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## REAL ESTATE

# NYC Council Bill Would Save Commercial Landlords Cash in a Property-Tax Appeal

Bill would raise the property-value threshold requiring building owners to submit an income audit in a tax appeal



A City Council bill could save an estimated 18,000 property owners from having to pay for an audit when they appeal their property-tax assessments. A view of New York City's Chelsea neighborhood. PHOTO: DREW ANGERER/GETTY IMAGES

*By Katie Honan*

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The City Council passed a bill last week that could give thousands of commercial and apartment-building owners in New York City a financial break when they appeal their property-tax assessments.

Owners of rental-apartment, store or office buildings assessed at \$1 million or more have since 1973 been required to submit documentation of their income to the city's Tax Commission to appeal their property taxes. The city considers income on the property when assessing its value or adjusting an assessment.

In 2015, the city added a costly step: Owners of commercial or rental properties assessed at more than \$1 million had to submit an audit of their income done by a certified public accountant.

Accountants had pushed for a more-formal audit of these documents in 2015, according to Jason Hoffman, a CPA and the senior manager of real-estate firm Janover LLC. But certified audits of buildings can cost an owner as much as \$10,000 a year.

Under the bill—which the city council passed unanimously Thursday—only owners of commercial and rental properties assessed at a value of \$5 million or more would have to submit a certified audit of income when they appeal.

The higher threshold could save an estimated 18,000 property owners from having to pay for an audit when they appeal their assessments, according to city officials.

To become law, the bill must be signed by Mayor Bill de Blasio. A spokeswoman for the mayor said he is reviewing it.

Queens City Councilman Barry Grodenchik, the bill's sponsor, said an update was long overdue. The \$1 million threshold was determined more than four decades ago, when real-estate values were far lower, he said. Under the bill, the cost would be indexed for inflation and the city would revisit the cap every five years.

“After 45 years it’s time to update things,” he said. “The thought that many people have a minimum of \$10,000 a year for the right to challenge their property-tax assessments was outrageous.”

Property tax is New York City’s largest source of revenue, with more than \$27.8 billion paid in fiscal year 2019.

The city calculates property tax based on a percentage of the property’s assessed value. The percentage varies with the type of property: Most rental and commercial properties are categorized as class 2 and class 4 buildings.

Property owners can appeal their assessment for a number of reasons, from clerical errors to disagreeing with the market value.

In fiscal 2018, about 54,500 appeals were filed with the tax commission over the assessment of a class 2 or class 4 property.

The number of class 2 and class 4 properties assessed at \$1 million or more that sought property tax appeals was more than 25,200 that year, according to Ellen Hoffman, president of the tax commission. The number of these properties assessed at \$5 million or more was over 6,900.

“The \$1 million threshold does not have the same significance today as it did when it was adopted 45 years ago,” she said at a city council hearing on the bill in October.

Mr. Hoffman, the accountant, said the audit requirement put a strain on property owners as well as accountants.

By the time they paid for the report to appeal their taxes, property owners often didn't end up saving much money. This change will help them save thousands of dollars if they appeal, he said.

“It really helps the real-estate investor at the point where they probably need it,” Mr. Hoffman said.

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