

Your Building's Tax Assessment: How, Why, and When

As a property owner, you are uniquely tuned into the minutiae of building finances, and will want to be looking ahead into the tax projections each year. That's why we talked to Jonathan Sherman, partner at Sherman & Gordon, P.C., to clarify issues and principles behind NYC's fairly complicated tax assessment process.

Sherman informed us that residential coop and condo buildings are valued as if they are rental buildings. This means that selling prices of apartments are not considered. Though multiple variables affect tax assessments, projected landlord rent is typically the most important metric in the process.

Attorneys in this field should be able to determine an approximate range of rents assessors may use in valuing your building. You may be surprised to learn that the rents used to value a building are sometimes well below market rents. Buildings assessed using lower rents are likely being considered at least partially rent-regulated. These rates are likely to change, however, as in many neighborhoods the supply of rent-regulated apartments is declining. Every building is different, Sherman advised, but in general, the disappearance of rent-regulated apartments in a neighborhood leads to rising assessments.

At the other end of the spectrum, higher-assessed and higher-taxed buildings are valued as if their apartments would be leased at market rents. (Typically this affects buildings constructed since the mid-1980's.) That means buildings currently saddled with higher taxes could enjoy stable or even lowered assessments as the higher-end rental market softens.

Sherman noted the City's assessors revalue property every year, but changes in value are typically phased into tax bills over five years. This means lawyers like him are able to project real estate taxes for the upcoming year with a relatively high degree of accuracy. Owing to the five year phase-in, a 10% variance in the attorney's projection of value will result in just a 2% variance in real estate taxes. For a coop or condo operating on a December 31 fiscal year-end, a 10% variance in valuation would result in just a 1% variance in real estate taxes for the following year.

We can't talk about tax assessments without discussing appeals. Yes, a tax certiorari law firm can appeal the tax increase, and there are cases where changes have been made. Counsel introduces evidence of rents collected for comparable buildings to determine the subject building's projected rental income. Sherman pointed out that each tax appeal case needs to be analyzed and pursued individually.

When we asked Jonathan about his interest in real estate tax law, he said he feels privileged to have learned this practice from his father and senior partner, Isaac. He fondly recalls never attending school January 15, the day the tax rolls were (and still are) published. In those pre-internet days, "January 15 was a day to spend with Dad," canvassing the borough assessment offices from the heavy volumes laid out for public inspection. While today the City Department of Finance publishes the entire tax roll on its website, "the excitement of examining the numbers and deriving assessment trends never gets old."

Take advantage of the resources here at Argo by calling your property manager or financial analyst for more information on your building's financial standing.