

TESTIMONY OF COMMISSIONER MARTHA E. STARK
NEW YORK CITY DEPARTMENT OF FINANCE

BEFORE THE CITY COUNCIL
COMMITTEE ON FINANCE

HEARING ON THE FY2007 EXECUTIVE BUDGET
JUNE 8, 2006

Good afternoon, Chairman Weprin and members of the Committee on Finance. As you know, I am Finance Commissioner Martha E. Stark. Thank you for inviting me to testify today on the Fiscal Year 2007 Executive Budget. Let me do four things this afternoon. First, I'll tell you how the Executive Budget affects Finance. Second, I will provide an update on the tax lien sale. Third, I want to remind you about some bills we are pursuing as the current legislative session in Albany draws to a close. Finally, as always, I will be pleased to end by taking your questions.

Finance Budget

Finance's preliminary budget proposals are included in the Executive Budget. As I noted in March when I testified before you, Finance will help the City balance its Fiscal Year 2007 budget by collecting almost \$30 million more in City Register fees than anticipated in the current and next fiscal years. This is in large part because the real estate market has maintained a relatively robust climate. Also, the City Register is recording deeds and mortgages in record time. Our average time to record a document is now about 2 days.

Finance Administration of the Senior Citizen Rent Increase Exemption on Behalf of the Department for the Aging

Council Member Reyna asked in March about another budget item that Finance is involved in - the transfer of the SCRIE program from the Department for the Aging to Finance. We have met with DFTA to begin discussing the transfer, but we have not finalized

plans yet. We're still discussing the logistics of how to ensure a seamless transition so that seniors receive better service. We want to ensure that DFTA continues to do what it does best - outreach to seniors in a supportive environment; and that Finance adds value by ensuring that both seniors and landlords receive benefits from the program in an efficient and timely manner.

Once we have a better idea of how best to achieve those dual objectives, we will provide more details to you and your colleagues on the Aging committee about how we can best accomplish the merger, including perhaps through legislation.

2006 Tax Lien Sale

As you know, the lien sale occurred on May 22. I am pleased to report that we sold fewer liens this year than last year. In 2005, we sold 1,009 liens on properties. This year, we are selling seven percent fewer liens - just 942. The number of liens sold on one-, two- and three-family homes dropped by almost 25 percent, from 405 last year to 307 this year. Since we published the 60-day lien sale notice in March, Finance has collected \$46 million from at-risk property owners and helped 642 owners enter into installment agreements. The lien sale will bring in another \$24 million.

As you know, we don't want to sell liens on property. We want to help people pay the right amount on time. We don't want to sell a lien if an owner is having a difficult time; we would prefer to give that owner a little more time to pay through an installment agreement. We don't want to sell a lien if the owner didn't know

about his or her tax obligation. That's why I especially want to thank the Council for helping us reach out to owners who were at risk of having liens sold. While you have all been helpful, I especially want to thank Council Members Vann and Comrie, who have worked very closely with my outreach staff in scheduling evening neighborhood events. Brooklyn Borough President Marty Markowitz must also be commended for his help.

You had asked for other lien sale statistics, so let me present them here:

- 6,640 owners received a 60-day notice, compared with 9,000 last year.
- 2,352 owners paid in full
- 642 owners entered into installment agreements with Finance; that's fewer than last year, but our pool was much smaller this year.
- As I mentioned, of the 942 liens sold, 307 were in Class 1, 230 were in Class 2, and 405 were in Class 4.
- We sold liens on 53 residential condominiums and just one lien on a small cooperative building.
- The delinquency rate this March, when we sent the 60-day notices, was lower than last year. This March the delinquency rate was 2.73 percent, down from 3.02 percent in March 2005. The delinquency rate for Class 1 dropped from 4.30 percent to 3.86 percent; Class 2 dropped from 2.40 percent to 2.17 percent; and Class 4 dropped from 3.52 percent to 3.14 percent.

I want to thank the Council again for reauthorizing the law that allows us to use this effective collection tool. With the current law expiring again in August, I look forward to working with you to extend and improve the law. I certainly think that extending the notice period from 60 to 90 days is an option worth considering.

Legislation

Speaking of legislation, once again I ask for your support for bills that will make tax administration fairer and more transparent. In March, I discussed a package of cigarette tax enforcement bills that would help us level the playing field for legitimate retailers and also reduce smoking. The bills would increase civil penalties for cigarette tax evasion and provide penalties for illegal cigarette shipments and possession of counterfeit tax stamps. We have been working with our colleagues at the Department of Health and Mental Hygiene, and there is real enthusiasm for these bills in Albany. I hope you will lend your support as the legislative session nears its end.

On Monday, I traveled to Albany to promote four bills related to the property tax, none of which are new.

Assembly 11003/Senate 7679 would make the sales prices for cooperative apartments public, just as sales prices of all other property have been public since 2003. Our bill is a technical correction to the 2003 law, which only pertains to "real property"; co-ops are not, technically, real property. We believe that making co-op sales prices public will make the property tax system more

transparent. The bill would also require owners of certain commercial properties to file income and expense statements with Finance electronically. We will have an electronic income and expense form available in the coming weeks, and we are confident that this bill will become law.

Assembly 8119/Senate 4733 would authorize Finance to grant nonprofits a property tax exemption from the date of ownership, reducing confusion among religious and other charitable groups that often assume that they automatically get this exemption immediately. Current law prohibits Finance from granting an exemption for as long as 18 months after a nonprofit purchases property and begins operating it to achieve its important charitable goals. For example, if a nonprofit purchased a property on January 6, 2006, the day after the taxable status date, the exemption would not take effect until July 1, 2007. Most nonprofits don't understand this quirk in the law and, as a result, do not pay their taxes in the first few quarters of their ownership.

We had a very positive reaction to this bill on Monday, but any further help you can provide would be greatly appreciated. In fact, staff from the Assembly Real Property Tax and Ways and Means Committees would love to make this change statewide. However, it seems some of the non-New York City legislators like to pass so-called "special legislation" for individual nonprofits in their districts. We urged the committees to pass our bill, which is limited to New York City.

Assembly 11335/Senate 7970 would create one annual deadline - March 15 -- for all individual property tax exemptions, including the School Tax Relief, or STAR program, senior citizen, veterans and disabled homeowner exemptions. This would make it easier for owners to remember the deadline, and move the STAR deadline further away from the holidays - it's now on January 5 - thereby making it easier for people to apply. As it stands, when owners receive their Notice of Value on January 15, listing their exemptions, they are too late to apply for STAR. Our bill addresses this, and I'm pleased to report that we are confident that it will pass this year.

Let me mention one other bill we're pushing in Albany. Assembly 6375/Senate 3266 would modernize and simplify the Industrial and Commercial Incentive Program. Although ICIP is an as-of-right program, it is actually harder to apply for now than when it was a discretionary program. Our bill would streamline the program in four ways: by eliminating the requirement that the ICIP application be filed before building permits are issued; by eliminating the requirement that the applicant certify that taxes have been paid, since we of course know if a property is delinquent; by combining the Preliminary and Final ICIP Application into a single application; and by making the application biannual, instead of annual.

I want to mention one other legislative item that we expect to introduce at the Council soon: a bill that would update language in the Administrative Code and the City Charter so that the law

properly reflects Finance's role and mission. We think the law should reflect Finance's operations. For example, according to the law, the "City Collector" collects taxes and the "Board of Estimate" has the power to cancel taxes - but neither office now exists. These are just two of the anachronisms that should be updated, because laws should be living documents that reflect current realities. We look forward to passing these "clean-up" bills with the Council's help.

I'll stop there are answer your questions. Thank you for your time.