How Is My Tax Bill Figured?

Remember that the real property tax is an ad valorem tax, or a tax based on the value of property. Two owners of real property of equal value in the same municipality should pay the same amount in property taxes. Also, the owner of more valuable property should pay more in taxes than the owner of less valuable property.

The property tax differs from the income tax and the sales tax because it does not depend on how much money you earn or on how much you spend. It is based totally on how much the property you own is worth.

For example, if an assessor assesses property at 15 percent of value, a house and land with a market value of $100,000 would have an assessment of $15,000. With no exemptions, this is the property’s taxable assessed value. This $15,000 is not the tax bill. The tax bill for this house depends on the municipality's tax rate.

The tax rate is determined by dividing the total amount of money that has to be raised from the property tax (the tax levy) by the taxable assessed value of taxable real property in a municipality. If, for example, a town levy is $2,000,000, and the town has a taxable assessed value (the sum of the assessments of all taxable properties) of $40,000,000, the tax rate would be $50 for each $1,000 of taxable assessed value.

$2,000,000 / $40,000,000 =
.050 x $1,000 =
$50 (tax rate)

The town tax bill for this house with an assessment of $15,000 would be $750. The $750 results from dividing the assessment of $15,000 by $1,000 to get $15 (because the tax rate is based on each $1,000 of assessed value). Then, the $15 is multiplied by the tax rate to get the tax bill of $750.

$15,000 / $1,000 =
$15 x $50 =
$750 (tax bill)

As you can see, the size of the tax bill depends on both the assessment and the tax rate, which is based on the tax levy.

What Else May Occur Before the Tax Rate Is Final?

There are times when tax rates cannot be set until the tax levy is apportioned, or divided, among various municipalities. Apportionment occurs if parts of a school district, or special district, exist in more than one city or town. Taxes are apportioned so that the parts of the district in the different municipalities each pay their fair share of the district tax levy.

The county tax levy also is apportioned among the towns and cities in the county. This is so that cities and towns will each pay their fair share of the county tax levy.

In New York City, Nassau County, and certain other municipalities, the tax levy is apportioned between various classes of real property.

What Makes My Tax Bill Change?

Tax bills increase for one or more of the following reasons: bigger budgets are adopted, revenue from sources other than the property tax shrinks, the taxable assessed value of the assessing unit changes, or the tax levy is apportioned differently.

Taxpayers unhappy with growing property tax bills should not concern themselves just with assessments. They also should examine the scope of budgets and expenditures of the taxing jurisdictions (counties, cities, towns, villages, school districts, etc.) and address those issues in the appropriate available forums, such as meetings of the city council, or town, village, and school boards.

STATE OF NEW YORK
Andrew M. Cuomo, Governor

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HOW THE PROPERTY TAX WORKS

New York State Department of
Taxation and Finance
Office of Real Property Tax Services

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What Is the Property Tax?

In New York State, the real property tax is a tax based on the value of real property. Counties, cities, towns, villages, school districts, and special districts each raise money through the real property tax. The money funds schools, pays for police and fire protection, maintains roads, and funds other municipal services enjoyed by residents.

In New York State, there is no personal property tax, which is a tax on personal items, such as cars and jewelry.

What Determines the Amount of a Property Tax Bill?

The amount of a particular property's tax bill is determined by two things: the property's taxable assessment and the tax rates of the taxing jurisdictions in which the property is located. The tax rate is determined by the amount of the tax levy to be raised from all, or part, of an assessing unit, and the unit's total taxable assessed value. The assessment is determined by the assessor and should be based on the value of the property less any applicable property tax exemptions.

What Kind of Property Is Assessed?

Every parcel of real property in an assessing unit, no matter how big or how small, is assessed. Real property is defined as land and any permanent structures attached to it. Examples of real property are houses, gas stations, office buildings, vacant land, shopping centers, saleable natural resources (e.g. oil, gas, timber), farms, apartments, factories, restaurants, and, in most instances, mobile homes.

Though all real property in an assessing unit is assessed, not all of it is taxable. Some, such as religious or government owned property are completely exempt from paying property taxes. Others are partially exempt, such as veterans who qualify for an exemption on part of the property tax on their homes, and homeowners who are eligible for the School Tax Relief (STAR) program.

What Is an Assessment?

A property's assessment is based on its market value. Market value is how much a property would sell for under normal conditions. Assessments are determined by the assessor, an elected or appointed local official who independently estimates the value of real property in an assessing unit. Assessing units follow municipal boundaries - county, city, town, or village.

The assessor can estimate the market value of property based on the sale prices of similar properties. A property can also be valued based on the depreciated cost of materials and labor required to replace it. Commercial property may be valued on its potential to produce rental income for its owners. In other words, the assessor can use whatever approach provides the best estimate of a property's market value. Properties in suboptimal uses generally may not be assessed at market value; they must be assessed at their current-use value.

Once the assessor estimates the value of a property, its total assessment is calculated by multiplying the market value by the uniform percentage for the municipality. New York State law provides that all property in a municipality be assessed at the same uniform percentage of value (except in Nassau County and NYC where class assessing is authorized). That percentage can be five percent, ten percent, 50 percent, or any other percentage not exceeding 100 percent. It does not matter what percentage is used. What is important is that every property is assessed at the same uniform percentage within one assessing unit.

After a property's total assessment is determined, its taxable assessed value is computed. The taxable assessed value is the total assessment minus any applicable property tax exemptions. Exemptions are typically either whole or partial, that is either an exemption from paying any property tax or an exemption from paying part of a property tax bill.

How Do I Know If My Assessment Is Fair?

In communities assessing property at 100 percent of market value, your assessment should equal roughly the price for which you could sell your property. In communities assessing at a percentage of market value, the estimated market value of each property is listed on the tentative assessment roll. All property owners should check the tentative roll each year. (In most communities, the tentative roll is filed on May 1, but you should check with your assessor for the specific date for your community.)

In addition, it is helpful for taxpayers to bring any questions about assessments to the assessor before the tentative roll is established. In an informal setting the assessor can explain how the assessment was determined and the rationale behind it.

The Property Taxpayer's Bill of Rights requires that your property tax bill show the full value of your property, the assessed value, and the uniform percentage at which properties in your assessing unit are assessed. With those three items, and knowledge of what property is worth, you can determine if your property is being treated fairly.

It is the assessor’s job to ensure that properties are assessed fairly. If your assessment is correct and your tax bill still seems too high, the assessor cannot change that. Complaints to the assessor should concern the assessment of your property, not the amount of your tax bill.

Informal meetings with assessors to resolve assessment questions about the next assessment roll can take place throughout the year. If, after speaking with your assessor, you still feel you are unfairly assessed, ask for the booklet, "How to Contest Your Assessment." It describes how to make a case for an assessment reduction to the Board of Assessment Review, provides the instructions for filing a complaint, and indicates the time of year it can be done.

What Determines the Tax Rate?

The tax rate is determined by the amount of the tax levy. There are several steps involved in determining the tax levy. First, the taxing jurisdiction (a school district, town, county, etc.) develops and adopts a budget. Revenue from all sources other than the property tax (state aid, sales tax revenue, user fees, etc.) is determined. These revenues are subtracted from the original budget and the remainder becomes the tax levy. It is the amount of the tax levy that is raised through the property tax.