

**New York City
Tax Appeals Tribunal
Annual Report
July 1, 2022-June 30, 2023**

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NEW YORK CITY TAX APPEALS TRIBUNAL
ANNUAL REPORT 7/1/2022 – 6/30/2023

1. **Introduction.** This report is submitted as required by §168.f of the New York City Charter (Charter). The New York City Tax Appeals Tribunal (Tribunal) has jurisdiction over petitions filed by taxpayers protesting statutory notices issued by the Department of Finance (Department) for all non-property income and excise taxes, and annual vault charges administered by the City of New York.¹ This report covers the period from July 1, 2022 through June 30, 2023.

2. **Purpose.** The Tribunal is responsible for providing taxpayers and the Department with a fair, impartial, independent, efficient and knowledgeable forum in which to resolve protests of notices issued by the Department.

3. **Organization.** In 2007, the City Council amended the Charter putting both the Tribunal and the Tax Commission (the agency charged with administrative review of Real Property Tax assessments) under the umbrella of the Office of Administrative Tax Appeals (OATA).²

The Tribunal consists of two divisions: the Administrative Law Judge Division and the Appeals Division.

a. Administrative Law Judge Division. The President of the Tribunal appoints the Administrative Law Judges and designates one of the Administrative Law Judges to be the Chief Administrative Law Judge. Administrative Law Judges are authorized to conduct any hearing or motion proceeding within the jurisdiction of the Tribunal. Each Administrative Law Judge must be an attorney admitted to practice in New York State for at least five years.

¹ The New York City Sales and Use Tax and Personal Income Tax are administered by the New York State Department of Taxation and Finance and, therefore, are not within the jurisdiction of the Tribunal.

² L.L. 59 of 2007.

As of June 30, 2022, the Administrative Law Judges were:

Acting Chief Administrative Law Judge	Sandra Rodriguez-Diaz
Administrative Law Judge	Jarrett Kalish

The Chief Administrative Law Judge is responsible for the day-to-day administration of the hearing function, both for formal hearings before Administrative Law Judges and small claims hearings before Presiding Officers. The support staff in the Administrative Law Judge Division handles petition intake and initial review, calendaring, and some word processing.

b. Appeals Division. The Appeals Division consists of three Commissioners appointed by the Mayor for staggered six-year terms. Each Commissioner must have been admitted to practice as an attorney in New York State for a minimum of ten years and have substantial knowledge and competence in the area of taxation. Each Commissioner must become a resident of the City within 90 days of appointment. One of the three Commissioners is designated by the Mayor to serve as President of the Tribunal during his or her term as a Commissioner. In addition to his or her duties as a Commissioner, the President is responsible for the overall administration and operation of the Tribunal. However, neither the President nor any Commissioner has any role with respect to specific cases pending before the Administrative Law Judge Division. As of June 30, 2023, the Commissioners of the Tribunal were:

President and Commissioner	Frances J. Henn
Commissioner	Robert J. Firestone
Commissioner	Neil Schaier

Commissioner Henn's term expires on June 30, 2026. Commissioner Firestone's term expires on June 30, 2024. Commissioner Schaier's term expired on June 30, 2022.

4. **History.** Prior to the establishment of the Tribunal, disputes between taxpayers and the Department were heard by the former Bureau of Hearings within the Department. The hearing officers could issue only recommended determinations for the signature of the Commissioner of Finance. Thus, the Commissioner of Finance issued the final determination. For that reason, critics of the system noted that, at a minimum, there was a perception of unfairness. In addition,

because the Department promulgated the regulations governing City taxes that were within the jurisdiction of the Bureau of Hearings, there were concerns that the Bureau of Hearings could not fairly and objectively review the validity or application of those regulations.

The Tribunal was created in 1988 as an independent agency by Charter §§168 through 172. In 1992, the New York State Legislature expanded the Tribunal's jurisdiction to include all taxes administered by the City, other than the Real Property Tax. The 1992 legislation formed the Administrative Law Judge Division to replace the Department's Bureau of Hearings and created the current two-step process of hearings and appellate review.

5. Procedure. The Administrative Law Judges conduct formal hearings, including related motions, and small claims hearings as Presiding Officers. An Administrative Law Judge hears a case and issues a determination under his or her own name. An Administrative Law Judge determination is reviewed by the Tribunal Commissioners sitting as a panel if either the taxpayer or the Department files an exception to the Administrative Law Judge determination.

The Tribunal's rules include provisions governing the filing of petitions and exceptions and practice and procedure before the Administrative Law Judge Division and the Appeals Division. From time to time, the Tribunal convenes an Advisory Committee to assist in evaluating the adequacy and appropriateness of its regulations on practice and procedure. The committee includes practicing tax attorneys, tax accountants and representatives of the Department and the City Law Department. The Tribunal has undertaken a project to revise and update its current rules of practice and procedure.

a. Filing Petitions with the Administrative Law Judge Division. A case begins when a taxpayer files and serves a petition challenging a statutory notice issued by the Department. The petition is acknowledged by the Chief Administrative Law Judge. The Department, represented by the Tax and Bankruptcy Litigation Division of the Law Department, files an answer to the petition. Thereafter, the Administrative Law Judge assigned to the case holds a pre-hearing conference, at which time settlement is explored. If it appears that the case will proceed to hearing, an attempt is made to narrow the issues and encourage the parties to enter into a stipulation of facts.

Generally, the same Administrative Law Judge who presided over the pre-hearing conference conducts the hearing, receives evidence and issues a written determination within six months

after the later of the completion of the hearing or the submission of briefs by the parties. This period may be extended by the Administrative Law Judge for an additional three months for good cause. The Administrative Law Judge's determination includes a statement of the issues in the case, the relevant facts as found by the Administrative Law Judge based on the record, and conclusions of law. The determination is binding on both parties unless one or both of the parties requests a review of the determination by filing an exception with the Appeals Division within 30 days after the issuance of the Administrative Law Judge's determination.

b. Filing Exceptions with the Appeals Division. If an exception is filed with the Appeals Division, the Commissioners will review the record of the hearing and any briefs submitted. They may grant oral argument at the request of either party, require oral argument if it is not requested by either party, or decide the case without oral argument. The Commissioners will issue a written decision affirming, reversing or modifying the determination of the Administrative Law Judge, and/or remanding the case to the Administrative Law Judge Division for additional proceedings. Each decision of the Commissioners includes a statement of the issues in the case, the relevant facts as found by the Commissioners based on the record, and the Commissioners' conclusions of law. The Commissioners' decisions must be rendered within six months after the latest of the date the exception is taken, the date briefs are filed by the parties or the date of the oral argument before the Commissioners.

Decisions issued by the Commissioners are final and binding on the Department. However, taxpayers may appeal a decision of the Commissioners by instituting a proceeding under Article 78 of the New York Civil Practice Law and Rules with the Appellate Division, First Department, of the New York State Supreme Court within four months after the date of the Commissioners' decision.

c. Small Claims Proceedings. As an alternative to a formal hearing, if the amount in dispute is \$10,000 or less, not including penalties and interest, taxpayers have the right to opt for a small claims proceeding within the Administrative Law Judge Division. A small claims hearing is conducted informally by an Administrative Law Judge serving as a Presiding Officer. The Presiding Officer's determination is final and binding on both parties and cannot be appealed to the Appeals Division or to the courts. At any time before the conclusion of a small claims

hearing, a taxpayer may discontinue the proceedings and request that the case be transferred to an Administrative Law Judge for a hearing and an appealable determination.

6. Additional Items. The Tribunal's website is located at www.nyc.gov/taxappeals. The Tribunal's website contains the Tribunal's Rules of Practice and Procedure, the Tribunal's forms, a list of pending exceptions, recent decisions, determinations and dispositive orders, and a link to the New York Law School website where many published Appeals Division decisions and orders and Administrative Law Judge determinations are available in both a searchable and printable format.

When their Tribunal work allows, the Administrative Law Judges, Commissioners and the General Counsel (collectively Tribunal attorneys) also are designated by the Tax Commission President to serve as hearing officers for Tax Commission matters. In 2022 over 8,100 Real Property Tax applications were reviewed by Tribunal attorneys.³

Since 2011, under a delegation from the Commissioner of Finance, OATA has conducted hearings on petitions protesting penalties asserted for failure to file Real Property Income and Expense Statements with the Department. OATA issues recommended determinations on these petitions, which are transmitted to the Department. Final determinations on the petitions are issued by the Commissioner of Finance. OATA received 167 additional petitions in the period covered by this report.⁴

³ Tax Commission productivity is tracked on a calendar year basis. This figure includes applications reviewed by the President of the Tribunal and President of the Tax Commission.

⁴ These petitions are filed with the Department in the first instance and are transmitted to OATA for review.

REVIEW OF JULY 1, 2022 JUNE 30, 2023 INVENTORY⁵

<u>ADMINISTRATIVE LAW JUDGE DIVISION</u>			
	ALJ	Small Claims	Totals
Opening Inventory	70	3	73
New Petitions Received	16	3	19
Petitions Reopened/Remanded	0	0	0
Transfers from Small Claims	0	0	0
Opening Inventory and Petitions Received, Reopened, Remanded or Transferred	86	6	92
Closures			
Dismissal Determinations	6	1	7
Resolved by Order	5	3	8
Substantive Determinations	2	0	2
Transfers to Small Claims	0	0	0
Total Closures	13	4	17
Closing Inventory	73	2	75

⁵ For purposes of all tables, cross-exceptions are not counted.

<u>APPEALS DIVISION</u>	
Opening Inventory	3
Exceptions Filed by Taxpayer	2
Exceptions Filed by DOF	0
Exceptions Closed by Substantive Decision/Order	2
Exceptions Closed by Withdrawal	0
Exceptions Closed by Stipulation of Discontinuance	0
Exceptions Closed by Dismissal	1
Closing Inventory	2

INVENTORY BY TAX TYPE

<u>ADMINISTRATIVE LAW JUDGE DIVISION</u>				
Tax	Open Inventory as of 06/30/22	Petitions Received 7/1/22- 6/30/23	Petitions Closed 7/1/22 – 6/30/23	Open Inventory as of 6/30/23
BANK/FINANCIAL CORP.	3	1	0	4
CIGARETTE	2	0	0	2
COMMERCIAL MOTOR VEHICLE	0	0	0	0
COMMERCIAL RENT	9	3	0	12
FOREIGN AND ALIEN INSURANCE	0	0	0	0
GENERAL CORPORATION	12	7	4	15
HOTEL ROOM OCCUPANCY	2	0	0	2
REAL PROPERTY TRANSFER	27	4	10	21
RETAIL LIQUOR LICENSE	0	0	0	0
UNINCORPORATED BUSINESS	16	2	0	18
UTILITY	2	1	2	1
UNSPECIFIED	0	0	0	0
NO JURISDICTION	0	1	1	0
TOTAL	73	19*	17	75

*Includes a Petition meant for the Tax Commission

INVENTORY BY TAX TYPE (cont'd)

<u>APPEALS DIVISION</u>				
Tax	Open Inventory as of 06/30/22	Exceptions Received 7/1/22- 6/30/23	Exceptions Closed 7/1/22 – 6/30/23	Current Inventory as of 6/30/23
BANK/FINANCIAL CORP.	0	0	0	0
CIGARETTE	0	0	0	0
COMMERCIAL MOTOR VEHICLE	0	0	0	0
COMMERCIAL RENT	0	1	1	0
FOREIGN AND ALIEN INSURANCE	0	0	0	0
GENERAL CORPORATION	0	0	0	0
HOTEL ROOM OCCUPANCY	0	0	0	0
REAL PROPERTY TRANSFER	1	1	1	1
RETAIL LIQUOR LICENSE	0	0	0	0
UNINCORPORATED BUSINESS	2	0	1	1
UTILITY	0	0	0	0
UNSPECIFIED	0	0	0	0
NO JURISDICTION	0	0	0	0
TOTAL	3	2	3	2

OUTCOMES

ADMINISTRATIVE LAW JUDGE DIVISION (Substantive Determinations Only)		
OUTCOME ON DOF NOTICE	7/01/22 – 6/30/23	10/01/92 – 6/30/23
DOF NOTICE SUSTAINED	2	121
DOF NOTICE MODIFIED	0	56
DOF NOTICE CANCELLED	0	65

APPEALS DIVISION ⁶		
OUTCOME ON ALJ DETERMINATION	7/01/22 – 6/30/23	10/01/92 – 6/30/23
ALJ DETERMINATION/ORDER MODIFIED	0	18
ALJ DETERMINATION REVERSED	1	22
ALJ DETERMINATION SUSTAINED	2	78
MATTER REMANDED	0	9

⁶ This table does not include closures for which no decision or order on the merits is issued.

OUTCOMES (cont'd)

APPEALS DIVISION ⁷		
OUTCOME ON EXCEPTIONS	7/01/22 – 6/30/23	10/01/92 – 6/30/23
TAXPAYER EXCEPTION GRANTED	1	13
TAXPAYER EXCEPTION GRANTED IN PART	0	6
TAXPAYER EXCEPTION DENIED	1	57
TAXPAYER EXCEPTION DISMISSED	1	6
DOF EXCEPTION GRANTED	0	10
DOF EXCEPTION GRANTED IN PART	0	6
DOF EXCEPTION DENIED	0	24
MATTER REMANDED TO ALJ DIVISION	0	5

⁷ This table does not include closures for which no decision or order on the merits is issued.