrives in the mail.

We want to end this chapter the way we started it: by stating, as we hope we have shown, that budgets determine the total amount of taxes that property owners must pay, while your assessor, by estimating the market value of your property, determines how the total taxes must be shared. It is important that you fully understand the difference. If you do not, it will be difficult to identify and resolve problems which may have an important impact on your financial well-being.

A FEW WORDS ABOUT YOUR ASSESSOR

The assessor(s) in your municipality may be appointed or elected. Generally, most towns and all but a few small cities have one full-time assessor appointed by the governing body. Some towns have a board of three elected assessors and a few use a sole elected assessor. Sometimes one assessor will hold that position for several small towns. Villages may have an appointed assessor or board of assessors, or the board of trustees may act as the assessors or a village may decide to terminate its status as an assessing unit and use the town assessment roll just as a school district does. (To date, nearly three-quarters of the villages in the state have adopted the last-mentioned option.) In Nassau and Tompkins Counties, assessing is a function of county government. The current trend in larger towns is toward full-time appointed assessors but the elected board of assessors is still widely utilized in New York State and presumably will be with us for some time to come.

Appointed assessors must meet certain standards in education and experience as set by the Office of Real Property Services. Village assessors, assessors in certain large cities and elected assessors are not *required* (by the State) to meet these standards but often do. Elected and appointed town assessors and most city assessors must earn basic certification within three years of taking office. Appointed assessors and sole elected assessors have a six-year term and, once certified, must satisfy continuing education requirements. Three-member boards of elected assessors have four-year terms and must become certified, but need not take continuing education courses. The State does not require village assessors to become certified, but they may participate in the State qualification and certification programs if they wish.

The New York State Assessors Association (NYSAA) has an extensive educational program and many assessors also take additional appraisal courses on their own. Assessors who qualify by reason of experience and by passing a comprehensive (and difficult) examination may be admitted to the Institute of Assessing Officers, an affiliate organization of the NYSAA. The initials “I.A.O.” after an assessor’s name indicate that he or she is a highly qualified, professional assessor. There are also three chapters of the world-wide International Association of Assessing Officers (IAAO) in New York State which offer many advanced courses of interest to assessors.

We said it in the introduction, and we think it's worth saying again: Your assessor's appointment (or election) should be based on his or her professional qualifications and nothing else. You wouldn't choose someone to perform surgery on a member of your family based only on that person's political affiliation. You wouldn't pick someone to pilot a commercial airliner in which you were a passenger simply because he was a cousin of senator so-and-so. The proper apportionment of your tax burden is too important to be left to unqualified personnel.

We probably should add a few words here about your assessor's office. The assessor of a village or very small town may have no assistants and he or she may be available to the public for only a few hours a week. In larger municipalities there may be additional personnel such as clerical assistants, a deputy assessor, field appraisers and computer specialists. The larger offices will be open every day during normal business hours.

Most offices will have a property record card for each parcel containing pertinent inventory data and including a basic footprint sketch of buildings with dimensions. This card is a public record that anyone is entitled to examine. Tax maps, which show every parcel in the jurisdiction in relation to surrounding parcels, are also available. It should be noted that these maps cannot be used as a substitute for a survey; they are intended only to locate parcels for assessment purposes. In almost all counties the maintenance of these maps is the responsibility of county government. And finally, of course, there will be a copy of the most recent assessment roll. Many municipalities now have some of this information available on computer terminals which can be accessed by the public and a few also provide property and assessment data via the Internet.

HOW IS YOUR ASSESSMENT DETERMINED?

The determination of your assessment is the ultimate responsibility of your assessor who, in a large jurisdiction, will be assisted in valuing property by members of his or her staff. In most cities and towns all assessments are not changed annually, so just because a town has 10,000 parcels it doesn't mean that 10,000 assessment decisions must be made each year. Most municipalities review all assessments only when there is a revaluation, a subject that we will touch on later. However, even though there is no law requiring a general reassessment, many towns have elected to perform this task on an annual or triennial basis.

There are a number of reasons why your assessment may change from one year to the next. If you add a room or put in central air conditioning you would naturally expect your assessment to increase. [Note: In some states new construction cannot be assessed until it has been completed and a certificate of occupancy issued. **In New York State, the assessor is required to value the property exactly as he or she finds it on taxable status date** (to be defined later). Thus a partially completed garage would ordinarily receive a partial assessment.] On the other hand, if your garage burns down or you subdivide your lot and sell part of it, your assessment will almost always go down. If your assessor believes that even though there have been no physical changes your assessment is too high (perhaps you complained after you got your last school tax bill) he or she may, after review, decide to lower it. But if sales of houses in your neighborhood indicate that property values in that area are increasing more rapidly than in the rest of the town, you may well get a notice of increased assessment in the mail even though you haven't built or added anything. What is important is that the assessor treats all properties similarly using the same methodology throughout the jurisdiction.

We want to make it clear that there is no such thing as an **exactly** correct assessment because it is impossible to determine with complete certainty the market value of a home or any other parcel of real property. In fact, a judge once defined an equitable assessment as "the least incorrect answer to a problem that has no correct answer". A hammer in a hardware store has a price tag on it and that's what it's going to sell for. Homes don't have price tags on them. Essentially they are sold in a type of auction market. The seller puts a price on it and waits to see the reaction of prospective buyers. Some buyers will put in bids somewhat below the offering price. At some point the seller will decide to accept the highest bid and that becomes the selling price.

The fact that a home sells for a certain number of dollars doesn't prove that that is its exact market value. If a different real estate agent had been selected and had shown it to different buyers, a somewhat different selling price could have resulted. The assessor is trying to find the mid-point of the range of values wherein your home might be expected to sell. Don't ask your assessor to prove that his or her estimate of your market value is exactly right. That can't be done. And neither can you prove that any other estimate of market value is exactly right. Bear in mind that the assessor doesn't establish market values; market values are the result of the combined decisions of numerous buyers and sellers all coming to agreement in an open market. The assessor only discovers and uses this information. We shall now examine just how this is done.

The valuation of single-family homes, which are by far the most numerous type of property in most jurisdictions, is usually accomplished by what is know as the market approach. If the assessor needs to make a judgment of the value of your home, he or she will try to determine what similar homes are selling for. Now, what do we mean by similar? We certainly do not mean identical! There probably are no homes exactly identical to yours and if there are they may not have sold recently. By similar we mean sufficiently alike so that intelligent adjustments for differences may be made and applied to the selling prices of "comparables" to estimate the value of your home. Comparables are properties which have sold recently and are similar to the property that is to be valued, called the "subject." Let's examine the process more closely.

A home in the same subdivision as yours sold three months ago. That house is a ranch, as is yours, and has the same number of square feet of living area because it was built as a tract house by the same builder. However, the house that sold has a fireplace which you do not have. You, on the other hand, have finished basement area of 300 square feet while the comparable does not. Finally, let us say that the comparable home sold for $270,000.

The adjustments might go something like this. The comparable house sold at the end of September, but the assessor wants to value your house (and all others) as of the previous July 1st, the statutory valuation date. It has been determined from watching sales trends that homes have been increasing in value at about 8% per year. Two percent (for one quarter of the year) is thus subtracted to adjust the sale price of the comparable back to July 1st (0.98 x $270,000 = $264,600). Your assessor believes that, all other things being equal, a fireplace will raise the market value of a home by about $9,000 in your neighborhood. Since you do not have a fireplace, the selling price is adjusted down by that amount to $255,600. The assessor has also estimated that finished basement area is worth about $40 per square foot. Inasmuch as you have finished basement and the comparable does not, the adjusted selling price must be raised by $12,000 ($40 x 300) to arrive at a market value estimate of your home as of last July 1st of about $267,600. The percentage of value at which assessments are being made is then applied to that figure and the result is your assessment.

The foregoing example is perhaps somewhat over-simplified, but that's the way that the market approach to estimating value actually works. In practice, your assessor will use several comparable sales to estimate that value of your home, not just one. He or she will try to find homes that have sold that match yours as closely as possible, but this will not always be easy. If your home is unusual, or if there have been very few sales in your area, your assessor will have a more challenging time estimating your market value. But remember, the assessor must make that judgment; the law requires that the best possible estimate be made.

Another approach to value that is often used is the cost approach. In this technique, the assessor must first estimate the value of your lot, without the house, using the market approach with sales of vacant lots as comparables. Then, using a replacement cost manual, he or she proceeds to estimate the cost of your home were it to be built today. For example, if your house has 1400 square feet of living area the manual might show that the current cost to build a ranch home of the same quality would be $150 per square foot or $210,000. Your 300 square feet of finished basement would cost $50 per square foot or $15,000, your open porch would cost $9,100 and your two-car garage $17,600. The total cost of building your home today is thus $251,700.

However, if your home is not brand new it would be unfair to value it as though it were. It is, let us say, in normal condition for a house 10 years old which suggests a depreciation (loss of value) factor of 15%, probably from the same cost manual. If we take 15% away from $251,700 the result is approximately $213,900. To that figure must be added the land value, which was calculated by the market approach to be $55,000, and we now have a market value, estimated by the cost approach, of $268,900. You will notice that this is nearly the same as the estimate we obtained from the market approach, and sometimes an assessor will use both techniques to obtain a value estimate. In the real world, of course, they seldom produce exactly the same value. Incidentally, you should not assume that the cost of an improvement and it's contribution to market value are necessarily identical. A swimming pool, for example, may cost more than it will add to the value of a house because not everyone wants a swimming pool.

The cost approach is often used for property types such as factories, public utility parcels and other specialty types which do not often sell and thus cannot be valued by the market approach. A third technique, of only passing interest here, is the income approach. If we know, for example, that the owners of rental property require, on average, an annual return of 12% on their investment after expenses are deducted, we can capitalize earnings into market value. Thus, a small apartment building that shows a profit (net operating income) of $45,000 in a given year would have a value of $45,000 ÷ 0.12 or $375,000.

It should be apparent to the reader that both the market and cost valuation approaches require that the assessor have adequate descriptive data about the properties to be valued. You can't value a house without knowing where it is, how big it is, what condition it is in, etc. In fact, the assessor should have (usually on something called a property record card) a list of most of the data which could influence the value of the property.

Let's review some of the more important data items.

1. Location - The desirability of a neighborhood has a very important influence on the value of the houses there.
2. House size - Usually described in square feet of living area using exterior dimensions.
3. House style - Whenever possible, ranches should be compared to ranches, split-levels to split-levels, etc.
4. Quality grade - The better the quality of the materials and workmanship in a house, the higher the market value.
5. Condition - All other things being equal, a house in good condition will generally bring a higher selling price than one which has been neglected.

6. Interior description - Items such as the number of rooms and bathrooms, kitchen style and quality, finished basement and finished attic, central air conditioning.
7. Exterior improvements - Garages, porches, patios, decks, swimming pools, tennis courts.
8. Land and site description - Lot size and shape, topography, availability of utilities, fronting traffic.

We hope that we have convinced you that the assessor must have access to this information if he or she is to do the job properly. How is it obtained? Certain information can be taken from plans which are usually filed with the city or town building department when a building permit is issued. However, assessors will ordinarily make on-site inspections to either collect or verify property data. Your first contact with your assessor may well be in just this circumstance.

In some jurisdictions, especially smaller ones, the assessor or his or her representative will try to make individual appointments with property owners. While this personal touch is good public relations, in a large town or city it might result in assessment personnel making an inspection in one part of town, rushing to another for the next inspection and then back to the area of the first inspection to make the third - a waste of their time and your money. (As a taxpayer, you're paying their salaries.) More likely, someone will simply show up at your front door.

Never allow anyone from the assessor's office (or anyone else, for that matter) into your home without first requiring proper identification. Assessment personnel should carry I.D. cards (preferably with photographs) signed by an authorized town official. No identification - no entry!

Property owners often ask, "Do I have to allow the assessor into my home?" 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 really inconvenient to allow an inspection at that time, tell your visitor just that and 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 an equitable assessment can be gathered. The quality of your furniture or the kind of car you have in your garage are of no concern to assessment personnel. They are interested only in the real property data listed above.

What happens if you refuse to allow an interior inspection to be made? Most assessors will do the best they can from building plans and/or an exterior inspection. However, if it is known that your house has a full basement, and that many of the homes in the neighborhood with full basements also have some finished basement, the assessor is likely to assign a reasonable amount of finished basement to your house even though it's not certain that there is any. To do otherwise would be unfair to those property owners who have allowed inspections to be made. If, in fact, you do not have any finished basement, the assessor will be glad to correct that data item after making an inspection. Like it or not, as long as there is a real property tax, assessors must make these inspections and decisions.

You may want to ask your assessor to show you your property record card and explain the information that it contains. If there is an error he or she will be glad to inspect your home and make a correction - possibly one that will result in a reduced assessment.

Finally, we should mention two types of real property, condominiums and coops, which are not valued according to their current fair market value. The first condominiums and coops were converted from rental apartment buildings and to value these parcels the assessor is required by law to assume that the entire complex is under one ownership and the individual units are rented. The income approach, using hypothetical rents, expenses and capitalization rates is employed and the resulting value of the individual units is usually only one-half to two-thirds of their actual market value.

The result of this completely artificial approach is that condominium and coop units receive a substantial *de facto* exemption. If there was ever a justification for this strange law it is difficult to show that one still exists especially as condominiums in some developments are now scarcely distinguishable from single-family houses. Legislation to correct this problem has thus far been stymied by elected officials' fear of provoking the wrath of the many condo and coop owners in New York State.

SOME IMPORTANT DATES AND OTHER THINGS YOU SHOULD KNOW

There is a general presumption that people who own real property understand the obligations and other considerations that go with such ownership. Consider, for example, Section 922(3) of the New York State Real Property Tax Law: "The failure to mail any such statement (tax bill), or the failure of any such owner to receive the same, shall not in any way affect the validity of the taxes or interest prescribed by law with respect thereto." Yes, it means exactly what it says: If your town neglects to send you a tax bill you had better take steps on your own to find out what you owe. If you don't, even though no bill was ever received, you are still liable for the taxes owed and for penalties which may range from a couple of percent interest to the loss of your home at a tax sale.

With the foregoing in mind, let's take a look at some of the important dates on the assessment and tax calendar. **The first date mentioned in each case is the normal date for towns; the date immediately following in parentheses is the normal date for villages. Some towns and villages operate on a different schedule. Cities operate under charters which allow them to set entirely different dates as do a handful of counties with their own tax acts and New York City. You must check with the assessor(s) of the municipality(ies) where you own real property to find the dates which apply to you.**

March 1 (January 1) is known as taxable status date. Real property is assessed with respect to its ownership and condition on that date. If you build a deck on March 2, its contribution to market value will not be reflected on the assessment roll (and your tax bill) until the following year. But if it is in place on March 1 it will be valued for the current year. If your house is under construction on March 1, its estimated percentage of completion on that date will be the basis for the assessment. If you suffer a fire loss on February 28, your assessment will be reduced on the forthcoming roll. But if the fire occurs on March 2, you are, unfortunately, out of luck. Although the foregoing may seem harsh, it is absolutely necessary to establish a fixed date for evaluating the condition of real property. If the assessment roll and taxable values were constantly changing it would never be possible to set a tax rate.

Another important deadline established by taxable status date is that it is normally the last day on which exemption applications may be filed. [Note: Some assessment jurisdictions may, by local option, allow senior citizen exemption renewals to be filed until Grievance Day.] From the homeowner's point of view, the most important exemptions are the STAR, senior citizen and veterans exemptions but the same deadline applies to most other types. Exemptions will be discussed in more detail a bit later.

The tentative roll must be filed by the assessor by May 1 (February 1). This document contains, usually in section/block/lot order (from the tax maps), a list of all real property in the jurisdiction with certain information about each parcel including its assessed value and exempt status. On this date and thereafter you may examine your own or any other entry on the roll. After this date the assessor may not make any changes to the roll; these may be made, as we shall see in a minute, only by the board of assessment review, a SCAR hearing officer or by court order.

Also, not less than ten days prior to Grievance Day the assessor must send to every property owner whose assessment has been increased a notice of that increase. (This law does not apply in villages.) Most assessors send notices to every property owner whose assessment has been changed, either up or down. Remember, however, failure to send you a notice does not invalidate the assessment. This is another case in which you have to look out for your own interests.

Normally, village taxes (levied only on village assessment rolls) are due on June 1 and may be paid without penalty until July 1. Penalty schedules for all types of taxes are somewhat complicated and can be obtained from your city or town (and village if applicable). Suffice it to say that the later your tax payment, the higher the penalty percentage.

The fourth Tuesday in May (third Tuesday in February) is designated as Grievance Day. All complaints about assessments and exemptions must be received no later than this day, and the board of assessment review begins its hearings. The entire grievance procedure will be discussed in the next section. What you must be aware of here is that if you fail to file your complaint by Grievance Day you lose all right to a review of your assessment until the following year.

The final roll must be filed by July 1 (April 1). If you filed a complaint on Grievance Day you will be notified of the determination of the board of assessment review with any change appearing on this roll. If you don't feel that the board's decision is fair, you have approximately thirty days to file for further review as we will discuss in a moment.

School taxes (based on the town assessment roll) become due on September 1 and are payable without penalty until September 30. County and town taxes (based on the town roll) become due on January 1 and are payable without penalty until January 31.

Then the cycle starts all over again.

If you do not receive a tax bill when you think you should, call your city, town or village hall and find out what's going on. If your bills are to be sent to a mortgage investing institution you will probably not receive a duplicate but you should receive a copy of the receipt from the municipality after payment has been made. You should also receive a notice of payment from the bank or mortgage company. When your escrow account is fairly new it may be wise to check with the appropriate tax receiver(s) to ensure that your taxes have been paid on time. A clerical oversight on the part of the institution servicing your account could give you some uneasy moments. However, if a financial institution fails to pay your tax bill during the interest- free period it is liable for any interest due.

In some municipalities certain taxes - usually the school taxes - may be paid in two installments. Familiarize yourself with the date(s) of the second installment(s) and the penalties for late payment attached thereto.

WARNING

We again want to emphasize that different dates apply in different municipalities. You must check with the assessor of the city or town (and village if applicable) in which you own real property to determine the exact dates that are of importance to you.

IS MY ASSESSMENT EQUITABLE?

To answer that question, we must first examine just what sort of equity the law requires. In most jurisdictions all parcels of real property must be assessed at a **uniform percentage of current fair market value**. Therefore, the assessor must first determine market value and then multiply by the applicable percentage. The statute does not specify any particular percentage except that the figure may not exceed 100% of full market value. For all practical purposes it makes no difference whether a municipality assesses at 1% of value or 100%. What does matter is that properties having similar values have similar assessments. In general, the closer to full market value the assessment, the easier for the property owner to make a judgment as to its equity.

Nassau County and New York City are exceptions to the foregoing in that they may assess different classes of property (residential, vacant land, commercial, etc.) at different percentages of their market value. All members of a particular class, such as one, two and three-family homes, must, however, be assessed at a uniform percentage. Municipalities which have completed revaluations in accordance with standards set by the Office of Real Property Services may be designated as “approved assessing units” and allowed to apply different tax rates to homestead and non-homestead (commercial, industrial, etc.) properties. All assessments, however, must be at a uniform percentage. The specific provisions of this procedure (Article 19 of the Real Property Tax Law) are beyond the scope of this booklet.

It is not always easy to determine whether or not one’s assessment is fair, but it is less of a problem for homeowners than for owners of other types of property. There are two methods that can be employed, and the first is simply to look at the assessment roll and see how you are assessed relative to other houses in your neighborhood with which you are familiar. If there are twenty houses in your subdivision built from the same plans as yours, their assessments should be about the same although differences may exist for items such as overall condition and lot size or optional add-ons such as fireplaces, air conditioning and swimming pools. If your assessment is higher than that of the others and you can think of no reason for that to be the case, then you should bring the matter to the attention of your assessor. Perhaps, as mentioned previously, the assessor has incorrect data on your property.

Be sure to keep in mind that in cities and towns that are assessing at very low percentages of market value, a small difference in assessments can make a big difference in taxes. If your house is assessed at full value for $330,000, let us say, it is assessed 10% higher than that of a neighbor assessed for $300,000. But if assessments are at 5% of market value the equivalent figures are $16,500 and $15,000. The difference is now only $1,500 vs. $30,000 in the full value example, but it's still ten percent and (assuming no exemptions) you will still pay 10% more taxes than your neighbor. Don't let an assessment that is much lower than the amount for which you could sell your house fool you into believing that you cannot possibly be over-assessed. You might well be!

Getting back to the twenty similar houses in your subdivision, if they are all assessed at about the same level (adjusted for the differences mentioned above) it is an indication that your assessment is equitable. But suppose you find that all of the homes seem to be in line except for one that appears to be much too low? You can file a grievance based on that one house, but the board of assessment review is not likely to compound an inequity by also making your assessment too low. Sooner or later the assessment of the under-assessed property is likely to be increased thus restoring equity to your development.

Many homeowners do not live in subdivisions or have homes that are not especially similar to any others in the neighborhood. In those cases the second method of measuring equity by use of the residential assessment ratio (RAR) is suggested. This ratio is prepared by the State Office of Real Property Services for all cities and towns and villages in New York State in which there are at least five appropriate sales during a one-year period. It is simply the median (mid-point) sales ratio (assessment divided by selling price) when all of the ratios are arranged in ascending or descending order. Please note, however, that no RAR is calculated for the year in which a municipality completes a revaluation.

This ratio is an indication of the percentage of market value at which residential property is being assessed and you may compare it to the percentage of market value at which you believe your home to be assessed. It is calculated every year and is available from your assessor. One should remember that the homes which actually sell during any given period may not be a statistically valid sample of all homes in your city or town. A board of assessment review or a small claims hearing officer is not bound to use the residential ratio. Other indications of the level of assessment and sales or assessments of comparable properties may be considered.

To use the RAR, you must have a reasonably accurate idea of what your own house is worth. Let us say that you are fairly certain that you could sell your home for about $240,000 and the RAR is 30%. You would expect your house to be assessed for about $72,000 (240,000 x .30 = 72,000). If the actual assessment is significantly higher you probably should consider an appeal. If it is significantly lower than that figure... well, we'll leave that up to you. Do keep in mind that an assessment is based on an opinion of market value; assessing is not an exact science. Debates over tiny differences between your opinion and that of your assessor are seldom productive.

Another indication of the market value of your home may be found on your tax bills as a result of recent legislation entitled the "Property Taxpayer's Bill of Rights". This law requires that the uniform percentage of value at which your municipality is assessing be printed on your tax bills along with the estimate of your home's market value derived therefrom. In other words, if the uniform percentage is 80% and your assessment is $280,000, the indicated market value is $350,000 (280,000 ÷ 0.8). If you are fairly certain that you could get only $300,000 for your home then you should probably consider an appeal. The uniform percentage of value applicable to the assessing unit and the estimated full market value of each parcel must also appear on the assessment roll.

In deciding whether or not to file a formal complaint about your assessment you should be guided by the sense of fairness that we mentioned in the introduction. If you really are over-assessed you should do something about it! Your assessor should be glad that you have taken steps to improve the equity of his or her roll. Most assessors don't take a grievance personally. On the other hand, fair-minded citizens have no sympathy for those property owners who are already paying only their fair share and who try to lower their own taxes at the expense of their neighbors. Even if they don't get away with it they have taken up the time of the assessor, his or her staff and the board of assessment review who have had to investigate the matter and arrive at a decision. To the extent that some property owners do get away with it, the taxes that they don't pay will have to be picked up by the other property owners in the jurisdiction and overall assessment equity will have been damaged.

HOW TO FILE AN ASSESSMENT APPEAL

When you are convinced that your assessment is inequitable it's time to take the necessary steps to set it right. As we suggested earlier, the first person to see is your assessor. He or she may be able to show you why your assessment is justified, or you may be able to persuade your assessor that it should be changed. If agreement can be reached at this level the more complicated formal grievance procedures may be avoided. You must, however, meet with your assessor early enough to allow any change to be reflected on the May 1 (February 1) tentative roll. Between the filing of the tentative roll and grievance day the assessor and a property owner may, if agreement is reached, stipulate to a corrected value which will ordinarily be approved by the board of assessment review.

If you cannot settle the matter beforehand, the next step is the board of assessment review which meets on the fourth Tuesday in May (third Tuesday in February), which is called Grievance Day, and must hear all complaints. To file a complaint with this body you must use the standard form which is available at the assessor's office. The completed form may be given to your assessor any time between the publishing of the tentative roll and Grievance Day**. But if you submit it after Grievance Day, you are out of luck. It will not be considered.**

A few words about that complaint form might be in order here. You must complete and submit the complaint form. You may appear in person before the board of assessment review, assign an agent to appear on your behalf or you need not appear at all; your complaint will be considered in any case. Don't, however, make the common mistake of doing a sloppy job in filling out the form on the theory that when you go before the board the eloquence of your presentation will convince them to see things your way. Even if you are exceptionally persuasive, remember that the board may not sit down to make a decision on your complaint for days or even a couple of weeks after your appearance. The board's collective memory of what you said or how you said it may have dimmed, but the evidence on your complaint form is still there for all to read .... if you have taken the time to complete it fully and accurately.

Speaking of evidence, you must make a case that the assessor is wrong and you are right and you must name a specific figure to which you wish your assessment reduced. The assessor, because of his or her knowledge of property valuation, is presumed to be right unless the contrary can be shown. Evidence of value can be a recent purchase price or appraised value of your home or sales of similar properties. Inequity may be demonstrated by listing the assessments of comparable homes or by using the residential assessment ratio as outlined previously.

The complaint form is accompanied by an instruction sheet and the State Office of Real Property Services also publishes a useful booklet called *How to Contest Your Assessment* available at www.orps.state.ny.us or by request from your assessor. Your assessor should be willing to explain the meaning of some of the questions on the form, but will not usually help you to make your case.

Take note that your ability (or inability) to pay your real property taxes does not constitute evidence. **The assessor and the board of assessment review may only consider the value of the property, not the financial resources of the property owner.** The same is true of the extent to which you use the services provided by the property tax. The fact that you may not have children in the public school system in no way affects your assessment or school tax liability.

The board of assessment review, which consists of three to five members appointed by the governing body of your municipality (or, optionally in a village, the board of trustees) may leave your assessment unchanged, may reduce it to the figure that you have requested (but not below) or settle on something in between. It may not increase your assessment. In any event, you will be notified of their decision and your assessment, changed or not, will appear on the final assessment roll which is published on July 1 (April 1). If you are still dissatisfied, you have approximately thirty days to file for a further review either in a State Supreme Court proceeding or before a small claims hearing officer. [Note: The rules for determining the actual deadline are somewhat complicated. Consult your assessor. As is the case with grievance day, if you file late you lose all right to review.] You may not apply for further review by either procedure unless you have previously filed your complaint with the board of assessment review.

We are not going to discuss the Supreme Court form of review because it is usually too expensive and too timeconsuming to be used by homeowners. It is employed primarily by the owners of commercial and industrial property where the potential tax consequences may be more substantial. A homeowner may choose Small Claims Assessment Review (SCAR) or the Supreme Court route but not both.

SCAR cases are heard by a single hearing officer who is appointed by the chief administrator of the courts and should have some knowledge of real property values and assessment law. The SCAR proceeding is for use by the owners of one, two and three-family owner-occupied homes used exclusively for residential purposes; condominiums in Nassau County and New York City and those in the homestead class in "special assessing" jurisdictions; and parcels of residential vacant land which cannot be built upon under local zoning laws. If you own any other type of property you must file for a Supreme Court hearing (known as a "certiorari" or "Article 7" proceeding). There is a prescribed form for the SCAR petition and a $30 filing fee. If your complaint is successful, the assessing unit may be required to pay your costs up to the amount of that fee. As is the case with the board of assessment review, the procedure is informal and rules of evidence are relaxed. In general, the same type of evidence which would be used to support a claim before a board of assessment review may be used before a hearing officer. You may not request a reduction to a lower assessment than that which you requested from the board of assessment review. You may appoint, in writing, an agent to appear in your place before either a review board or a hearing officer.

Assessment complaints, even for a homeowner, are a somewhat complicated business but you should not need the services of an attorney when you appear before a board of assessment review or a SCAR hearing officer. You may of course employ one if you want, and you most definitely need one for a Supreme Court proceeding. In recent years a number of companies have been formed which solicit grievances from homeowners and offer to represent them in return for a share of the tax savings. In general, however, we think that if you have a valid grievance you should be able to plead your own case successfully before the two informal tribunals which will usually make every effort to allow you to present any evidence in your favor.

Occasionally bona fide administrative errors occur which can affect your assessment and taxes. These may sometimes be corrected outside of the usual grievance procedures. The rules covering the types of errors that are correctable and the procedures for correcting them are quite complex and beyond the scope of this booklet. If, however, you feel that an error has been made concerning your property you should bring it to the attention of the assessor. Generally, an assessor's opinion of value may not be changed by this process.

STAR AND OTHER EXEMPTIONS

There are certain circumstances under which all or part of the assessed value of a parcel may be exempt from real property taxes. There are many types of exemptions allowed in New York State but they generally fall into two categories, partial exemptions and full exemptions.

Homes are seldom wholly exempt. That type of exemption is usually reserved for property owned by a governmental entity and used for a public purpose such as government buildings, public parks, post offices, etc. It is also applicable to property owned by organizations carrying out a publicly desirable enterprise or activity such as schools, churches, cemeteries, non-profit hospitals, charitable organizations, etc. These parcels will be listed at the back of the assessment roll.

Of interest to homeowners are partial exemptions. These exemptions are enabled by state legislation but many are subject to local option. A particular city or town may or may not adopt an exemption or may adopt it at varying levels. You must make it your business to find out which exemptions are available to you where you live. While there are many partial exemptions we will confine our discussion to the three most common: veterans, elderly with limited income and STAR. The laws governing these exemptions can be complicated and we can only provide an overview. Your assessor will have the complete forms and instructions and these are also available on-line at www.orps.state.ny.us.

Veterans exemptions apply only to county, city/town and village taxes. There are two types: the eligible funds exemption which has been in existence for many years and is mandated by state law and the alternative veterans exemption introduced in 1984 which is adopted at local option.

The *eligible funds veterans exemption* provides a reduction to one's assessment to the extent that the owner received certain funds from the government – usually under the G. I. Bill – and used these funds to purchase his or her home. Because of changes in veterans' benefits this exemption will usually be available only to veterans of WW II and the Korean War. If a municipality has adopted the alternative veterans exemption it may not grant new eligible funds exemptions but must accept those transferred from another jurisdiction. The instructions for this exemption list the various types of eligible funds that are acceptable.

The *alternative veterans exemption* is available to all veterans who served during a time of war as defined by the statute. There is a 15% exemption for all who served in wartime plus an additional 10% for those who served in a combat zone. However, there are several upper limits on the amount that can be granted and these are defined in the statute and selected by the municipality. A veteran who served in a combat zone and lives in a multi-million dollar mansion is not going to get a full 25% reduction of his assessment.

The *senior citizen exemption* is available to homeowners who are 65 or older who have limited incomes. Maximum income limits are set by statute (but subject to local option) for the 50% exemption. There is also a local option sliding scale which allows for decreases of the exemption in increments of 5% (down to 5%) as income exceeds the 50% maximum. In some cases the definition of "income" can be complicated and you should review your most recent federal or state income tax return with assessment office personnel to determine whether or not you qualify. There are many other situations relating to ownership, income and renewal that are beyond the scope of this booklet. Again, consult your assessor or the ORPS web site.

Finally, there is the STAR (School Tax Relief) exemption which was enacted in 1997. The *basic STAR exemption* has no age or income requirements and does not require annual renewal. If you own a home and live in it (rental property does not qualify) you are probably entitled to the exemption. This exemption applies only to school taxes and the amount is calculated by a complicated formula which your assessor can explain. The *enhanced STAR exemption* is available to property owners who are 65 or older and whose incomes fall under a limit subject to an annual cost of living adjustment. Enhanced STAR, using a similar formula, provides tax relief in addition to that provided by the basic exemption. STAR is not subject to any local options.

A STAR rebate program was instituted in the fall 2006 whereby holders of STAR exemptions received a tax rebate check from the state in addition to the school tax relief provided by the exemptions. An augmented rebate for 2007 has been enacted but it is impossible to predict the course of this latest effort to rein in property taxes.

One important point to keep in mind about exemptions is that, with the exception of the STAR exemptions (see below), they do not change the total tax burden of the taxing jurisdiction; they only rearrange it among the taxpayers. Thus, if you are granted an exemption that saves you $500 in town taxes, all of the other taxpayers in the town must, collectively, pay $500 more. The opposite side of the coin is that if your neighbor is granted an exemption that results in a savings of $500 in taxes, you will have to pay a few cents more, as will all other taxpayers in the municipality, to make up the difference. **The foregoing is widely misunderstood, and you should be aware that newly-legislated exemptions, while they may be advantageous to those who qualify for them, are costly to all other taxpayers.**

STAR is the exception to the rule in the preceding paragraph, because the tax dollars saved by one property owner do not become the additional burden of all the others; the shortfall is made up by the State. The State reimburses school districts for the funds which they have not received from homeowners as a result of their STAR exemptions. In other words, the cost of public education has been transferred, in part, out of the property tax. Of course, the money has to come from somewhere, presumably from the sales and income taxes which we all pay to the State.

Understandably, there is a certain amount of controversy surrounding the whole subject of exemptions, especially since a recent study shows that more than 33% of the value of all real property in New York State is exempt. We have no intention of making any judgments on the desirability of specific types of exemptions, but a few general comments might be in order.

Obviously there would be no point in taxing real property owned by federal, state or local governments or school districts which themselves raise money by taxation. That would be an "in one pocket and out the other" situation. This category accounts, by the way, for nearly half of the value of all exempt property.

The cost of certain exemptions appears to be inequitably distributed. The exemption of managed forest lands is, for instance, desirable as a matter of public policy. However, the property owners of the towns, counties and school districts where these forest lands are located must bear the entire burden as their taxes are increased to make up for the fact that the valuable land and timber associated with these parcels is exempt. It might be argued that the State should make up the revenues lost because of these exemptions and apportion the cost of so doing among all residents of the State via the sales or income tax. The same philosophy might apply to other types of exemptions.

Another seeming inequity is the veterans' exemption which benefits only veterans who own real property. Is it fair that a veteran who lives in an apartment or other rented housing should receive no exemption at all? It has been suggested that the real property tax exemption for this purpose might be eliminated altogether and an equal amount of benefits made available to all veterans via a State income tax credit. There are perhaps other types of exemptions that should be handled in this fashion.

In summary, exemptions form a very important part of the State's property tax policy by providing relief, incentives and rewards as our legislators deem proper. However, the effect of the additional burden on those not receiving exemptions is perhaps not always adequately weighed. It should be borne in mind that the assessor plays no part in determining exemption policy. He or she only decides whether or not a property qualifies for exemption under existing statutes.

"REVALUATION" - WHAT DOES IT MEAN?

It is unfortunate that in the minds of many taxpayers a revaluation is about as welcome as the black plague or a nuclear reactor core meltdown. The fact is that revaluations are a necessary part of the assessment process and should be undertaken at regular intervals if assessments are to remain equitable. What is a revaluation (hereafter called by the common nickname of "reval")? Why are they done? What is it about revals that stirs up so much fear and anger?

It is obvious to anyone that physical changes such as fire and demolition or new construction influence property values. In almost all cases the addition of a swimming pool will make a house more valuable while a fire that destroys a garage will do exactly the opposite. What is not so obvious, however, is that the value of a property can change even though that property itself remains physically unchanged.

We all realize that inflation (and, sometimes, deflation) influences the value of real property just as it affects the costs of food, gasoline, medical care, etc. It does not, however, affect all properties equally during a given period of time. Nearly every city or town has very desirable residential areas where home prices have increased rapidly in recent years. Most municipalities also have areas where, for any number of reasons, property values have been nearly stagnant or even in decline. These changes in one neighborhood relative to another must be reflected in changes of assessments or the roll soon becomes inequitable.

Different types of real property often experience differing rates of change in value. For example, the construction of a major highway with a commercial strip on either side might make the value of vacant land abutting the highway rise very rapidly while the values of nearby homes might fall because most people do not want to live in an area where there is extensive commercial development. Again, the assessment roll should reflect these changes.

Finally, certain types of improvements or amenities may be more attractive to buyers at one time than at another. During the oil crisis of the 70's, homes with fireplaces sold at a greater premium over those without than had previously been the case. Also, the quality of insulation became a more important factor than in the past. Electrically heated houses were, when electricity was cheap, thought to be the wave of the future. Now, they can be difficult to sell in some parts of the State.

There are also certain types of physical changes of which assessors tend to be unaware unless a systematic re-inspection and revaluation of all properties is undertaken. Some homes, for instance, are much better maintained than others and a well-maintained home will, over the years, become worth substantially more than an identical home which has not been as well cared for. In addition, homeowners make certain types of improvements such as central air conditioning and finished basements which may not require building permits but do affect value. Fairness requires that all of these changes be considered in setting assessments.

A reval is simply the systematic inspection of all property in a municipality and the adjustment of assessments where required. Assuming that budgets remain unchanged, the total tax burden also remains unchanged. Revals redistribute the tax levy but they do not (other than the cost of performing the revaluation) increase the total tax burden. If homes in one area have become, because of changing neighborhood desirability, substantially under-assessed compared to homes in another area, then taxes for the former will increase while taxes for the latter should be lower. Likewise, if the value of residential property has been increasing faster than that of commercial property, there may be a tax burden shift from commercial to residential.

In some parts of our State, the value of residential real estate has risen far more rapidly than that of other types and, if there have been no compensating adjustments of assessments, it follows that homes will have become under-assessed compared to non-residential properties. Homeowners thus fear that in the event of a reval they will find their taxes increased. This could be the case, although there are laws which, under certain circumstances, allow for the retention of the relative tax shares of the residential and non-residential classes after a reval.

If you think property owners are wary of revals, you should be aware that they are no picnic for assessors either. In addition to the tremendous additional inspection and valuation workload for the staff of the assessor's office, sometimes assisted by a company known as a "revaluation contractor", hundreds - perhaps thousands - of inquiries and complaints must be handled. Many of the people who come to the assessor's counter are confused, upset and distrustful of the motives for the project. All of them must be treated with courtesy and their questions answered insofar as possible.

Like it or not, revals are necessary. Without them, assessment rolls tend to become more and more inequitable as time passes no matter how hard the assessor works to keep values in line. Often those homeowners who can least afford it - those who live in declining neighborhoods - become the most over-assessed. As long as there is a property tax every effort must be made to administer it as fairly as possible, without fear or favor and in accordance with the law.

If you would like to know more about revaluations you may obtain a copy of the pamphlet *"Fair Assessments: A Guide for Property Owners"* available on the State Office of Real Property Services website (www.orps.state.ny.us).

EQUALIZATION RATES

If we had to pick one aspect of assessments and the real property tax to label "most complicated" it would certainly be equalization rates. We don't want to cover the subject in any detail, but we think you should at least know what they are and how they are used.

There are, in your county, a number of towns and perhaps some cities. You will recall that these jurisdictions must assess all property at a uniform percentage of value, but the law does not specify any particular percentage. As a result, homes in one town may be assessed at 5% of value while those in a neighboring town are at 50% and those in an adjacent city are at 100%. If a taxing jurisdiction, such as a county or a school district, contains more than one assessing jurisdiction (towns or cities) some common denominator must be used to apportion taxes. Let's look at that more closely.

Your house is worth $200,000 and is assessed at $100,000 because your town assesses at 50%. In a neighboring town, an identical home, also worth $200,000 is assessed at only $50,000 because that town assesses at 25%. If the assessed values were used to apportion the county tax, your bill would be twice that of the house in the other town because your assessment is twice as great. That, however, would be grossly unfair because we have already stated that both houses have identical market values.

To remedy this problem, the State Office of Real Property Services develops an equalization rate to determine at what percent of market value different municipalities are assessing. This rate is computed each year for every city, town and village by the use of sales and appraisals of homes and appraisals of all other types of properties. The selling prices or appraised values are compared to the assessed values of these properties and the ratio of assessed value to market value thus derived becomes the equalization rate. Assessors review their equalization rates and the sales and appraisals used to make them very carefully. They want to be sure that the rate actually reflects the level of assessment so that their town or city does not pay more than its fair share of apportioned county or school district taxes.

Returning to our example, if the equalization rate for your town is found to be 50%, it is an indication that the value of your home is $200,000. Likewise, a rate of 25% in the neighboring town shows the house there that was assessed at $50,000 to be also worth $200,000. These market values rather than assessed values are used to apportion the tax and thus you and the house in the other town will pay equal county taxes as, indeed, you should.

In practice, the total taxable value of all the property in a town or city is divided by the equalization rate to produce a total market value for that jurisdiction. That market value is then compared to the market values of the other towns and cities in the county or school district to determine how the tax burden should be shared. We should also note that, while equalization rates are an indication of the overall level of assessment in a jurisdiction, one should not automatically assume that they can be applied to the assessment of an individual parcel to determine its full value.

SOME CLOSING THOUGHTS

Notwithstanding its shortcomings and its unpopularity, it seems likely that the property tax, for lack of anything more palatable, will be with us for a long time to come. We must make the best of it and try to ensure that it is administered equitably for the benefit of all of our citizens. Your assessor and the New York State Assessors Association are working toward that end.

The Association keeps abreast of all proposed real property tax legislation and advises our Senators and Assembly members on these bills. We also work with the Association of Towns, the Conference of Mayors (representing cities and villages) and the Association of Counties to introduce laws that will benefit all property owners. Our education program provides assessors and their office personnel with information on the latest developments in the field to enable them to do their jobs more efficiently and effectively.

We cannot, however, hope to succeed in all of these efforts without your understanding and cooperation. If the subject is a little clearer to you now than it was before, then this booklet has served its purpose.