

Conneman, George J.

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REAL ESTATE TAXATION, ASSESSMENT AND
REVALUATION: IMPLICATIONS FOR AGRICULTURE

By

George J. Conneman

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REAL ESTATE TAXATION, ASSESSMENT AND REVALUATION: IMPLICATIONS FOR AGRICULTURE*

Real Estate Taxation

1. Real estate taxes are a topic of considerable concern and interest to all residents of New York State, including farmers.
2. The real estate tax is the major source of revenue for local government, including school districts, of New York State; additionally it is the essential element in State financial planning for distribution of State aid to local governments and school districts (education aid, revenue sharing, etc.)
3. The property tax generates about 30 percent of local government revenues in New York State.

Assessment

1. The yardstick for assessments in New York is Section 306 of the Real Property Tax Law. It requires that "all real property in each assessing unit shall be assessed at the full value thereof".

Full value is generally assumed to be equal to market value. "Market value" is the price that would be obtained in a public, open market in the presence of many buyers and many sellers.
2. Historically, real estate in New York State has not been assessed at full value. Fractional assessments (some percent of full value) have generally prevailed in New York.
3. Prior to 1970, about 95 percent of the townships in New York had elected assessors with sole power of assessing all real estate in the town. Complaints were made by local property owners to assessors on grievance day.
4. Levels of assessment on real property in New York State have been uneven (not uniform). Local control of the assessment function has produced wide variation in assessments (inequities within and among different classes of property). In many areas properties have been reassessed only when they changed hands.
5. In 1970, the Assessment Improvement Law (Article A-15) amended the Real Property Tax Law.
 - a. Unless a town voted to do otherwise, it provided for the creation of one position of assessor appointed by the town board for a 6 year term; if a town wished to retain 3 elected assessors, it had to have a referendum to approve by July 1, 1971.
 - b. Created an independent board of assessment review (separate from assessors themselves), 3-5 members appointed by the town board.
 - c. Created a position of County Director of Real Property Tax Service appointed for 6 years to assist review board, and coordinate tax mapping.
 - d. Mandated preparation of tax maps by 1979. Indirectly pointed town and counties in direction of revaluation of real property.

* Prepared by G. J. Conneman, Department of Agricultural Economics, N.Y.S. College of Agriculture and Life Sciences, Cornell University, Ithaca, New York; presented at the Annual Economic Training School for Extension Agents and Specialists, Ithaca, New York, December 12, 1978.

6. Current Status

- a. Elected vs. appointed assessors for the 931 towns in New York State as of 1971:

<u>Elected Assessors</u>		<u>Appointed Assessors</u>	
Full time	167	Full time	16
Part time	163	Part time	502
Full or part time	<u>44</u>	Full or part time	<u>64</u>
Total	374	Total	582

Elected or Appointed

65

TOTAL = 1,021 Assessors

- b. Tax maps

32 of 57 counties have prepared new tax maps

In 15 counties maps are currently being prepared

In 15 other counties maps need to be updated

Full Value Assessment and Revaluation

1. Hellerstein Decision (Hellerstein vs. Assessor Town of Islip)
 - a. In 1975 the New York State Court of Appeals held that the widespread practice of fractional assessment did not constitute compliance with Section 306. The court ruled that assessment of real estate at some percentage of market value is illegal, and ordered the Town of Islip to reassess all property (commercial, industrial, residential, farm) at its full market value.
 - b. Similar suits have been filed in more than 35 towns, villages and cities across New York State. (Keep assessment rolls up to date; make annual checks to see what has happened to current market value of real property.)
2. Status of Full Value Assessment in N.Y.S. (As of June 1, 1978)
 - a. See Table 1
 - (1) Seven counties have completed full value assessment (Chenango, Clinton, Cortland, Genesee, Orange, Tompkins, and Wayne).
 - (2) Full value revaluation is in progress in six counties and parts of 2 others (Erie, Livingston, Orleans, Rensselaer, Saratoga, Steuben, and certain towns in several other counties).
 - (3) Twelve other counties are in the preliminary planning stages
 - (4) Thirty other counties have made no plans to date.
 - b. Approximately 15 percent of commercial farm properties have been revalued to date.
3. Results of full value assessment
 - a. A recent study by Equalization and Assessment shows that if all property in New York State were assessed at full market value, there would be a shift of real estate taxes.
 - (1) Residential, farm and open space real estate is generally underassessed
 - (2) Commercial real estate (utilities and industrial) is overassessed
 - (3) Residential in the center of town is overassessed vs. suburbia underassessed
 - (4) A likely increase on the average in proportion of total real estate taxes paid for by farmers
 - b. Results of full value assessment in one county in New York State
Tompkins County
 - (1) See Table 2
 - c. Problems in full value assessment
 - (1) The importance of good appraisals otherwise inequities within and between property classes will remain.
 - (2) Careful selection of farm sales data (comparable sales)
 - (3) The importance of public relations especially to keep the taxpayer current on what is happening with a revaluation
 - (4) Results of revaluation may be compounded by increased local expenditures, less state aid or both

TABLE 1. STATUS OF FULL VALUE REVALUATION IN NEW YORK STATE*
By Region; As of June 1, 1978

Status of full value revaluation	Region				Four region total
	Western	Central	Northern	Lower Hudson	
<u>Implemented</u>					
Counties	2	3	1	1	7
Cities and Towns	1 & 30	4 & 50	1 & 18	3 & 24	9 & 122
Parcels	58,800	103,650	30,100	225,000	417,550
% of Total Parcels	6.2%	15.4%	5.3%	14.6%	11.2%
<u>In Progress</u>					
Counties	4	2	2	0	8
Cities and Towns	6 & 86	2 & 53	3 & 22	6	11 & 167
Parcels	425,100	90,350	87,200	66,400	669,050
% of Total Parcels	44.6%	13.5%	15.4%	4.3%	17.9%
<u>Preliminary Planning</u>					
Counties	2	4	3	3	12
Cities and Towns	3 & 56	6 & 68	2 & 44	5 & 46	16 & 214
Parcels	108,000	229,500	140,900	701,500	1,179,900
& of Total Parcels	11.3%	34.2%	24.8%	45.6%	31.6%
<u>No Planning</u>					
Counties	6	7	11	6	30
Cities and Towns	6 & 100	3 & 104	10 & 163	6 & 60	25 & 427
Parcels	361,100	247,500	309,000	545,400	1,463,000
% of Total Parcels	37.9%	36.9%	54.5%	35.5%	39.3%
<u>Four Regions Total</u>					
Counties	14	16	17	10	57
Cities and Towns	16 & 272	15 & 275	16 & 247	14 & 136	61 & 930
Parcels	953,000	671,000	567,200	1,538,300	3,729,500

* Not including New York City (5 counties with 8,500,000 tax parcels)

Source: Improvements in the Administration of Real Property Tax, Status by County as of June 1, 1978, N.Y.S. Bureau of Equalization and Assessment, T. Robert Kitchen.

TABLE 2.

AVERAGE INCREASE IN ASSESSED VALUE BY PROPERTY TYPE
 1978 Assessment As Related to 1977 Assessment
 Tompkins County, New York State

Type of property	Average increase in assessment
Public service corporations	2.50
Special franchises	2.52
Commercial	2.54
Wholly exempt	2.60
Railroads	2.62
Community services	2.64
Taxable state lands	2.68
COUNTY AVERAGE	2.69
Residential	2.78
Industrial	2.88
Farms	3.93
Vacant land	5.36
Other taxable properties	6.70

Real Estate Taxes on Dairy Farms

Information on real estate taxes from the New York State dairy farm summaries indicate the following (see Tables 3 and 4):

- a. Between the period 1958-62 and 1973-77 real estate taxes per farm quadrupled.
- b. Real estate taxes per cow doubled in the last 20 years.
- c. However, real estate taxes as a percent of cash receipts actually decreased (2.6% in 1958-62 vs. 2.3% in 1973-77).
- d. Taxes as a percent of cash farm expenses also decreased over the last 20 years (3.8% in 1958-62 vs. 3.0% in 1973-77).

TABLE 3.

REAL ESTATE TAXES ON DAIRY FARMS New York State, 1958 to 1977

Period	Number of farms	Number of cows	Real estate taxes per farm	Real estate taxes			
				Per cow	Per cwt. milk sold	% of cash receipts	% of cash expenses
1958-1962	512	36	\$ 506	\$14	\$.14	2.6	3.8
1963-1967	571	44	688	16	.13	2.5	3.6
1968-1972	546	64	1,397	22	.17	2.5	3.6
1973-1977	605	71	2,078	29	.23	2.3	3.0

TABLE 4.

REAL ESTATE TAXES ON DAIRY FARMS New York State, 1972 to 1977

Year	Number of farms	Number of cows	Real estate taxes per farm	Real estate taxes			
				Per cow	Per cwt. milk sold	% of cash receipts	% of cash expenses
1972	571	70	\$1,604	\$23	\$.18	2.5	3.4
1973	609	69	1,698	25	.20	2.3	3.0
1974	628	72	1,821	25	.20	2.1	2.8
1975	605	72	2,050	28	.22	2.3	2.9
1976	615	71	2,244	32	.24	2.2	2.8
1977	570	71	2,577	36	.27	2.5	3.2

Source: Dairy Farm Management Business Summaries, 1958 to 1977, Department of Agricultural Economics (A. E. Res. 78-8 and previous publications).