

Testimony of Martha E. Stark  
Commissioner  
New York City Department of Finance

Before the New York City Council  
Committee on Finance

on Interest Rate Bill

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Good morning Chairman Weprin and members of the committee. As you know, I am Finance Commissioner Martha E. Stark, and on behalf of Mayor Michael R. Bloomberg I want to thank you for inviting me to testify today and for giving quick consideration to our interest rate bill. We hope that the changes we are proposing today will be enacted before we mail the annual real estate bills, allowing us to make the laws relating to property tax payments fairer for taxpayers, easier to understand and simpler to administer.

Let me provide you with a little background information about the issue, take you through the highlights of the bill, and then respond to any of your questions.

### **Background**

As you know, Finance is responsible for billing and collecting property taxes. There are four important ways that we differentiate between taxpayers for billing and collecting purposes. First, some taxpayers pay quarterly and others pay semi-annually. Second, some taxpayers get 15 extra days to pay their property tax bills without incurring interest. Third, some taxpayers get a discount if they pay 15 days before the due date while others must pay 30 days in advance to be eligible for a discount. Finally, some taxpayers pay 9 percent interest on late charges while others pay 18 percent.

The rules governing these vary. Sometimes the distinction is based on the assessed value of the property. While other times it is

based on the amount of taxes paid. In this case, the threshold--\$2,750 has not been changed since 1979.

The different rules are difficult to explain or keep straight for the public, for our telephone operators, and even for our computer programmers. So, in an effort to simplify the rules and bring the thresholds up to date, our bill proposes one standard—assessed value to determine everything. Here’s what the bill does:

### **Highlights of the Bill**

Under our bill, owners of all properties with an assessed value of \$80,000 or less would:

1. Pay their bills quarterly, whether they pay directly or through a bank or mortgage service company. This would give more small commercial property owners the opportunity to pay four times a year since the current assessment threshold for these properties is \$40,000.
2. Pay 9 percent interest should they become delinquent on their property taxes rather than 18 percent. Currently the 9 percent interest rate was given to owners whose taxes were less than \$2,750. Therefore, there were some owners who paid quarterly but who paid an 18 percent interest rate. In addition, the \$2,750 threshold was set in 1979 and has not been adjusted even as taxes increased.

In addition, we eliminate the distinction between properties paid by a mortgage company and those paid by an individual so that either way, the taxpayer’s interest rate remains the same. We

found out about this problem during the annual lien sale. When homeowners satisfied or refinanced their mortgages and their banks failed to notify Finance, owners wound up paying the higher rate. We thought this was particularly unfair and especially confusing.

For the individual homeowner who may encounter hard times and struggle to pay his property tax bill, our proposal will provide real relief. Fortunately, not many owners are paying late. In fact, this year Finance recorded the lowest property tax delinquency rate -- 3.62 percent - in five years. The number of delinquent homeowners dropped from 90,000 in January 2004 to 40,000 in January 2005, a 55 percent reduction that reflects sustained growth in the real estate market, the benefits of the \$400 tax rebate that you helped enact, and improved tax administration at Finance.

Another provision that I want to highlight concerns misapplied payments. Under current law, as many of you know because of constituent complaints that you have brought to my attention, Finance sometimes penalizes property owners for mistakes either made by Finance or another owner. If Finance discovers that a payment made by Simcha Felder was applied to David Weprin's account by mistake, we take the money from Chairman Weprin's account and move it to Council Member Felder's account -- thus creating an open charge -- a delinquency -- on Weprin's account.

Under current law, if we discovered this mistake six years after Weprin's original payment was due, and he never paid that charge because Felder's money was sitting their for six years,

Finance would charge Weprin six years of interest. That's what we are required to do, even though it wasn't the Chairman's fault.

We don't think this is fair. Under our bill, upon discovering and correcting a misapplied payment, Finance would not impose interest on Chairman Weprin without first notifying him of the charge in the Statement of Account and giving him ample time to pay the principal owed. In effect, we would treat this delinquency like a new charge, because that's really what it is for an owner who had never been sent a notice to pay it before.

While we have seen far fewer errors like this over the last year, we want to be able to treat owners fairly when errors do occur.

Finally, we have also simplified the discount calculation. As you know the City provides a discount for owners who pay their taxes early. However, the method for calculating the discount requires an advanced degree in mathematics. This bill simplifies the calculation and provides that the discount will be the rate adopted by the Council multiplied by the total taxes paid. So an owner with a yearly tax bill of \$2,000, will receive a discount of \$30 if s/he pays early.

Those are the highlights of our bill, it's not a sexy bill and it won't save lives. However, we take seriously our job to administer the laws fairly and efficiently and this bill goes a long way towards simplifying how the property tax is administered and will make it easy for all of us to explain the rules to the public.

I would be remiss if I did not take a moment to thank the people who really worked hard to make this boring and tedious bill a reality. First, I would like to thank Comptroller Thompson and his staff because they brought the issue of interest rates to our attention a couple of years ago. Denise Pease on the Comptroller's staff was especially helpful. Second, I would like to thank my colleagues in government at OMB and the Law Department and the Mayor's Office of Intergovernmental Affairs. Third, I want to thank the Council staff—Nadine Felton and Jim Caras—who asked us questions and helped us make this bill the best that it could be. Finally, I want to thank the Finance team who worked tirelessly to make this bill a reality, especially Dara Jaffee, Sam Miller, Robert Lee, Mike Hyman and my First Deputy, Rochelle Patricof, who stepped in at the last minute to close the deal.

Thank you again for considering this bill today, and I hope you pass it so that we can take another step toward our goal of making the property tax fairer, simpler and easier to understand. Thank you.