



ANNUAL REPORT

THE NYC OFFICE OF THE TAXPAYER ADVOCATE

May 1, 2019

BILL DE BLASIO, MAYOR ● JACQUES JIHA, PH.D., COMMISSIONER

New York City Office of the Taxpayer Advocate

2019 Annual Report

(Reporting Period: April 1, 2018 – March 31, 2019)

Executive Summary

Enclosed please find the fourth annual report of the Office of the Taxpayer Advocate (OTA), an independent office established in 2015 by the Department of Finance to assist customers and recommend improvements to agency policies and procedures. This report documents OTA's work from April 1, 2018, to March 31, 2019.

With this report, the Office of the Taxpayer Advocate presents 22 recommendations to improve the Department of Finance's services and operations. The report also documents the actions taken by DOF in response to previous OTA proposals, including the recommendations that the department promptly implemented after the publication of the OTA's 2018 report.

When taxpayers, property owners, and other customers feel that they have not received an adequate response from the Department of Finance, the Office of the Taxpayer Advocate can help. As you will see in the enclosed report, OTA has served more customers in each successive year since its founding. The success stories toward the end of the report provide excellent examples of the important and in some cases life-changing work performed by OTA's dedicated staff.

The Office of the Taxpayer Advocate has helped thousands of taxpayers and improved many DOF policies and procedures with its sensible and customer-friendly recommendations. This work is key to the Department of Finance's mission to administer the tax code and revenue laws of the City fairly, efficiently, and transparently. It is also well in line with our agency's four pillars: fairness, efficiency, transparency, and customer service. In further support of the agency's pillar of fairness, I have asked that OTA convene a working group to review and make recommendations to improve current DOF collections processes, including payment plans and penalty abatements.

We are grateful for the efforts of Taxpayer Advocate Eunkyong Choi and her team. More information about the Office of the Taxpayer Advocate is available at www.nyc.gov/taxpayeradvocate.



Jacques Jiha, Ph.D., Commissioner

Summary of 2019 Recommendations

The Office of the Taxpayer Advocate has made 22 new recommendations in this report. Thirteen concern property issues and have been categorized into two areas: assessment issues and homeowner tax benefit issues. They are as follows:

- 1) Exemptions and Abatements on NOPVs
- 2) Timelines for Clerical Error Remissions
- 3) Clarification of RPIE Procedures
- 4) Condominium Allocation
- 5) DOF Tutorial Tools—"How to" Use
- 6) Understanding the Tax Commission and SCARP
- 7) Face-to-Face Hearings During the RFR Process
- 8) SCHE Ownership Eligibility Date
- 9) SCHE Non-Responders to Requests for Missing Documents
- 10) Taxpayers Denied SCHE Who Do Not Reapply
- 11) SCHE/DHE Renewal Uniformity
- 12) Potential Issues Regarding Federal Tax
- 13) E-STAR Revocations

Four recommendations concern issues surrounding the collection of business taxes:

- 14) Better Publicizing E-Services
- 15) Tax Warrants and Liens
- 16) Particularized Descriptions for Payment Locks
- 17) OTA Authorization to Generate Period Detail Reports

The remaining recommendations are regarding issues concerning DOF procedures:

- 18) Interest Calculators and Guidelines
- 19) Property Tax Refund Request Language
- 20) DOF Webpage Cleanup
- 21) Powers of Attorney
- 22) Interdepartmental Guidance

Table of Contents

Executive Summary	1
Summary of 2019 Recommendations.....	2
Part I	
Introduction.....	5
A. Annual Report to NYC Council.....	5
B. Taxpayer Advocacy.....	5
C. Taxpayer Bill of Rights.....	7
Part II	
Updated DOF Responses to 2016 & 2017 OTA Recommendations	7
Part III	
DOF Actions on 2018 OTA Recommendations.....	11
Part IV	
OTA Statistics for the Reporting Period April 1, 2018, to March 31, 2019, and Cumulative Three-Year Statistics	22
A. Tax Year Case and Inquiry Totals for the Office of the Taxpayer Advocate.....	22
B. Total Inventory by Subject Matter	23
C. Source of Total Work by Borough	24
D. Breakdown of Recurring Issues	25
E. Cases in Which No Relief Was Granted	27
F. Property Tax Inquiries and Cases by Subcategories	28
G. Property Tax Inquiries and Cases by Borough.....	30
H. Property Tax Cases by City Council District	31
I. Business and Excise Tax Cases and Inquiries by Subcategories	32
J. Business and Excise Tax Cases and Inquiries by Borough.....	34
K. Business Tax Cases by City Council District.....	35
L. Refunds and Abatements by Major Tax Type and Tax Year	36
M. Referrals by Source.....	36
N. Open Cases and Inquiries.....	37

Part V

DOF-OTA Collaborative Successes.....38

Part VI

Recommendations for the Current Reporting Period.....40

Part VII

Success Stories.....52

Part VIII

OTA Outreach Efforts55

Glossary56

Part I:

Introduction

A. Annual Report to NYC Council

The Department of Finance is required to submit an annual report to the New York City Council no later than May 1 detailing the activities of the Office of the Taxpayer Advocate during the preceding year. This annual report must include the following:

- (1) The number and nature of inquiries received by the Taxpayer Advocate regarding property tax exemptions or business tax exemptions, whichever is applicable, for reporting period¹ 2018-19;
- (2) The number, nature, and resolution of complaints received by the Taxpayer Advocate;
- (3) Any recommendations made by the Taxpayer Advocate to the commissioner;
- (4) The acceptance and denial rates of such recommendations by the commissioner;
- (5) The number and nature of inquiries referred to the Taxpayer Advocate by the ombudspersons at the department; and
- (6) The number and nature of inquiries referred to the Taxpayer Advocate by 311.

B. Taxpayer Advocacy

For nearly four years, OTA has advocated on behalf of New York City taxpayers and property owners through its handling of “inquiries” and “cases” involving business income and excise and property taxes administered by the Department of Finance.

Inquiries

Inquiries are specific requests from taxpayers for discrete information or assistance. The most common reason taxpayers seek guidance from OTA is that they don’t understand how their taxes were calculated, or how to comply with tax laws. OTA helps taxpayers navigate the department and locate the appropriate operating units or responsible parties to resolve their issues.

Case Advocacy

OTA affirmatively advocates for taxpayers through case advocacy. OTA will advocate on behalf of any taxpayers who can show that they have attempted to resolve an issue with DOF which has not been resolved or timely addressed, or that DOF is unfairly or incorrectly applying a law,

¹ DOF’s fiscal year runs July 1 through June 30, whereas OTA’s runs April 1 through March 31; to distinguish, we will use the terms “tax year” or “reporting period” to refer to OTA, and “fiscal year” in reference to DOF.

regulation, or policy. OTA will also act on behalf of taxpayers who can show that they face immediate or long-term harmful action, including the immediate seizure of funds or other property. OTA also handles cases that have the potential to affect multiple taxpayers or that present unique or compelling public policy issues. The average time during the past year for OTA to investigate, advocate, and resolve² a case was 45 days.

Cases and inquiries come to OTA via submission of form DOF-911 and through the following channels:

1. OTA website
2. Service requests through 311
3. Telephone calls and messages to OTA
4. Emails
5. Walk-ins at the OTA office at 375 Pearl Street, 26th Floor³
6. Faxes
7. Referrals from city council members
8. Referrals from other DOF business units
9. Letters
10. Outreach events

The Office of the Taxpayer Advocate works closely with DOF's core operating units, including Tax Audit and Enforcement, Collections, Payment Operations, Property, External Affairs, and Legal Affairs. OTA acts through formal and informal requests for information to these operating units. When OTA's informal requests are not responded to in a timely fashion, or the responses provided are insufficient to resolve a taxpayer issue, OTA will submit a formal operations assistance request (OAR) and impose a deadline for response. If the operating unit does not take action, OTA will submit a taxpayer assistance order (TAO) directly to the commissioner.

During this reporting period, OTA issued two formal OARs and no TAOs, the result of improved communication between OTA and DOF's other units and divisions. OTA's quarterly meetings with the Treasury and Payment Services Division and bi-monthly meetings with the Property Division, both implemented in the summer of 2017, have led to the majority of issues being resolved through informal communications.

² OTA strives to provide relief for every case, but for various reasons—including taxpayers who do not respond to contacts or do not cooperate with OTA requests, and bright-line laws or DOF policies—OTA has been unable to provide relief in less than 16% of closed cases since the office opened.

³ Until March 15, 2019, OTA's office was at 253 Broadway, 6th Floor.

C. Taxpayer Bill of Rights

OTA officially opened for business on October 19, 2015. Shortly thereafter, DOF issued a new NYC Taxpayer Bill of Rights:

- The Right to Be Informed
- The Right to Quality Service
- The Right to Understand How Your Property Tax Is Determined
- The Right to a Fair and Just Tax System
- The Right to Retain Representation
- The Right to Pay No More than the Correct Amount of Tax
- The Right to Finality
- The Right to Privacy
- The Right to Confidentiality
- The Right to Challenge the Department of Finance’s Position and Be Heard

Part II:

Updated DOF Responses to 2016 & 2017 OTA Recommendations

DOF committed to implement or otherwise resolve 13 recommendations from OTA’s 2016 annual report and another 13 recommendations from the 2017 report. A number of those recommendations are still in the process of being effected. Here, OTA discusses the progress DOF has made toward their completion.

To further illustrate the progress and strides taken to fulfill the Department of Finance’s obligation to better serve taxpayers, we have categorized each of the past recommendations under one of the four pillars of DOF’s mission—fairness, efficiency, transparency, and exceptional customer service.

FAIRNESS

Understanding Misapplied Payments: Optimizing PTS Using Lessons from FAIRTAX

OTA had recommended that DOF investigate and propose a corrective plan for the misapplication of payments, as well as for taxpayers or third parties providing the wrong information as to how payments should be applied.⁴ In 2017, OTA and DOF’s Treasury and Payment Services Division began meeting quarterly to identify and address issues relating to misapplied payments and to determine whether new processes were needed. The main source of misapplied payments was determined to be the automated functions of the FAIRTAX computer system.

⁴ See 2016 Recommendation No. 5.

On March 4, 2019, DOF rolled out its new property tax system (PTS) software, which enhanced the agency's ability to process payments and replaced the obsolete FAIRTAX system that had previously been in use. The new system should allow DOF staff to spot and mitigate errors sooner; however, until the capabilities, functionality, and reliability of PTS are determined, this is an issue that OTA recommends DOF reexamine when sufficient data are available.

Understanding Penalty and Interest Rules

OTA had recommended that DOF include on notices mathematical calculations detailing the imposition of penalties and interest, as well as an explanation of the law relevant to the calculation of such penalties and interest.⁵ DOF has since implemented detailed explanations on the notice of tax due statement for late business tax filing, late payment, and the underpayment of estimated tax penalties. DOF added more reader-friendly revisions to those explanations and other portions of the notice via an interdivisional committee (consisting of representatives from Payment Operations, OTA, Legal Affairs, and External Affairs); the revised notice was sent to taxpayers beginning in August 2018.

Property and Business Tax Hardships

In the 2017 annual report, OTA proposed developing hardship payment plans for property owners, as well as researching how to assist small business owners with similar hardships.⁶

On January 24, 2019, thanks to DOF's and the New York City Council's joint efforts, the council passed Local Law 45, now codified as section 11-322.1 of the NYC Administrative Code, creating hardship installment agreements for property owners. The Property Tax and Interest Deferral (PT AID) program allows property owners who are experiencing difficulty paying their property taxes to defer the payment of all or a portion of their taxes for a fixed or indefinite period, depending upon the duration of the hardship. Within the PT AID program, rolled out in March 2019, DOF created three payment plan options:

- a Low-Income Senior repayment plan
- a Fix-Term Income-Based repayment plan
- an Extenuating Circumstances Income-Based repayment plan

⁵ See 2017 Recommendation No. 4: Understanding Penalty and Interest Rules.

⁶ See 2017 Recommendation No. 9: Property and Business Tax Hardships.

Regarding small businesses, OTA has crafted a six-point proposal for business collection alternatives aimed at helping small and unincorporated businesses, including:

- Flexible installment agreements
- Improved and better-defined penalty abatements
- A statute of limitations on collections (OTA recommends 20 years to conform with state law)
- Solutions that allow businesses to compromise debts

OTA is soliciting feedback from outside tax practitioners and is in the process of establishing a work group with other DOF units and divisions to refine these recommendations. OTA has also joined DOF Collections for biweekly meetings to help further the division's strategic initiative to reconcile and refine different DOF payment plans, including those offered to business taxpayers.

EFFICIENCY

Responding to Billing and Collection Inquiries

OTA had recommended that DOF review all notices with contact information to identify which numbers are going unanswered.⁷ DOF Payment Operations is in the process of including language that would provide a detailed breakdown of charges on its notices and letters.

DOF is also in the process of establishing a customer contact center which will include representatives from DOF's Business Tax Services team and the divisions of External Affairs, Payment Operations, and Property to streamline the handling of billing inquiries. In phase one of the project—with a completion date targeted for summer 2019—DOF will have taxpayers' calls rerouted from 311 to agency staff. The full extent of the contact center's capabilities will be better assessed once DOF proceeds through the second phase of the project, which will include the establishment of a more secure platform for taxpayers to confidently submit more personal or private information, such as Social Security numbers, which is often necessary to process tax inquiries.

TRANSPARENCY

Transparency in Request for Review Determinations

OTA had recommended that the Department of Finance provide clearer explanations of RFR determinations, including why taxpayers' challenges were denied, or, if applicable, why DOF's

⁷ See 2017 Recommendation No. 7: Responding to Billing and Collection Inquiries.

comparable properties used for valuation were favored over those submitted by the taxpayer.⁸ DOF had stated that it would include written explanations for RFR determinations beginning in fiscal year 2018-19, to be in place for all 2019-20 RFR filings.

Upon further review, DOF's Property Division does include some written explanations on RFR denial notices, but does not have the personnel to provide the detailed written explanations required for owners whose RFRs did not result in a valuation change in the time allotted before completing the final roll. DOF uses multiple regression analysis to value tax class 1 properties, a robust process not easily understood by the average property owner, and explaining in detail why such processes and findings are favored over an owner's comparable properties requires a further level of attention not currently feasible.

Alternatively, to make the process more equitable, DOF is focusing on addressing taxpayers who file RFRs and have not retained representation. The Property Division has requested additional staff to create a review panel to provide face-to-face explanations for owners regarding their RFR determinations. In the meantime, the Property Division has also suggested working with OTA to provide more taxpayer-friendly revisions to its notices.

Confirmation of Taxpayer Submissions and "Next Steps" for Benefit Applications

OTA had recommended that DOF provide specific guidance to benefit applicants regarding the next steps in the application process, including language informing taxpayers when they should expect to hear from DOF or online tools for taxpayers to check the status of their applications.⁹

The agency's new property tax system allows taxpayers to file exemption and abatement applications electronically. Electronic filing will streamline online application submission while providing for secured document upload and a public access status lookup. Landlords participating in the Rent Freeze program will be able to download tax abatement credit (TAC) reports. Taxpayers will also be able to report any benefit changes. An income calculation tool is also planned. As electronic filing has only been live since March 2019, it is too early to report its impacts.

CUSTOMER SERVICE

General Comment Forms and Customer Surveys

OTA recommended that DOF create a form for taxpayers to communicate directly with the agency regarding departmental processes and communications.¹⁰ Capturing customer feedback

⁸ See 2017 Recommendation No. 3: Transparency in Request for Review Determinations .

⁹ See 2017 Recommendation No. 6: Confirmation of Taxpayer Submissions and "Next Steps" [for Benefit Applications]

on agency processes allows DOF to more easily identify systemic problems and deploy resources to improve performance. DOF's External Affairs Division conducted pilot customer service surveys at business centers and across the agency's public platforms, most recently surveying NOPV event attendees to discover why they attended the event, how they heard about it, whether they received the help they needed, and whether they would be interested in receiving information about their property by email. While the results of these surveys help the agency improve its guidelines and procedures, OTA recommends creating a centralized public location to access results for increased transparency and improved interdepartmental communication.

Part III:

DOF Actions on 2018 Recommendations

OTA made 23 new recommendations in its 2018 annual report. This section provides the status of the implementation of those recommendations.

Recommendation No. 1: Recommended Enhancements to the Request for Review Process

- a. DOF should establish a process to provide written confirmation of paper RFRs.*
- b. DOF should establish a timeframe within which an RFR will be determined, and communicate the timeframe to all RFR filers.*
- c. DOF should provide a clear statement on the RFR forms explaining that a change in market value will not necessarily result in a change in property tax.*

DOF Action:

Paper RFRs have a mandatory field in which applicants enter their email address. When the RFR data are entered into the system electronically, the applicants receive acknowledgment via email. DOF is having ongoing discussions with regard to sending a hard copy acknowledgment letter to the small minority of applicants who did not enter an email address on the paper RFR.

DOF's ideal timeframe to complete all RFRs is by the final assessment roll on or around May 25 each year. However, DOF's backlog of RFR applications—due to property owners submitting multiple requests for the same property, including requests to update (RTUs) and clerical error remissions (CERs)—has often necessitated that the agency work past the final assessment roll and issue retroactive remissions. As of April 10, 2019, DOF had a backlog of over 4,500 RFR

¹⁰ See 2017 Recommendation No. 11: General Comment Forms and Customer Surveys

and 900 RTU applications to process. The agency is working to revise its request for review process, including potentially combining RFRs, RTUs, and CERs into a single form.¹¹

There are ongoing discussions within DOF on incorporating a statement differentiating between changes in market value and property tax. The Property Division has proposed working with OTA to revise its letters for the 2020-21 NOPV season.

Recommendation No. 2: Creating a Tutorial Regarding Tools on DOF's Property Website

DOF should better publicize its digital property maps and create a tutorial on how to use their various features.

DOF Action:

Beginning in fiscal year 2016-17, DOF has publicized its digital property tax maps for tax class 1, 2, and 4 properties, along with rolling sales data for the tentative and final assessment rolls. Property owners can compare the market value of their properties to their neighbors' and view other pertinent property characteristics, including different valuation models, descriptive features, and neighborhood-specific values and sales information. In fiscal year 2018-19, DOF also added a street view feature which allows taxpayers to view high resolution photos of their properties and others nearby. In the past, when the property maps were published, DOF posted advisements on the front page of its website. The agency will prepare a tutorial video on how to use the various features of the digital tax maps in the coming fiscal year.

Recommendation No. 3: Assessors at Business Centers

During NOPV season, as an additional customer service, DOF should have assessors on hand at business centers during business hours to answer property owners' questions regarding assessment issues.

DOF Action:

The Property Division concurs that it would be helpful to have available at the business centers staff members who can address general assessment questions, though these staffers need not necessarily be assessors.

¹¹ The timeframe for the processing of an RTU is provided on the assessment and valuation forms landing page, <https://www1.nyc.gov/site/finance/taxes/property-forms/property-forms-assessments-and-valuations.page>.

Recommendation No. 4: Estimated Property Taxes on NOPVs

DOF should include “estimated” annual taxes due on NOPVs, with the caveat that they are subject to adjustment based on the tax rate or any other relevant factors.

DOF Action:

DOF substantially revised its notice of property value (NOPV) for fiscal year 2019-20 to make it more reader-friendly. Such revisions included the addition of a calculation of “estimated” annual taxes, based on multiplying the taxable value (the assessed value minus exemptions) by the tax rate for the current fiscal year. The new NOPV design includes the following section (shown below for a tax class 1 property):

ESTIMATED 2019-20 PROPERTY TAX

We cannot calculate your 2019-20 property tax until the new tax rate is established by the city council. Until then, you will pay the 2018-19 rate. Many factors influence the amount you will owe, including the value of any exemptions you receive. See page two for details about how property tax is calculated.

The table below estimates the amount you will owe by multiplying the taxable value of your property by the current tax rate of 20.919%. This table is provided for informational purposes only; the actual amount you owe may differ, depending on the 2019-20 tax rate and the value of your exemptions and abatements.

Year	Taxable Value		Tax Rate		Estimated Property Tax
2019-20	\$24,336	x	0.20919	=	\$5,090.85

Anecdotally, the taxpayer response to the new NOPV has been positive. A survey conducted by DOF’s External Affairs Division revealed that of the taxpayers at the NOPV sessions, 87% attended with a specific question in mind, an indication that they were able to understand the notice; furthermore, 311 calls about NOPVs were down by 11%, and requests for review filings had also decreased, all indications that taxpayers may be better understanding the information presented to them. OTA has made additional recommendations regarding the NOPV in part VI.

Recommendation No. 5: Refund Requests on Revised Assessments

- a. If an RFR determination will involve a change to an assessment that gives rise to a credit or refund, DOF should include the amount of the credit or refund on the notice, rather than just the valuation change.*
- b. DOF should provide the requisite forms to request the credit or refund with the Notice of Revised Property Tax Assessment.*

DOF Action:

If DOF completes its review of an RFR before the posting of the final roll, no credits or refunds need be issued, as the taxpayer has yet to be billed for the upcoming fiscal year. (The roll closes on or about May 25; the first bill for the new fiscal year is issued in June.) The RFR system only reflects notices with value changes. If noticing involves more than a value change, then this should involve noticing through PTS, where assessed values are calculated.

Recommendation No. 6: Benefit Takeover Application and Redetermination

- a. Qualifying surviving spouses residing at the property, regardless of whether they are on the lease, should automatically assume the SCRIE/DRIE benefit. Additionally, the time to apply for income redetermination should be extended to at least one year.*
- b. DOF should consider reviewing state regulations, as changes will likely involve statutory adjustment at the state level.*

DOF Action:

The current redetermination application does not have a specific filing time frame. The current benefit takeover application has a section to apply for a redetermination without the need to supply a separate form to do so. However, to qualify for a redetermination, customers must document a permanent income loss of 20% or more from their most recently filed application.

Regarding whether such a change will involve state regulations, DOF is in agreement that it should be further examined. There is currently no provision for a spouse to automatically assume the SCRIE/DRIE benefit. OTA will work with DOF's Legal Affairs and External Affairs divisions to get this on DOF's legislative agenda.

Recommendation No. 7: SCHE/DHE Automated Income Verification

DOF should include clearer information on its SCHE and DHE applications regarding the possible outcomes of checking the AIV box. Such information should include the delay in

processing of incomplete applications, particularly for taxpayers who are not eligible for AIV. It should also mention the possibility that DOF may request the taxpayer's return information in the event of a delay from the IRS.

DOF Action:

The AIV opt-out box was removed from SCHE and DHE renewal applications for the 2019-20 fiscal year. Additionally, the AIV box will also be removed for the upcoming 2020-21 initial applications. DOF's Senior and Disabled Program Unit has created a "short form" renewal for SCHE and DHE applicants whose income has not significantly changed; currently, DOF conducts income verification *prior* to establishing if a renewal applicant is eligible to receive a short form. When the short form is returned, AIV simply checks the three questions on the form to determine approval or selection for manual processing. DOF will keep OTA's recommendation in mind if any such box is needed in the future state of AIV in the PTS system.

Recommendation No 8: DHE "Benefits Letter"

DOF should consider whether state legislation should be sought to allow other official documents, including IRS transcripts, as proof of a disability for purposes of qualifying for DHE.

DOF Action:

DOF is not aware of any disability-related information available through forms 1040 or 1099 information used for AIV. Applicants can request a benefit letter from the Social Security Administration which includes the "onset date" of their disability. This will suffice in lieu of the original disability "award letter." OTA further recommends that DOF staff be trained on how disability information can be taken from an IRS wage and income transcript.

Recommendation No 9: Vendor Processing Delays and Errors

- a. DOF must better train employees and third-party vendors to track, monitor, and correct duplicate filings and process applications by identifying and remedying common problem areas. Such training would include reviewing older entries attributed to the same property owner or BBL for documents that need not be resubmitted, or comparing PEOPS [DOF's Personal Exemptions Operating System] entries to weed out duplicate documents or misprocessed applications.*
- b. DOF should designate a particular person or implement a supervisory process to monitor paper submissions that are uploaded to PEOPS, for quality assurance.*

DOF Action:

As part of its launch of PTS, DOF recently launched the Smart File system, through which taxpayers can file applications electronically. With the launch of Smart File, the use of PEOPS will end in tax year 2020-21. As Smart File launched in March 2019, DOF is still perfecting it in real time. However, DOF confirms that paper applications will be loaded into Smart File much as they are loaded into PEOPS. Issues regarding the Smart File system will be monitored, and recommendations to increase efficiency may be made in next year's annual report.

Recommendation No. 10: Late-Approved Exemptions Causing Hardship

Property owners whose SCHE or DHE renewal applications have been filed but are still in process when the new property tax year begins (July 1) should continue to receive their homeowner benefits as though the application was approved. In the event the application is denied at a later date, those benefits may be removed.

DOF Action:

The Property Division does not anticipate a backlog of applications for fiscal year 2019-20 past the close of the roll. Should there be another backlog, OTA recommends that the Senior and Disabled Program Unit forward the list of in-process applications to OTA to identify qualified owners who may be in danger of losing their benefits.

Recommendation No. 11: Enumerating Exemptions upon Approval, Revocation, or Reinstatement

DOF should indicate specifically which exemptions have affected a property owner's account, be it a revocation leading to a balance, or a remission or reinstatement leading to a credit.

DOF Action:

At this time, DOF's new PTS software may be unable to address this recommendation. However, DOF is looking into PTS updates that will remedy this issue in the near future.

Recommendation No. 12: STAR Revocations on New Property Owners

- a. DOF must better educate property owners and purchasers that it is their responsibility to review their NOPVs and account statements, and to notify DOF if they are receiving a benefit for which they did not apply.*
- b. DOF should remove all personal exemptions from a property upon change of title.*

DOF Action:

DOF's Property Exemptions unit agrees that DOF should remove all personal exemptions from a property upon change of title. When the Real Property Transfer Tax return is filed with ACRIS, DOF's Exemptions Compliance unit receives a notice, and benefits are removed the next quarter. The issue is that STAR benefits can only be removed annually. DOF strives to monitor which STAR benefits should be removed for the following year; however, if DOF has not removed the benefit in a timely manner, it will not penalize the taxpayer. DOF recommends that all taxpayers billed accrued interest as the result of a STAR benefit to which they were not entitled to receive, file a request for administrative review of a clerical error remission.

Recommendation No. 13: Application to Remove Previously Granted Exemption(s) Fee

DOF should revise the application to specify that the \$500 charge only applies to property owners who are removing the exemption benefits for which they had knowingly applied in spite of not being entitled to them, and not to property owners removing the benefits of a previous owner.

DOF Action:

The application for "Requesting an Adjustment to Tax Exemptions on Residential Property" has been revised and renamed "Request to Remove Property Tax Exemption(s)." DOF procedure calls for charging \$500 to otherwise qualified property owners who request the removal of benefits because they are voluntarily ceding their primary residence, such as "snowbirds" who wish to claim a Florida homestead exemption instead.

The new application instructions for fee payment are currently as follows: "If you are voluntarily renouncing your exemption, you will be charged a \$500 processing fee in addition to the adjusted property tax due. The fee is intended for applicants who no longer wish to receive benefits for which they are otherwise qualified, for and not for Homeowners who are no longer qualified to receive such benefits."

Recommendation No. 14: Not-for-Profit Exemptions Outreach

- a. DOF should expand its microsite to include answers and explanations to commonly encountered problems.*
- b. DOF should perform more in-person outreach educating NFP property owners about their entitlement to exemptions.*

DOF Action:

DOF plans to add FAQs about new applications to the microsite, taken from already published content. See <https://www1.nyc.gov/site/finance/benefits/benefits-not-for-profit-organizations.page>.

In the past year, NFP staff have attended 10 to 15 outreach events coordinated with DOF's External Affairs Division. In addition, DOF has formed an NFP Task Force comprised of representatives from DOF and other city and state agencies in conjunction with outside legal practitioners and leaders within the NFP community. The group's goals are to communicate efficiently and transparently about the NFP enrollment process, encourage high renewal rates, and broaden DOF's outreach to those who may face difficulties understanding agency processes. As of this report, the task force has met twice, in October 2018 and January 2019, and will continue to meet quarterly.

Recommendation No. 15: Partial NFP Exemptions

As part of its outreach, DOF should educate NFP owners about how unrelated business income or using part of their property for nonexempt purposes would affect their NFP exemption. Partial exemptions will leave NFPs with an outstanding tax bill prior to the lien.

DOF Action:

DOF has and will continue to indicate that NFP exemptions can be partial when the property is not used for 100% exempt purposes. The potential for partial exemptions has been addressed at NFP outreach events, where DOF has also stressed that NFPs that pay rent (and do not own their property) are not eligible for a property tax exemption.

Recommendation No. 16: NFP Interdepartmental Collaboration

- a. DOF should be aware of other agency policies, including those of DEP, as they affect property tax.*
- b. Initial tax lien sales notices should contain interdepartmental information and brochures as they pertain to outstanding balances.*

DOF Action:

DOF has worked with the Department of Environmental Protection to add language to the NFP approval letter directing owners to check their eligibility for DEP exemptions online. The NFP

Task Force has also brought together different city agencies to explain how each agency's policies influence the property taxation process.

For the upcoming tax lien sale, notices will include an insert regarding language access, the PT AID program, and a quick reference, the last of which includes options for handling property taxes or water and sewer charges, including contact numbers, addresses, and instructions for entering into a payment plan.

Recommendation No. 17: Statute of Limitations

DOF should propose City legislation implementing a statute of limitations on collections.

DOF Action:

DOF favors a statute of limitations on collections that is consistent with New York state's 20-year statute. OTA will work with DOF to evaluate how the agency can elevate the priority of drafting such legislation.

Recommendation No. 18: Offer-in-Compromise

If DOF cannot revisit legislation to make the criteria consistent, it should create its own offer-in-compromise form to allay any confusion regarding the criteria it uses to determine compromises of debt.

DOF Action:

OTA has reviewed and revised a version of New York state's offer-in-compromise form before the 2011 state legislation changes sharply differentiated its collections parameters from those of DOF. Where necessary, OTA has suggested changes that would tailor the offer-in-compromise form to any DOF-specific laws, regulations, or policies. The agency's Legal Affairs Division and Collections staff are currently reviewing these suggestions.

Recommendation No. 19: Outside Collection Agencies (OCAs)

DOF needs to have [standard operating procedures] in place prior to the implementation of OCAs. OTA would like to remain involved in the drafting or reviewing process of the SOPs.

DOF Action:

The department continues to develop an SOP in preparation for its use of outside collection agencies for business tax warrants, modeled after procedures already implemented for Environmental Control Board and parking debts. In January 2019, DOF referred a test batch of

30 business tax warrants to outside collection agencies; however, the agency is currently focusing on internal organization, including the review of collection agency correspondence and the training of collections agents on different tax types.

DOF has also created an internal team of representatives from different divisions, including OTA, to review DOF collections options, including the plan criteria and terms offered to customers who are facing financial difficulties and requesting additional time to pay. The use of outside collection agencies is expected to be a topic of discussion.

Recommendation No. 20: Commercial Rent Tax (CRT) Filing Requirement

- a. DOF should propose legislation to the New York City Council amending NYC Administrative Code § 11-705(a) to raise the CRT filing threshold to an amount comparable to the rise in the CRT payment threshold (perhaps \$450,000 in rent or \$4.5 million in income).*
- b. DOF should also amend the corresponding rule, 19 RCNY § 7-07, where necessary, to conform with any code changes.*
- c. In the meantime, DOF should perform outreach to educate business taxpayers about the new law, highlighting the fact that taxpayers may need to file even if they owe no tax. Outreach should also note that the old CRT law is still in effect until July 1, 2018.*

DOF Action:

Section 11-705 of the New York City Administrative Code and Chapter 19, Section 7-07 of the Rules of the City of New York remain unchanged, with the filing threshold at \$200,000. However, the failure-to-file penalty is largely based on a percentage of the amount of tax shown, meaning that most taxpayers who owe no tax and do not file the commercial rent tax return would be assessed zero penalty. Nevertheless, there is a narrow exception that is not covered by the new law,¹² under which taxpayers whose rent is between \$200,001 and \$249,999 shall be assessed a failure-to-file penalty of \$100. While it is not currently assessing the penalty for this population, DOF should consider proposing legislation to the city council to close this loophole.

¹² The new law, section 11-704.4 of the NYC Administrative Code, functions as a credit for taxpayers whose rent is between \$250,000 and \$500,000 (or whose income is up to \$5 million). The previous threshold of up to \$249,999 functioned as an exemption, under NYC Admin. Code section 11-704(b)(2)(x). Taxpayers who are “exempt” from paying CRT but not from the filing requirement are subject to a \$100 flat penalty for nonfiling.

Recommendation No. 21: Reporting Additional Subtenants on Annual CRT (“CR-A”) Form

DOF should revise the instructions for the CR-A form to either allow additional lines for subtenants, or to allow only an attachment of a separate schedule to indicate a second subtenant, to differentiate from duplicate forms.

DOF Action:

DOF offers a business tax e-file form that has allowed taxpayers to add additional subtenants. Once entered, the subtenants will be kept on file until the taxpayer updates or removes this information.

Recommendation No. 22: Reasonable Cause Penalty Abatements

DOF should publish policies within the proposed Internal Finance Manual establishing parameters for reasonable-cause abatements.

DOF Action:

OTA has completed the draft of a proposed chapter of DOF’s *Internal Finance Manual* elaborating on penalties, including parameters for reasonable cause abatements. OTA has solicited feedback both internally, from DOF officials, and externally, from state and local tax professionals.

Recommendation No. 23: Installment Agreements

DOF should prominently publish its installment agreement guidelines on the DOF website, or otherwise make them publicly available and easily accessible.

DOF Action:

DOF has created a quarterly newsletter to circulate to tax practitioners concerning frequently asked questions or common issues of which taxpayers should be aware. Its first issue includes an article explaining how to create a payment agreement electronically. OTA suggests that DOF prominently feature a link to its installment agreement guidelines on the website.

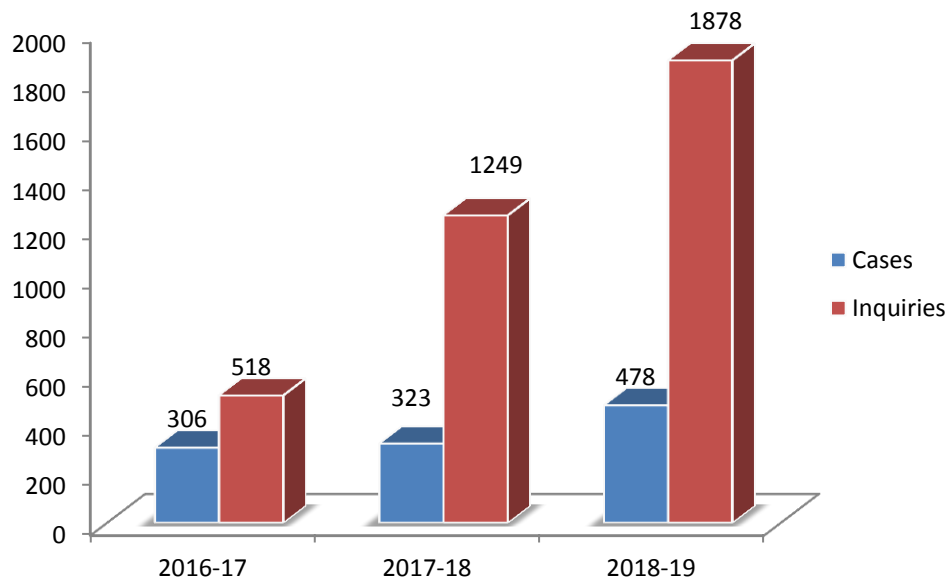
Part IV:

OTA Statistics for the Reporting Period April 1, 2018, to March 31, 2019, and Cumulative Three-Year Statistics

OTA has seen significant growth over its four years of existence. The following charts and graphs review the recurring issues brought to OTA's attention over the past reporting period and in the three full-year reporting periods since the office opened,¹³ in an attempt to spot larger trends.¹⁴

A. Tax Year Case and Inquiry Totals for the Office of the Taxpayer Advocate

During the period covered by this report, OTA's volume of inquiries and cases has increased considerably. For tax year 2018-19, OTA closed 1,878 inquiries and 478 cases. The latter is a significant and steady increase from the previous year. OTA's inquiries continue to increase by an amount consistent with previous years. The increased volume is the result of better outreach, including the addition of OTA's contact information on this year's NOPV, which helped further drive up the office's numbers between January and March.



No open cases are included.

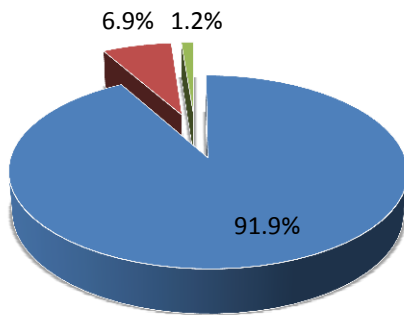
¹³ The truncated reporting period for OTA's first year, TY 2015-16, is omitted here, as it did not represent a full tax year.

¹⁴ OTA's quantifying methods are generally based on the number of cases and inquiries closed during the reporting period. Cases and inquiries opened before March 31, 2019, but not closed, are included in a separate chart (see Part IV.N) but are otherwise not taken into account in these statistics.

B. Total Inventory by Subject Matter

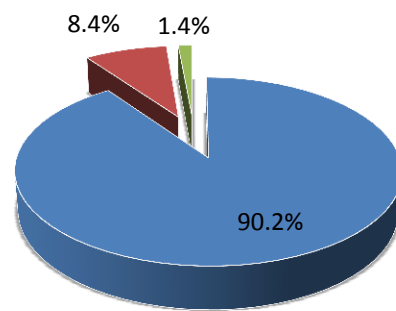
Over ninety percent of matters handled by OTA in 2018-19 dealt with issues related to property taxes. This is likely due to OTA’s high volume of inquiries regarding property tax during peak seasons, the amount of which has increased as a result of outreach and general awareness. Business tax issues have also increased from the prior two years. A small percentage of inquiries (“Other”) concerns matters that may not be property or business tax-related, many of which are outside OTA’s scope, such as parking disputes or personal income tax, the latter of which is administered by the New York State Department of Taxation and Finance. OTA refers personal income tax inquiries to the state’s Office of the Taxpayer Rights Advocate, at (518) 530-4357.

Breakdown by Major Tax Area for TY 2018-19



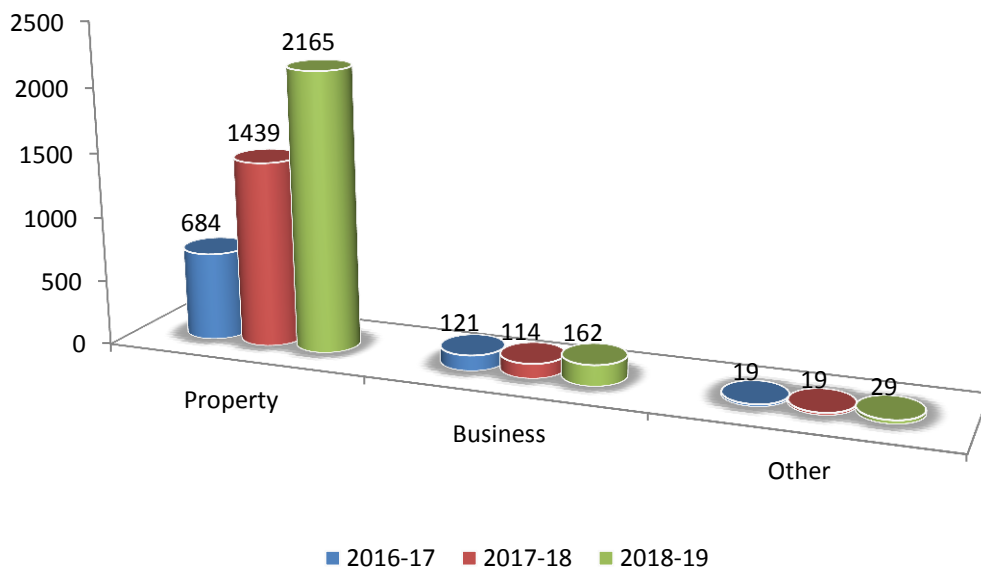
■ Property ■ Business ■ Other

Breakdown by Major Tax Area for OTA's First Three Full Years



■ Property ■ Business ■ Other

Major Tax Area Work Flow Comparison by Tax Year

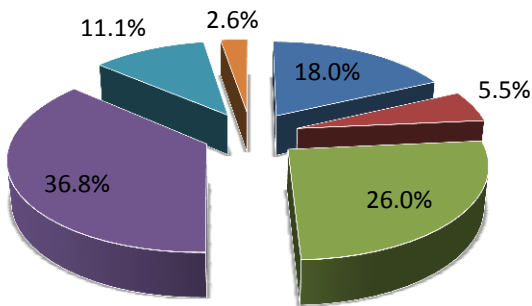


■ 2016-17 ■ 2017-18 ■ 2018-19

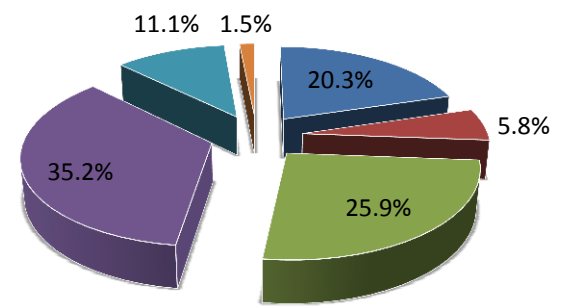
C. Source of Total Work by Borough

The following charts represent matters handled by OTA broken down by borough. In spite of efforts for additional outreach to boroughs representing smaller percentages of OTA’s workload—Bronx and Staten Island—OTA’s percentage breakdown has remained fairly consistent. OTA will continue to explore how to better reach those boroughs, noting, however, that the number of cases and inquiries per borough has increased each year. The “Other” category generally refers to non-local businesses with transactions necessitating that they file New York City business tax returns, or to practitioners with general inquiries for whom specific taxpayer information was not specified.

Cases and Inquiries by Borough for TY 2018-19



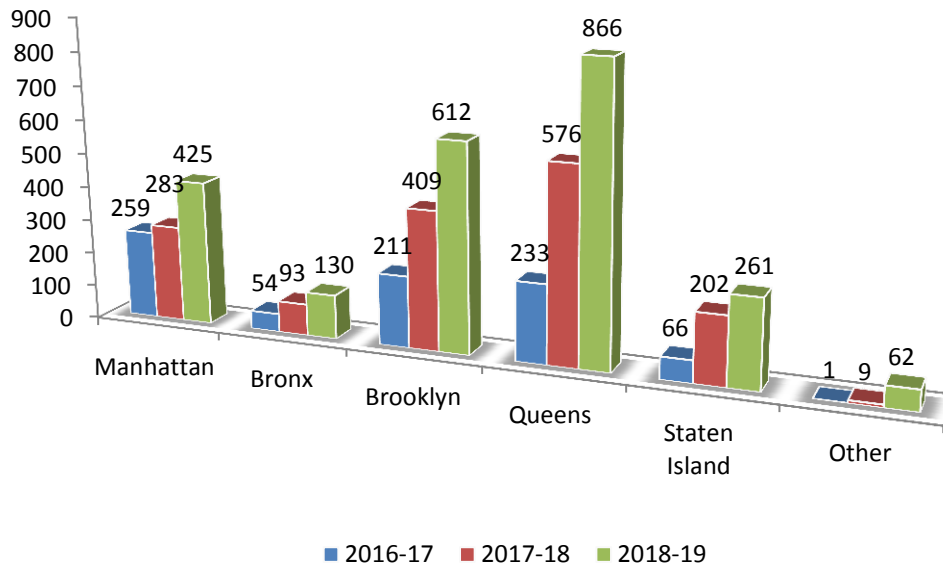
Cases and Inquiries By Borough for OTA's First Three Full Years



■ Manhattan ■ Bronx ■ Brooklyn
 ■ Queens ■ Staten Island ■ Other

■ Manhattan ■ Bronx ■ Brooklyn
 ■ Queens ■ Staten Island ■ Other

Total Cases and Inquiries by Borough, by Tax Year



■ 2016-17 ■ 2017-18 ■ 2018-19

D. Breakdown of Recurring Issues

In an effort to shore up insufficiencies and more accurately identify and address systemic issues, OTA continues to reassess how it captures its data. In August 2018, OTA began capturing recurring issues in inquiries, in addition to cases. (Prior to that time, OTA only captured recurring issues in cases.) Additionally, OTA has been recoding and reclassifying the issues it captures, combining or relabeling certain categories and creating new ones.

In the chart below, new issues handled by OTA are marked with an asterisk; re-categorized or relabeled data are marked with a double asterisk. Some matters involve multiple issues, and the total number of issues may not match the number of cases and inquiries in the surrounding charts and figures. For tax year 2018-19, the majority of OTA’s cases and inquiries have been attributable to processing delays, misapplied payments, issues regarding exemptions or abatements (corrections, denials, revocations, or removals), and disputes or confusion about tax calculations.

The “Other/Unknown/Miscellaneous” category features issues that only occurred once or have no separate category. They include: statute of limitations, difficulty filing a return, difficulty accessing account information, checking the status of a payment or application, issues not handled by OTA (e.g., state tax, parking fees), updating records, nonspecific tax complaints, taxpayers not receiving bills, request for a conciliation conference, erroneous warrant, or nonspecific inquiries in which the taxpayer could not be reached.

Issues Presented	TY 2016-17	TY 2017-18	TY 2018-19	Total
Processing Delay	13	35	288	336
Denial - Benefit**	2	52	156	210
Tax Calculations**	41	32	107	180
Misapplied or Denied Payments - DOF Error**	8	23	112	143
Exemption Correction - DOF error	69	27	42	138
Inconsistent Market Value/Assessed Value Increase	19	5	80	104
Benefit Removal or Revocation**	13	39	47	99
Misapplied or Denied Payments - Taxpayer Submission**	2	10	70	82
Lack of Noticing/Right to Be Informed	9	10	61	80
Bad Record **	15	2	62	79
DOF - Unresponsive/Unhelpful	38	13	28	79
Unclear Notices	24	7	43	74
DOF Procedure - Unclear**	5	2	63	70
Managing Agent Issue**	13	28	27	68
Other/Unknown/Miscellaneous	7	9	52	68
Application - Incomplete*	0	0	58	58
Penalty Abatement Requests**	10	10	29	49
Application - Not Received/Lost*	0	0	45	45
Erroneous Charges/Fees**	0	17	23	40
Inconsistent Action by DOF Employees	15	15	8	38
DOF Policy/Law - Unclear**	4	2	28	34

Issues Presented	TY 2016-17	TY 2017-18	TY 2018-19	Total
Incorrect Tax/Building Class**	4	7	22	33
Records Request/Verification*	0	0	28	28
Exemption Correction - NFP	6	15	6	27
Lien Sale*	0	0	24	24
Application - Forms Not Sent*	0	0	21	21
Residence Eligibility*	0	0	19	19
Misapplied or Denied Payments - Third Party**	1	3	13	17
Benefit Reduction*	0	0	16	16
Levy / Hold on Account	0	6	9	15
Erroneous Refunds*	0	0	13	13
Other Charges - Property Tax Bill	0	0	13	13
Payment Plans - Creation or Default/Delinquent*	0	0	12	12
Application - Late*	0	0	11	11
Data Feed - ACRIS or NY State	3	0	8	11
Property Ownership Error/Dispute (Non-fraudulent)	0	6	5	11
Credit - Not Applied*	0	0	10	10
Incorrect Benefit or Benefit Percentage Applied*	0	0	8	8
Refund Misplaced*	0	0	7	7
Deed Fraud	2	0	3	5
Lien/Warrant Subordination*	0	0	5	5
Other Deductions*	0	0	3	3
Total	323	375	1685	2383

E. Cases in Which No Relief Was Granted

OTA strives to provide relief to taxpayers to the extent that remedies are available. However, in some cases, relief cannot be provided. Of OTA’s 1,107 cases in the past three tax years, 173 (15.6%) have resulted in such an outcome. In the majority of such cases (60.6%), DOF has been unable to provide relief as the result of laws or internal policies in place that could not be controverted, including certain benefits for which taxpayers were ineligible. Of the “no relief” cases related to law or DOF policies, over 93.3% were property-related, 62.2% of which were related to personal exemptions, abatements, or valuation.

Cases in Which No Relief Was Granted Since OTA’s Inception

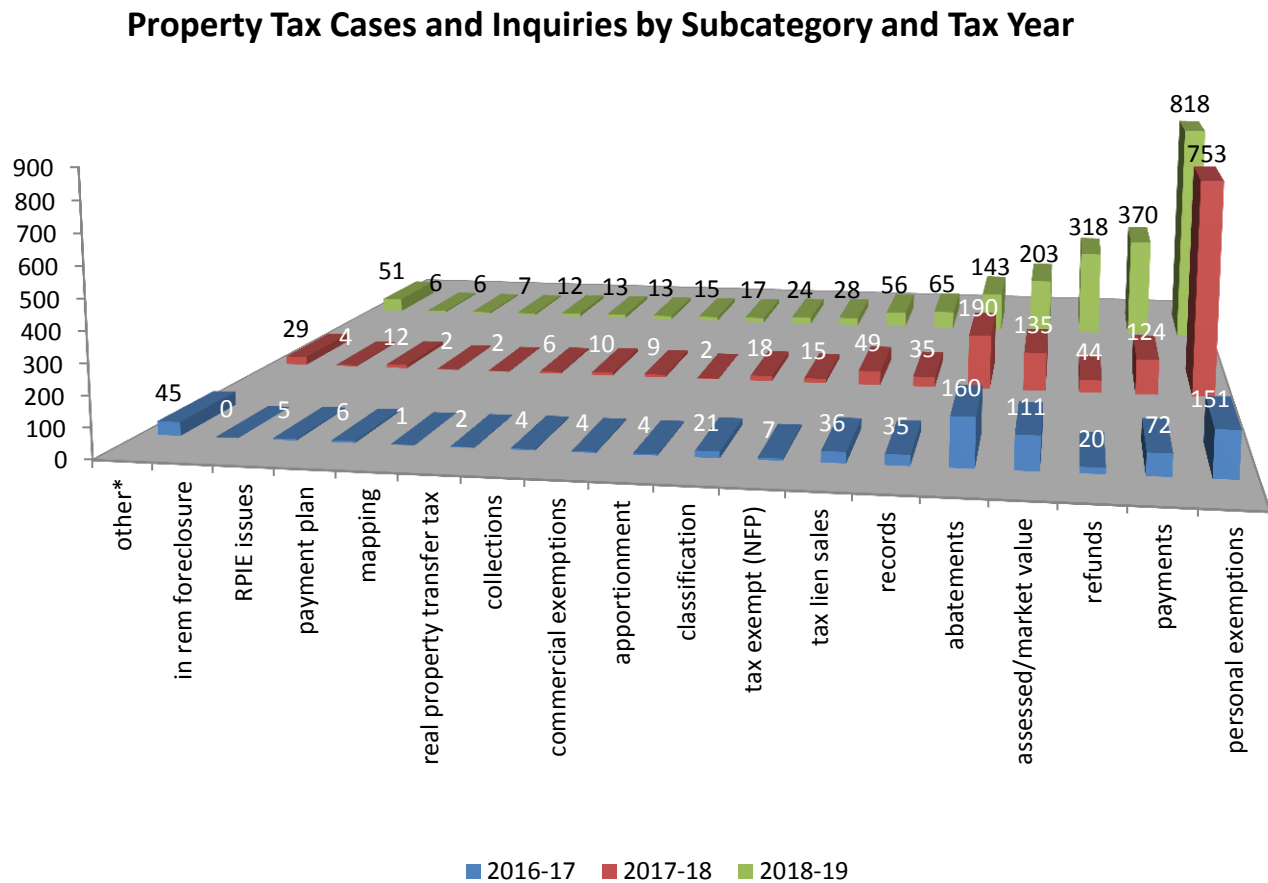
Reason for No Relief	2016-17	2017-18	2018-19	Total
Law or DOF policy	42	29	34	105
Taxpayer uncooperative/failed to provide documents timely	6	11	20	37
Unable to contact taxpayer	7	3	5	15
Referred to another City agency	5	4	7	16
Total	60	47	66	173

Types of Cases in Which No Relief Was Granted Due to Law or DOF Policy

	2016-17	2017-18	2018-19	Total
Property	41	27	30	98
Personal exemptions	9	9	6	24
Assessed or market value	14	4	4	22
Abatements (commercial/personal)	10	4	1	15
Tax lien sales	0	6	4	10
Classification	3	1	1	5
Apportionment	0	0	4	4
NFP exemptions	0	0	4	4
Records	2	1	1	4
Commercial exemptions	2	0	1	3
RPIE	0	1	1	2
Collections	0	0	1	1
In rem foreclosure	0	0	1	1
Payments	0	1	0	1
Refunds	1	0	0	1
Other	0	0	1	1
Business	1	2	4	7
GCT/BCT – other	0	1	1	2
GCT/BCT – refunds/penalty abatements	0	1	0	1
UBT – audit	0	0	1	1
UBT – payments	0	0	1	1
UBT – other	0	0	1	1
UBT – refunds/penalty abatements	1	0	0	1
Total	42	29	34	105

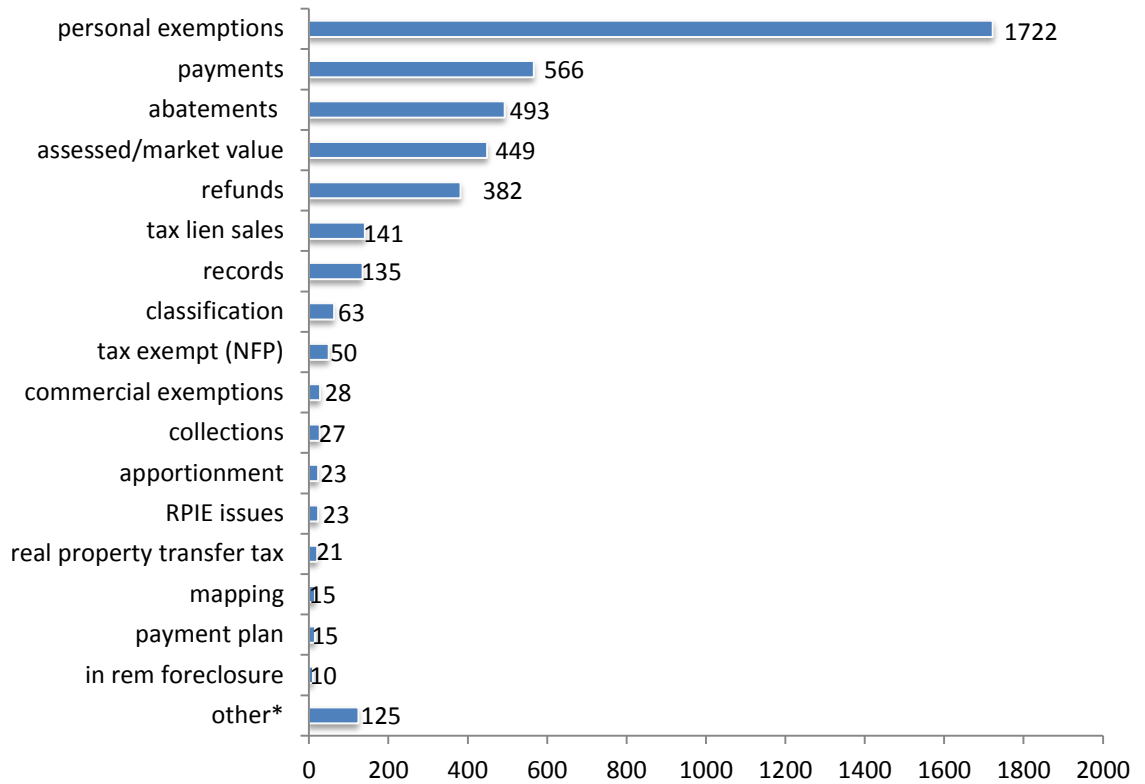
F. Property Tax Inquiries and Cases by Subcategories¹⁵

The following chart shows a breakdown of property tax inquiries and cases by subcategory. Of the 2,165 property tax cases and inquiries that OTA handled during tax year 2018-19, 818 involved personal exemptions, or 1,722 of 4,288 (40.16%) in OTA's first three full years. An additional 370 (566 overall) involved disputes over how payments were applied or processed; 318 (382) involved refund requests; 203 (449) involved questions or disputes regarding assessed or market value; 143 (493) involved abatements; 56 (141) were related to tax lien sales; and 65 (135) involved issues with how DOF recorded property. Note that the spike in refund issues is largely related to the recent switchover from the FAIRTAX to PTS system during the past few months, when processes were temporarily frozen and DOF accumulated a backlog of accounts.



¹⁵ Abatements (coop and condo, 421-a, and commercial abatements); Personal Exemptions (STAR, Enhanced STAR, SCHE and DHE, Veteran, Clergy and Good Samaritan); Property Tax Classification; Assessed or Market Value; Mapping (assignment of lot numbers); Refunds; Payments (processing of and application of); Commercial Exemptions (ICIP and ICAP); Apportionment (processing of requesting apportionment or merger requests); Records (how DOF has recorded a property); RPIE Penalty (imposed on late and non-filers); Real Property Transfer Tax; Not for Profit Tax Exemptions (questions concerning requested, denied or removed tax exemptions); Payment Plans; Collections (attempts to collect prior to a lien sale); Tax Lien Sale (questions about properties in the current or previous tax lien sale); In Rem Foreclosure; and Other (unique issues or questions, or disputes that involve hybrid or multiple issues).

Property Tax Cases and Inquiries by Subcategory for OTA's First Three Full Years, Cumulative

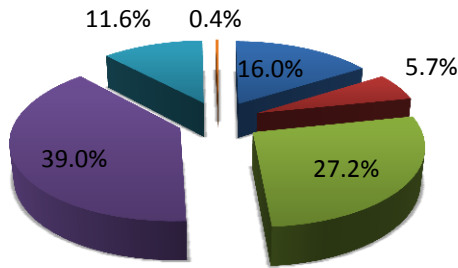


* “Other” refers to a variety of property tax issues that could not be properly classified, including parking tax exemptions related to property ownership; miscellaneous charges not necessarily related to property tax debt (e.g., Environmental Control Board or Housing Preservation and Development debts); erroneous payments made to New York state; issues associated with SCRIE or DRIE; and basic legal or procedural questions. To the extent that those issues recur, they may receive their own category of classification on future reports.

G. Property Tax Inquiries and Cases by Borough

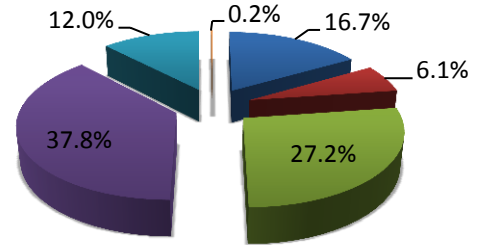
Of all property disputes handled by OTA in 2018-19, 39.1% were from Queens, and over a quarter were from Brooklyn. Staten Island and the Bronx are boroughs where outreach continues to be necessary. In sum, all boroughs have shown growth in total property tax work.¹⁶

Property Tax Cases and Inquiries by Borough for TY 2018-19



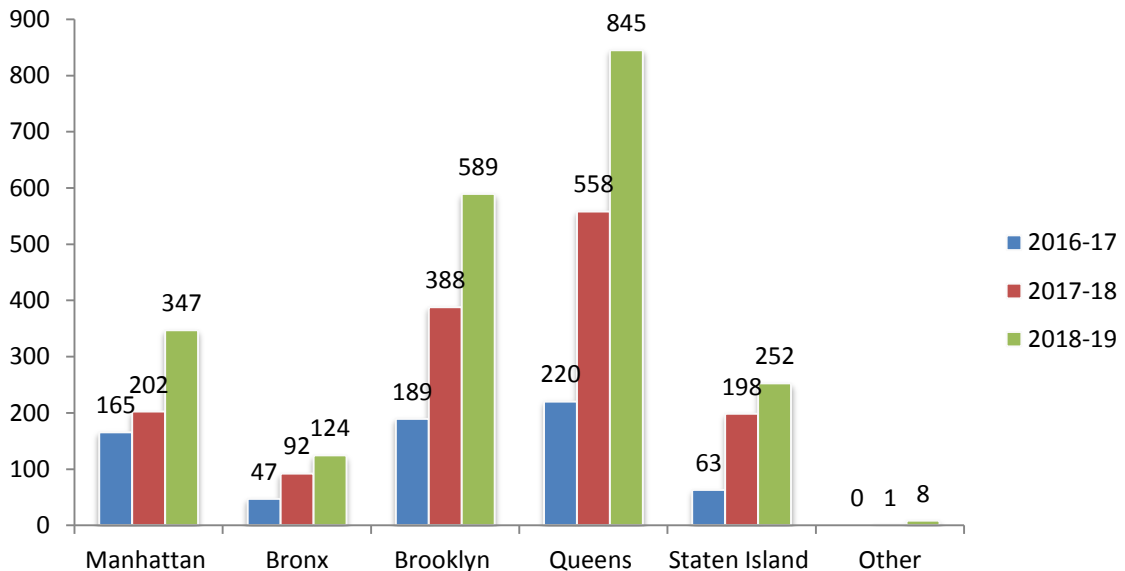
■ Manhattan ■ Bronx ■ Brooklyn
 ■ Queens ■ Staten Island ■ Other

Property Tax Cases and Inquiries by Borough in OTA's First Three Full Years



■ Manhattan ■ Bronx ■ Brooklyn
 ■ Queens ■ Staten Island ■ Other

Property Cases and Inquiries by Borough, by Tax Year



¹⁶ Property tax inquiries without boroughs involved more general questions and suggestions regarding process.

H. Property Tax Cases by City Council District

OTA handled property tax cases resulting in refunds or abatements for property owners in 45 of New York City's 51 council districts in tax year 2018-19. The refund and abatement amounts by district are listed below:

Property Tax Refunds and Abatements by City Council District for Tax Years 2016-17, 2017-18, and 2018-19

District	Number of Cases			Refunds			Abatements			Council Member
	2016-17	2017-18	2018-19	2016-17	2017-18	2018-19	2016-17	2017-18	2018-19	
1	22	6	14	\$31,124	\$57,780	\$11,234	-	\$3,655	\$7,644	Margaret Chin
2	7	11	4	-	\$2,324	\$2,422	\$17,107	\$4,168	-	Carlina Rivera
3	5	8	8	-	\$40,422	\$5,250	-	\$2,145	-	Corey Johnson
4	12	7	15	-	\$25,429	\$20,490	\$2,868	\$44,664	\$3,536	Keith Powers
5	11	8	7	\$35,745	\$13,994	\$9,369	\$20,475	\$30,004	\$24,586	Ben Kallos
6	7	9	7	\$1,912	\$7,359	\$96,142	\$17,184	\$18,975	\$610	Helen Rosenthal
7	4	1	3	\$16,747	-	-	-	-	-	Mark Levine
8	1	4	1	-	\$1,823	-	-	\$642	-	Diana Ayala
9	2	5	2	-	\$618	\$7,390	-	-	-	Bill Perkins
10	0	0	2	-	-	-	-	-	\$815	Ydanis Rodriguez
11	2	4	0	-	-	-	-	-	-	Andrew Cohen
12	1	1	4	-	\$3,654	\$50	\$19,291	-	\$3,550	Andy King
13	8	5	7	\$159,584	-	\$4,437	\$848	\$2,808	\$2,563	Mark Gjonaj
14	0	0	1	-	-	-	-	-	-	Fernando Cabrera
15	2	2	3	-	-	\$5,427	-	-	-	Ritchie J. Torres
16	0	1	3	-	-	-	-	\$3,112	-	Vanessa Gibson
17	2	4	7	-	\$5,677	-	-	\$9,699	\$632	Rafael Salamanca Jr.
18	4	3	10	\$5,098	-	\$784	\$31,374	\$14,308	\$1,754	Ruben Diaz, Sr.
19	8	11	20	\$46,594	\$2,321	\$36,083	\$2,969	\$40,674	\$22,285	Paul Vallone
20	3	5	4	\$2,864	\$7,711	\$2,063	\$17,444	\$20,732	-	Peter Koo
21	0	6	6	-	\$13,866	\$113	-	\$31,527	\$3,017	Francisco Moya
22	5	3	11	\$330	\$909	\$12,183	\$2,745	\$5,209	\$3,454	Costa Constantinides
23	15	11	7	\$146,748	\$1,522	\$6,606	\$33,261	\$53,960	\$2,105	Barry Grodenchik
24	4	8	4	\$2,548	\$3,044	\$5,742	-	\$19,994	\$12,432	Rory Lancman
25	6	4	8	\$383	\$21,589	\$1,750	\$580	-	\$1,875	Daniel Dromm
26	5	4	3	\$20,662	\$744	\$5,080	\$58,539	\$1,898	-	Jimmy Van Bramer
27	7	8	14	\$4,720	\$44,738	\$4,661	\$2,407	\$3,056	\$4,737	I. Daneek Miller
28	4	4	10	\$4,622	\$2,107	\$450	-	\$1,442	\$2,691	Adrienne Adams
29	4	6	8	\$1,413	\$41,950	\$3,465	-	\$23,751	\$5,604	Karen Koslowitz
30	6	6	4	\$393	\$3,700	\$6,702	\$6,684	-	\$1,314	Robert Holden
31	4	9	9	-	\$1,348	\$10,532	-	\$22,847	\$584	Donovan Richards
32	9	6	16	\$1,268	\$4,406	\$13,357	\$2,062	\$201,452	\$11,816	Eric Ulrich
33	3	2	11	-	-	\$68,021	-	\$11,921	-	Stephen Levin
34	1	3	8	\$8,499	-	\$54,123	-	\$17,526	-	Antonio Reynoso
35	4	4	5	-	\$13,093	-	-	-	-	Laurie Cumbo
36	3	4	3	-	\$334,172	\$20,003	-	\$16,297	\$11,325	Robert Cornegy Jr.
37	0	3	9	-	-	\$11,863	-	-	\$8,717	Rafael Espinal Jr.

District	Number of Cases			Refunds			Abatements			Council Member
	2016-17	2017-18	2018-19	2016-17	2017-18	2018-19	2016-17	2017-18	2018-19	
38	0	3	3	-	\$634	\$9,035	-	\$870	-	Carlos Menchaca
39	6	7	10	\$35,134	\$4,170	\$10,215	-	-	\$1,207	Brad Lander
40	2	1	6	-	-	\$1,577	-	\$2,000	-	Mathieu Eugene
41	4	1	1	\$4,932	-	-	-	-	-	Alicka Ampry-Samuel
42	5	3	7	-	-	\$1,244	\$656,850	-	\$2,600	Inez Barron
43	3	1	11	\$947	-	\$7,964	\$41,355	\$7,000	\$2,368	Justin Brannan
44	7	3	7	\$52,656	-	\$377	\$22,452	\$3,459	\$3	Kalman Yeger
45	4	4	8	\$606	\$3,005	\$7,596	\$108,336	\$13,700	\$5,624	[vacant]
46	6	7	8	\$10,306	\$6,092	\$1,012	\$5,086	\$3,033	\$11,622	Alan Maisel
47	7	1	9	-	-	\$63,738	\$8,618	-	\$2,740	Mark Treyger
48	13	6	19	\$84,013	-	\$3,176	\$3,471	\$6,143	\$13,812	Chaim Deutsch
49	8	3	9	-	\$18,515	\$3,534	-	-	\$7,094	Deborah Rose
50	10	15	8	\$251	\$1,027	\$21,476	\$16,009	\$38,009	\$3,449	Steven Matteo
51	9	11	19	-	\$1,533	\$29,907	\$22,974	\$18,190	\$18,512	Joseph Borelli
N/A	0	1	4	-	\$12,000	-	-	-	\$2,021	N/A
Total	265	253	387	\$680,097	\$703,274	\$586,641	\$1,120,989	\$698,870	\$208,699	

I. *Business and Excise Tax Cases and Inquiries by Subcategories*¹⁷

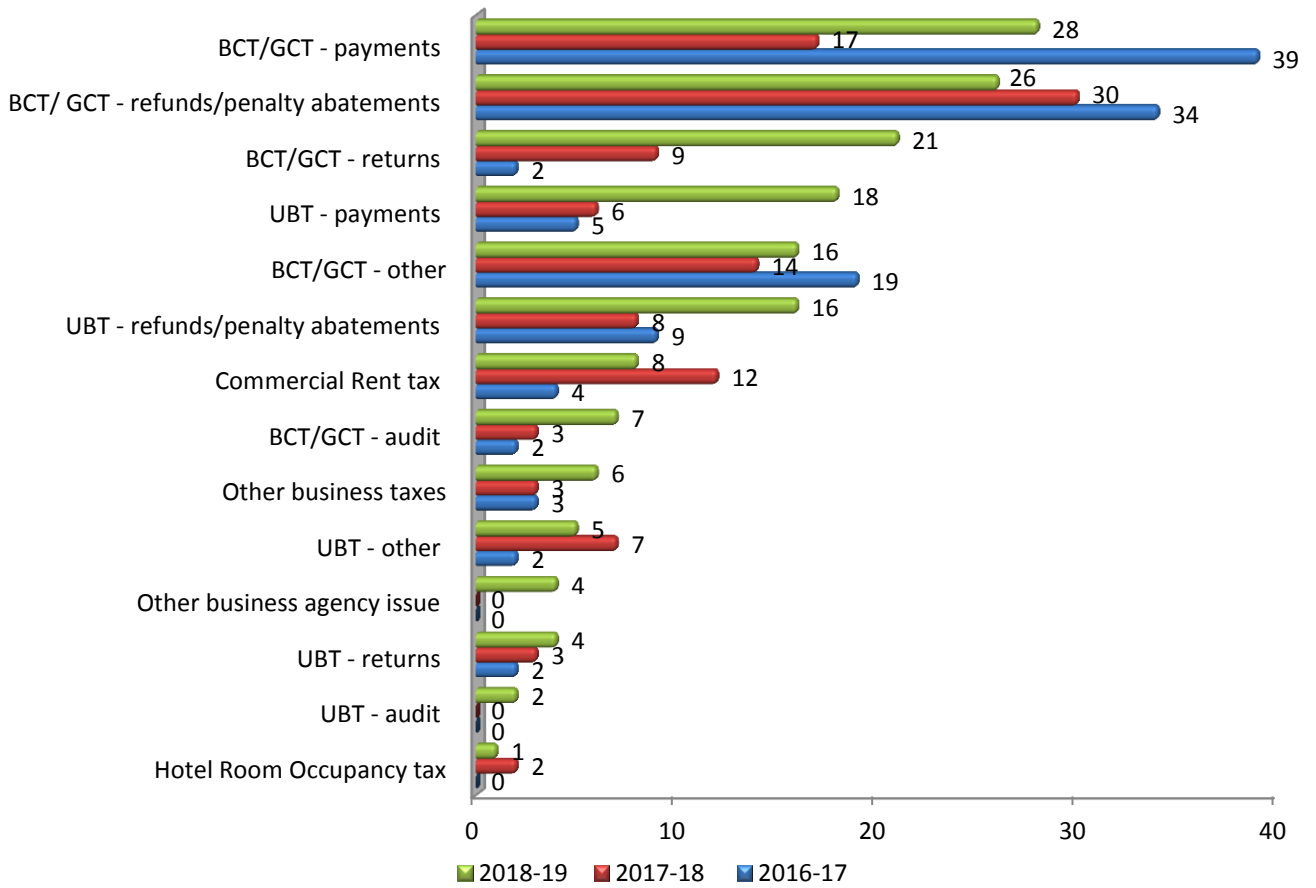
Of the 162 business tax cases and inquiries that OTA handled in tax year 2018-19, 98 involved general business taxes—i.e., business corporation tax (BCT) or general corporation tax (GCT) issues¹⁸—including 28 involving payments, 26 involving refunds and abatements, 21 involving the filing or processing of returns, and 16 involving miscellaneous issues.¹⁹ Another 45 cases and inquiries handled by OTA involved unincorporated business tax (UBT) issues. Of the 397 business tax cases OTA has handled in its first three full reporting periods, 267 involved BCT/GCT and 87 involved UBT issues.

¹⁷ The subcategories of business and excise tax cases and inquiries are subdivided into particular issue types from four major business tax types: business corporation tax/general corporation tax, unincorporated business tax, commercial rent tax, and other taxes.

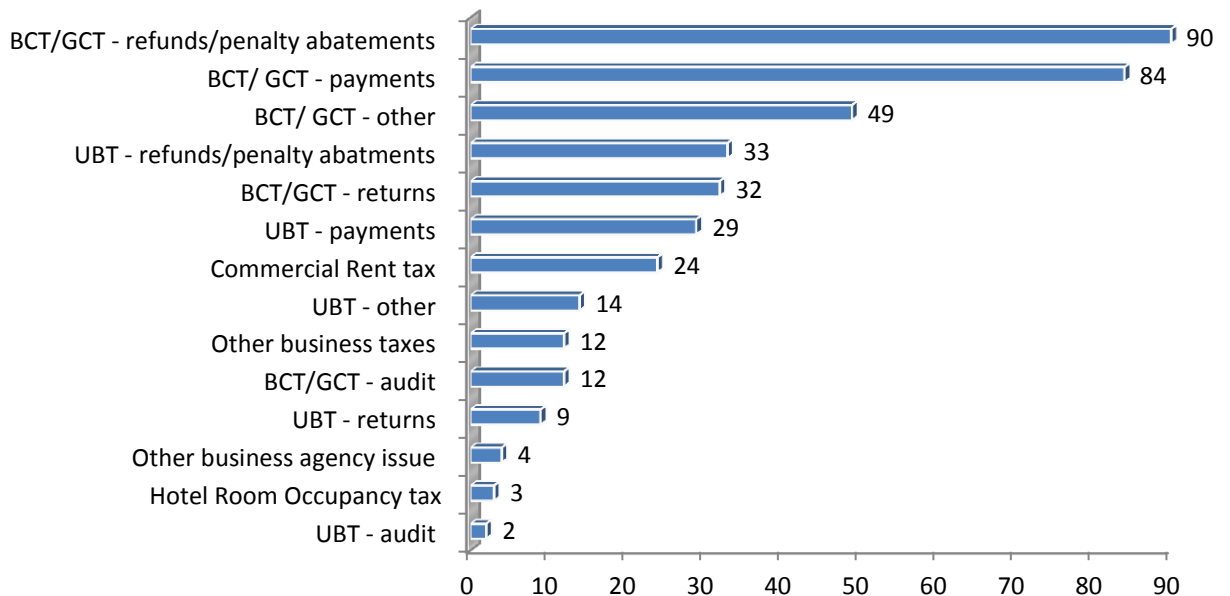
¹⁸ BCT, the business tax which subchapter C corporations are obligated to pay, was created per statute starting in calendar year 2015. Thus, when OTA was created, BCT issues did not exist yet, as all C-corporations paid GCT prior to 2015. As BCT issues become more prevalent, the categories involving “General Business Tax” may be bifurcated to account for BCT and GCT issues separately in future reports.

¹⁹ Some of these “miscellaneous issues” include outstanding DOF matters related to corporate dissolutions, recordkeeping, issues in calculating taxes, and document requests.

Business Tax Cases and Inquiries by Subcategory, by Tax Year in OTA's First Three Full Years



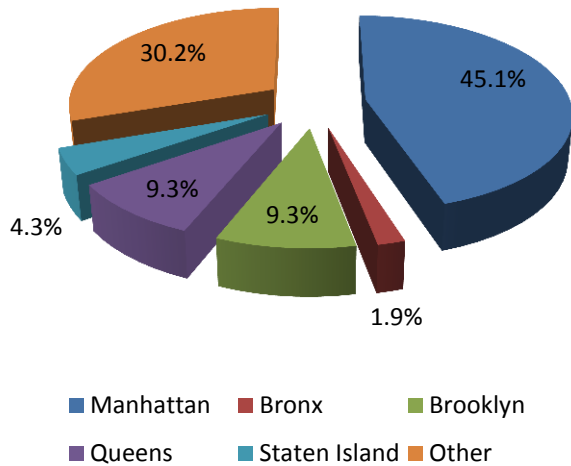
Business Tax Cases and Inquiries by Subcategory in OTA's First Three Full Years, Cumulative



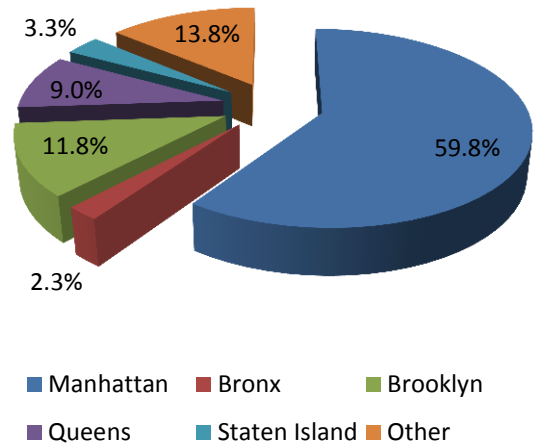
J. Business and Excise Tax Cases and Inquiries by Borough

OTA has seen the most notable growth with regard to business taxes either from taxpayers outside the five boroughs or tax practitioners with general inquiries whose offices were outside New York City (“Other”). In OTA’s first two full years of existence, about two-thirds of all business tax cases and inquiries came from Manhattan. In tax year 2018-19, Manhattan accounted for fewer than half.

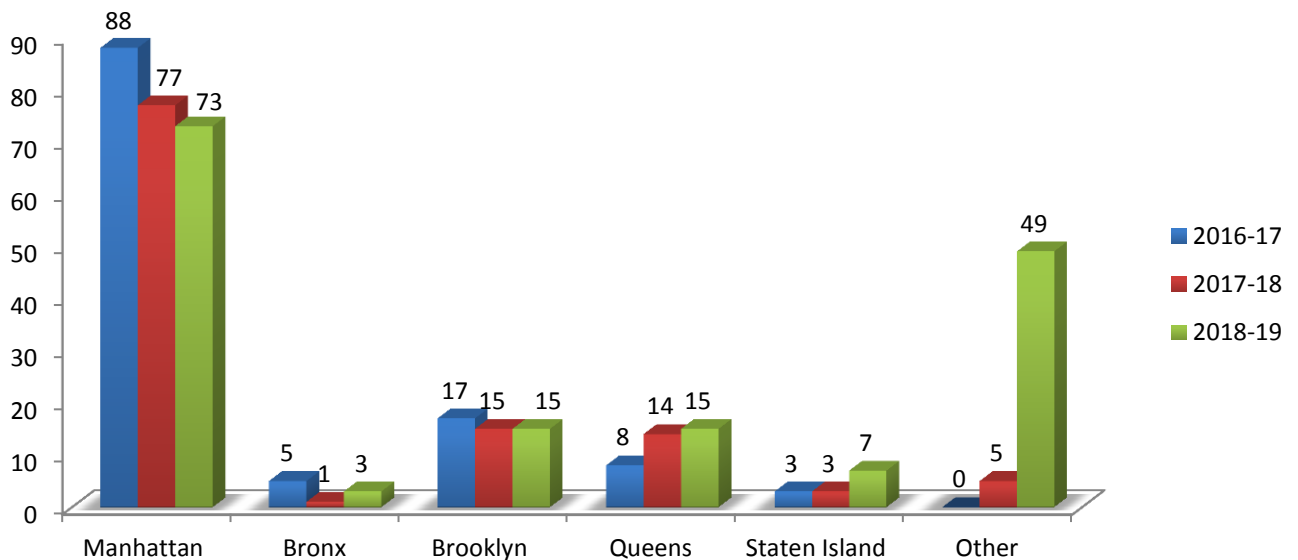
Business Tax Cases and Inquiries by Borough for TY 2018-19



Business Tax Cases and Inquiries by Borough in OTA's First Three Full Years



Business Tax Cases and Inquiries by Borough, by Tax Year



K. Business Tax Cases by City Council District²⁰

OTA handled business tax cases resulting in refunds or abatements for business taxpayers in 13 of the city's 51 council districts during tax year 2018-19. Twenty-eight cases resulting in either abatements or refunds could not be attributed to a district (e.g., they involved taxpayers doing business outside the city). The refund and abatement amounts by district are listed below:

**Business Tax Refunds and Abatements by City Council District for
Tax Years 2016-17, 2017-18, and 2018-19**

District	Number of Cases			Refunds			Abatements			Council Member
	2016-17	2017-18	2018-19	2016-17	2017-18	2018-19	2016-17	2017-18	2018-19	
1	6	9	3	\$6,017	\$1,000	-	\$149,503	\$7,335	-	Margaret Chin
2	-	2	2	\$86,020	-	-	-	\$2,875	\$11,772	Carlina Rivera
3	1	7	5	-	\$859	-	-	\$30,056	\$10,301	Corey Johnson
4	17	18	7	\$204,493	\$542,615	\$130,009	\$61,546	\$10,973	-	Keith Powers
5	-	3	2	-	\$1,582	-	-	\$964	\$11,348	Ben Kallos
6	1	3	4	-	-	-	-	\$792	-	Helen Rosenthal
8	1	-	-	-	-	-	\$28	-	-	Diana Ayala
9	2	-	-	-	-	-	\$291	-	-	Bill Perkins
10	-	2	-	-	-	-	-	-	-	Ydanis Rodriguez
15	1	-	-	-	-	-	\$12,749	-	-	Ritchie J. Torres
17	1	1	1	-	-	-	-	\$9,861	\$16,457	Rafael Salamanca Jr.
19	1	-	1	-	-	\$14,000	\$28,820	-	-	Paul Vallone
22	-	1	-	-	-	-	-	\$4,378	-	Costa Constantinides
26	-	3	-	-	\$916	-	-	-	-	Jimmy Van Bramer
29	-	1	-	-	-	-	-	-	-	Karen Koslowitz
31	1	2	2	-	-	-	-	-	\$21,415	Donovan Richards
32	1	1	1	\$10,052	-	-	-	-	\$7,031	Eric A. Ulrich
33	-	1	2	-	\$330	-	-	-	-	Stephen Levin
34	1	3	-	\$59,656	-	-	-	\$3,309	-	Antonio Reynoso
35	-	-	1	-	-	-	-	-	\$385	Laurie Cumbo
39	1	-	-	-	-	-	\$221	-	-	Brad Lander
41	-	3	-	-	\$25,330	-	-	\$3,346	-	Alicka Ampry-Samuel
44	1	1	1	-	-	-	\$232	\$4,530	-	Kalman Yeger
45	1	-	-	-	-	-	-	-	-	[vacant]
49	-	-	2	-	-	-	-	-	\$1,698	Deborah Rose
50	-	1	1	-	-	-	-	\$135,018	\$2,758	Steven Matteo
51	-	1	1	-	-	\$13,240	-	-	-	Joseph Borelli
N/A	4	7	54	-	-	\$178,796	\$26	\$35,564	\$1,194,921	N/A
Total	41	70	90	\$366,230	\$572,632	\$336,045	\$253,416	\$249,002	\$1,278,086	

²⁰ Omitted districts have not had any cases with refunds or abatements through March 31, 2019.

L. Refunds and Abatements by Major Tax Type and Tax Year

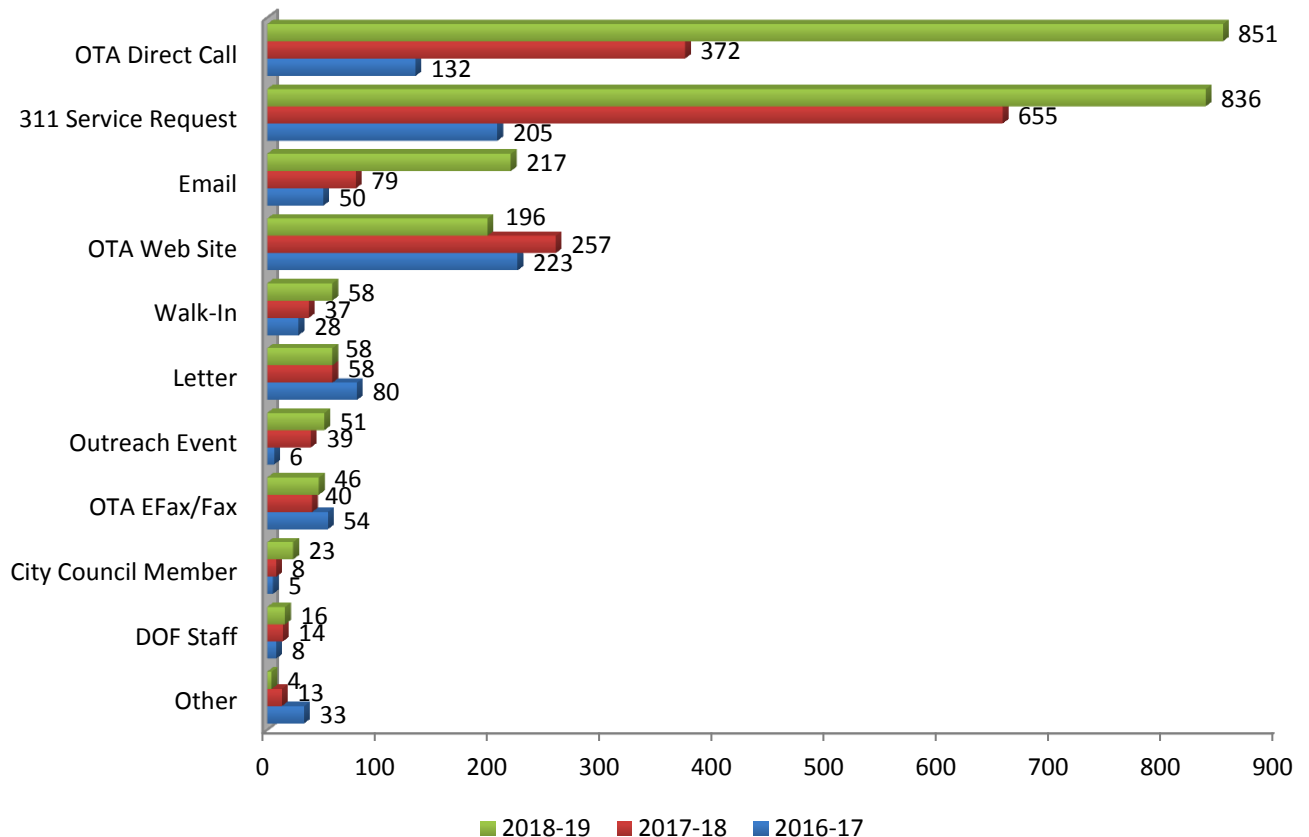
In its first three full years, OTA has seen a total of \$3,244,919 in refunds and \$3,809,064 in abatements, of which \$922,685 in refunds and \$1,486,787 in abatements can be attributed to tax year 2018-19.

	Refunds		Abatements		Total Refunds	Total Abatements
	Business	Property	Business	Property		
TY 2016-17	\$366,230	\$680,097	\$253,416	\$1,120,989	\$1,046,327	\$1,374,405
TY 2017-18	\$572,632	\$703,274	\$249,002	\$698,870	\$1,275,907	\$947,872
TY 2018-19	\$336,045	\$586,641	\$1,278,088	\$208,699	\$922,685	\$1,486,787
Total	\$1,274,907	\$1,970,012	\$1,780,506	\$2,028,558	\$3,244,919	\$3,809,064

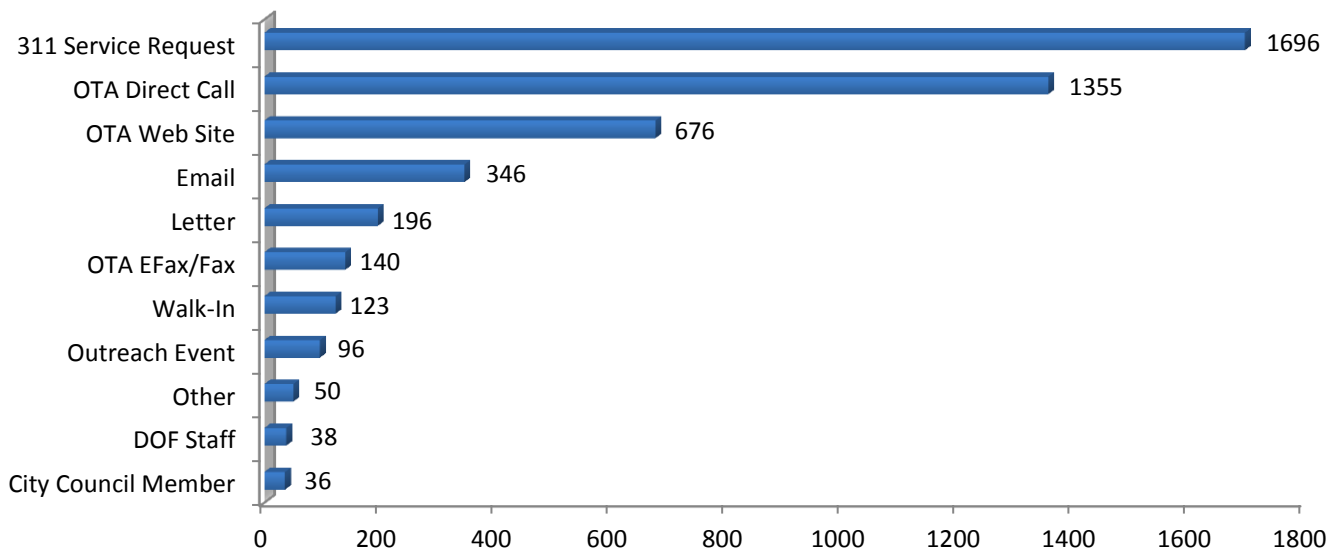
M. Referrals by Source

OTA has historically received the majority of its requests via 311, though this year, a slight majority came via direct phone call, the result, in part, of the office’s contact information being included on the NOPV. The spike in referral source data for 2018-19 can generally be attributed to OTA having begun to track referrals for inquiries, in addition to cases, starting in August 2018.

Source of OTA Referrals by Tax Year



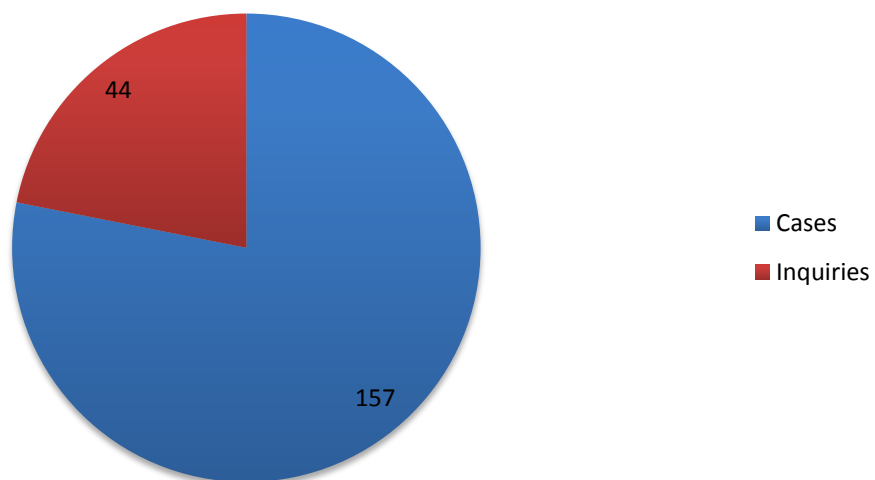
Source of Referrals in OTA's First Three Full Years, Cumulative



N. *Open Cases and Inquiries*

As of April 1, 2019, OTA had 157 cases and 44 inquiries open, in addition to the closed cases above. OTA generally has more cases than inquiries open at a time, as cases are more complex and require further review. Additionally, OTA's internal policy is to convert inquiries that have been open more than 10 days into cases, as inquiries open too long have generally reached a level of complexity that necessitates the creation of a case.

Open Cases and Inquiries



Part V:

DOF-OTA Collaborative Successes

OTA's recommendations are not confined to its annual report; the office also alerts DOF of systemic issues as they arise throughout the year. At times, DOF has swiftly rectified these issues before they are committed to paper in an annual report. OTA would like to highlight some significant collaborations to show how it helps the department operate more efficiently on a day-to-day basis.

1) Clarification of Language on the SCRIE/DRIE Application

OTA worked with the SCRIE/DRIE ombuds to provide clarification on how to calculate income on the SCRIE/DRIE initial and renewal applications. The applications stated that applicants could deduct federal, state, and local income and Social Security "taxes paid"; however, the application did not distinguish whether "taxes paid" meant the taxes "assessed" or the taxes "withheld." The law refers to the deduction of "taxes," not "taxes paid"; DOF's Legal Affairs Division had decided to interpret that law to allow wage earners the option to deduct the taxes withheld on their W-2 or their total taxes assessed, whichever was higher, for purposes of the SCRIE/DRIE calculation. OTA thus recommended that DOF revise its SCRIE/DRIE application for 2019 to instruct applicants to deduct their "taxes," not "taxes paid," from income calculation. OTA also suggested that DOF further clarify how self-employed applicants deduct taxes from their total income. DOF made the changes.

2) Correction of CityPay Convenience Fee Surcharge

A taxpayer alerted OTA to a difference between the posted credit and debit card fees on CityPay and what he was actually charged. DOF had lowered the fee from 2.49% to 2% for credit and debit cards on October 15, 2018; however, in January 2019, the taxpayer noticed that he was being charged at the higher rate. OTA reported the discrepancy to DOF Payment Operations, which directed the matter to CityPay. Meanwhile, the taxpayer had also contacted Assembly Member Steven Cymbrowitz about the issue. DOF discovered that a systemic payment issue had been identified regarding payments made by taxpayers using American Express. The joint efforts of OTA, Assembly Member Cymbrowitz, and DOF Payment Operations revealed the scope of the glitch and made it possible for all affected accounts to be corrected within a week.

3) Notice of Quarterly vs. Biannual Property Tax Statements

Property owners whose actual assessed value is above \$250,000 receive biannual, rather than quarterly, property tax statements. However, owners whose assessed value had recently crossed the \$250,000 threshold previously received no notice of the change in billing cycle. OTA suggested that DOF provide owners notice of the change. During the most recent NOPV season,

affected property owners were sent a separate notice detailing the expected change in billing for the 2019-20 fiscal year.

4) SCHE Audit

One of OTA's strategic initiatives for fiscal year 2018-19 was to review a sample of SCHE applications that were denied in PEOPS and assess the reasons for their denials. The goal of the audit, as coordinated with DOF's Homeowner Tax Benefits unit and External Affairs Division, is to use the results of the study to improve service. During fiscal years 2017-18 and 2018-19, DOF processed a total of 62,063 SCHE initial and renewal applications, denying 14,683. Of those, OTA audited 1,092, or about 7.4%. The audited applications represented six categories of denial: age (114 applications out of 1,133 denied); income (262 of 5,494); ownership (220 of 302); residence (51 of 632); missing documents (349 of 6,761); and miscellaneous (96 of 359).

Of the denied applications, OTA found 83 with errors. Its report to the Property Division included the following:

- 43 discrepancies in the calculation of income (18) or verification of ownership (25) that affected whether taxpayers qualified for the exemption
- 105 applications for fiscal year 2019-20 sent to owners who did not reapply after being denied during fiscal year 2017-18 or 2018-19 due to the requirement that they must have owned the property for at least one year
- 145 applications for fiscal year 2019-20 mailed to taxpayers who were denied because they did not submit additional required documents and had not reapplied as of the time of the audit, and an additional 39 potential errors regarding missing documents sent to HTB

Part VI:

Recommendations for the Current Reporting Period

For the reporting period April 1, 2018, to March 31, 2019, OTA has identified and analyzed new issues and has issued recommendations for corrective measures to mitigate problems encountered by NYC taxpayers and property owners. The issues identified have been categorized into three sections: Property, Business, and Procedural Issues. Property issues have been broken down further into subsections for (A) Assessment Issues and (B) Homeowner Tax Benefit Issues.

1. Property Issues

A. Assessment Issues

1) Exemptions and Abatements on NOPVs

The Department of Finance substantially revised its NOPV for fiscal year 2019-20, to positive taxpayer feedback. Among the changes made was the inclusion of the estimated property taxes owed by multiplying the assessed value minus exemptions by the current tax rate. DOF included estimated taxes to give taxpayers a rough idea of the amount of tax they might owe for the upcoming fiscal year.

The new NOPV included the disclaimer that abatements were not figured into the calculation; however, abatements can remove a large percentage of taxes owed—even the condominium abatement, at its lowest percentage, comprises 17.5% of the annual taxes assessed. Although DOF has traditionally not included abatements on past NOPVs, previously, taxpayers would not learn precisely their taxes owed for the upcoming fiscal year until their statement of account due July 1. Not including abatements would seem an even *more* inaccurate estimate of what a property owner might owe for the upcoming tax year.

Moreover, although the current NOPV includes the total amount of exemptions reducing the assessed value, it does not delineate between multiple exemptions. A taxpayer receiving a SCHE and veterans benefit does not know how much of the exemption is attributed to SCHE and how much to veterans. This is a problem for taxpayers who wish to understand if their exemptions have been applied—and in turn their taxes assessed—correctly.

Recommendations:

- a. DOF should include any abatements taxpayers receive on future NOPVs and figure them into the calculations of estimated taxes.
- b. DOF should break down the amount of reduction attributable to each exemption.

2) Timelines for Clerical Error Remissions

Because clerical error remission requests are often case-specific and complex, involving retroactive adjustments, they can take months to process. DOF's Property Division has a current backlog of over 1,000 applications. For taxpayers with large back balances that are the result of a potential clerical error, such a delay can affect the status of their property, particularly if the taxpayer has an open CER request while receiving notices that the property may end up in a lien sale.

Recommendations:

- a. DOF should roll over to the next lien sale any taxpayer with an open CER request at the time of the 90-day notice.
- b. DOF should set a timeline for when taxpayers should expect to receive a decision on their CER requests.
- c. DOF should send taxpayers periodic (e.g., 30-day) acknowledgment letters regarding the status of their CER requests.

3) Clarification of RPIE Procedures

Currently, the procedures surrounding real property income and expense (RPIE) statements are not well-developed in the NYC Administrative Code or the Rules of the City of New York. This is particularly crucial with regard to the issuance of the penalty, which cannot be abated for reasonable cause, particularly if it is increased to encourage compliance.

Certain provisions are not well-defined, including the definition of the "notice" requirement for the issuance of a penalty. Furthermore, better clarification is needed regarding appropriate procedure during the "cure period" for non-filers; delinquent filers have the option during the 30-day cure period of either filing the RPIE to avoid a penalty, or challenging the RPIE with the New York City Tax Commission. However, of the 6,063 applications which the Tax Commission deemed not eligible for review in 2018, 538 (8.9%) were due to an RPIE not being filed, being filed late, or being filed improperly.

Recommendation:

- a. DOF should publish better guidance regarding the filing and challenging of RPIEs.

4) Condominium Allocation

State statute (section 339-y(1)(b) of the Real Property Tax Law) mandates that the aggregate assessment of all condominium units in a building cannot exceed the total value of the property if it were assessed as one parcel. Case law also supports valuing condominiums not by individual sales, but by assessing the value of the entire building and breaking it up based on an "allocation factor" of individual units. The value of all the units combined should equal the total value of the

building. For condominiums created since 2007, this allocation factor was taken from the condominium allocation plan filed with the state. Before 2007, DOF's policy allowed a unit's common interest percentage to vary, sometimes simply based on the values of properties around it. Condominium allocation is a complex issue not easily discernible even by more sophisticated property owners, meaning taxpayers are unaware that their unit is so affected for years or even decades, believing their property taxes are simply high for other reasons. In 2018-19, OTA handled 29 cases or inquiries related to assessed or market value issues for class 2 properties.

When DOF changed its policy in 2007, it decided not to interfere with previously existing condominiums' allocation factors, as it did not want to dictate how property owners conducted their private business. The condominium owner living in a unit with an inequitably high allocation factor thus has two means of recourse. One is to convince all condominium owners to sign an affidavit reallocating their units—which, considering that condominium allocation is a zero-sum game, is unlikely. The other is to challenge the assessed value with the Tax Commission annually. Taxpayers have found success in lowering their assessed value with the Tax Commission, but the decision lasts only a year until the following year's valuations raise it again; such a process is burdensome on the taxpayer.

Recommendations:

- a. DOF should audit condominium properties for inequities in allocation, particularly those whose allocations vary from the condominium allocation plan initially filed with the state.
- b. DOF should propose legislation giving it discretion to alter condominium allocation factors for pre-2007 condominiums where patent inequities are found to exist (without requiring the agreement of all owners). Such discretion may involve a phase-out period to allow owners benefiting from the inequity not to be radically penalized.

5) *DOF Tutorial Tools—“How To” Use*

This is a carryover recommendation from last year which was not implemented. OTA wishes to elaborate on better publicizing digital tools and creating tutorials on how to use their various features. Multiple platforms reach a greater audience.

Recommendation:

- a. DOF should create a video series instructing property owners on different tools, including digital property maps, how to browse the new property tax system, making a CityPay payment, how to read the annual NOPV, or applying for SCRIE/DRIE.

6) *Understanding the Tax Commission and SCARP*

Over 65% of the property tax roll consists of class 1 parcels, or one-to-three-family homes. OTA has noticed through outreach and through inquiries received during NOPV season that tax class 1 property owners are often unequipped to handle the technical nature of the Tax Commission's

application and hearing process for assessment and exemption challenges. Owners of tax class 1 parcels are less likely to retain counsel than the owners of tax class 2 (apartment buildings, condominiums, and cooperative associations) and tax class 4 (business) parcels when appealing to the Tax Commission. In 2018, for instance, while 97.8% of all filing with the Tax Commission retained representation, only 62.1% of class 1 property owners did. OTA has also noticed that property owners often confuse the Tax Commission with DOF's internal assessment review policies (such as RFRs and RTUs), not aware that it is actually an independent department with specific duties. OTA has focused one of its strategic initiatives for 2018-19 on helping property owners better understand Tax Commission procedures, as well as gathering data regarding property owners denied hearings.

Furthermore, if the Tax Commission rules against the property owner, the appeal process does not necessarily involve a lengthy court proceeding; instead, owners may file for a small claims assessment review program (SCARP) petition, which is an informal and less costly alternative. SCARP petitions are available to all tax class 1 homeowners who occupy and use their property exclusively for residential purposes; however, the number of taxpayers making use of this procedure may have been as low as 5% in 2018.²¹

Recommendations:

- a. DOF should create better outreach materials explaining to taxpayers how to file with the Tax Commission and how to file a SCARP petition for appeal. DOF should also link to the required documents from the necessary assessment or exemption forms.
- b. DOF should highlight that for taxpayers whose assessed value is less than \$2 million dollars, there is no cost to file a Tax Commission petition.
- c. DOF should create better awareness among the general public that it is not the property's market value, but its assessed value, which the Tax Commission decides, that determines the property's taxable value.

7) Face-to-Face Hearings During the RFR Process

OTA has received feedback from property owners who claim that if given an opportunity to make an oral submission to a senior assessor in connection with requests for administrative review, they could better articulate their argument. A face-to-face meeting with an assessor may be particularly helpful for taxpayers of limited English proficiency, who sometimes are better at expressing themselves orally than via a written statement. Face-to-face hearings would also allow owners to engage in a dialogue with the DOF Property Division and better understand the

²¹ According to the Tax Commission's 2018 annual report, a total of 1,330 tax class 1 owners filed with the Tax Commission; of those, 137 were offered some relief, of which 122 accepted. This would leave up to 1,208 owners eligible to file SCARP petitions. Just 57 homeowners (4.7%) filed SCARP petitions in 2018; 24 succeeded. While it is possible that some of the tax class 1 properties are not owner-occupied, it is likely that most are.

outcome if DOF does not decide in their favor. By providing a date for owners to discuss their case, face-to-face hearings may also ultimately be more efficient in terms of establishing a timetable for when owners might receive a response to their request.

Recommendation:

- a. Property owners should be provided the opportunity for a face-to-face hearing with DOF when submitting a request for administrative review.

DOF's Property Division supports this recommendation.

B. Homeowner Tax Benefit Issues

8) SCHE Ownership Eligibility Date

The New York state Real Property Tax Law and the NYC Administrative Code state that for property owners to be eligible for SCHE, they must have owned the property for a minimum of twelve months prior to the “date of making application for exemption.” As the deadline to apply for SCHE is March 15, one might presume that any applicant who bought property on or before March 15 of the preceding year would be eligible to apply. However, the City Charter states that a property's taxable status date “shall be fixed for the succeeding fiscal year on the fifth of January.” The discrepancy in dates has led to confusion about whether a taxpayer who bought property between January 5 and March 15 would be eligible to apply for SCHE. Although DOF has maintained that January 5 is the correct date, related case and statutory laws lend credence to March 15 being the date of record.

Furthermore, although DOF would allow a property owner who applies for SCHE prematurely and is denied because of the ownership time requirement to resubmit an application if the twelve months pass before the taxable status date, such a permission is not publicly available.

Recommendations:

- a. DOF should publish guidance defining when a property owner is considered eligible for SCHE for purposes of the twelve-month requirement.
- b. DOF should clarify reapplication procedures via notice for property owners who applied for SCHE prematurely—or, alternatively, DOF should approve applicants with less than twelve months of ownership who applied for SCHE if they would have been eligible for the exemption by submitting at a later date during the application period.

9) SCHE Non-Responders to Requests for Missing Documents

The number of SCHE applicants over 78 who did not respond to requests for more information increased in four of the five boroughs for fiscal years 2017-18 and 2018-19. The most common forms of missing documents include signatures, trust documents, ownership information, and a

form of identification—all items that can be resolved upon contact. Applicants may not respond for a variety of reasons, including unclear notices (e.g., not understanding what documents to provide, language access issues) or unavailability (e.g., seasonal relocation). Of the taxpayers audited in OTA’s SCHE audit who were denied due to missing documents, though, 75% indicated a representative on their application.

Recommendations:

- a. DOF should issue clear guidance outlining which documents to request on the missing documents notice (e.g., include how to request a copy of IRS transcripts and enclose IRS Form 4506-T and explain what a trust document entails).
- b. If an applicant has specified a representative on the application, DOF should also contact the representative, particularly if the applicant does not respond to the missing documents notice within the required time.
- c. DOF should keep a list of names of community-based organizations for if and when it needs to work with an applicant of limited English proficiency.
- d. DOF should conduct more public outreach or educational seminars regarding the provision of trust or life estate documents.

10) Taxpayers Denied SCHE Who Do Not Reapply

Some taxpayers are denied SCHE for a particular year due to certain eligibility requirements—e.g., a one-year spike in income—but might otherwise be eligible any other year. These taxpayers often do not reapply despite being eligible in subsequent years; for the 2019-20 fiscal year, 250 applicants did not reapply after being denied SCHE due to income.

Recommendations:

- a. DOF should state clearly on the denial notice the taxpayer’s right to reapply for SCHE or DHE.
- b. Flag these “one-time denial” applications for consideration in the next tax year and request updated information from the taxpayer.

11) SCHE/DHE Renewal Uniformity

The SCHE and DHE applications are relatively similar, and property owners who qualify for both benefits are encouraged to apply for the one that is more beneficial to them. However, the SCHE application requires that property owners apply for renewal every other year, whereas the DHE application requires annual renewal. Such a system can cause confusion among property owners—particularly those who may not understand the instructions due to age or language access issues (the largest percentage of taxpayers denied in the two most populous boroughs,

Brooklyn and Queens, were in city council districts with large LEP populations)²²—or may lead to unnecessary renewal applications. The processing of such duplicate applications unnecessarily expends DOF time and resources. Furthermore, because DHE applicants must be receiving some sort of long-term disability benefit to be eligible, the chances that they are no longer disabled is low—according to the Social Security Administration,²³ only one-half of one percent of disability insurance benefits are terminated each year because of work.

Recommendation:

- a. DOF should propose legislation to the New York City Council amending the NYC Administrative Code to permit DHE owners to renew their benefit biennially, rather than annually.

DOF's Property Division supports this recommendation.

12) Potential Issues Regarding Federal Tax

The Tax Cuts and Jobs Act of 2017 has led to fundamental changes to the Internal Revenue Code and to the federal income tax forms. The changes will likely have less of an impact on taxpayers applying for exemptions or to the Rent Freeze program this spring, as applicants will rely on their 2017 return to report their income. But for ensuing seasons, there might be an unanticipated backlog in applications as DOF adjusts to using the new form to calculate income under its old parameters and worksheets.

Recommendation:

- a. OTA recommends hosting a training session for the SDP unit on how to read and analyze a 2018 federal income tax return for purposes of calculating income for the property tax exemption and Rent Freeze programs.

13) E-STAR Revocations

Last year, OTA proposed that DOF remove the Enhanced STAR benefit from all properties that were ineligible to receive it. A DOF audit ending in December 2018 found death matches for 4,715 STAR recipients on whose properties new sales had been recorded, according to ACRIS. It seems patently inequitable to charge taxpayers interest when they were relying on DOF to remove an exemption, even though that interest is bound by state statute. Not all homeowners are sophisticated buyers.

²² Three of the top four city council districts with the most SCHE application denials in both Brooklyn (districts 43, 47, and 48), and Queens (districts 23, 30, and 19), involved populations where more than 50% of the population spoke a language other than English.

²³ See Jody Schimmel and David C. Stapleton, "Disability Benefits Suspended or Terminated Because of Work," *Social Security Bulletin*, Vol. 71, No. 3 (2011), <https://www.ssa.gov/policy/docs/ssb/v71n3/v71n3p83.html>.

Recommendations:

- a. DOF should propose legislation allowing for:
 - the abatement of interest when the wrongful receipt of a Basic STAR or E-STAR exemption is DOF’s error; and
 - the allowance for an eligible taxpayer to defray the back balance from the revoked exemption by taking Basic STAR retroactively for the years receiving E-STAR.
- b. Alternatively, DOF should include language on all relevant forms stating that it is the taxpayer’s responsibility to remove wrongfully received exemptions in the event that DOF does not do so upon transfer.

2. Business Tax Issues

14) *Better Publicizing E-Services*

In 2015, DOF created E-Services, an online portal through which business taxpayers can pay their taxes, review their account transactions, view sent notices, and enter into installment agreements. The purpose of E-Services was to provide taxpayers an alternative to 311 for addressing substantive tax compliance issues.²⁴ But four years later, participation by business taxpayers is low—around 4.5% for unincorporated business taxpayers and around 16% for business corporation taxpayers. Many taxpayer inquiries could have been resolved without the aid of OTA if taxpayers could check their information on E-Services.

Recommendation:

- a. DOF should study the reasons for the low E-Services participation and, to the extent necessary, better publicize E-Services.

15) *Tax Warrants and Liens*

Assessment and demand for payment does not give rise to a business tax warrant automatically, as DOF must docket a tax warrant with the county clerk. According to the NYC Administrative Code, DOF may issue a warrant 10 calendar days after the date that the “notice and demand” for payment is sent, up to six years after the assessment date.²⁵

Complicating matters further is the lag time between DOF’s mailing and the taxpayer’s receipt of notices. As the mailing date appears on the notice, normal postal delays of even a few days leave

²⁴ See Part II, Recommendation No. 2 of OTA’s 2017 annual report.

²⁵ According to DOF’s Collections unit, DOF issues a Notice of Tax Due seven calendar days after the filing of the return. The Notice and Demand, which is the second notification is issued 30 days after the Notice of Tax Due, and Collections opens a case. If there are no “holds” on the case, the warrant is created 10 days after the Notice and Demand and docketed on the next automated docket run to the Office of Court Administration—which are essentially every two weeks.

the taxpayer with even less than the allotted 10 days to respond to a notice and demand before the warrant is issued.

DOF may issue a warrant for amounts as low as \$25 and tax bills for amounts greater than \$5. Attempting to collect on such small amounts seems a waste of DOF's time and resources, and warrants on small debts can affect a taxpayer's credit.

Other jurisdictions have longer time periods and higher value thresholds for issuing warrants. The IRS, for one, does not issue liens until business tax balances reach at least \$10,000 (sometimes as much as \$50,000) except in rare circumstances, and does not issue a lien until several notices have been sent to a taxpayer. The state generally will not issue a warrant until 21 days after the assessment (or 10 business days if the amount is greater than \$100,000).

Recommendations:

- a. DOF should propose legislation increasing to 30 days the time between the date on the notice and demand and the issuance of the warrant.
- b. Alternatively, DOF should postdate notices by 10-15 business days to allow for mailing delays.
- c. DOF should increase the limit for issuing warrants to \$5,000, or \$10,000 if the taxpayer enters into an installment payment agreement completed within 36 months.

16) Particularized Descriptions for Payment Locks

The term "payment lock," as particularized on a taxpayer's period detail report (see below), means that a taxpayer's payment or credit is on hold until the tax return is filed. However, no such definition exists on the report. Tax professionals and sophisticated taxpayers should not have to wonder how DOF is handling payments. Thus, it might be helpful for practitioners if this referenced item were noted, perhaps as a footnote on the financial statement. When taxpayers make overpayments to be applied to future tax years, it may be confusing to report the transaction as a "Credit Carry Forward Received," while in parallel referencing the item as a "Payment Lock."

<u>Period Activity</u>	<u>Balance</u>
Credit Carry Forward Received	-\$54,621.75
Credit Carry Forward Received	-\$214,961.00
Payment Lock	\$54,621.75
Payment Lock	\$214,961.00
UBT Part. Income Receive	-\$466.44
Payment Lock	\$466.44
UBT Part. Income Receive	-\$38,083.93
Payment Lock	\$38,083.93
	\$0.00

Recommendation:

- a. DOF should define "payment lock" on the period detail report alongside other definitions.

17) *OTA Authorization to Generate Period Detail Reports*

OTA currently has read-only access to BTS, which allows it to review a business taxpayer's account, diagnose issues, and make remedial recommendations. One of DOF's divisions or units handling business tax—usually the Payment Operations Division—then makes the adjustment, leading to the inevitable question of how much DOF adjusted. For that, OTA must wait until DOF issues a period detail report, which sometimes requires further follow-up with Payment Operations. If OTA were able to generate period detail reports after Payment Operations made its adjustments, this would alleviate some of the administrative burden on Payment Operations and allow OTA to provide quicker answers to inquiring taxpayers.

Recommendation:

- a. DOF should train OTA to generate period detail reports on accounts where DOF has already made recommended adjustments.

3. Procedural Issues

18) *Interest Calculators and Guidelines*

OTA has previously recommended that DOF display interest calculations on its business tax notices. However, DOF has informed OTA that due to the complexities of calculating interest and space constraints on the notice, such a recommendation is not feasible. DOF displays the different interest rates online, but the periodic rate changes and daily compounding make it difficult for taxpayers to calculate their interest.

DOF has an interest calculator available for business taxpayers, but it has not been updated since 2011 and thus does not include the business corporation tax.

DOF has an interest calculator for property tax payment plans; however, it is not prominently displayed on the agency's website, nor is it noted that this tool only calculates interest for properties with an assessed value below \$250,000.

As of March 25, 2019, the agency's new property tax system includes a feature that allows taxpayers the ability to forecast the changes in their payment total by selecting future dates. The tool updates the discounted amount and accruing interest amount by tax year. This is a step forward in interest calculation transparency, but OTA still recommends providing a clear breakdown of how the interest is calculated per given period.

Recommendations:

- a. DOF should update the business interest calculator to include current rates, as well as BCT.
- b. DOF should publish interest guidelines as part of its proposed *Internal Finance Manual*.

- c. DOF should update the property tax payment plan calculator to include interest calculations for properties with assessed values above \$250,000.
- d. DOF should link to all interest calculators prominently, where applicable, on its website and in property and business statements of account.

19) *Property Tax Refund Request Language*

OTA is currently working with DOF to finalize language that clarifies when and how to apply for a refund. OTA is working with PTS developers to create new language that reflects updated system capabilities and is hoping to finalize the language for print during the 2019-20 fiscal year.

Recommendations:

- a. DOF property notices should include refund language that differentiates between mixed credits—refunds vs. overpayments vs. SCRIE/DRIE TAC credits—and also includes an updated timeline for taxpayers on when to expect refunds.
- b. DOF should increase awareness and streamline the refund request process for taxpayers.

20) *DOF Webpage Cleanup*

DOF strives to include informative content on its website, but sometimes the site does not keep up with changes in laws and procedures. For instance, the webpage regarding CRT still includes the old income thresholds. What’s more, a taxpayer searching for procedures regarding “Business Tax Refunds” would find an amalgamation of a webpage (likely from a previous incarnation of the website) with language and procedures that have since been rendered obsolete, and links to forms no longer used.

Recommendations:

- a. DOF should update its business tax refunds and CRT pages to include correct information on current procedure.
- b. DOF should publicize procedures, particularly to small business owners, surrounding when business tax refunds are issued automatically.
- c. DOF should remove obsolete pages completely so that they are no longer searchable.
- d. DOF should designate an individual or a group to monitor quality assurance of the website.

21) *Powers of Attorney*

As of January 2019, DOF has two power of attorney forms, the POA-1 for business and excise tax issues (published by the state), and the new POA-2, used for all other matters, including property tax. DOF has drafted a rule to amend section 27-01(a) of Title 19 stating that POA-2 “must be filed in order to represent principals with respect to matters administered by the

Commissioner of Finance and not arising under” the chapters of the Administrative Code related to business and excise tax. However, the directions on the forms do not make clear which form is relevant to a specific type of issue. It is also unclear if a power of attorney would be accepted if it were simply filed on the wrong form. Although the forms are published to different sections of the DOF website, their differences and corresponding uses may not be apparent to laypeople not familiar with the Rules of the City of New York. DOF’s customer-facing staff is available to allay confusion—but this presumes taxpayers will call.

Recommendation:

- a. DOF should promulgate guidance on its website as well as revise the directions on the POA-2, elaborating on the proposed rules, including explicitly stating when to use each power of attorney, and whether (and in which cases) the other might be accepted.

22) *Interdepartmental Guidance*

OTA reviews complex cases dealing with issues affecting other agencies, such as HPD, DOB, or DOT. During the 2018-19 tax year, OTA reviewed 16 cases and inquiries dealing with other charges or deductions on property tax bills, and referred over 10% of cases in which it could not grant relief to another city agency. Often it is unclear who controls which penalties; DOF issues the bills, but other departments claim they do not have authority to adjust balances or interest, or abate penalties.

Recommendation:

- a. DOF should create a task force to work with other agencies to create guidance regarding which agency is responsible for certain duties.

Part VII:

Success Stories

OTA has a success rate of more than 84% in the cases it has assisted in during its first three full years of existence. As OTA is as much involved in helping taxpayers as it is in spotting systemic issues, the office wishes to highlight some of the successes it has had over the past year. These stories illustrate OTA's accomplishments as a new office, as well as its collaborative efforts with other DOF units and divisions.

1. Property – Mistaken Identity

A council member referred OTA a case involving an elderly taxpayer who, after a visit to the Social Security Administration office, was told that his SSI and Medicaid benefits were in danger of being removed imminently because he owned countable resources worth more than \$3,000. Apparently the SSA's files revealed the taxpayer's Social Security number to be tied to the ownership of a Manhattan condominium. The taxpayer and his wife were tenants in the same neighborhood under the SCRIE program; they did not speak English; and they denied owning such property. It turned out that the Manhattan condominium was purchased months earlier by a man with a similar name and shortly thereafter recorded in ACRIS. On the deed, the purchaser used an address that had the same street number as taxpayer's apartment building. Although OTA does not know the origin of the mistake, it suspects the similar name and address caused confusion. The SSA told the taxpayer that he would have to provide some sort of proof that he was not the owner. OTA's challenge was proving such facts without revealing information protected via tax secrecy.

OTA tracked down the attorney listed on the purchaser's deed. The attorney provided OTA with a copy of the purchaser's driver's license and confirmed the purchaser had both a different birthdate and a different last four digits of his Social Security number. The attorney's office also reached out to the title company to confirm that the RPTT return contained the Social Security number that matched the purchaser's. In FAIRTAX, OTA found the ownership record on file also tied to a different Social Security number than the taxpayer's. OTA submitted its findings in a letter to the attorneys who were handling an appeal of the taxpayer's case with SSA. Due in large part to OTA's letter, the taxpayer's benefits were restored.

2. Business – Commercial Rent Tax

A restaurant doing business on the Upper East Side claimed to be exempt from the New York City commercial rent tax (CRT) and therefore did not file a CRT return. DOF later discovered a discrepancy between the corporate return and non-filed CRT return and requested additional information. The taxpayer's power of attorney (POA) attempted to initiate contact and provide

additional information as requested, but the auditor was unresponsive. A notice and demand was later mailed and warrants docketed. The POA subsequently contacted OTA for assistance. OTA discussed the problem, as well as the CRT regulations and substantiation requirements, with DOF's Tax Audit and Enforcement Division. After the OTA spoke with the POA about next steps, the POA mailed prior year CRT returns with accompanying evidence to OTA and DOF. The agency reviewed the lease schedule and supplemental support, ultimately agreed with the taxpayer's position, and canceled the CRT obligation of \$44,050.

3. Property – Tax Lien Sale/Deed Fraud

A low-income grandmother from Brooklyn was a potential victim of deed fraud; she claimed that over a decade ago, she was duped into signing over title to her house “temporarily” in exchange for assistance with her mortgage. Although she remained on the property raising her grandchildren, the property was no longer in her name; an action to reclaim title to her property awaited trial in Kings County Supreme Court. The taxpayer was issued notice that outstanding water and tax liens on the property—which were addressed to the allegedly fraudulent grantee—were to be sold at the upcoming sale. However, because she was not the current owner of record, she could not enter into an installment agreement which would halt the sale. OTA obtained a copy of the summons and complaint in the deed fraud case from the taxpayer's attorney and forwarded it to DOF Collections, DOF Legal, and the Department of Environmental Protection. Both DOF and DEP agreed to remove the property from the 2018 lien sale under the condition that as soon as the case was settled, the taxpayer would enter into an installment agreement for the back balances. This case is an example of the frequent collaboration between OTA, DOF, and other agencies to solve urgent matters.

4. Business – Old Balance

A Manhattan cooperative association contacted DOF about an outstanding balance for the year 2017. The taxpayer had made an overpayment in 2016 and had expected there to be a surplus on the account after the 2016 amounts were applied forward. DOF informed the taxpayer that the overpayment had been applied *backward* to an outstanding general corporation tax (GCT) balance from 1989 that, with interest and penalties, totaled nearly \$25,000. This especially perplexed the taxpayer, who claimed to have refinanced the underlying mortgage three times in the past three decades with no indication of any such liabilities, liens, or assessments. OTA reviewed the taxpayer's information in DOF's legacy system (including recovering the old RES/PASS information in FAIRTAX) and discovered that there was no record of a warrant for the liability. A warrant must be issued within six years of a notice and demand for payment for an outstanding liability to be collectible. DOF's Collections staff reviewed the taxpayer's record and agreed with OTA's recommendation. Although it was unclear why DOF did not issue a warrant at the time, the balance had remained inactive on taxpayer's account, and appears to have been inadvertently reactivated in the transfer of information to BTS. As no warrant had ever been issued, DOF wrote off the entire 1989 balance and refunded the taxpayer over \$1,700.

5. Property – SCHE Benefit Denial

A taxpayer from Brooklyn contacted OTA after his SCHE application was denied for fiscal year 2018-19. Upon investigation, OTA learned that the taxpayer was approved for DHE in the 2013-14 fiscal year. However, the approval was incorrect, as the taxpayer's son, who was not disabled, was listed as an owner, in addition to the taxpayer and his wife. When the taxpayer renewed for 2017-18, having turned 65, he submitted two applications, one for DHE and one for SCHE; however, both applications were denied, due to his son's inclusion on the deed. (In order to be approved for DHE, all owners—save for spouses and siblings—must be disabled; for SCHE, all owners must be 65 years old.) Effective March 15, 2018, the taxpayer removed his son from the deed and submitted a SCHE application for 2018-19; however, he was again denied, as the deed change fell outside the taxable status date of January 5, 2018, and the taxpayer did not receive the benefit the prior year.

OTA contacted DOF's Homeowner Tax Benefits (HTB) unit and advocated that the taxpayer's 2018-19 SCHE application be processed for DHE instead, because the taxpayer is a disabled senior who would, by converting to DHE, meet the DHE taxable status date requirement of March 15, 2018. HTB repeatedly refused this request, stating that the taxpayer inappropriately received the benefit in 2013-14 and should simply reapply for 2019-20. OTA sought the opinion of DOF Legal to have the application processed as DHE instead of SCHE. Legal agreed that the request was valid. The taxpayer was eventually approved for DHE at the full 50% reduction in assessed value for fiscal years 2018-19 and 2019-20.

6. Business – Improperly Completed Return

A taxpayer, a small subchapter S corporation in the business of chemical distribution, sought assistance from OTA because the company had an outstanding GCT liability of \$20,710 for the years 2013-16. The taxpayer claimed it did not owe the balance, because it does not conduct business in New York City and only uses a New York City premise as a mailing address. Upon review of a previously filed GCT return (Form NYC-3L), OTA discovered that the taxpayer failed to properly allocate business income on Schedules A and B, per the general rules of allocation in section 11-61 of Title 19 of the Rules of the City of New York. Moreover, the taxpayer failed to file Form NYC-245, "Activities Report of Corporations," with the original return. OTA discussed NYC nexus rules, required forms, and substantiation requirements with the taxpayer. OTA also discussed next steps, which included amending the previously filed Form NYC-3L, showing proof of foreign activity, and completing Form NYC-245. After reviewing the amended form, DOF Collections staff reduced the taxpayer's outstanding GCT obligation to \$2,301.71, saving the business a total of \$18,408.32.

Part VIII:

OTA Outreach Efforts

During tax year 2018-19, OTA participated in 29 outreach events, with a focus on reaching underserved, under-resourced, and limited English proficiency populations. OTA is working with several community-based organizations to better spread the word about the services and benefits available to New Yorkers.

In July 2018, OTA hosted its second annual limited English proficiency symposium, featuring three days of events for taxpayers and practitioners. One event, held in Manhattan, was aimed at educating tax practitioners and featured panel discussions at which public and private sector tax professionals addressed a wide range of topics, including starting a business with money from abroad; the intersection of ITIN, tax scams, and refund issues; federal, state, and local perspectives on the Taxpayer Bill of Rights; and how to handle tax liens. Two more informal events, geared toward the LEP community as a whole, were held at Queens Library's Flushing branch and at the rotunda of the Bronx courthouse. OTA plans to expand its LEP symposium in the upcoming year, with events scheduled in all five boroughs in May 2019.

OTA assisted at 13 NOPV sessions in preparation for the 2019-20 fiscal year. These events were sponsored by DOF, government officials, or business associations and were attended by over one thousand taxpayers.

OTA has begun meeting with DOF's External Affairs Division regarding the coordination of outreach efforts to more efficiently use the two offices' total resources, evaluate issues, and solve problems. OTA and External Affairs discussed a combined enrollment and Tax Day event at which DOF can use IRS resources to verify the income of benefit applicants on the spot and thereby complete a step that often delays the processing of applications. The time saved by instantly verifying income will ultimately ensure that taxpayers who qualify receive in a timely manner the benefits to which they are entitled.

GLOSSARY

Abatements – A reduction in real estate tax liability through credit rather than a reduction in taxable assessed value. The city has several abatements, on which more information is available at <https://www1.nyc.gov/site/finance/benefits/benefits.page>.

ACRIS – The Automated City Register Information System is a database of all property documents filed with the City Register—deeds, mortgages, etc.

Actual Assessed Value – The assessment established for all tax classes, without regard to the five-year phase-in requirement for most class 2 and all class 4 properties.

Assessed Value – The value of a property for real property taxation purposes. In New York City, property may have three assessed values: actual assessed value, transitional assessed value, and billable assessed value. The amount each can rise each year is capped at certain percentages for class 1 and class 2A, 2B, and 2C properties.

Assessment Ratio – The ratio of assessed value to market value.

BBL – Borough, block, and lot number. The parcel number system used to identify units of real estate in New York City.

Benefit Take Over – These cases refer to tenants seeking to take over benefits from a program participant who has died or permanently vacated the premises.

Billable Assessed Value – The assessed value on which tax liability is based. For properties in classes 2 or 4, the billable assessed value is the lower of the actual or transitional assessed value.

Borough – 1= Manhattan; 2= Bronx; 3= Brooklyn; 4= Queens; 5= Staten Island

Business Tax System – Collection and accounting system for all business taxes, which went live in early 2016. GENTAX is the software that runs the BTS system.

Computer Assisted Mass Appraisal – Collects property-related information and performs valuation calculations for residential and commercial properties. It interfaces with DOF's assessment system (RPAD) through customized applications.

Comparable Sales Method – The process by which a property's market value is estimated based on the sales price of similar (comparable) properties.

Condominium – A form of ownership that combines individual ownership of residential or commercial units with joint ownership of common areas such as hallways, etc.

Cooperative – A form of corporate ownership of real property whereby shareholders are entitled to use dwelling units or other units of space.

DDC – The New York City Department of Design and Construction, which builds and renovates City-owned structures and delivers roadway, sidewalk, sewer, and water main construction projects in all five boroughs.

Delinquency – The amount of tax liability that remains outstanding after the due date, allowing for any grace period, if applicable.

DEP – The New York City Department of Environmental Protection, whose mission is to protect public health and the environment by supplying clean drinking water, collecting and treating wastewater, and reducing air, noise, and hazardous materials pollution. Among DEP's duties is to manage and conserve the city's water supply.

Disability Rent Increase Exemption – A program begun in 2005 to protect lower-income disabled adult tenants living in rent-regulated properties from future rent increases.

DOF – The New York City Department of Finance, whose mission statement is to administer the tax and revenue laws of the City fairly, efficiently, and transparently to instill public confidence and encourage compliance while providing exceptional customer service.

DOT – The New York City Department of Transportation, whose mission is to provide for the safe, efficient, and environmentally responsible movement of people and goods in New York City and to maintain and enhance the transportation infrastructure crucial to the economic vitality and quality of life of city residents.

Effective Market Value – A theoretical value used in class 1 and class 2A, 2B, and 2C properties that is calculated by dividing the assessed value by the assessment ratio. It is, in effect, what the market value of the property would be were it subject to the same caps as assessed value.

Equalization – Changes in assessed value made by a taxing jurisdiction to ensure that all properties (or all properties within a tax class, if applicable) are assessed at the same percentage of market value.

Exemption – A provision of law that reduces taxable value or income.

Exempt Value – The amount or percentage of assessed value that is not subject to taxation. Property may be fully exempt or partially exempt; in the case of veterans exemptions, the exempt amount is taxable for education purposes.

FAIRTAX – Financial system for business taxes, property taxes, and property-related charges. As of early 2019, it is a read-only archive; all business data has been converted into BTS; property data is being converted to PTS.

Fiscal Year – A 12-month period used for financial reporting. New York City's fiscal year runs from July 1 to June 30.

FIT – Finance Information Technology, DOF’s IT division, is in charge of applications for property collections and accounting; tax policy, audit, and assessment; and parking and payment; as well as systems modernization and network operations.

Grace Period – The period of time, beyond the due date, in which payment may be made without incurring a penalty.

HPD – Established in 1978, the New York City Department of Housing Preservation and Development’s mission is to promote the construction and preservation of affordable, high-quality housing for low- and moderate-income families in thriving and diverse neighborhoods in every borough by enforcing housing quality standards, financing affordable housing development and preservation, and ensuring sound management of the City’s affordable housing stock.

Levy – An assessment of tax.

Liability – A debt or financial obligation.

Lien – A legal claim against property for outstanding debt.

Market Value – The most probable price that a property should command in a competitive and open market. This definition also requires that the buyer and seller be willing, but not compelled, to act.

Multi-family Housing – A residential structure with more than one dwelling unit.

Notice of Property Value – An annual notice containing information about a property’s market and assessed values. The DOF determines property values every year, according to state law. New York City’s property tax rates are applied to the assessed value to calculate property taxes for the next tax year.

Office of the Taxpayer Advocate – The OTA is an independent Department of Finance office that helps city taxpayers solve property, business, and excise tax issues after they have exhausted DOF’s normal channels. OTA also recommends policy changes and can request that DOF take action on behalf of taxpayers.

Operations Assistance Request – Form OTA-0924. A formal request for assistance from a DOF unit or function to complete an action on a case sent by the Office of the Taxpayer Advocate when the Taxpayer Advocate does not have the authority to take the required actions. The OAR provides a written trail of requests to a unit or function and its responses to OAR.

Parcel – A piece of land under ownership.

Personal Exemptions Operating System – Vendor-hosted system of all personal exemptions for real property.

Property Tax System – DOF’s new system to store property tax data, the first phase of which went live on March 4, 2019.

Request for Review – A form enabling city property owners to provide supporting information to review their estimated market value or building classification. DOF may increase, decrease, or make no change to the property’s market value or classification; RFR decisions may not be appealed.

Request to Update – A form enabling city property owners to request an update of the descriptive data contained on the annual NOPV.

RES/PASS – The revenue enhancement system (RES) is a set of databases used by various DOF divisions and units, including Audit, OTP, the Sheriff’s Office, Collections, and Property. The majority of the data pertains to business and property taxes. These databases’ main purpose is to support the Professional Audit Support System, or PASS. Much of the data contained in these systems have been converted to BTS.

Rent Increase Exemptions – Database of all tenants who are in a rent increase exemption program, such as SCRIE or DRIE.

Real Property Assessment Data – Property data system. Holds all property related information, including lot size, assessed value, etc.

Real Property Income & Expense – An annual taxpayer-filed statement used by DOF to determine value and property tax for certain income-producing properties.

SDP – DOF’s Senior and Disabled Program Unit, a product of the merger of the SCHE-DHE and SCRIE-DRIE units in August 2018.

Senior Citizen Rent Increase Exemption – A program begun in 1970 to protect lower-income senior citizens living in rent-regulated properties from future rent increases.

Tax Class – Property in NYC is divided into 4 classes:

- *Class 1* – Most residential property of up to three units (family homes and small stores or offices with one or two apartments attached), and most condominiums that are not more than three stories.
- *Class 2* – All other property that is not class 1 and is primarily residential (rentals, cooperatives, and condominiums). It includes sub-class 2A (4-6 unit rental buildings); sub-class 2B (7-10 unit rental buildings); sub-class 2C (2-10 unit cooperative or condominium buildings); and class 2 (buildings with 11 or more units).
- *Class 3* – Mostly utility property.
- *Class 4* – All commercial and industrial properties, such as office, retail, factory buildings, and all other properties not included in tax classes 1, 2, or 3.

Tax Rate – The amount, usually expressed in dollars per hundred of assessed value, applied to the tax base to determine tax liability. In New York City, a tax rate is established for each tax class.

Taxable Status Date – The date on which the assessed value, taxable status and, if applicable, tax class are fixed for all properties in a taxing jurisdiction.

Taxable Value – Assessed value minus any exemptions. The taxable value is used to calculate a property owner’s annual tax bill.

Taxpayer Assistance Order – A means by which the Taxpayer Advocate can recommend proposed action to the commissioner of the Department of Finance in cases where the law provides relief from significant hardship, or where a unit/function to which the Office of the Taxpayer Advocate issued an OAR declined to take the proposed action.

Taxpayer Bill of Rights – Ten rights to which taxpayers are entitled, the violation of which may meet the criteria necessary for assistance from the Taxpayer Advocate. For full text, see http://www1.nyc.gov/site/finance/about/nyc_taxpayer_bill_of_rights.page

Tenant/Tax Abatement Credit – A landlord’s reduction in property taxes as a result of housing tenants who receive the SCRIE or DRIE benefits.

Transitional Assessed Value – The assessed value, during the five-year phase-in of equalization changes, of all class 4 properties and all class 2 cooperatives, condominiums, and rental buildings with more than 10 units.