

To: Cornelius B. Murphy, M. Catherine, and James T. Walsh, Co-Chairs, Commission on Local Government Modernization (Consensus), Syracuse New York

From John Ida Jakondo Tete

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Subject: Property Tax Assessment an Analysis of the Consensus Project

Overview

This memo analyses the recommendations of the Commission on Local Government Modernization report (Consensus Project) on Property Tax Assessment and attempts to give recommendations where appropriate. The Commission was launched in January 2014 with the objective to develop a roadmap for more efficient and effective governance in Syracuse-Onondaga community (Consensus Report Feb 2017).

The objective of the report on Property tax assessment is to provide effective and equitable tax assessment system for municipal services funding (Consensus Report Feb 2017). Most of the local government rely on property tax as a source of revenue especially towns and villages, Village 27%, Syracuse 10%, and County 12% (Consensus Report Feb 2017).

Currently Onondaga county 16 town based tax assessing units and the city of Syracuse operating separately although villages operated independently, they levied property tax using town assessment (Consensus Report Feb 2017). Six assessing units; Pompey, Fabius, Camillus, Elbridge, Geddes, and Onondaga merged to share assessment functions and formed three assessment units known as Coordinated Assessment program (CAP); Pompey-Fabius, Camillus-Elbridge and Geddes-Onondaga under the State Real Property Tax Law (Consensus Report Feb 2017).

The report recommended the expansion of existing CAPs or creation of new CAPs for cost reduction, share of expertise, mitigation of trained assessors' challenges which results to greater consistency across municipalities. The report also recommended the creation of centralized approach to tax certiorari for cost reduction in law suits defense.

The report's rationale is to eliminate functional and administrative duplication across assessing units' back office capacity and use of different equalization rate which ranges between 2% to 100% across assessing units. It further indicated that the CAP can results to economy of scale, address succession challenges, share of limited technical expertise, and legal defense cost reduction.

The potential impact of the CAP according to the report would allow for more efficient allocation of administrative/ clerical costs common to all assessing units and address succession challenge. It further stated that the program will results to economies of scale and cost savings of \$0.5 million, prevent tax shifts within communities due to successful assessment challenge where the liability of a property is shifted to other properties.

Analysis and Recommendation

The creation or expansion of new Coordinated Assessment Program (CAP) may reduce cost to some extent per the recommendation. CAP is a program where two or more cities or towns in the same county may coordinate their assessment functions (www.ny.gov), Real Property Tax Law, section 579. The same section also stipulated municipalities participating in the CAP retain their status as separate assessing units. Sharing of assessment service program among neighboring towns aimed at sharing trained assessor's expertise across municipalities and cost reduction as opposed to complete merger of assessing units. This approach fall short of sharing cost reduction and expertise as finding required number of trained assessors will continue to be a challenge. It will also not be able to provide assessment standards across towns and municipalities. Creating or expanding CAP cannot reduce cost as some towns or municipalities parcels cannot increase or decrease because of the expansion or creation on new CAP as less economies of scale can result from such program. Per the State Real Property Tax Law section 1537, creation of County Assessment Unit is the most viable. The section stated that the county provides all assessment services to its towns and cities by mutual agreement between the county and its constituent municipal government. Therefore, the following is recommended:

1. Consolidate the existing assessment units to county level and hire professional technical assessors and managers to improve the assessment quality to reduce assessment costs and minimize lawsuits.
2. Adopt a four-year reassessment for all properties in the county for high quality assessments.

Tax Assessing units in counties, cities, towns, and villages is too many. This make the cost of conducting regular assessment expensive for local governments especially in villages and towns. Also, many towns and villages lack the expertise even if they are included in the CAP and can results to assessing units overlaps. This creates two different assessments and property tax for different units of the same government. Too many assessing units is inefficient and waste of taxpayers' money. Per towns, villages, and the city budgets for 2016, the total assessors budget was about \$2.4 million combined. The per capita cost for the towns of Elbridge\$11.65, Fabius \$44.8, Manlius \$54.58, Skaneateles \$41.75 and Spafford \$17.12 are very high. When the assessment units are combined to county level the per capita cost decreased to \$5.12 an indicator of cost reduction.

Studies by (David L. Sjoquist & Mary Beth Walker, June 1999, Georgia State) &Tae Ho Eom, Spring 2008 New York State) indicated that giving responsibilities to county almost certainly reduce assessment cost and can create professionalism. This is a significant development which results into economies of scale, and efficient use of available resources. The county can hire specialized assessors with functional expertise in industrial, commercial, and residential property assessments (Tae Ho Eom, Spring 2008 New York State), retain and plan for succession of experience assessors compared to towns. This could be done through provision of suitable labor employment conditions, equipment to mention but a few. Introduction of computer software such

as CAMA systems allows for substitutability of labor and capital and thus make property assessment more efficient and reduced assessment errors to great extent (David L. Sjoquist & Mary Beth Walker June 1999). Tae Ho (2008) urged that county level assessment results to substantial high assessment uniformity. Tae Ho (2008) further urged that small assessment units lack adequate resources as such leads to poor assessment quality for local assessment jurisdiction. Furthermore, small assessment units are vulnerable to political influences complaints for assessments values which can influence an Assessor professional judgement, not only that but also an assessor may have preferential treatment of high value-house leading to vertical inequity (Tae Ho Eom 2008).

There are several states that assessment units are centralized at county level and produced economies of scale, accurate assessments, and cost reduction. For example, Fulton County in Georgia state though its population is high compared to Onondaga county, its per capita cost for assessment including tax commissioner costs is about \$28 of a million population. When assessment cost is only considered the per capita is lower at \$13.8. Other counties such as Orange county in California, with a population of 3 million assessment per capita is \$12.9, Lake county Illinois with comparable population like Onondaga has per capital of \$2.05, Apache county Arizona, \$8.56 per capita. These examples clearly demonstrated that centralized assessments at county level reduce costs, pool expertise and resources and produce economies of scale and accurate assessments.

In New York State two counties Nassau and Tompkins counties had consolidated since 1970. The main goal of consolidation is to develop and provide fair and equitable assessment for properties in the two counties and produce economies of scale. Tompkins county with a population of 104,926 has a capita cost of \$9.9 and Nassau county with a population of 1.36 million has a per capita of \$6.9 less than Camillus assessment unit in Onondaga county with population of 33,000 has per capita of \$8.33.

Property tax assessment is very expensive exercise and may cities, towns and villages with little resources can't afford as such do not carry regular full assessment. Syracuse city for example due to limited resources did not conduct reassessment since 1992. When some homeowners were reassessed in January 2011, their property tax percentage went up ranging between 10-50% increase. These hikes is the result of letting many years pass by without reassessing property values. Housing values do not remain stuck for a long period of time without increasing. One resident in Syracuse city has not being assessed for 15 years, however, when reassessed, his property tax went up to 50%. Such hikes are unpopular among residence, inaccurate and made some property owners to pay less taxes while other pay more, and lead to lawsuits, which is unfair. Tae Ho (2008) stated that long assessment period lowers the quality of assessment while frequent reassessment results to higher quality reassessment, which is not the case in many of the assessment units in Onondaga county which operates independently on the Home-Rule concept.

The county government possessed the capacity and resources to defend certiorari lawsuits. It can develop assessment standards to confirm with International Association of Assessing Officers (IAAO) standards that can be followed by assessors as such reduce lawsuits. Also, the county can have paralegals and expertise to defend any lawsuits that may arise due to assessment, and avoid

tax liability shifted to other property owners when a plaintiff successfully won a law suits against an assessing unit which is inequitable.

The introduction or expansion of CAP, Assessors may use different assessment methods. The use of different methods creates inequality and thus can drive businesses away from city, towns, and villages. However, the choice of method of assessment should be consistent with IAAO standards.

In conclusion, the responsibility of tax assessment should be given to the county government. This could reduce the cost of assessment further than envisioned in the consensus report. The county can develop assessment standards commensurate to IAAO standards. Doing so can minimize lawsuit, and the county having the resources and expertise can defend lawsuits when they arise. The recommendation, it is believed can provide the uniform assessment standards across the county thus reduce the cost of assessment even for poor towns and villages. It also enables homeowners pay their fair share of property tax and addresses equity among different property owners. Also, uniform regular assessments enable citizens of the county to easily obtain information on housing values across cities, towns and villages when making buying decisions.

The county assessment unit can develop a website dedicated to information about property values from various towns, villages, and the city for easy access by the citizens. The information enables citizens to determine that property is assessed uniformly and equally between towns, villages, and the city. Citizens can also compare property values across the county before making decision to buy a property.

Therefore, its high time for Onondaga county to go the Nassau and Tompkins Counties in New York State's way.

References

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