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John Yinger

The Maxwell School, Syracuse University, joyinger@syr.edu

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It's Elementary

A Monthly Column by EFAP Director John Yinger
August 2012

Four Flaws in New York State's Property Taxes and How to Fix Them: Small Assessment Units

This is the fourth of four columns on property taxes in New York State. This column explores the current arrangements for assessing units.

Property taxes are no joking matter. In an effort to liven up this column, I Googled “property tax joke.” Nothing came up. Then I tried “property tax humor.” Still nothing. Finally I tried “property tax cartoon” and I came across a drawing of a woman on the phone in front of her house. She was standing next to a “foreclosure” sign. The caption read: “Please, Mr. Assessor, how can I sell my house for what you say it is worth?!” This column is about the arrangements for these people who tell you your house is worth a lot more than you think it is.

The assessing defect I want to discuss is one of administration, not policy. According to the latest figures, New York has 1,116 assessing units.¹ That's right: 1,116. This includes 2 counties, 61 cities, 920 towns and 133 villages. The village assessors are totally duplicative, so people living in villages may receive two different assessments for taxes levied by different units of government—a wasteful arrangement not observed in any other state. Even without this duplication, however, the number of assessing units would be way too high.

Like many other states, New York State does not exactly enforce high assessment standards; instead it provides funds to encourage good assessments. Its latest program, the Cyclical Reassessment Aid Program, “requires a participating municipality to submit a plan for a reassessment cycle that must include a complete reappraisal at least once every four years.” As a result of these efforts, along with ongoing professionalization among assessors, the quality of assessing in New York State has improved over the last few decades. In 1980, fewer than 10 percent of assessing units met widely accepted standards for assessment accuracy. By 2010, this percentage had increased to 70 percent.²

However, scholars have found that assessment is subject to dramatic economies of scale. According to the best study, a 10% increase in the number of parcels results in a 7% decrease in

¹ More information on assessing units and other features of the property tax in New York State can be found at the website of the Department of Taxation and Finance: <http://www.tax.ny.gov/pit/property/assess/reform/index.htm>.

² See New York State Department of Taxation and Finance, Office of Tax Policy Analysis, “Assessment Equity in New York: Results from the 2010 Market Values Survey,” December 2010. Available at: <http://www.tax.ny.gov/pdf/publications/orpts/cod/2010mvs/assessmentequity10mvs.pdf>

the cost of assessing per parcel.³ As a result, cutting the number of assessing districts in half, which corresponds to doubling the number of parcels per district, would result in a 35% decrease in the state-wide cost of assessing. Shifting to county assessment units would probably cut the states total assessing costs at least in half.

Moreover, almost 500 assessing units are so small that they share an assessor. Other small units have a part-time assessment board. Consolidating units would also make the system more rational and more professional.

A side benefit of this type of consolidation would be that the states determination of equalized values would be much easier and more transparent. Because equalized values are used in state aid programs and in calculating STAR exemptions, this benefit would be quite significant.

³ This study is: D. L. Sjoquist and M. B. Walker, "Economies of Scale in Property Tax Assessment." *National Tax Journal*, June 1999, pp. 207-220. Other studies have similar findings. For example, Tae Ho Eom ("A Comprehensive Model of Determinants of Property Tax Assessment Quality: Evidence in New York State," *Public Budgeting and Finance*, Spring 2008, pp. 58-81) finds that, holding the assessing budget constant, the quality of assessments increases with the number of parcels.