



**NEW YORK CITY BANKING COMMISSION**  
66 JOHN STREET, 12<sup>TH</sup> FL., NEW YORK, NY 10038  
(212) 291-4840

Karen A. Cassidy, *Secretary*

2019 MAY 10 A 10:47  
NYC COUNCIL  
SPEAKER'S OFFICE  
RECEIVED

May 10, 2019

Honorable Corey Johnson  
Speaker, New York City Council  
ATTN: Jonathan Ettricks  
City Hall  
New York, NY 10007

**Re: FY2020 Interest Rates Recommendations for:**  
Early Payment (Discount) of Real Estate Taxes; and  
Non-Payment of Real Estate Taxes

Dear Speaker Johnson:

Pursuant to § 11-224.1 of the New York City Administrative Code and § 1519(a) of the New York City Charter, at its meeting on May 10, 2018, the NYC Banking Commission approved resolutions recommending to the City Council the following proposed FY2019 interest rates for the discount rate for early real estate tax payments and the rates for non-payment of real estate taxes:

- a. One-half of one percent (0.50%) discount per annum for early payment of real estate taxes;
- b. Seven percent (7.0%) per annum for non-payment of taxes for real estate with an assessed value of not more than two hundred fifty thousand dollars (\$250,000.00), or not more than two hundred fifty thousand dollars (\$250,000.00) per residential unit for co-ops;
- c. Eighteen percent (18.0%) per annum for non-payment of taxes for real estate with an assessed value of more than two hundred fifty thousand dollars (\$250,000.00), or more than two hundred fifty thousand dollars (\$250,000.00) per residential unit for co-ops, or where irrespective of the assessed value, the parcel consists of vacant or unimproved land.

Attached are copies of the Banking Commission resolutions.

Sincerely,

Karen A. Cassidy  
Assistant Commissioner and Treasurer  
NYC Department of Finance

Attachment

Cc: Honorable Bill de Blasio  
Comptroller Scott M. Stringer  
Commissioner Jacques Jiha, Ph.D., NYC Department of Finance  
Deputy Commissioner Jeffrey Shear, NYC Department of Finance  
NYC Deputy Mayor for Operations Officer Laura Anglin  
Assistant Comptroller for Economic Development Brian Cook

May 10, 2019  
Honorable Corey Johnson  
Interest Rate Recommendations – FY2020

**RESOLUTION NO. 1 – FY2020 EARLY PROPERTY TAX PAYMENT DISCOUNT RATE RECOMMENDATION**

**WHEREAS**, pursuant to § 1519(a) of the New York City Charter, the Banking Commission is required to recommend to the City Council, no later than the thirteenth of May, the proposed discount rate for the early payment of real estate taxes, and

**WHEREAS**, the Federal Reserve is currently in a hold steady and patiently assess the future rate environment. However, there have been three incremental increases of 25 basis points (0.25%) or a total of 75 basis points (0.75%) in the Federal Funds rate range in the past twelve months by the Open Market Committee of the Federal Reserve Bank on these three dates (March 2018, June 2018, September 2018) Concurrently the prime rate has also increased in 2018 from 4.75% to 5.50%, or a total of 75 basis points (0.75%).

**WHEREAS**, the increase in interest rates has allowed the City to earn more income than it had previously on property taxes paid early. From May 2018 – April 2019, NYC’s quarterly average rates on its investments ranged from 1.70% - 2.49% in comparison to FY2018 from 1.0% - 1.70%, an increase of ~80 basis points (~0.80%), and

**WHEREAS**, the Banking Commission’s impact analysis for FY2019 demonstrates that this higher return on investments rate resulted in \$27.9 million of interest earned on taxes collected early at 50 basis points (0.50%). This offset estimates of forgone tax revenue of (\$9.6 million) (discount given) plus (+) forgone interest income on forgone taxes of (\$210K), resulting in a net surplus in revenue to the city in FY2019 of \$18 million compared to \$6.2 million in FY2018, and

**WHEREAS**, the impact translates to a total positive impact for the City of \$19.3 million in FY2019. This consists of the aforementioned \$18 million in net surplus revenue and an additional \$1.3 million in administrative cost savings. If the Banking Commission were to increase the discount rate to 100 basis points (1.0%), this would produce \$10 million less in net revenue to the City, and

**WHEREAS**, changes in the discount rate decrease from 100 basis points (1.0%) in FY2015 to 50 basis points (0.50%) in FY2016 through FY2019 has had little effect on the number of pre-paid accounts or the amount of taxes collected early. The number of pre-paid accounts has consistently remained at ~176k with a dollar value of ~\$2.2 billion. Therefore, taxpayer behavior appears somewhat inelastic in response to changes in the discount rates. Further, given the inelasticity, cash flow would not materially increase should the discount increase above 50 basis points (0.50%), now, therefore be it

**RESOLVED**, the Banking Commission recommends to the City Council that the discount rate for the early payment of real estate taxes shall remain at 50 basis points (0.50%) per annum for FY2020, and be it further

**RESOLVED**, that said discount rate is to be offered only for that portion of the real estate tax that is paid before the due date.

**RESOLUTION NO. 2 – FY2020 LATE PROPERTY TAX PAYMENT INTEREST RATE RECOMMENDATION FOR PROPERTIES ASSESSED NO MORE THAN \$250,000**

**WHEREAS**, pursuant to the New York City Administrative Code § 11-224.1, the Banking Commission is required to recommend to the City Council, no later than the thirteenth of May, the proposed interest rate to be charged for non-payment of taxes for properties with an assessed value of not more than two hundred fifty thousand dollars (\$250,000), or not more than two hundred fifty thousand dollars (\$250,000) per residential unit for co-ops, and

**WHEREAS**, the proposed interest rate shall be at least equal to the prevailing interest rate charged for commercial loans extended to prime borrowers by commercial banks operating in the City (the “prime rate”), and

**WHEREAS**, the Banking Commission notes that as of May 9, 2019 said prime rate stands at five point five percent (5.50%), as published by the Board of Governors of the Federal Reserve System, and

**WHEREAS**, it is in the City’s best interest to encourage the prompt payment of real estate taxes by all taxpayers, and

**WHEREAS**, the overall trend in the past year was a rising interest rate environment. There have been three incremental increases of 25 basis points (0.25%) or a total of 75 basis points (0.75%) in the Federal Funds rate range in the past twelve months by the Open Market Committee of the Federal Reserve Bank. Concurrently, between March 2018 and December 2018 the prime rate increased from 4.75% to 5.50%, or a total of 75 basis points (0.75%), and

**WHEREAS**, maintaining the current penalty rate of 7.0% for assessed properties valued at no more than \$250k is consistent with the past year’s 75 basis point (0.75%) increase and the current Federal Reserve position of holding rates at current levels, and

**WHEREAS**, the property tax balance (amount delinquent) increased from \$306.7 million in FY18 to \$345 million in FY19, an increase of 12.6% or ~\$38.6 million. The interest earned on delinquent property taxes at 7.0% of \$5.9 Million was not enough to cover the negative impact of (\$6.1 Million) of forgone interest the city would have made if the taxes had been paid on time. This is a result of the ~80 bps (~0.80%) increase in NYC investment rates in 2018. This resulted in a net negative revenue impact of ~(\$200k). Though the increase in the penalty rate from 6.0% to 7.0% for quarterly accounts in FY2018 did not avert the aforementioned slight negative impact, the loss would have been greater had the rate not been increased to 7.0%, and

**WHEREAS**, the delinquency rate for quarterly accounts (assessed properties < \$250,000) increased from 9.52% to 10.43% or an increase of 9.6%. The increase in delinquencies remains within a healthy range and has not significantly increased the City’s overall delinquency rate which went from 9.18% in FY18 to 10.17% in FY19, now, therefore, be it

**RESOLVED**, the Banking Commission recommends to the City Council that the interest rate to be charged for non-payment of taxes for all properties with an assessed value of not more than two hundred fifty thousand dollars (\$250,000), or not more than two hundred fifty thousand dollars (\$250,000) per residential unit for co-ops, be maintained at seven per cent (7.0%) per annum for FY2020.

**RESOLUTION NO. 3 – FY2019 LATE PROPERTY TAX PAYMENT INTEREST RATE RECOMMENDATION FOR PROPERTIES ASSESSED GREATER THAN \$250,000**

**WHEREAS**, pursuant to the New York City Administrative Code § 11-224.1, the Banking Commission is required to recommend to the City Council, no later than the thirteenth of May, the proposed interest rate to be charged for non-payment of taxes for properties with an assessed value of more than two hundred fifty thousand dollars (\$250,000), or more than two hundred fifty thousand dollars (\$250,000) per residential unit for co-ops, or where, irrespective of the assessed value, the parcel consists of vacant or unimproved land, and

**WHEREAS**, said provisions of the Administrative Code require the Banking Commission to propose a rate at least six percentage points (6.0%) per annum greater than the prevailing interest rate charged for commercial loans extended to prime borrowers by commercial banks operating in the City (the “prime rate”), and

**WHEREAS**, the Banking Commission notes for the record that as of May 9, 2019 said prime rate stands at five point five percent (5.50%), as published by the Board of Governors of the Federal Reserve System, and

**WHEREAS**, it is in the City’s best interest to encourage the prompt payment of real estate taxes by all large taxpayers, and

**WHEREAS**, the delinquency rates for semi-annual accounts (assessed properties > \$250,000) increased 41.2%, going from 5.23% in FY2018 to 7.4% in FY2019, which is still a healthy delinquency rate. The Banking Commission does not think that this is attributable to the 18% penalty rate, as that rate has not changed in decades. In addition, there continues to be a positive impact on New York City revenue when considering interest paid for semi-annual accounts of \$22.7 million offset by the negative (\$6.7 million) of forgone interest the city would have made if the taxes had been paid on time, which resulted in a positive impact of \$16 million in net revenue, now, therefore, be it

**RESOLVED**, the Banking Commission recommends to the City Council that the interest rate to be charged for non-payment of real estate taxes where the assessed value of a property is more than two hundred fifty thousand dollars (\$250,000), or more than two hundred fifty thousand dollars (\$250,000) per residential unit for co-ops, or where, irrespective of the assessed value, the parcel consists of vacant or unimproved land, remain at eighteen per cent (18%) per annum for FY2020.

Dated May 9, 2019

*The NYC Banking Commission unanimously approved Resolutions No. 1-3.*