

# Client Alert

A report  
for clients  
and friends  
of the Firm     June 2007

## Property Tax Rates Lowered in 2007

On June 15th, the City issued property tax rates said to be effective for the entire 2007/08 tax year. This “early” issuance of tax rates reverses a longstanding practice, started by the City in 1995, of billing the July 1st installment at the prior year’s rate and then issuing a “final” tax rate late in the year. The use of estimated rates for July 1st billing necessitated the issuance of yet a third rate for the billing of the January 1st installment, and caused excessive work for taxpayers, especially the owners and operators of commercial properties needing to bill tax escalations through to tenants. Coincidentally, it generated extra problems for the City as well, not just in the billing phase, but also in the proper posting of payments and calculation of tax refunds.

The 2007/08 rates, as compared to 2006/07, are as follows:

<u>Tax Class</u>	2006/7	<u>2007/08</u>	% Decrease
<b>1</b>	16.118%	<b>15.434%</b>	-4.24%
<b>2</b>	12.737%	<b>11.928%</b>	-6.35%
<b>3</b>	12.007%	<b>11.557%</b>	-3.75%
<b>4</b>	10.997%	<b>10.059%</b>	-8.53%

Historically, the Class 2 rate is now the lowest it has been since 2003/04, and Class 4 is at its lowest since 2002/03. During these same periods, however, both Tax Classes have seen significant increases in assessed values.

### Online Payment of Taxes

Electronic payment of taxes is mandatory for any single property whose annual tax liability is \$300,000 or more, or where a single payment covering multiple properties is \$300,000 or more.

Procedures for the payment of taxes by electronic funds transfer (EFT) vary depending upon whether taxpayers make their own payments, which include FedWire, or whether tax payers have authorized the City to debit bank accounts in payment of taxes. Please note that there are very specific rules as to what constitutes “timely” payment when New York City real estate taxes are being paid by EFT.

The date set by law for payment of the first installment of real estate taxes is July 1st. Since July 1st falls on a Sunday in 2007, payments would ordinarily be due on July 2nd. Recently, however, the Department of Finance has posted Statements of Account indicating that the due date of the first semi-annual or quarterly installment for tax year 2007/08 will be July 6, 2007.

The Department of Finance EFT website may be accessed at:

[www.nyc.gov/html/dof/html/property/property\\_bill\\_eft.shtml](http://www.nyc.gov/html/dof/html/property/property_bill_eft.shtml)

### ICIP Tax Exemption

The Industrial and Commercial Incentive Program (ICIP) has historically provided real estate tax exemption benefits for the construction, renovation or alteration of qualifying commercial properties in eligible areas of the City. The New York State law enabling the existence of ICIP is set to expire on June 30, 2007. It is possible that the final form of any extension of the ICIP program may limit benefits for certain types of projects, especially those with a high concentration of retail, which have historically received ICIP benefits.

### 421-a Tax Exemption

The 421-a program has for many years provided valuable incentives in the form of a tax exemption for the development of new residential apartment buildings. The existing 421-a law is scheduled to expire later this year. Proposals are currently pending for legislation that would enable the continuation of the 421-a program. Given the regulations enacted by the City in anticipation of the renewal of 421-a, there may be significant changes in the types of projects that are eligible, especially new rules

pertaining to an enlargement of the Geographic Exclusion Area and correspondingly more extensive affordable housing requirements.

### **J-51 Tax Exemption and Abatement**

The J-51 program provides tax exemption and abatement benefits for the rehabilitation and modernization of existing apartment buildings. The J-51 program has been heavily utilized for decades, especially by the owners of older housing stock. Recently, New York City Comptroller William C. Thomson Jr. issued the results of an audit by his office. The audit determined that, in certain cases, the work for which J-51 benefits had been granted was not sufficiently or properly documented, and that in other instances the benefits were incorrectly calculated or J-51 audit procedures were not correctly implemented.

### **RPIE – Electronic Filing Now Mandatory**

The law requires most property owners to annually disclose to the City the income and expense attributable to the operation of their properties, a requirement is commonly known as RPIE. Although you may have already provided income and expense when filing your annual tax protest, some degree of RPIE filing is still necessary in order to avoid potential monetary penalties and the loss of a tax certiorari hearing before the Tax Commission.

Commencing in 2007, it is now mandatory that RPIE be filed *electronically*.

The City has set up an RPIE e-filing website. Although it is currently undergoing some modifications, for those that wish to file now it can be accessed via:

[www.nyc.gov/html/dof/html/jump/rpie.shtml](http://www.nyc.gov/html/dof/html/jump/rpie.shtml)

You will need to set up an online profile and account for the filing of eRPIE. You will then be guided through completion of the form. Please review your eRPIE carefully before clicking “SUBMIT”.

By law, the annual RPIE filing deadline is September 1st. For this year, the Department of Finance has indicated that the filing deadline will be September 4, 2007.

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If you have questions about any aspect of New York City real estate tax assessment policy, or procedure, or tax incentive programs, or you are contemplating protesting real estate taxes, do not hesitate to contact us.

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