

**May 2024**

**Discount Rate for Prepayments of Property Taxes  
Rate for Payment Program for Property Taxes  
Rates for Late Payments of Property Taxes**

**Fiscal Year 2025 Interest Rate Recommendations  
Models & Impact Analyses**

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# EXPLANATION OF THE BANKING COMMISSION INTEREST RATE EXERCISE

- ▶ **The purpose for property tax collection** is to fund schools, pay for police and fire protection, maintain roads, and fund other municipal services enjoyed by residents. The purpose for a discount rate and late payment rates is to encourage timely payment of property taxes assessed. The Property Tax Payment Plans are to assist those who are experiencing hardship in paying their assessments.
- ▶ **The purpose of this presentation** is to present key data from the current Discount, AFR, and Late Payment Interest Rate analysis and explain the Banking Commission FY2025 recommendations.
- ▶ **Discount Rate:** Property owners can pre-pay their property tax bills and receive a discount.
- ▶ **Property Tax Payment Program Rate:** Certain qualified taxpayers may enter into payment programs with a prescribed rate.
- ▶ **Late Payment Rates:** The City of New York is required to charge interest on any amount of tax that is past due.
- ▶ **By May 13th**, the NYC Banking Commission (“Banking Commission”) must recommend a discount rate and late payment rates for the upcoming fiscal year beginning July 1st. The Banking Commission is also tasked with recommending a rate for certain Property Tax Payment Plans.

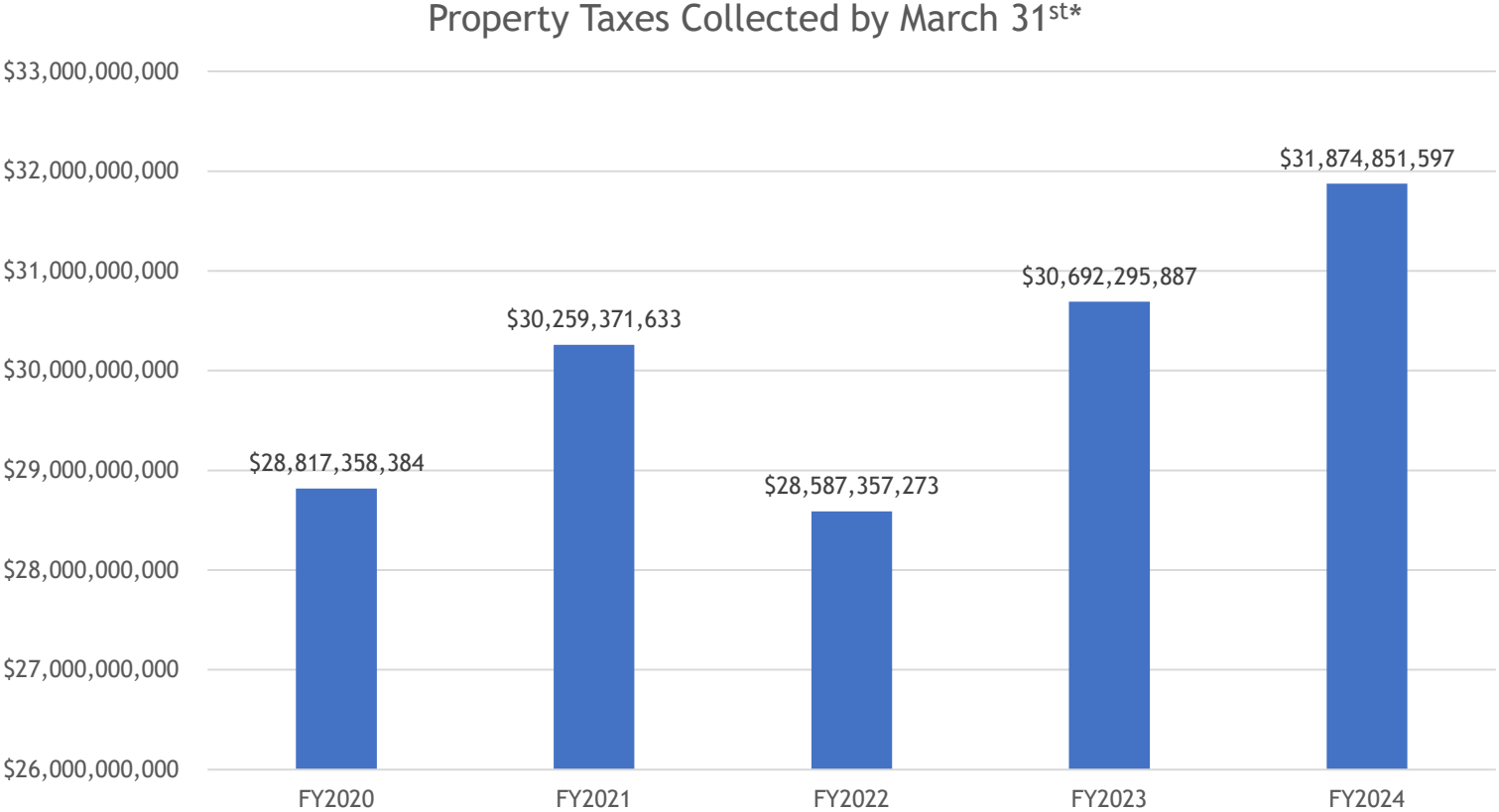
# HISTORY OF PRIOR YEARS' ADOPTED RATES

Fiscal Year	Discount Rate	Delinquent Property Tax Semi-Annual (>\$450K)	Delinquent Property Tax Semi-Annual (>\$250K and <=\$450K)	Delinquent Property Tax Quarterly (<=\$250K)
FY2017	0.50%	18.00%	18.00%	6.00%
FY2018	0.50%	18.00%	18.00%	6.00%
FY2019	0.50%	18.00%	18.00%	6.00%
FY2020	0.50%	18.00%	18.00%	7.00%
FY2021*	0.50%	18.00%	18.00%	3.25% / 5.00%
FY2022**	0.50%	13.00%	6.00%	3.00%
FY2023	0.50%	14.00%	7.00%	4.00%
<b>FY2024</b>	<b>0.50%</b>	<b>15.00%</b>	<b>8.00%</b>	<b>5.00%</b>

\*FY2021 had accommodations for properties <= \$250,000, whose owners were affected by COVID.

\*\*FY2022 was the first year for three tranches.

# REAL PROPERTY TAXES COLLECTED

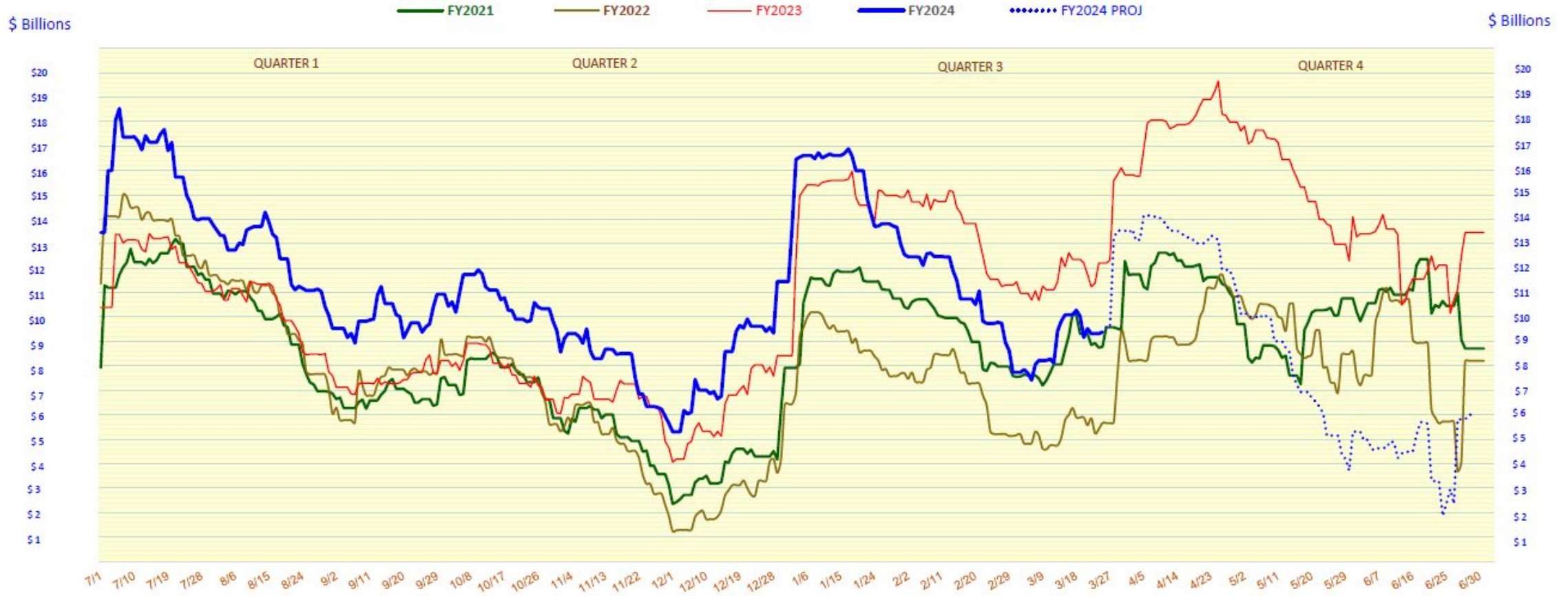


\*As of May 3, 2024.

# NYC CASH BALANCE FY2021 – FY2024



Cash Balances & Projection  
FY21 - FY22 - F23 - FY24



- Cashflow with projection to June 30, 2024.
- Ending balance is projected to be approximately \$6 billion.

# DISCOUNT RATE ANALYSIS

- ▶ FY2024 Discounts
- ▶ Discounts Applied
- ▶ Discount Recommendation



# FY2024 DISCOUNTS

## **Quarterly Discounts:**

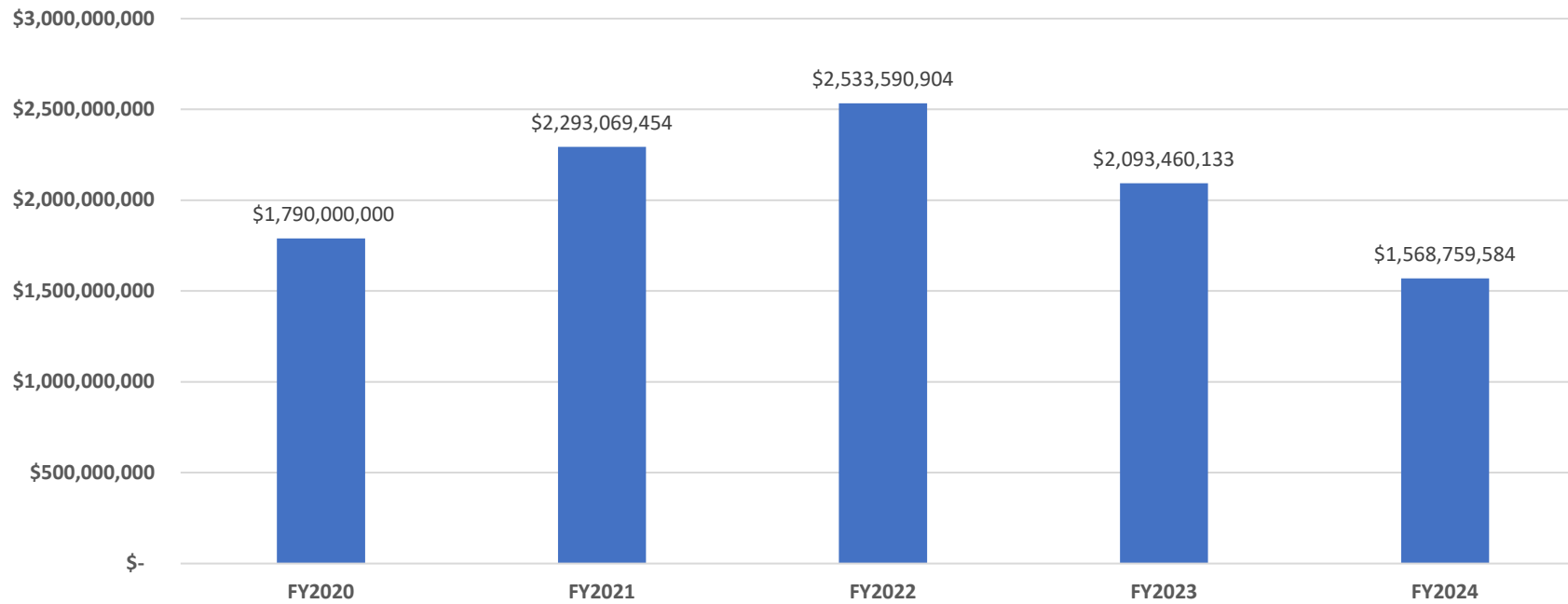
- 0.50% on the full amount of property tax if the entire amount of taxes owed is paid by the July due date (or grace period due date).
- 0.33% discount on the last three quarters if the outstanding balance is paid by the October due date.
- 0.17% discount on the last six months if the outstanding balance is paid by the January due date.

## **Semi-Annual Discounts:**

- 0.50% discount if the entire amount of taxes owed is paid by July 1.

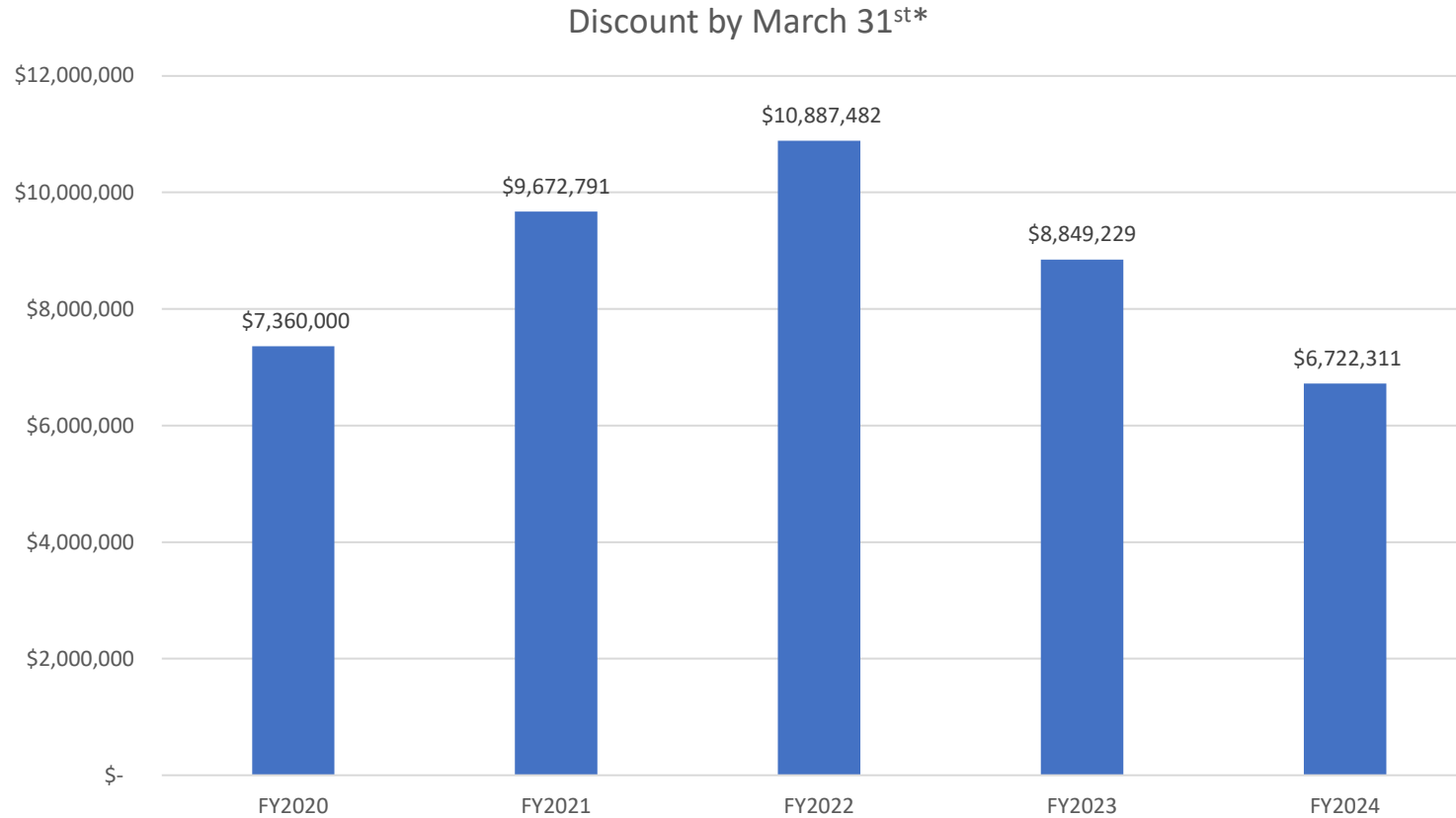
# REAL PROPERTY TAXES PAID EARLY

Property Taxes Paid Early by March 31<sup>st</sup>\*



\*As of May 3, 2024.

# EARLY PAYMENT DISCOUNT



In FY24 taxpayers availed themselves of \$6.72 Million in discounts.

\*As of May 3, 2024.

# DISCOUNT RATE RECOMMENDATION

- ▶ The Discount Rate has been held steady at 0.50% since 2015.
- ▶ NYC's cash flow projects an approximately \$6 billion balance year-end.
- ▶ FOMC does not expect it will be appropriate to reduce the target range until it has gained greater confidence that inflation is moving sustainably toward 2 percent.
- ▶ The LL 30 of 2015 Council Default Discount Rate is 155 basis points (1.55%).
- ▶ NYC is the only large metropolis to provide a discount to property taxpayers.

Given the above considerations, there is no compelling reason to increase the discount rate, nor to reduce or eliminate it.

***We recommend that the Discount Rate remain at the current level of 0.50%.***

# PROPERTY TAX PAYMENT PROGRAM RATE ANALYSIS

- ▶ Definition of Applicable Federal Rate (AFR)
- ▶ AFRs 2024
- ▶ Property Tax Payment Program Rate Recommendation

# APPLICABLE FEDERAL RATE DEFINITION

- ▶ The Applicable Federal Rate (AFR) is the minimum interest rate that the [Internal Revenue Service](#) (IRS) allows for private loans. Each month the IRS publishes a set of interest rates that the agency considers the minimum market rate for loans.<sup>1</sup>
- ▶ Any interest rate that is less than the AFR would have tax implications. The IRS publishes these rates in accordance with Section 1274(d) of the [Internal Revenue Code](#).<sup>2</sup>

1. Internal Revenue Services. "[Applicable Federal Rates \(AFRs\) Rulings](#)."

2. Internal Revenue Services. "[Adjusted Applicable Federal Rates and Adjusted Federal Longterm Rates](#)," Pages 1-2.

# APPLICABLE FEDERAL RATES (AFR) FY2024

MONTH	YEAR	RATE
<b>May</b>	<b>2024</b>	<b>4.97%</b>
April	2024	4.89%
March	2024	4.71%
February	2024	4.68%
January	2024	5.00%
December	2023	5.26%
November	2023	5.30%
October	2023	5.22%
September	2023	5.12%
August	2023	5.07%
July	2023	4.80%
June	2023	4.43%
May	2023	4.30%
April	2023	4.86%
March	2023	4.50%
February	2023	4.47%
January	2023	4.50%
December	2022	4.55%
November	2022	4.10%
October	2022	3.40%
September	2022	3.05%
August	2022	2.88%
July	2022	2.37%

<https://www.irs.gov/applicable-federal-rates>

# PAYMENT PLAN RATE RECOMMENDATION

- ▶ The AFR for May 2024 is 4.97%.
- ▶ LL 36 requires rounding to the nearest half a percentage (5.00%).
- ▶ The rate has increased 17 basis points since the beginning of the fiscal year.
- ▶ FOMC does not expect it will be appropriate to reduce the target range.
- ▶ The lowest comparable city rate is 9% for the City of Chicago.

Given the above considerations, the Banking Commission recommends a rate of 6% for certain Property Tax Payment Plans.

*We recommend the prescribed Property Tax Payment Plan Rate be set at 6%.*



# LATE PAYMENT RATES ANALYSIS

- ▶ FY2024 Late Payment Rates
- ▶ Late Payments Interest Collected
- ▶ Late Payment Rates of Comparable Cities
- ▶ Fed Funds & Prime Rate Increases
- ▶ HELOC Rates and Mortgage Rates
- ▶ Credit Card Rates
- ▶ Late / Open Balance Accounts
- ▶ Forgone Interest
- ▶ Late Payment Rates Recommendations

# FY2020 – FY2024 LATE PAYMENT RATES

FISCAL YEAR	LATE PAYMENT INTEREST RATE FOR PROPERTIES <= \$250,000	LATE PAYMENT INTEREST RATE FOR PROPERTIES > \$250,000 BUT <= \$450,000	LATE PAYMENT INTEREST RATE FOR PROPERTIES > \$450,000
FY2020	7.00%	18.00%	18.00%
FY2021	3.25% / 5.00%	18.00%	18.00%
FY2022	3.00%	6.00%	18.00%
FY2023	4.00%	7.00%	14.00%
FY2024	5.00%	8.00%	15.00%

# ACTUAL INTEREST COLLECTED ON LATE PAYMENTS

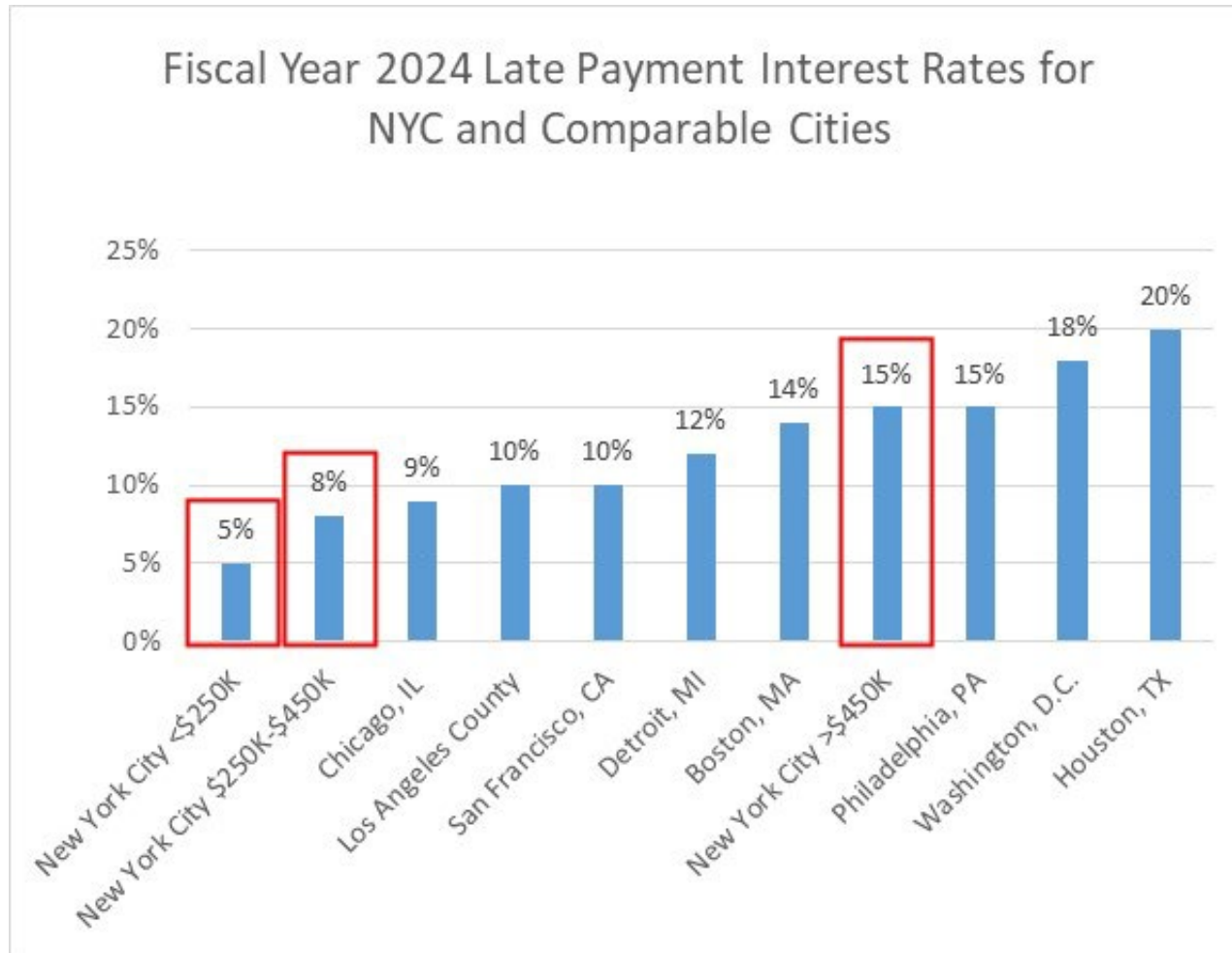
INTEREST COLLECTED***					
FISCAL YEAR	FY2020	FY2021	FY2022	FY2023	FY2024
QUARTERLY PROPERTIES ≤ \$250,000	\$ 7,925,523	\$ 3,573,890	\$ 2,436,925	\$ 3,408,892	\$ 4,488,402
SEMI-ANNUAL PROPERTIES > \$250,000 BUT ≤ \$450,000**	\$ 6,406,219	\$ 5,062,397	\$ 1,689,087	\$ 2,169,740	\$ 2,652,340
SEMI-ANNUAL PROPERTIES > \$450,000*	\$19,100,085	\$22,321,881	\$12,782,554	\$14,535,903	\$17,972,136
<b>TOTAL</b>	<b>\$33,431,827</b>	<b>\$30,958,169</b>	<b>\$16,908,567</b>	<b>\$20,114,535</b>	<b>\$25,112,879</b>

\*Interest paid for BBLs with balance as of 3/31/24 >\$5 or total interest paid year-to-date >\$5.

\*\*The >\$250K but ≤\$450K Tranche did not officially exist until FY2022.

\*\*\* Interest collected varies dependent upon the rate environment.

# COMPARABLE CITY LATE PAYMENT INTEREST RATES



New York City's FY24 late payment rates are significantly less than those assessed in comparable cities.

Note: Many comparable cities have additional penalties assessed in addition to interest.

# FEDERAL FUNDS AND PRIME RATE INCREASES SINCE MAY 2022

MONTH	YEAR	FED FUNDS	PRIME
<b>April/May</b>	<b>2024</b>	<b>5.25-5.50</b>	<b>8.50</b>
March	2024	5.25-5.50	8.50
January	2024	5.25-5.50	8.50
December	2023	5.25-5.50	8.50
October/November	2023	5.25-5.50	8.50
September	2023	5.25-5.50	8.50
July	2023	5.25-5.50	8.50
June	2023	5.00-5.25	8.25
May	2023	5.00-5.25	8.25
March	2023	4.75-5.00	8.00
January/February	2023	4.50-4.75	7.75
December	2022	4.25-4.50	7.50
November	2022	3.75-4.00	7.00
September	2022	3.00-3.25	6.25
July	2022	2.25-2.50	5.50
June	2022	1.50-1.75	4.75
May	2022	0.75-1.00	4.00

Source: <https://www.federalreserve.gov/monetarypolicy/fomccalendars.htm>

# HOME EQUITY LINES OF CREDIT (HELOCS) & LONG TERM FIXED MORTGAGE RATES

National Residential Real Estate Interest Rates

<b>Home Equity Line of Credit</b>	<b>9.10%</b>
<b>15 Year Fixed Mortgage</b>	<b>6.44%</b>
<b>30 Year Fixed Mortgage</b>	<b>7.17%</b>

HELOC is based on a 20-year interest rate, as of May 1, 2024 (Source: Bankrate.com)

Fixed Rate Mortgage rates are from the Federal Reserve Bank of St. Louis, as of May 1, 2024 (Source: St. Louis Federal Reserve Bank)

# AVERAGE INTEREST RATES ON NEW CREDIT CARD OFFERS IN THE U.S. IN APRIL 2024

Category	Minimum APR	Maximum APR	Average	Previous month
Average APR for all new card offers	21.16%	28.15%	24.66%	24.66%
0% balance transfer cards	18.74%	27.86%	23.30%	23.30%
No-annual-fee cards	20.66%	27.73%	24.20%	24.20%
Rewards cards	20.92%	28.22%	24.57%	24.57%
Cash back cards	21.10%	27.84%	24.47%	24.47%
Travel rewards cards	20.92%	28.76%	24.84%	24.84%
Airline credit cards	21.27%	29.37%	25.32%	25.32%
Hotel credit cards	21.73%	29.43%	25.58%	25.58%
Low-interest credit cards	13.74%	22.52%	18.13%	18.13%
Grocery rewards cards	20.59%	28.26%	24.42%	24.42%
Gas rewards cards	21.11%	28.09%	24.60%	24.60%
Dining rewards cards	20.68%	28.51%	24.60%	24.60%
Student credit cards	19.56%	27.85%	23.70%	23.70%
Secured credit cards	27.06%	27.06%	27.06%	27.06%

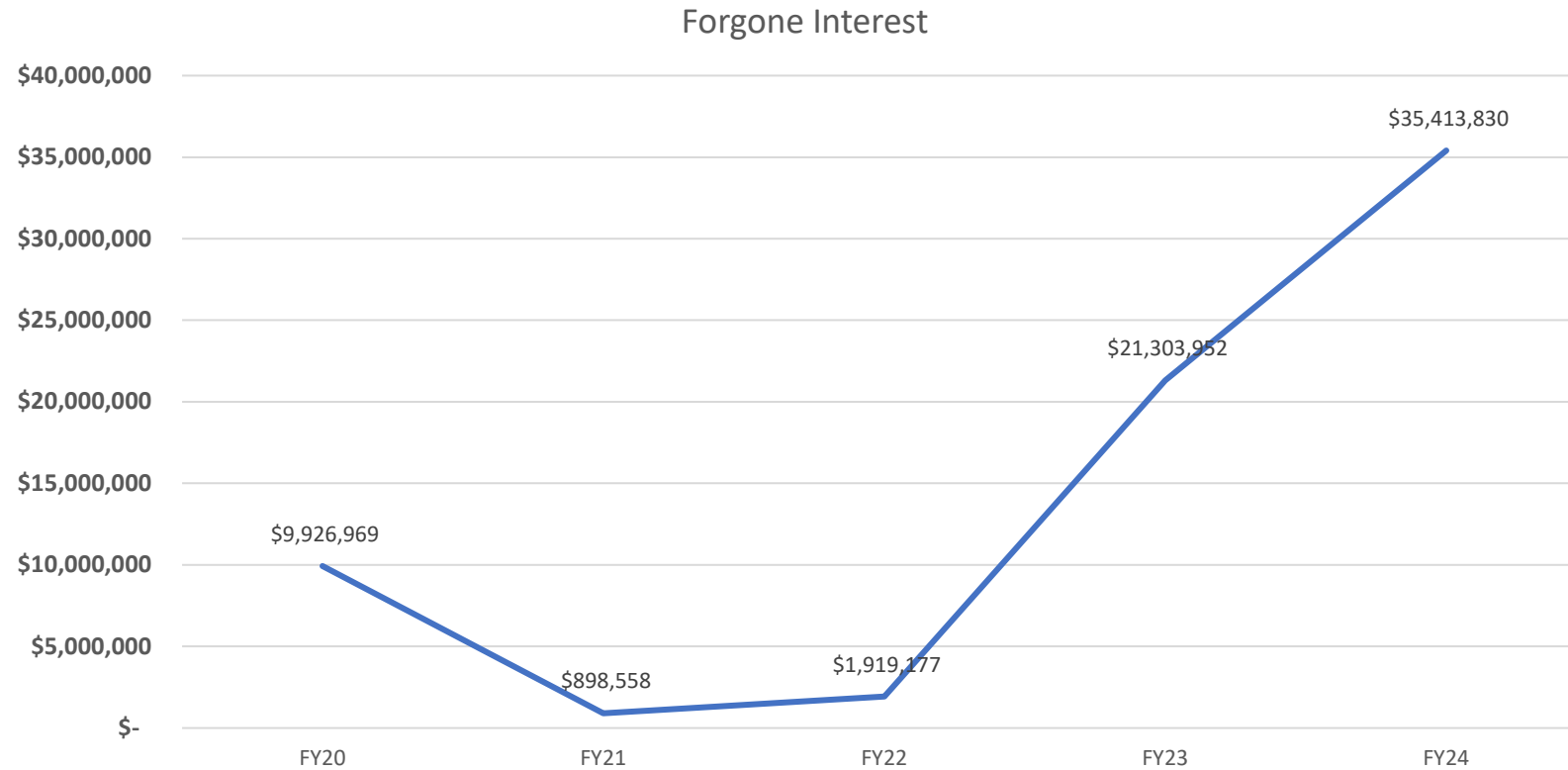
Source: <https://www.lendingtree.com/credit-cards/average-credit-card-interest-rate-in-america/>

# BBLS LATE MARCH 31<sup>ST</sup>

Late Payments or Balances Exceeding \$5 as of March 31st					
FISCAL YEAR	FY2020	FY2021	FY2022	FY2023	FY2024
Total Parcels (BBLs)	1,067,842	1,077,488	1,081,825	1,088,266	1,095,188
Delinquent Parcels	95,196	76,132	79,847	95,183	85,254
% Delinquent	8.91%	7.07%	7.38%	8.75%	7.78%



# FORGONE EARNED INTEREST



The forgone interest is interest that would have been earned had the property taxes been paid on time and the money was available for investment by the Comptroller.

# FY2024 Late Payment Rate Recommendations

- ▶ FOMC and Prime interest rates have increased 25 basis points since May 2023.
- ▶ Section 11-224.1 of the New York City Administrative Code requires interest on late payments.
- ▶ NYC late payment rates for FY24 were lower than other comparable cities.
- ▶ Local Law 30 of 2015 requires the recommendations must be based on the Prime Rate (8.50%).

FISCAL YEAR	LL30	MINIMUM
<=\$250,000	8.50%	8.50%
> \$250,000 BUT <= \$450,000	8.50% + 4.00%	12.50%
> \$450,000	8.50% + 6.00%	14.50%

Given the above considerations:

- ***We recommend that the late payment rate for properties with assessed values <=250K be set to 9%.***
- ***We recommend that the late payment rate for properties with assessed values >250K but <=450K be set to 15%.***
- ***We recommend that the late payment rate for properties with assessed values >450K be set to 18%.***

# FY2024 LATE PAYMENT RATE RECOMMENDATIONS

FISCAL YEAR	DISCOUNT RATE	LATE PAYMENT RATE ≤ \$250,000	LATE PAYMENT RATE > \$250,000 BUT ≤ \$450,000	LATE PAYMENT RATE > \$450,000
FY2022 Recommendation*	0.50%	3.25% / 4.50%	12.00%	18.00%
FY2022 Adopted	0.50%	3.00%	6.00%	13.00%
FY2023 Recommendation	0.50%	6.00%	12.00%	18.00%
FY2023 Adopted	0.50%	4.00%	7.00%	14.00%
FY2024 Recommendation	0.50%	9.00%	15.00%	18.00%
FY2024 Adopted	0.50%	5.00%	8.00%	15.00%
FY2025 Recommendation	0.50%	9.00%	15.00%	18.00%

\*FY2022 Recommendation continued the FY2021 COVID Accommodation.

# APPENDIX I

## LOCAL LAW 30 OF 2015: DETERMINATION OF DISCOUNT PERCENTAGE

(d) If the council does not adopt a discount percentage prior to the date that the statement of account or other similar bill or statement is prepared, [a] *the discount percentage* [of one and one-half percent shall be used to determine the discount provided] *shall be the annualized interest rate on six-month United States treasury bills, as reported by the Board of Governors of the Federal Reserve System in its H.15 report or similar statistical report detailing selected interest rates, plus seventy-five basis points, the sum of which shall be divided by four for the last business day of April preceding the ensuing fiscal year* where a discount is allowed for payments made on or before the last day that the installment due July first could be paid without interest, and this percentage shall continue to apply until the council adopts a discount percentage pursuant to paragraph (c) of this subdivision.

- Local Law 30 of 2015 states that, if the Council does not adopt a discount rate prior to June 5<sup>th</sup>, then a formula-based default rate will be set.

Currently, the City Council default discount rate is 155 basis points (1.55%)

**6 Month Treasury Bill Rate** As of April 30, 2024 - 5.44%

[(Annualized interest rate on 6-Month Treasury Bills (as of April 30, 2023) + 75 bps)/4]

[(5.44%+0.75%)/4]=1.55%

# APPENDIX II

## LOCAL LAW 36 OF 2023: INTEREST RATE FOR CERTAIN PROPERTY TAX PAYMENT PLANS

(i) for real property with an assessed value of two hundred fifty thousand dollars or less, shall propose a rate at least equal to such prevailing prime rate, *except as provided in paragraph (ii) of this subdivision;*

(ii) *for real property with an assessed value of two hundred fifty thousand dollars or less for which an owner, as defined in subdivision (h) of this section, of such real property: (A) has entered into an agreement pursuant to section 11-322 or 11-322.1 of chapter 3 of this title for the payment in installments of real property taxes, assessments or other charges that are made a lien subject to the provisions of such chapter other than water rents, sewer rents or sewer surcharges, and such installment agreement is not in default; and (B) has complied with the requirements described in subdivision (h) of this section, the commission shall consider the most recent federal short-term rate, as determined by the United States secretary of the treasury in accordance with subsection (d) of section 1247 of the internal revenue code, for use in connection with section 6621 of the internal revenue code, and shall propose a rate at least equal to such federal short-term rate rounded to the nearest half percent;*

- Local Law 36 of 2023 states that for properties with an assessed value of ≤\$250K that have entered into a payment plan, the interest rate that will be set will be at least equal to the federal short-term rate (AFR) rounded to the nearest half percent.
- (4.97% rounded to 5.00%)

## APPENDIX III

# LOCAL LAW 24 OF 2021: INTEREST ON UNPAID REAL PROPERTY TAX

(e) Council adopted rates. By May thirteenth of each year, the banking commission shall send a written recommendation to the council of a proposed interest rate to be charged for nonpayment of taxes on real property. The commission shall consider the prevailing interest rates charged for commercial loans extended to prime borrowers by commercial banks operating in the city and:

(i) for real property with an assessed value of two hundred fifty thousand dollars or less, shall propose a rate **at least equal to such prevailing prime rate;**

(ii) for real property with an assessed value of over two hundred fifty thousand dollars *but no greater than four hundred fifty thousand dollars*, shall propose a rate of **at least four percent per annum greater than such prevailing prime rate;**

(iii) for real property with an assessed value of over four hundred fifty thousand dollars, shall propose a rate of **at least six percent per annum greater than such prevailing prime rate.**

- Local Law 24 states that the Banking Commission must recommend a rate that is at least equal to the prime rate for properties  $\leq$ \$250K (8.50% for FY24).
- For properties assessed  $>$ \$250K but  $\leq$ \$450K, the Commission must recommend a rate at least 4% greater than the prime rate (12.50% for FY24).
- For properties assessed  $>$ \$450K, the Commission must recommend a rate at least 6% greater than the prime rate (14.50% for FY24).

## APPENDIX III (CONTINUED)

### LOCAL LAW 24 OF 2021: DETERMINATION OF INTEREST RATES FOR PROPERTIES WITH ASSESSED VALUES $\leq$ \$250K, $>$ \$250K BUT $\leq$ \$450K, AND $>$ \$450K BY CITY COUNCIL

(c) Interest rates on tax due and payable on or after July first, two thousand five. If the council does not adopt interest rates, the rates shall be (a) for real property with an assessed value of two hundred fifty thousand dollars or less, **seven percent per annum**; [and] (b) for real property with an assessed value of over two hundred fifty thousand dollars *but no greater than four hundred fifty thousand dollars*, **thirteen percent per annum**; and (c) for real property with an assessed value of over four hundred fifty thousand dollars, **fifteen percent per annum**.

- Local Law 24 of 2021 states that if the City Council does not act, the rates shall be as follows:
- For properties  $\leq$ \$250K, an interest rate of **7% per annum** shall be adopted
  - For properties assessed  $>$ \$250K but  $\leq$ \$450K, an interest rate of **13% per annum** shall be adopted
  - For properties  $>$ \$450K, an interest rate of **15% per annum** shall be adopted