

# Property tax relief in New York and experience for China property tax reform

## Introduction

U.S.A has a long history of property tax, even in 1792 there were already four states had property tax. Different from China, property tax play an important role in local government's revenue, in 2007, property tax took over 70% share of government's revenue. But in China, property tax is only levied on house for commercial use from 1980s, though property tax of private house is just be discussed as agenda, and only began in Shanghai and Chongqing as a pilot policy from 2011. Shanghai and Chongqing are two of the biggest city in China, similar with New York City. During past few decades, New York State's tax has always been the highest level in U.S.A, especially on property. Price of property has been a big burden stress on people in New York, and some times property tax could be another problem too. New York has been placed many policies on property tax to help people who living there, and some of these policies are really successful, that will become a great experience to China property tax reform which will be launched within few years.

## Purpose

Last year, governor Andrew M. Cuomo has already draft a policy to relief tax pressure on middle-class family. It's successful, the relief of tax is obvious. Come back to China, the price of property in big city like Shanghai is almost the same as New York, but the average income in Shanghai is about a quarter of it in New York. The high price of property, not only in big city like Shanghai but also include districts and provinces around the big city, limited the local people's living standard and confidence, which harm the future of China. Like New York State, district around big city in China also take place a huge amount in GDP, and be considered as economic center, and China wants to use property tax to control the high price of property. Reviving people's confidence, and bring vitality back to local economy could be the

main purpose of this policy, China can learn a lot experience from New York States.

## **Scope**

Middle-class people in China's big cities who has rigid demand of property in private use. Start from big cities like Shanghai and Beijing, than national wide.

## **Details**

According to the The Empire Center for Public Policy reports, New Yorkers pay the highest tax among the whole nation. People in U.S.A pay taxes to at least three different jurisdictions, counties, towns or cities, even school districts and special districts can also levy taxes. Some big city like Rochester with big amount of population and good public resources, education, health and so on pay more. People in Rochester pay \$35.16 property tax per \$1000 property, the third highest rate in states include New York City. Compare to the price of house, it could be a small number, but we should know, many people pay their house by loan from bank, and the house may left to them by their parents or other family members. Things are different in China, there are about three million people in Shanghai and Beijing, most of them is not local people. Due to the disequilibrium of China's development, people around China prefer to go to big cities for more job opportunities, they leave their hometown and struggle to be a register resident of Beijing, where they have to pay a lot for living. Banks don't want to lend money to them, and their wage may just enough for rental of a bedroom in apartment.

In 2016, New York State governor had already make a policy to relief property tax for people in Finger Lakes region. 109,656 homeowners in the Finger Lakes region will receive an average annual savings of \$771 on property tax, the income brackets are less than \$75,000, \$75,000- \$150,000 and \$150,000- \$250,000, and threshold of property tax is 6% as a percent of income, maximum relief rates is about 15%-40%, percentage applies to the amount above threshold.

U.S.A levy property tax by local government, and the revenue is mainly used on local public service, like infrastructure and education. But in China, the tax made and levied by national country, and local government doesn't have rights to decide the tax rate or any other details, the use of these revenue also be limited by national government, local government can only make decisions under national government's guidance. Furthermore, according to the report from Shanghai, the first year after the pilot of property tax started, the revenue of property only take less than 3% percent of total revenue, property tax is not be used as a main revenue tool for local government's fiscal balance, but a tool to control price. The revenue was mainly be used on built more low-rent house.

## **Suggestion**

1. Reunification of laws and regulations of property tax in national wide, but give more rights to local government to make the detail.

Property tax is a part of the local revenue, it should be reformed under the unified policy, otherwise it will be difficult to achieve the purpose. But consider about the condition of China's economy, when the property tax is launched all over China, the same rate of tax will be unsuitable. People in Shanghai or Beijing has a higher level on income, and it could be two or three time than other provinces. If China still make this policy like other national policy, that will harm people in less-developing district, and the term of economy will continue to deteriorate. Local government should have rights to make their own details, make this policy more suitable for local people, and that will help the unbalance in China's economy too.

2. Balance the property tax and make it fair for different groups, realize the property tax can be a great tool for local government, not only to control house price.

Shanghai and Chongqing started the property tax at the same time, though the policy in these two cities have many differences, but the tax base is very narrow, mainly for luxury housing and non-local population speculative housing to control the price. But then the problem coming, the tax rate is same for everyone living here. That make many young people suffer from that. Their demand of living is rigid, and there income

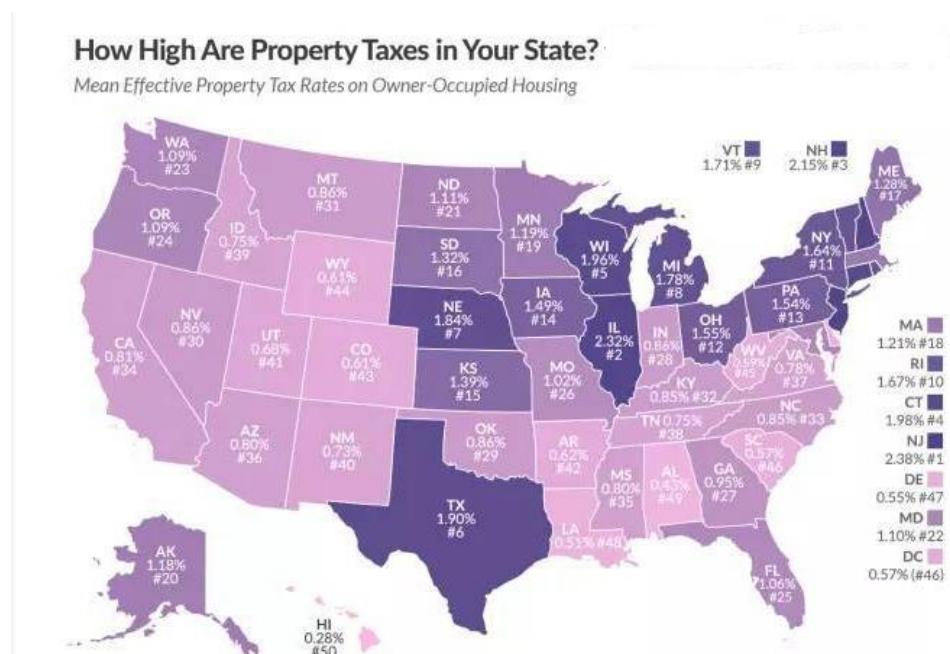
is limited. China doesn't have any tax break or preferential policy on property tax. The same rate to both between rich and poor people is not fair. We can make the land value-added tax, urban land use tax and other tax merged into the property tax, to avoid repeated collection. At the same time, according to the different area and location to determine the different tax rates is important too. We can also give relief to the elder and the low-income people. And return or relief the tax for people who buy house for their own living, and tax credit could be another good choice .

**Table 1 Property tax relief by governor in 2016**

<b>Region</b>	<b>Beneficiaries</b>	<b>Average Relief</b>	
<b>Statewide</b>	1,311,567	\$956	
Upstate	543,299	\$781	
Nassau County	207,250	\$1,208	
Suffolk County	125,167	\$1,148	
Other Downstate Suburbs	226,267	\$1,119	
NYC Homeowner	209,584	\$872	
<b>Income Brackets</b>	<b>Threshold (Property taxes as a percent of income)</b>	<b>Relief (Percentage applies to the amount above threshold)</b>	<b>Maximum Relief Amount</b>

Less than \$75,000	6%	50%	\$2,000
\$75,000 - \$150,000	6%	40% - 50%	\$1,500 - \$2,000
\$150,000-\$250,000	6%	15% - 40%	\$1,000 - \$1,500

**Graph 1. Property rates in U.S.A**



**Reference**

Empire Center for Public Policy, Benchmarking New York  
 Velvet Spicer, Rochester Business Journal, **Finger Lakes area residents pay among highest property taxes**

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