



**REPORT OF THE
COMMITTEE ON FINANCE**

**FINANCE DIVISION
LATONIA MCKINNEY, DIRECTOR**

**RESOLUTION TO PROVIDE THE AMOUNTS NECESSARY FOR THE
SUPPORT OF THE GOVERNMENT OF THE CITY OF NEW YORK AND THE
COUNTIES THEREIN AND FOR THE PAYMENT OF INDEBTEDNESS
THEREOF, FOR THE FISCAL YEAR BEGINNING ON JULY 1, 2017 AND
ENDING ON JUNE 30, 2018 BY THE LEVY OF TAXES ON THE REAL
PROPERTY IN THE CITY OF NEW YORK, IN ACCORDANCE WITH THE
PROVISIONS OF THE CONSTITUTION OF THE STATE OF NEW YORK, THE
REAL PROPERTY TAX LAW AND THE NEW YORK CITY CHARTER**

Introduction. This Resolution, dated June 6, 2017, provides the amounts necessary for the support of the government of the City of New York and the counties therein and for the payment of indebtedness thereof, for the fiscal year beginning on July 1, 2017 and ending on June 30, 2018 by the levy of taxes on the real property in the city of New York, in accordance with the provisions of the Constitution of the State of New York, the Real Property Tax law and the New York City Charter.

On April 26, 2017, the Mayor submitted the executive budget for Fiscal 2018 to the Council pursuant to Section 249 of the Charter. On the date hereof, the Council adopted the budget for Fiscal 2018 pursuant to Section 254 of the Charter (the "Fiscal 2018 Budget"). Pursuant to Section 1516 of the Charter, the Council must fix the annual real property tax rates immediately upon such approval of the Fiscal 2018 Budget. In the resolution, captioned above, fixing the real property tax rates for Fiscal 2018 (the "Tax Fixing Resolution"), the Council fixes the annual real property tax rates, as described in greater detail below, and authorizes the levy of real property taxes for Fiscal 2018.

Determining the Amount of the Real Property Tax Levy. In the Tax Fixing Resolution, the Council determines the amount of the real property tax levy for Fiscal 2018, pursuant to the provisions of Section 1516 of the Charter, in the following manner. (1) First, the Council acknowledges the amount of the Fiscal 2018 Budget to be \$85,238,681,837 as set forth in the communication from the Mayor pursuant to Section 1515(a) of the Charter (the "Fiscal 2018 Budget Amount"). (2) The Council then acknowledges the estimate of the probable amount of all non-property tax revenues to be \$59,426,668,837, as set forth in the communication from the Mayor pursuant to Section 1515(a) of the Charter (the "Fiscal 2018 Revenue Estimate"). (Attached hereto as Exhibit A is a description of the Fiscal 2018 Revenue Estimate, detailing all sources of revenues exclusive of real property taxes.) (3) Pursuant to Section 1516 of the Charter, the Council finally determines the net amount required to be raised by tax on real property to be \$25,812,013,000, by subtracting the amount of the Fiscal 2018 Revenue Estimate from the Fiscal 2018 Budget Amount.

In order to achieve a real property tax yield of \$25,812,013,000, however, due to provision for uncollectible taxes and refunds and collection of levies from prior years equal in the aggregate to \$1,914,142,959, the Council determines that a real property tax levy of \$27,726,155,959 is required. Such amount, levied at rates on the classes of real property as further described below will produce a balanced budget within generally accepted accounting principles for municipalities.

The Council also provides for the application of the real property tax levy (net of provision for uncollectible taxes and refunds and collection of levies from prior years) to (1) debt service not subject to the

constitutional operating limit, (2) debt service subject to the constitutional operating limit and (3) the Fiscal 2018 Budget in excess of the amount of the Fiscal 2018 Revenue Estimate.

Authorizing and Fixing the Real Property Tax Rates. After having determined the amount of the real property tax levy, the Council authorizes and fixes the real property tax rates. On May 25, 2017, the Commissioner of the Department of Finance (the "Commissioner") delivered the certified assessment rolls for all real property assessable for taxation in the City in each borough thereof for Fiscal 2018 to the Council, pursuant to Section 1514 of the Charter (the "Fiscal 2018 Assessment Rolls"). On June 6, 2017 the Council adopted a resolution in which the Council computed and certified the current base proportion, the current percentage and the base percentage of each class of real property in the City for Fiscal 2017 (the "Current Base Proportion Resolution"), pursuant to Section 1803-a (1) of the Real Property Tax Law. On June 6, 2017, pursuant to Section 1803-a of the Real Property Tax Law, the Council adopted a resolution in which the Council adjusted the current base proportions of each class of real property in the City for Fiscal 2018, to reflect the additions to, and full or partial removal from, the Fiscal 2018 Assessment Rolls (the "Adjusted Base Proportion Resolution").

The following sections describe the determinations the Council must make before it fixes the real property tax rates and the process by which the Council fixes the real property tax rates.

Assessed Valuation Calculations. In the Tax Fixing Resolution, the Council sets out the assessed valuation calculations of taxable real property in the City by class within each borough of the City. Next, the Council sets out the assessed valuation (1) by class of real property for the purpose of taxation (exclusive of the assessed valuation of veterans' real property exempt under state law from tax for general purposes but subject to tax for school purposes) in each borough of the City and (2) by class of veterans' real property subject to tax for school purposes in each borough of the City.

Compliance with Constitutional Operating Limit Provisions. In the Tax Fixing Resolution, the Council also provides evidence of compliance with constitutional operating limit provisions. The Council determines that the amount to be levied by tax on real property for the Fiscal 2018 Budget does not exceed the limit imposed by Section 10, Article VIII of the Constitution of the State of New York, as amended, and Article 12-A of the Real Property Tax Law (the "Operating Limit Provisions"). The Operating Limit Provisions require that the City not levy taxes on real property in any fiscal year in excess of an amount equal to a combined total of two and one-half percent (2 ½%) of the average full valuation of taxable real property in the City, determined by taking the assessed valuations of taxable real property on the last completed assessment roll and the four (4) preceding assessment rolls of the City and applying thereto the special equalization ratio which such assessed valuations of each such roll bear to the full valuations as fixed and determined by the State Office of Real Property Services ("ORPS"), minus (i) the amount to be raised by tax on real property in such year for the payment of the interest on and the redemption of certificates of other evidence of indebtedness described in the Constitution and (ii) the aggregate amount of business improvement district charges exclusive of debt service. (Attached hereto as Exhibit B is a description of net reductions of the amounts to be raised by the Fiscal 2018 tax levy as authorized by New York State law for purposes of the Operating Limit determination.)

Adjusted Base Proportions. The Tax Fixing Resolution sets forth the adjusted base proportions for Fiscal 2018, pursuant to the Adjusted Base Proportion Resolution, to be used in determining the Fiscal 2018 tax rates for the four classes of properties.

Tax Rates on Adjusted Base Proportions. Finally, in the Tax Fixing Resolution, the Council authorizes and fixes, pursuant to Section 1516 of the Charter, the rates of tax for Fiscal 2018 by class upon: (1) each dollar of assessed valuation of real property subject to taxation for all purposes of, and within, the City, as fixed in cents and thousandths of a cent per dollar of assessed valuation, as follows:

All One-, Two- and Three-Family Residential Real Property	0.21289
All Other Residential Real Property	0.12729
Utility Real Property	0.11128
All Other Real Property	0.10442

and (2) each dollar of assessed valuation of veterans' real property exempt under state law from tax for general purposes but subject to tax for school purposes of, and within, the City, as fixed in cents and thousandths of a cent per dollar of assessed valuation, as follows:

All One-, Two- and Three-Family Residential Real Property	0.12395
All Other Residential Real Property	0.07432
Utility Real Property	0.06502
All Other Real Property	0.06101

Authorization of the Levy of Property Taxes for Fiscal 2018. The Council authorizes and directs the Commissioner, pursuant to Section 1517 of the Charter, to set down in the Fiscal 2018 Assessment Rolls, opposite to the several sums set down as the valuation of real property, the respective sums to be paid as a tax thereon and add and set down the aggregate valuations of real property in the boroughs of the City and send a certificate of such aggregate valuation in each such borough to the State Comptroller. The Tax Fixing Resolution then requires the City Clerk to procure the proper warrants, in the form attached thereto, such warrants to be signed by the Public Advocate and countersigned by the City Clerk.

The Tax Fixing Resolution would take effect as of the date of adoption of the Fiscal 2018 Budget.

Accordingly, the Committee on Finance recommends adoption of the Tax Fixing Resolution.

Exhibit A

**ESTIMATED FISCAL YEAR 2018 REVENUE
OTHER THAN REAL PROPERTY TAXES
Summarizing by Source of Revenue**

<u>Source of Revenue</u>	<u>Estimate of Revenue</u>
Taxes (excluding Real Estate Taxes):	
General Sales (1)	\$ 7,319,000,000
Personal Income	11,841,000,000
General Corporation.....	3,890,000,000
Commercial Rent.....	848,000,000
Utility.....	382,000,000
Banking Corporation.....	0
Mortgage Recording.....	934,000,000
Unincorporated Business.....	2,137,000,000
Real Property Transfer.....	1,364,000,000
Cigarette.....	42,000,000
Hotel Occupancy.....	570,000,000
Other:	
Penalty and Interest.....	54,000,000
Off-Track Betting.....	0
Off-Track Betting Surtax.....	1,220,000
Payments in Lieu of Tax.....	397,200,000
Section 1127 (Waiver).....	156,000,000
Beer and Liquor.....	25,000,000
Auto Use.....	29,000,000
Commercial Motor Vehicle.....	60,000,000
Taxicab License Surcharge.....	200,000
Liquor License Surcharge.....	6,000,000
Horse Race Admissions.....	50,000
Other Refunds.....	(33,000,000)
Medical Marijuana Excise Tax.....	80,000
State Tax Relief Program ("STAR") for Personal Income and Real Property Taxes.....	202,000,000
	<u>\$ 30,224,750,000</u>
Miscellaneous Revenue:	
Licenses, Franchises, etc.....	674,160,000
Interest Income.....	109,750,000
Charges for Services.....	989,368,610
Water and Sewer Charges.....	1,401,676,000
Rental Income.....	250,965,000
Fines and Forfeitures.....	913,925,000
Miscellaneous	333,001,008
	<u>\$ 4,672,845,618</u>

Exhibit A

**ESTIMATED FISCAL YEAR 2018 REVENUE
OTHER THAN REAL PROPERTY TAXES
Summarizing by Source of Revenue**

Source of Revenue	Estimate of Revenue
Grants:	
Federal.....	\$ 7,811,106,073
State.....	14,419,098,702
Provision for Disallowances.....	<u>(15,000,000)</u>
	<u>22,215,204,775</u>
Unrestricted State and Federal Aid:	
N.Y. State Revenue Sharing.....	0
Other Unrestricted Aid.....	<u>0</u>
	<u>0</u>
Transfer from Capital Funds.....	<u>670,209,156</u>
Tax Audit Revenue and Other Initiatives.....	<u>850,000,000</u>
Tax Program.....	<u>(86,600,000)</u>
Other Categorical Grants.....	<u>880,259,288</u>
Amount of Estimated Revenue other than Real Estate Taxes.....	<u>\$ 59,426,668,837</u>

FOOTNOTES

(1) Fiscal 2018 administrative expenses of the New York State Financial Control Board ("FCB") and the Office of the State Deputy Comptroller ("OSDC"), the "State Oversight Retention Requirements", have been treated only for accounting and financial reporting purposes of the City as if they were City expenditures. Consequently, the above estimates of General Fund receipts for Fiscal 2017 do not reflect anticipated reductions in amounts to be received by the City from the four and a half percent sales tax levied in the City (the "City Sales tax") pursuant to State Oversight Retention Requirements. In fact, the State Oversight Retention Requirements are to be retained by the State from the City Sales Tax and will therefore reduce the funds which are paid to the City from the City Sales Tax. This presentation of State Oversight Retention Requirements (instead of being shown as a reduction in City Sales Tax) has no bearing on the statutory relationship between the City, on the one hand, and the FCB and OSDC, on the other hand.

Exhibit B

PROPERTY TAX ITEMS IN THE RESERVE CONSIDERED OFFSETS TO LEVY FOR PURPOSES OF CONSTITUTIONAL OPERATING LIMIT PROVISIONS

FISCAL 2018 RESERVE ESTIMATES

Reserve Item	Estimate <i>(in millions)</i>
<u>Property Tax Reductions (Tax Expenditures) Authorized by State Law</u>	
Coop/Condo Abatement	(\$518.0)
STAR Exemption*	(202.0)
J-51	(122.0)
SCRIE/DRIE	(187.6)
Commercial Revitalization Program & Borough Development	(71.1)
Section 626	(19.0)
ICAP Abatement	(34.0)
Solar/Green Roof Abatement	(2.5)
<u>Property Tax Additions (Tax Programs) Authorized by State Law</u>	
Exempt Property Restored	35.2
TOTAL	<u>(\$1,121.0)</u>

* Although the STAR exemption is authorized by State law and treated as an abatement and included in the property tax reserve, the State reimburses the City for the exact amount of the abatement. However, this is an Expense item and accounted for as a separate allocation of funds.

Source: NY City Office of Management and Budget, FY 2018 Adopted Budget