

8/3 DOF Testimony

Good morning, Chair Brannan and other members of the Finance Committee. My name is Jeffrey Shear, and I am the Deputy Commissioner of Treasury and Payment Services at the NYC Department of Finance. I am also joined by my colleague Mary Christine Jackman, the City Treasurer, and Jacqueline Gold, Assistant Commissioner for External Affairs. We are here today to testify on behalf of the administration on two pieces of legislation. The Pre-Considered City Property Tax Rebate bill as well as Int. 524, which proposes to lower interest rates for owners of properties in payment plans and with an assessed value under \$250,000.

PRE-CONSIDERED REBATE BILL

We are here to offer our full support to the pre-considered homeowner tax rebate bill. Along with other City agencies, the Department of Finance has worked collaboratively with the City Council to design and implement the \$90 million tax rebate program and is working on implementation of the rebate in anticipation of Council passage of the bill. The rebate, which will be in the amount of either \$150 or the homeowner's annual real property tax liability, whichever is less, is being issued as recognition for the contributions homeowners have made, and will continue to make, to New York City's economy, including to our city's recovery from the COVID-19 pandemic.

To be eligible for the rebate, a property must be the owner's primary residence, and the combined qualified gross income of all owners for whom such property serves as their primary residence must have been \$250,000 or less in tax year 2020. FY2023 recipients of a New York State STAR exemption or credit for whom DOF can verify income eligibility will receive checks automatically, without the need for any action by the property owner. We estimate that we will be issuing 375,000 of these checks later this month. The rebate bill also authorizes owners who are not STAR recipients but who meet the rebate eligibility criteria to apply to DOF for the rebate. Owners will have until November 15 to submit this information to DOF, and this information can be uploaded to DOF electronically.

INTRO. 524

With respect to Intro. 524, sponsored by Council Member Carr, we strongly support the underlying rationale behind this bill, which is to assist struggling property tax owners of moderately valued properties who are doing the right thing by entering into payment plans with DOF for outstanding property tax liabilities. The bill does this by providing a lower rate of interest for unpaid real property taxes for such owners. However, we feel that the bill can be improved, and we look forward to having further discussions with the Council.

DOF already offers several protections for the owners of properties that have an assessed value of \$250,000 or less.

These owners receive a 15-day interest-free period after the due date to pay their taxes. This helps owners who may have inadvertently waited too long to remit their payment or who need a few extra days to receive a paycheck or pension payment to come up with the full amount owed.

These owners are in the assessed value category that is charged the lowest rate of interest for late payments – just 4% in FY23 compared to owners of properties assessed between \$250,000 and \$450,000, who will be charged 7%, and owners of properties assessed over \$450,000, who will be charged 13%. The 4% rate is significantly less than the interest rates charged in other large cities such as Chicago, IL, Phoenix, AZ, and San Diego, CA which charge set rates of 18%, 16%, and 18% respectively and which do not charge lower rates for lower-valued properties. In fact, Washington, DC and Houston, TX not only charge interest but immediately add on penalty charges for overdue payments. It's also worth noting that, in Fiscal Year 2022, the average late payment interest charge on properties with an assessed value below \$250,000 was just \$22.86.

While DOF supports lowering interest rates on unpaid real property taxes for owners in active payment plans, we do note that currently, any property owner is entitled to initiate a payment plan for delinquent charges, regardless of the value of the property or the owner's income. The City charges interest on late payments to incentivize owners to make timely payments and to help the City compete with other liabilities of the owner that have late payment interest charges, such as loans and credit cards. It is important that a measure like this therefore be targeted towards owners who may need assistance and does not allow richer owners to effectively take out a low interest loan by delaying payment of their property taxes. We, therefore, support having an income ceiling added to the bill so that owners in payment plans with incomes below the ceiling amount would qualify for the lower interest rate. We also believe the benefit should be available exclusively to resident owners. The owners of properties with an assessed value at or below \$250,000 is a diverse population. FY21 data indicates that 69% of these owners are primary residents, but that 31% are not.

DOF also is concerned with the retroactive nature of the bill, which would make the lower interest rate effective as of January 1, 2022. Property owners should know the interest rates that they would be charged in advance and not have changes made, up or down, after receiving property tax bills. If the lower interest rate is not made retroactive, Council staff have asked if it can be in effect for a portion of FY23. The Law Department is reviewing the proposal to make the bill take effect retroactively and the proposal to effect any changes to the interest rates previously set by the Council mid-year. DOF also is looking at whether its IT team can make programming changes to our Property Tax System to accommodate a mid-year change. We do know that whenever a change would be made to charge a lower interest rate to property owners in payment plans that it will cost an estimated \$100,000. This cost will be incorporated into the bill's fiscal impact statement at the appropriate time.

This concludes my testimony and I once again want to thank you for allowing us the opportunity to testify on both pieces of legislation. Mary Christine Jackman, Jacqueline Gold and I will answer any questions that you may have.

**THE COUNCIL
THE CITY OF NEW YORK**

Appearance Card

I intend to appear and speak on Int. No. 524 Res. No. _____

in favor in opposition

Date: 8.3.2022

(PLEASE PRINT)

Name: MARY CHRISTINE JACKMAN

Address: 66 JOHN STREET 12TH FLOOR

I represent: DOF - TREASURY

Address: _____

**THE COUNCIL
THE CITY OF NEW YORK**

Appearance Card

I intend to appear and speak on Int. No. 524 + Rehab Res. No. _____

in favor in opposition

Date: 8/3/22

(PLEASE PRINT)

Name: Jacqueline Gold

Address: 1 Centre St Room 2200

I represent: DOF

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**THE COUNCIL
THE CITY OF NEW YORK**

Appearance Card

I intend to appear and speak on Int. No. 524 + Pre Considered Res. No. _____

in favor in opposition

Date: _____

(PLEASE PRINT)

Name: Jeffrey Shear

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I represent: DOF

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