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Jacques Jiha, Ph.D.
Commissioner

NYC COUNCIL

2018 MAY -1 P 4: 58

SPEAKER'S OFFICE

May 1, 2018

Hon. Corey Johnson
Speaker, New York City Council
250 Broadway, Suite 1856
New York, NY 10007

Dear Speaker Johnson:

I am pleased to submit the annual report of the Department of Finance's Office of the Taxpayer Advocate.

Since its founding in October 2015, the Office of the Taxpayer Advocate has assisted thousands of taxpayers and recommended dozens of improvements to Department of Finance policies and procedures. As you will see in the success stories that conclude the report, the Taxpayer Advocate has made a significant positive impact in the lives of our customers.

The report lists twenty-three recommendations for the coming year and describes DOF's response to previous Taxpayer Advocate proposals. It also documents OTA's outreach activities and case management statistics.

The Taxpayer Advocate is an integral part of the Department of Finance, providing excellent customer service and increasing the transparency of our operations. We look forward to working with the office this year and for many years to come.

More information about the Office of the Taxpayer Advocate is available at www.nyc.gov/taxpayeradvocate. If you have questions about this report, please do not hesitate to contact us.

Sincerely,

Jacques Jiha, Ph.D.



NYC COUNCIL

2018 MAY -1 P 4: 58

SPEAKER'S OFFICE

ANNUAL REPORT

THE NYC OFFICE OF THE TAXPAYER ADVOCATE

May 1, 2018

BILL DE BLASIO, MAYOR ● JACQUES JIHA, PH.D., COMMISSIONER

New York City Office of the Taxpayer Advocate

2018 Annual Report

(Reporting Period: April 1, 2017 – March 31, 2018)

Executive Summary

In the following pages you will find the third annual report of the Office of the Taxpayer Advocate (OTA), an independent office established in 2015 to assist Department of Finance customers and recommend improvements to the agency’s policies and procedures. This report describes the OTA’s work from April 1, 2017, to March 31, 2018. It reveals the office’s twenty-three recommendations for the coming year and documents the actions taken by DOF in response to previous OTA proposals.

The Department of Finance’s taxation and revenue collection authority is governed by a complex mesh of local, state, and federal laws. While we strive to serve the public as courteously and efficiently as possible, customers sometimes feel that their concerns have not been adequately addressed through normal DOF channels. Additionally, our individual business units do not, in most cases, have the resources to broadly review agency policies and recommend improvements. The Taxpayer Advocate has the capacity and the mandate to help DOF better serve the public.

When people are confused by our rules, the OTA determines the cause of the confusion and proposes solutions. When a taxpayer feels that her concerns have not been justly considered, the OTA investigates and, in many cases, is able to intervene. Since its founding, the Office of the Taxpayer Advocate has helped thousands of taxpayers and has recommended dozens of sensible, customer-friendly improvements to DOF policies and procedures. And, as you will see in the success stories that conclude this report, the OTA is often able to change people’s lives significantly for the better.

The work of the Office of the Taxpayer Advocate is an essential component of the four pillars that drive the Department of Finance’s mission and govern our operations: fairness, efficiency, transparency, and customer service. We are grateful to Taxpayer Advocate Eunkyong Choi and her dedicated team and look forward to working with them this year and for many years to come.

More information about the Office of the Taxpayer Advocate is available at www.nyc.gov/taxpayeradvocate.



Jacques Jiha, Ph.D., Commissioner

Summary of 2018 Recommendations

OTA has made 23 new recommendations in this annual report. Sixteen concern property issues and have been categorized into four areas: assessment issues, rent freeze issues, homeowner tax benefit issues, and not for profit issues. They are as follows:

- 1) Recommended Enhancements to the Request for Review Process
- 2) Creating a Tutorial Regarding Tools on DOF's Property Website
- 3) Assessors at Business Centers
- 4) Estimated Property Taxes on Notices of Property Value (NOPVs)
- 5) Refund Requests on Revised Assessments
- 6) Rent Freeze (SCRIE/DRIE) Benefit Takeover Application and Redetermination
- 7) Senior Citizen/Disabled Homeowner Exemption (SCHE/DHE) Automated Income Verification
- 8) DHE "Benefits Letter"
- 9) Vendor Processing Delays and Errors
- 10) Late-Approved Exemptions Causing Hardship
- 11) Enumerating Exemptions upon Approval, Revocation, or Reinstatement
- 12) STAR Revocations on New Property Owners
- 13) Application to Remove Previously Granted Exemption(s) Fee
- 14) Not for Profit (NFP) Exemptions Outreach
- 15) Partial NFP Exemptions
- 16) NFP Interdepartmental Collaboration

The remaining recommendations concern issues surrounding the collection of business taxes:

- 17) Statute of Limitations
- 18) Offer-in-Compromise
- 19) Outside Collection Agencies (OCAs)
- 20) Commercial Rent Tax (CRT) Filing Requirement
- 21) Reporting Additional Subtenants on Annual CRT Form
- 22) Reasonable Cause Penalty Abatements
- 23) Installment Agreements

Table of Contents

Executive Summary	1
Summary of 2018 Recommendations.....	2
Part I	
Introduction.....	5-7
A. Annual Report to NYC Council.....	5
B. Taxpayer Advocacy.....	5
C. Taxpayer Bill of Rights.....	7
Part II	
Updated DOF Responses to 2016 OTA Recommendations.....	7
Part III	
DOF Actions on 2017 OTA Recommendations.....	8
Part IV	
OTA Statistics for the Reporting Period April 1, 2017, to March 31, 2018, and Cumulative Three-Year Statistics	16
A. Tax Year Case and Inquiry Totals for the Office of the Taxpayer Advocate.....	16
B. Total Inventory by Subject Matter	17
C. Source of Total Work by Borough	18
D. Breakdown of Recurring Issues in Cases.....	19
E. Cases Where No Relief Was Granted	20
F. Property Tax Inquiries and Cases by Subcategories	21
G. Property Tax Inquiries and Cases by Borough.....	23
H. Property Tax Cases by City Council District	24
I. Business and Excise Tax Cases and Inquiries by Subcategories	25
J. Business and Excise Tax Cases and Inquiries by Borough.....	27
K. Business Tax Cases by City Council District.....	28
L. Refunds and Abatements by Major Tax Type and Tax Year	29
M. Referrals by Source.....	29
Part V	
Recommendations for the Current Reporting Period.....	30

Part VI

Success Stories.....43

Part VII

OTA Outreach Efforts46

Glossary47

Part I:

Introduction

A. Annual Report to NYC Council

The Department of Finance is required to submit an annual report to the New York City Council no later than May 1 detailing the activities of the Office of the Taxpayer Advocate during the preceding year. This annual report must include the following:

- (1) The number and nature of inquiries received by the Taxpayer Advocate regarding property tax exemptions or business tax exemptions, whichever is applicable, for reporting period¹ 2017-18;
- (2) The number, nature, and resolution of complaints received by the Taxpayer Advocate;
- (3) Any recommendations made by the Taxpayer Advocate to the commissioner;
- (4) The acceptance and denial rates of such recommendations by the commissioner;
- (5) The number and nature of inquiries referred to the Taxpayer Advocate by the ombudspersons at the department; and
- (6) The number and nature of inquiries referred to the Taxpayer Advocate by 311.

B. Taxpayer Advocacy

For nearly three years, OTA has advocated on behalf of NYC taxpayers and property owners through its handling of “inquiries” and “cases” involving business income and excise and property taxes administered by the DOF.

Inquiries

Inquiries are specific requests from taxpayers for discrete information or assistance. The most common reason taxpayers seek guidance from OTA is that they don’t understand how their taxes were calculated, or how to comply with tax laws. OTA assists taxpayers to navigate the department and locate the appropriate operating units or responsible parties to resolve their issues.

Case Advocacy

OTA affirmatively advocates for taxpayers through case advocacy. OTA will advocate on behalf of any taxpayers who can show that they have attempted to resolve an issue with DOF which has

¹ DOF’s fiscal year runs July 1 through June 30, whereas OTA’s runs April 1 through March 31; to distinguish, we will use the terms “tax year” or “reporting period” to refer to OTA, and “fiscal year” in reference to DOF.

not been resolved or timely addressed, or that DOF is unfairly or incorrectly applying a law, regulation, or policy. OTA will also act on behalf of taxpayers who can show that they face immediate or long-term harmful action, including the immediate seizure of funds or other property. OTA also handles cases that have the potential to affect multiple taxpayers or that present unique or compelling public policy issues. The average time during the past year for OTA to investigate, advocate, and resolve² a case was 55 days.

Cases and inquiries come to OTA via submission of form DOF-911 and through the following channels:

1. OTA website
2. Service requests through 311
3. Telephone calls and messages to OTA
4. Emails
5. Walk-ins at the OTA office at 253 Broadway, 6th Floor
6. Faxes
7. Referrals from city council members
8. Referrals from other DOF business units
9. Letters
10. Outreach events

OTA works closely with DOF's core operating units, including Tax Audit and Enforcement, Collections, Payment Operations, Property, External Affairs, and Legal. OTA acts through informal and formal requests for information to these operating units. When OTA's informal requests are not responded to in a timely fashion, or the responses provided are insufficient to resolve a taxpayer issue, OTA will submit a formal operations assistance request (OAR) and impose a deadline for response. If the operating unit does not take action, OTA will submit a taxpayer assistance order (TAO) directly to the commissioner.

During this reporting period, OTA issued 10 formal OARs³ and no TAOs; however, only one formal OAR has been issued since August 2017, as a result of improved communication between OTA and DOF's other units and divisions. OTA's quarterly meetings with the Treasury and Payment Services Division, and bi-monthly meetings with the Property Division since the summer of 2017 have led to the majority of issues being resolved through informal communications.

² OTA strives to provide relief for every case, but for various reasons—including taxpayers who do not respond to contacts or do not cooperate with OTA requests, and bright-line laws or DOF policies—OTA has been unable to provide relief in less than 17% of closed cases since the office opened.

³ Eleven OARs were issued; one was withdrawn.

C. Taxpayer Bill of Rights.

OTA officially opened for business on October 19, 2015. Shortly thereafter, DOF issued a new NYC Taxpayer Bill of Rights:

- The Right to Be Informed
- The Right to Quality Service
- The Right to Understand How Your Property Tax Is Determined
- The Right to a Fair and Just Tax System
- The Right to Retain Representation
- The Right to Pay No More than the Correct Amount of Tax
- The Right to Finality
- The Right to Privacy
- The Right to Confidentiality
- The Right to Challenge the Department of Finance's Position and Be Heard

Part II:

Updated DOF Responses to 2016 OTA Recommendations

In OTA's 2017 annual report, DOF committed to implement or otherwise resolve recommendations made by OTA in its 2016 annual report. Eleven of the thirteen recommendations have been fully implemented or are in the process of final implementation. Two outstanding 2016 recommendations are discussed here.

2016 Recommendation No. 5

Investigate the main reasons for DOF employees misapplying payments, as well as the major reasons taxpayers or third parties provide the wrong information as to how payments should be applied. Propose a corrective plan.

DOF Action in 2017 Annual Report for Follow-up:

DOF agrees that it should investigate the reasons that payments can be misapplied. OTA and DOF's Payment Operations Division have established quarterly meetings to identify and address issues related to misapplied payments and determine whether new processes are needed.

DOF Follow-up Actions:

In response to this recommendation in 2016, OTA worked with DOF's Treasury and Payment Services Division, which houses Payment Operations, to establish quarterly meetings to identify and address issues related to misapplied payments and determine whether new processes and procedures are needed. While the initial focus of this initiative was to determine the causes of human error, upon review, it was determined that the main cause of misapplied payments results

from automated functions within the FAIRTAX computer system. Specifically, FAIRTAX paper property tax bills do not offer customers multiple options for distributing payments if the customers are paying less than the full amount due. In these situations, there is a default algorithm that distributes the payment. DOF will work to mitigate this problem with the rollout of its new property tax system (PTS) software later this year.

2016 Recommendation No. 10

Produce subject matter training materials and an internal Department of Finance manual to standardize the advice that DOF employees give taxpayers.

DOF Follow-up Actions:

As part of its long-term, cross-agency strategic initiative on customer communications standardization, DOF is ensuring that standard operating procedures (SOP) are in place from which it can create training materials and a public-facing *Internal Finance Manual*.

Part III:

DOF Actions on 2017 OTA Recommendations

OTA's 2017 annual report made 13 recommendations for corrective measures for common issues. This section provides the status of the implementation of those recommendations.

Recommendation No. 1: Property Owners' Understanding of How Their Tax Is Calculated or How Their Tax Benefits Work

DOF should continue its outreach through publications and information sessions. OTA has also created a simplified, one-page document outlining property tax basics. However, NYC's property tax system is highly complex and many have called for reforms to make it easier to understand.

DOF Action:

The department has a robust outreach program whereby homeowners and renters can meet directly with representatives from DOF for assistance in all property related matters, such as understanding how their property is valued and their notice of property value (NOPV), as well as the availability and eligibility requirements for rental and homeowner tax benefits administered by the department. Outreach staff members provide detailed information and individual guidance on the Senior Citizen Homeowners' Exemption (SCHE) and Disabled Homeowners' Exemption (DHE), as well as the Rent Freeze Program, which is comprised of the Senior and Disabled Rent

Increase Exemptions (SCRIE and DRIE). In addition, since 2016, all of the department's outreach events are "all-service enrollment" events at which attendees can apply for any DOF benefit. In calendar year 2017, the department held 443 outreach events with a combined attendance of 36,274. As a result of that outreach, DOF collected over 2,000 applications, over 900 of which were for SCHE or DHE, and the remainder of which were related to the Rent Freeze Program.

DOF has a comprehensive, agency-wide language access plan and provides translation and interpretation services to members of the public with limited English proficiency. DOF currently provides twenty-four official forms and notices in multiple languages, including its most commonly used forms. Specifically, DOF offers all personal exemption forms in ten languages to break down potential barriers to City services. DOF also offers interpretation in over 200 languages. DOF is in the process of evaluating whether there are additional notices that should be provided in multiple languages, including social media and press releases. Local Law 30, passed in the summer of 2017, has formalized DOF's language access plan, and the department will continue to seek new opportunities for language access improvements.

New publications have also assisted with outreach. DOF has published OTA's simplified, one-page document—which contains property tax basics on one side and business tax basics on the other—on OTA's web page and translated it into all of the languages mandated by Local Law 30. OTA has also worked with DOF to create a pamphlet, "Property Appeals Assessment: Your Rights and Responsibilities," for assistance during the period between the release of the tentative and final property valuations for the coming year. Both the one-page document and the property tax appeals pamphlet have been distributed at DOF's various NOPV outreach sessions, as well as other community events.

Recommendation No. 2: Property Owners' Understanding of Their Property Tax Bills

OTA recommends that DOF explore ways to increase awareness of the NYCProperty website, such as including it on property related forms and notices. OTA recommends that DOF include the link on NOPVs and property tax bills and determine which other forms would best benefit from including such information.

DOF Action:

DOF's rollout of the new property tax system and public access website should provide a more user-friendly platform where taxpayers can view such information. Any changes DOF makes to property related forms and notices, including the addition of a link to the NYCProperty website, will follow as part of this rollout. DOF is planning an active outreach effort upon the PTS launch to make taxpayers aware that a more user-friendly system is in place, including the creation of a brochure and signage that would be at all outreach events, and potentially a social media campaign.

Recommendation No. 3: Transparency in Request for Review Determinations

DOF should provide clear explanations of RFR determinations, including why taxpayers' challenges were denied, or, if applicable, why the comparable properties used by DOF for valuation were better examples than the ones submitted by [the] taxpayer.

DOF Action:

New York City property owners can annually file a Request for Review form (RFR) with DOF to challenge their property's value as indicated on the January tentative assessment roll. Changes made pursuant to the RFR process will appear on the July tax bill. The RFR is filed electronically on DOF's website, and owners receive an electronic confirmation of their filing for their records. This confirmation provides instructions for submitting additional documents and advises property owners that a DOF property assessor will review their submission. During fiscal year 2017-18, DOF received 2,928 RFRs from property owners challenging their valuation. Due to the large volume of RFRs that must be processed, DOF is revising the RFR system to improve filing, workflow, and the standardization of responses. DOF will include written explanations for RFR determinations beginning in fiscal year 2018-19, and expects to have this enhancement in place for all RFR filings beginning in fiscal year 2019-20.

Recommendation No. 4: Understanding Penalty and Interest Rules

DOF should include mathematical calculations detailing the penalties and interest imposed. DOF should also include an explanation of the law applied to calculate such penalties and interest. Regarding the [issue of taxpayers receiving a "Failure to Pay" penalty at the same time they are issued a Notice of Determination or a Statement of Proposed Audit Adjustment], DOF is in the process of ensuring this issue is resolved.

DOF Action:

DOF has already implemented detailed explanations of penalties on the BTS Notice of Tax Due statement for the late filing, late payment, and underpayment of estimated tax penalties. DOF believes these explanations represent a significant improvement over the previous FAIRTAX system. DOF is working on offering interest rate computations, provided the notice does not become too complicated or "busy" for the taxpayer's eye. OTA has previously suggested that DOF use a format similar to that used by the IRS for notices, or that DOF streamline penalty explanations to make room for interest rate computations. DOF has formed a committee including representatives from Payment Operations, OTA, Legal, and External Affairs to create a version that provides explanations for both penalties and interest in a way that is easily understandable for taxpayers, over the next few months. Once the committee agrees on a format, DOF will submit a service request enhancement to Finance Information Technology (FIT) for programming.

Recommendation No. 5: Information Sessions Regarding New Business Tax Rules

DOF should study how best to educate tax practitioners and taxpayers regarding the new laws through both published guidance and public forums.

DOF Action:

DOF's Business Tax Services Unit educates tax practitioners and taxpayers regarding the new business corporation tax through published guidance and public forums. They have also established a dedicated webpage through which taxpayers can email them directly. The webpage describes the new tax and recent changes and provides useful links to additional information on corporate tax reform.⁴ Between January 1 and April 16, 2018, Business Tax Services received 335 online inquiries.

Business Tax Services Unit staff regularly make presentations to the tax practitioner community at conferences, including the American Bar Association, the Cornell State and Local Tax Discussion Group, the New York State Society of CPAs' semi-annual meetings, the Council on State Taxation's North Atlantic Regional State Tax Meeting, and the Department of Finance's annual Tax Representatives and Practitioners Program.

Business Tax Services continues to draft and publish finance memoranda advising taxpayers and tax professionals of the department's current position and/or procedures with respect to specific tax issues. Business Tax Services also completed Bloomberg BNA's 2017 *Survey of State Tax Departments* to provide clarification to taxpayers on a number of issues, including many of the changes that were implemented under the new business corporation tax.

Recommendation No. 6: Confirmation of Taxpayer Submissions and "Next Steps" [for Benefit Applications]

DOF should provide specific guidance to applicants for benefits as to the next step in an application process. DOF should include follow-up language, such as, "taxpayers should expect to hear from DOF in no less than 90 days from the date of submission." Such procedure can be detailed either on the application itself or on any automatic confirmations sent regarding their filing. DOF also might consider modeling tracking software after the portion of the IRS website set aside for taxpayers tracking the status of their refund (entitled "Where's My Refund?"). If more resources are allocated to the process, a section of internal DOF databases could be made public, to allow the taxpayer to check the status of an application, or if mailed documents were received, without resorting to frequent telephone calls to OTA or other DOF staff.

⁴ See <http://www1.nyc.gov/site/finance/taxes/business-corporation-tax.page>.

DOF Action:

DOF's new property tax system will significantly improve application processing for both homeowner tax benefits and the Rent Freeze Program. DOF agrees that confirmation of submissions, next steps, and status updates is essential, and will incorporate OTA's specific recommendations to the extent possible. Among the planned enhancements that will be implemented as part of PTS are:

- Online application submission, which will streamline submissions from partners such as External Affairs, the Property Exemption Administration Community Assistance Program, the Public Engagement Unit, and other taskforce members to facilitate enrollment and reporting.
- Secured document upload, which will alleviate the necessity for applicants to submit private income information via the customer relationship management system.
- Public access status lookup, which will reduce the dependency of external groups inquiring on application status.
- Registered user status lookup.
- Tax abatement credit (TAC) report download.
- Online information update forms which will serve as a communication base for applicants to report any changes within a benefit period.
- FAQs.
- An income calculation tool.

Recommendation No. 7: Responding to Billing and Collection Inquiries

DOF should review all notices with contact information to identify which numbers are going unanswered.

DOF Action:

In response to this recommendation, DOF Collections has reviewed its notices and has made one correction to the phone number listed on the Real Property Transfer Tax Notice and Demand statement. Collections also verified that its other notices contained the correct automatic call distribution phone number. DOF will continue to monitor notices to ensure they are up to date.

Payment Operations is in the process of including language that will be more explanatory on its notices and letters. The number of calls that Payment Operations has received has declined as inquiries are moved to the website, where they are screened and responded to, or, if necessary, assigned to an auditor for further adjustments. DOF is in the process of establishing a call center that will streamline the handling of business tax billing inquiries.

Recommendation No. 8: Warrant Issues

DOF should place a “hold” [on] accounts until the underlying issues [regarding notice and “satisfaction” of erroneous warrants] are satisfactorily resolved.

DOF Action:

Upon receipt of a dispute, a collection case is routed to DOF auditors for review. The auditors are instructed to place a 30-day hold if the dispute cannot be immediately addressed. If the issue cannot be resolved in 30 days, DOF auditors may secure supervisory approval for a 30-day extension.

Recommendation No. 9: Property and Business Tax Hardships

[D]evelop[] a property tax hardship payment plan program to provide relief for property taxpayers who are unable to make payments, and for whom DOF’s standard installment payment plan would lead to default[, including] seniors, low and fixed-income taxpayers, and those with extenuating circumstances. [R]esearch[] a similar program for small business owners.

DOF Action:

Property Tax Hardship Program

DOF is currently in the process of establishing a NYC property tax hardship plan which will require local legislation. DOF expects that legislation will be introduced this year to be implemented in time for the 2019 tax lien sale process.

Businesses Tax Hardships

OTA is exploring new business collection alternatives as one of its strategic initiatives for the current fiscal year. Part of such an initiative includes forming a working advisory group of local tax practitioners to provide feedback and recommendations. The program is currently still in the research and planning stage.

Recommendation No. 10: Prominence of Payment Instructions on Tax Bills

Taxpayers need to be provided with a prominent written explanation of how to submit payments to ensure they are processed and applied correctly. Property tax bills should highlight “Include the BBL or taxpayer ID or your payment may not be processed correctly” in boldface type.

DOF Action:

The property tax bill has been revised to include enlarged font and bold typeface to highlight the instructions for submitting payments. The coupon includes the following language: **“Please include this coupon if you pay by mail or in person”** (followed by the BBL). DOF has also added **“Make checks payable & mail payment to NYC Department of Finance.”** This change was implemented in early February and included on the April statement of account that was mailed at the end of February.

Recommendation No. 11: General Comment Forms and Customer Surveys

DOF should create a form for taxpayers to communicate directly with DOF regarding DOF processes and communications. Capturing information [regarding customer feedback on agency processes] would identify systemic problems and enable DOF to deploy resources to improve performance.

DOF Action:

DOF’s External Affairs Division is employing pilot customer service surveys at business centers in accordance with the department’s strategic plan to solicit public feedback on its customer service. DOF will conduct a series of surveys across the agency’s public platforms, beginning with the Parking Division, to determine the issues people encounter when disputing or paying parking tickets. The survey will poll customers from DOF’s parking app, website, and in-person interactions at the business centers.

Recommendation No. 12: BTS – Availability of Historical Data

- a. DOF should migrate all taxpayer data for which a statute of limitations has not expired.*
- b. DOF should reconcile BTS when new returns are filed via the EIN. For businesses who have not filed timely returns, BTS should use the information on the business’s most recent return. This issue should be addressed through the initiative to correct bad addresses.*

DOF Actions:

- a. As there is no statute of limitations on collection of business taxes, OTA had initially recommended migrating all data remaining in RES/PASS over to BTS to promote effective tax administration by integrating all old debts into one system. However, such a solution is impractical, and all DOF business units agreed to appropriate limitations on the scope of such data during the three rollouts of the BTS software. BTS data conversion decisions were made to attempt to control for both 1) the conversion of bad data, which tends to be older legacy system records that do not follow more recent legacy system standards or practices, and 2)

the enforcement of older, stale liabilities that are likely uncollectable. According to FIT, DOF converted extracts of historical RES/PASS case data to the BTS legacy nonoperational database, information which can be accessed and retrieved as needed. DOF will only collect on the “active” debts that have been migrated to BTS. To the extent a taxpayer wishes to satisfy a now “inactive” debt, DOF Collections can activate archived data on a case-by-case basis. To prevent such inactive debts from remaining perpetually outstanding, OTA has recommended legislation be proposed for a statute of limitations on collection of business taxes (see Part V).

- b. As for the issue of bad addresses, DOF is working to improve the agency’s contact information for taxpayers, but laws mandate that DOF use the address provided by a taxpayer on a tax return in pursuing collection activity. A DOF process is being implemented that would retain the address provided on a tax return from the taxpayer, but also update DOF records with the “best” address that can be identified, based on address information from more recently filed tax returns and/or USPS forwarding address information. USPS address standardization protocols are also being used to improve addresses. If the updated address differs from the address on the tax return for the tax period at issue, collection notices will be sent to both addresses.

DOF has also been working to improve contact information for property owners. The agency has implemented address standardization software in ACRIS to help improve address information submitted at the point of property transfer. The next phase of the address improvement initiative will be launched in summer 2018. DOF will mail a “welcome” package to new home purchasers providing, among other information, the agency’s property tax brochure, which provides information on the tax valuation and assessment process and on property exemption programs. DOF will also be asking new homeowners to verify or update the mailing addresses it has on record and to provide their e-mail addresses and cell phone numbers in order to streamline the agency’s communications with property owners.

Recommendation No. 13: DOF E-Services

Taxpayers who are unable to use E-Services should have an alternate means of accessing tax information. One way would be to enable taxpayers to receive electronic transcripts via telephone similar to the service provided by the IRS.

DOF Action:

OTA is working with DOF to implement a call center for business, exemptions, and collections issues. Taxpayers can currently request statements of account by letter as an alternative to E-Services.

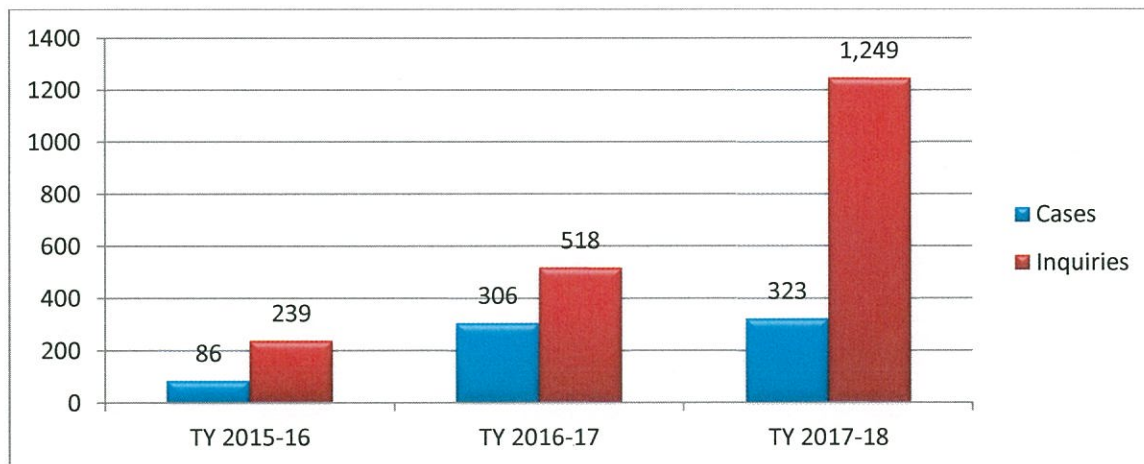
Part IV:

OTA Statistics for the Reporting Period April 1, 2017, to March 31, 2018, and Cumulative Three-Year Statistics

In its three years in existence, as taxpayers become more aware of the office and its purpose, OTA has seen substantial growth in its total work. The following series of charts and graphs review the recurring issues brought to OTA's attention over the past reporting period and since the office opened, in an attempt to spot larger trends.⁵

A. Tax Year Case and Inquiry Totals for the Office of the Taxpayer Advocate

During the period covered by this report, OTA's number of inquiries and cases has increased significantly. For tax year 2017-18, OTA closed 1,249 inquiries and 323 cases. Although the latter statistic is a modest change from the previous year, OTA has been receiving more work via inquiries, the amount of which more than doubled.



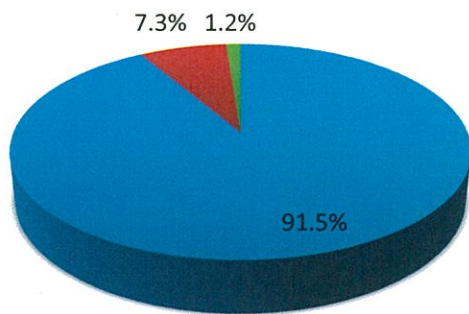
No open cases are included. The truncated reporting period for TY 2015-16 began October 19, 2015, and ended March 31, 2016.

⁵ Note that OTA has changed its quantifying methods. In the first two reports, all statistics were measured based on the number of cases and inquiries opened during the reporting period. In an effort to better measure success rates and other figures dependent on the closing of a case, statistics going forward will be measured based on number of cases and inquiries closed during the reporting period. No cases or inquiries still open after March 31, 2018, are included in this report.

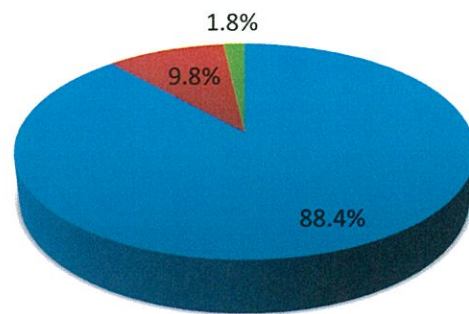
B. Total Inventory by Subject Matter

Over ninety percent of matters handled by OTA in 2017-18 dealt with issues related to property taxes. This is likely due to OTA’s high volume of inquiries regarding property tax during peak seasons, the amount which has increased as a result of outreach and general awareness. A small percentage of inquiries (“Miscellaneous”) concerns matters regarding personal income tax, which is administered by the New York State Department of Taxation and Finance. OTA refers these inquiries to the state’s Office of the Taxpayer Rights Advocate, at (518) 530-4357.

Breakdown by Major Tax Area for TY 2017-18



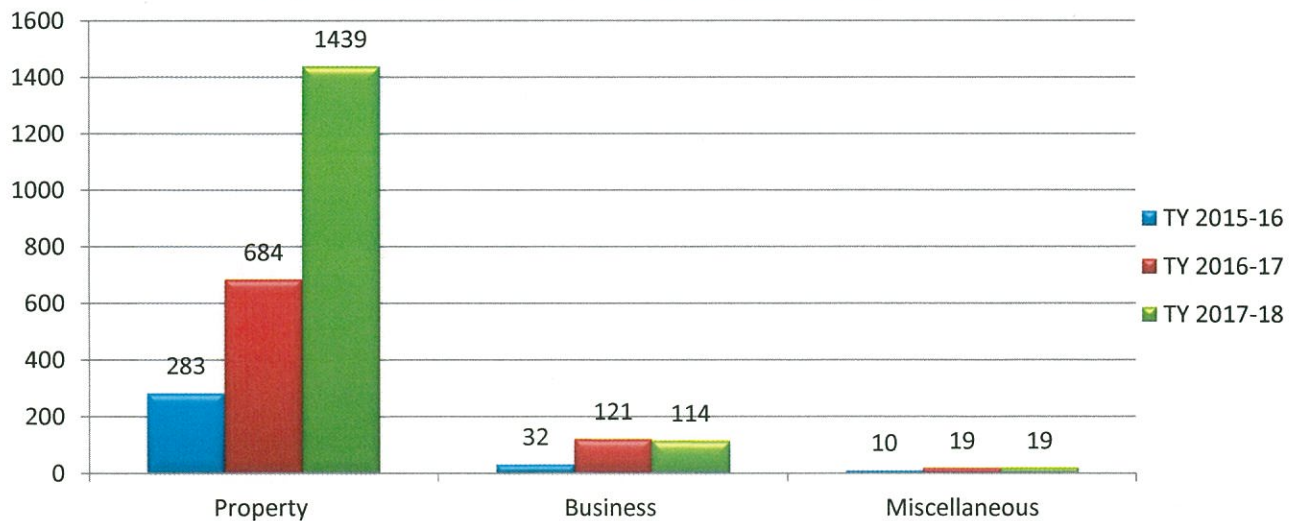
Breakdown by Major Tax Area Since OTA Opened



■ Property ■ Business ■ Misc

■ Property ■ Business ■ Misc

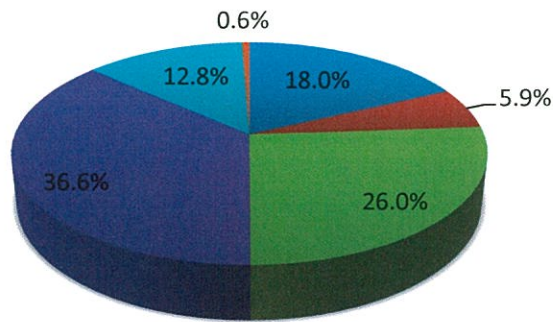
Major Tax Area Work Flow Comparison by Tax Year



C. Source of Total Work by Borough

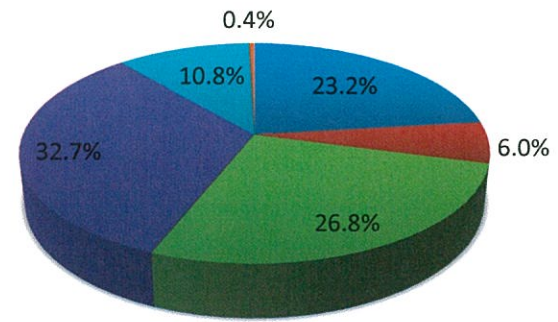
The following charts represent matters handled by OTA broken down by borough. OTA has done additional outreach in the Bronx and Staten Island by participating in DOF’s NOPV and lien sale events in these boroughs, including meeting with council members. While there are marginal increases in Staten Island since OTA opened for business, there has not been significant change in the Bronx. OTA will continue to provide outreach to those boroughs; note, however, that the number of cases and inquiries per borough has generally increased each year. The “N/A” category generally refers to non-local businesses with transactions necessitating that they file New York City business tax returns.

Cases and Inquiries by Borough for TY 2017-18



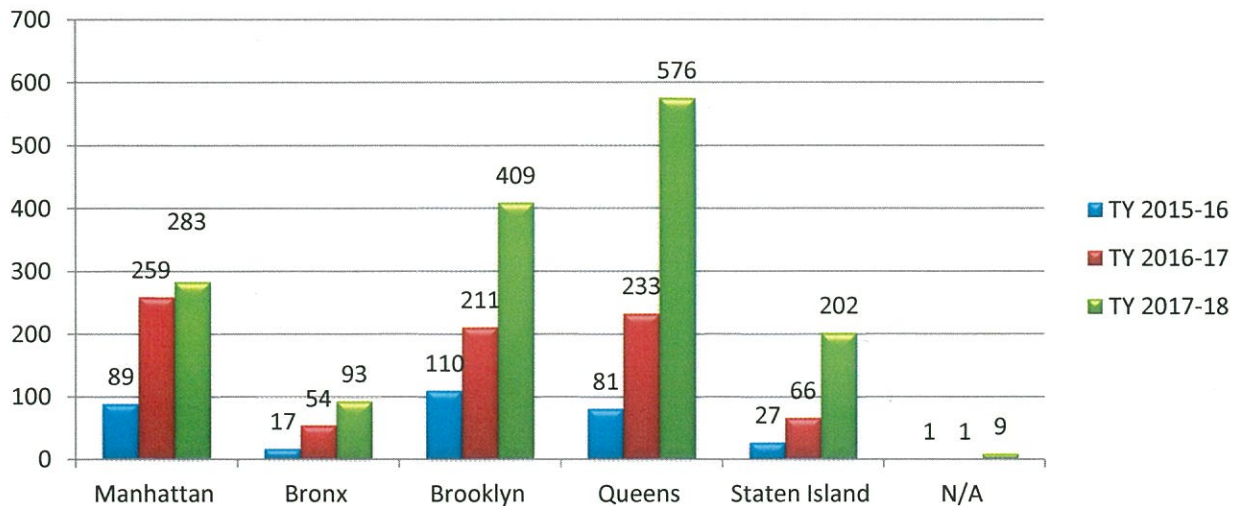
■ Manhattan ■ Bronx ■ Brooklyn
 ■ Queens ■ Staten Island ■ N/A

Cases and Inquiries by Borough Since OTA Opened



■ Manhattan ■ Bronx ■ Brooklyn
 ■ Queens ■ Staten Island ■ N/A

Total Cases and Inquiries by Borough, by Tax Year



D. Breakdown of Recurring Issues in Cases

The chart below provides descriptions of issues handled by OTA. Some matters involve multiple issues, resulting in more issues than cases.

Issues Presented by OTA Cases	TY 2015-16	TY 2016-17	TY 2017-18	Total
Exemption correction, denial, revocation, or removal	13	86	133	232
Complaints that DOF employees are not responsive or helpful	21	41	13	75
Misapplied payments	5	11	36	52
Processing delay	1	13	35	49
Difficulty in understanding how DOF calculates property tax	3	27	15	45
Coop/Condo abatement - managing agent error	2	13	28	43
Unclear notices, forms and correspondence	5	24	7	36
Inconsistent action by DOF employees	8	12	15	35
Lack of guidance on how DOF waives penalties	13	10	10	33
Difficulty in understanding how DOF calculates business tax	0	14	17	31
Bad addresses	10	17	2	29
Inconsistent market value\assessed value increase	1	20	5	26
Insufficient publicly accessible information regarding DOF policies or procedures	13	9	4	26
Lack of noticing/right to be informed	5	8	10	23
Erroneous fees or charges on property tax bill	0	0	17	17
Unknown/Miscellaneous error	1	7	9	17
Property classification issue	3	4	7	14
Levy or hold on account	0	0	6	6
Property ownership error/dispute (non-fraudulent)	0	0	6	6
Data feed issues	2	3	0	5
Deed fraud	1	3	0	4
Grand Total	107	322	375	804

E. Cases Where No Relief Was Granted

OTA strives to provide relief to taxpayers to the extent remedies are available. However, in some cases, relief cannot be provided. Of OTA’s 715 total cases, 121 (16.9%) have resulted in such an outcome. In the majority of such cases (70.2%), DOF has been unable to provide relief as the result of laws or internal policies in place that could not be controverted, including certain benefits for which taxpayers were ineligible under DOF laws. Of those “no relief” cases related to law or DOF policies, nearly 93% were property-related, two-thirds of which were related to personal exemptions, abatements, or valuation.

Cases Where No Relief Was Granted Since OTA’s Inception

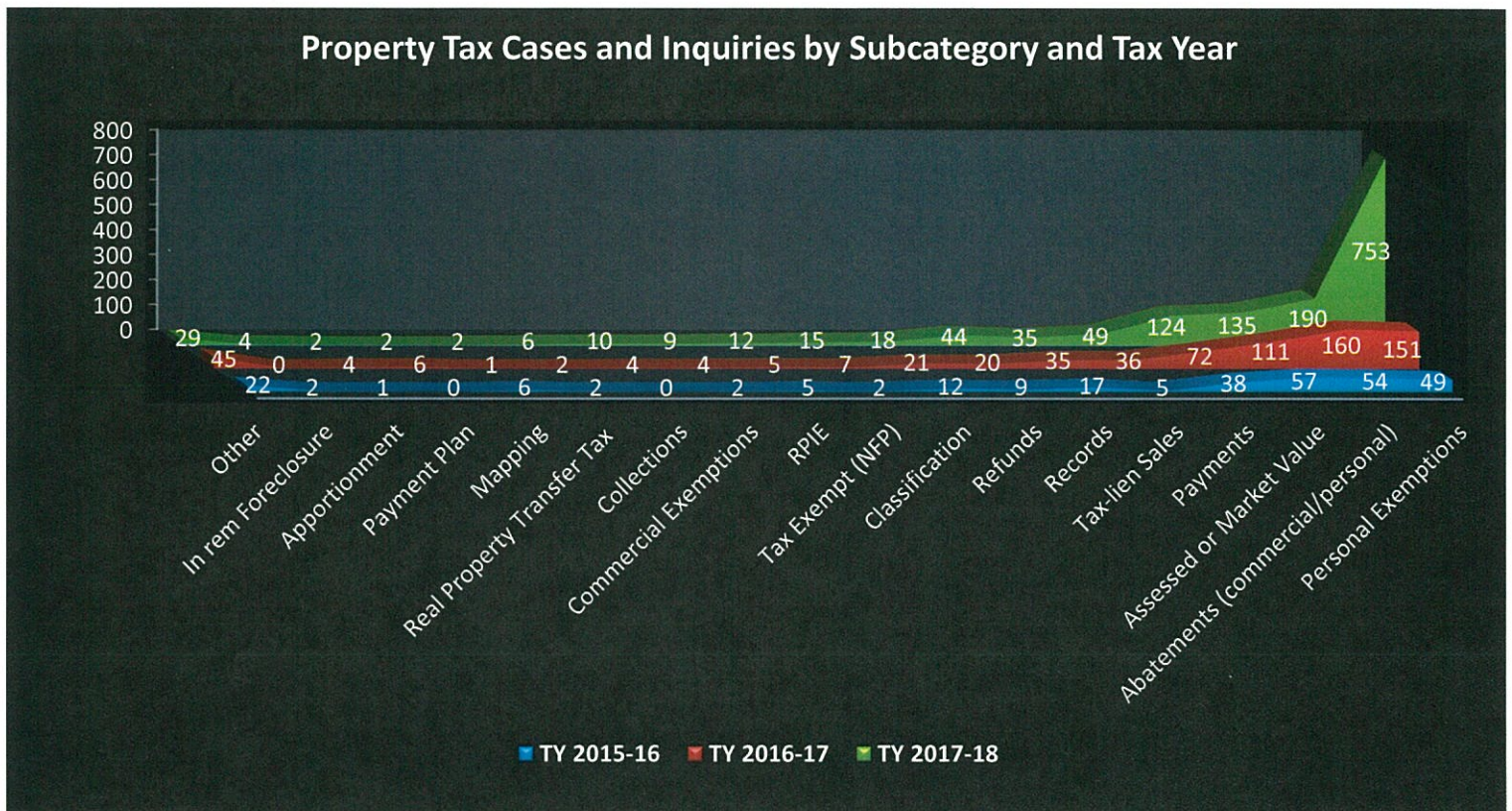
Reason for No Relief	TY 2015-16	TY 2016-17	TY 2017-18	Total
Law or DOF policy	14	42	29	85
Taxpayer failed to provide requested document timely	0	5	9	14
Unable to contact taxpayer	0	7	3	10
Referred to another City agency	0	5	4	9
Taxpayer uncooperative/Refused to provide documents	0	1	2	3
Grand Total	14	60	47	121

Types of Cases Where No Relief Was Granted Due to Law or DOF Policy

	TY 2015-16	TY 2016-17	TY 2017-18	Total
Property	11	41	27	79
Property tax - personal exemptions	3	9	9	21
Property tax - assessed or market value	1	14	4	20
Property tax - abatements (commercial/personal)	2	10	4	16
Property tax - tax-lien sales	0	0	6	6
Property tax - classification	1	3	1	5
Property tax - records	0	2	1	3
Property tax - commercial exemptions	0	2	0	2
Property tax - payments	1	0	1	2
Property tax - tax exempt (NFP)	1	0	0	1
Property tax - in rem foreclosure	1	0	0	1
Property tax - mapping	1	0	0	1
Property tax - refunds	0	1	0	1
Property tax - RPIE filing	0	0	1	1
Business	3	1	2	6
General business tax - refunds/penalty abatements	2	0	1	3
Unincorporated business tax - refunds/penalty abatements	1	1	0	2
General business tax - other	0	0	1	1
Grand Total	14	42	29	85

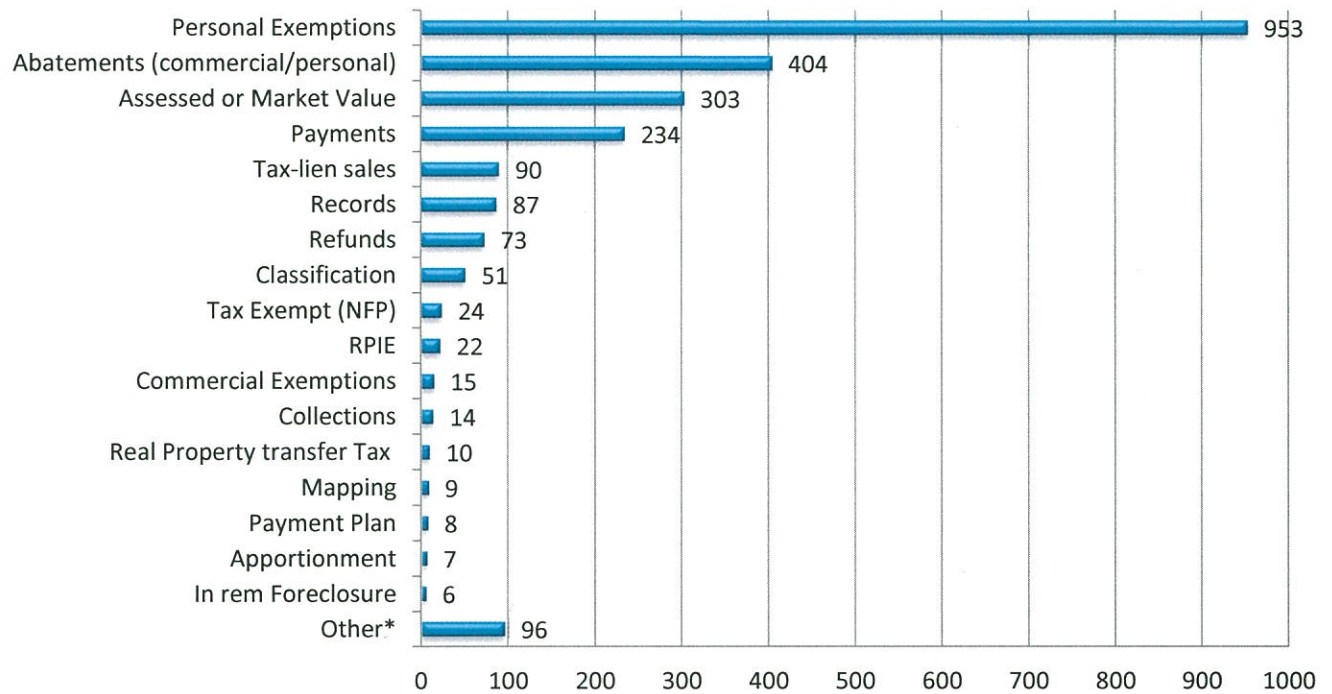
F. Property Tax Inquiries and Cases by Subcategories⁶

The following chart shows a breakdown of property tax inquiries and cases by subcategory. Of the 1,439 property tax cases and inquiries that OTA handled during tax year 2017-18, 753 involved personal exemptions, or 953 of 2,406 since OTA opened. An additional 190 (404 overall) involved abatements; 135 (303) involved questions or disputes regarding assessed or market value; 124 (234) involved disputes over how payments were applied or processed; 49 (90) involved tax lien sales; 35 (87) involved issues with how DOF recorded property; and 44 (73) involved refund issues.



⁶ Abatements (coop and condo, 421-a and commercial abatements); Personal Exemptions (STAR, Enhanced STAR, SCHE and DHE, Veteran, Clergy and Good Samaritan); Property Tax Classification; Assessed or Market Value; Mapping (assignment of lot numbers); Refunds; Payments (processing of and application of) ; Commercial Exemptions (ICIP and ICAP); Apportionment (processing of requesting apportionment or merger requests); Records (how DOF has recorded a property); RPIE Penalty (imposed on late and non-filers); Real Property Transfer Tax; Not for Profit Tax Exemptions (questions concerning requested, denied or removed tax exemptions); Payment Plans; Collections (attempts to collect prior to a lien sale); Tax Lien Sale (questions about properties in the current or previous tax lien sale); In Rem Foreclosure; and Other (unique issues or questions, or disputes that involve hybrid or multiple issues).

Property Tax Cases and Inquiries by Subcategory Since OTA Opened, Cumulative

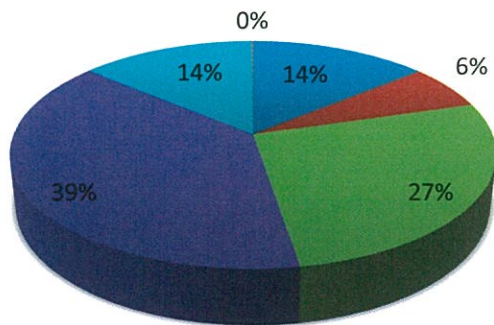


* “Other” refers to a variety of property tax issues that could not be properly classified, including parking tax exemptions related to property ownership; miscellaneous charges not necessarily related to property tax debt (e.g., Environmental Control Board or Housing Preservation and Development debts); erroneous payments made with New York State; and basic legal or procedural questions. To the extent that those issues recur, they may receive their own category of classification on future reports.

G. Property Tax Inquiries and Cases by Borough

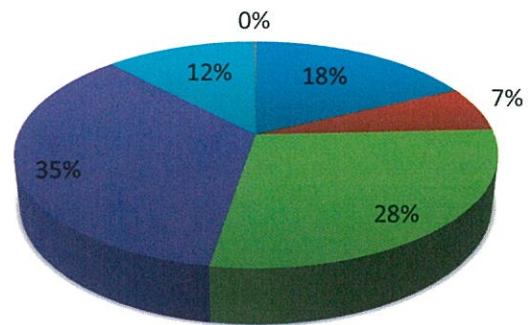
More than one-third of all property tax disputes handled by OTA are from Queens, and over a quarter are from Brooklyn. Staten Island and the Bronx are boroughs where outreach continues to be necessary, though the former has shown some growth. In sum, all boroughs have shown growth in total property tax work.⁷

Property Tax Cases and Inquiries by Borough for TY 2017-18



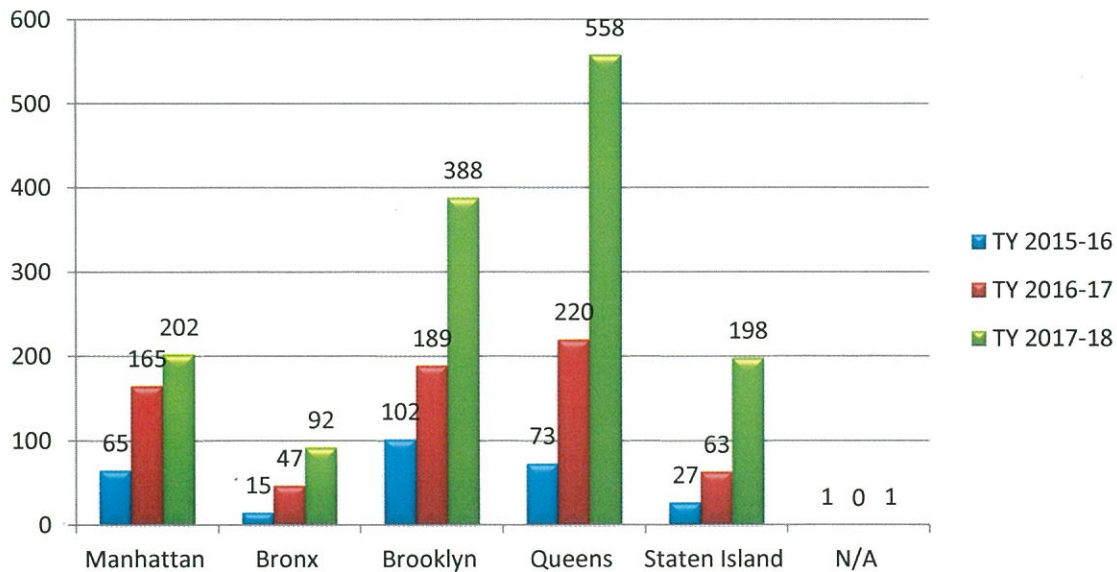
■ Manhattan ■ Bronx ■ Brooklyn
 ■ Queens ■ Staten Island ■ N/A

Property Tax Cases and Inquiries by Borough Since OTA Opened



■ Manhattan ■ Bronx ■ Brooklyn
 ■ Queens ■ Staten Island ■ N/A

Property Cases and Inquiries by Borough, by Tax Year



⁷ Two property tax inquiries without boroughs involved more general questions and suggestions regarding process.

H. Property Tax Cases by City Council District⁸

OTA handled property tax cases resulting in refunds or abatements for property owners in 43 of New York City's 51 council districts in tax year 2017-18. The refund and abatement amounts by district are listed below:

Property Tax Refunds and Abatements by City Council District for Tax Years 2016-17 and 2017-18

District	Number of Cases		Refunds		Abatements		Council Member
	2016-17	2017-18	2016-17	2017-18	2016-17	2017-18	
1	22	6	\$31,124	\$57,780	-	\$3,655	Margaret Chin
2	7	11	-	\$2,324	\$17,107	\$4,168	Carlina Rivera
3	5	8	-	\$40,422	-	\$2,145	Corey Johnson
4	12	7	-	\$25,429	\$2,868	\$44,664	Keith Powers
5	11	8	\$35,745	\$13,994	\$20,475	\$30,004	Ben Kallos
6	7	9	\$1,912	\$7,359	\$17,184	\$18,975	Helen Rosenthal
7	4	1	\$16,747	-	-	-	Mark Levine
8	1	4	-	\$1,823	-	\$642	Diana Ayala
9	2	5	-	\$618	-	-	Bill Perkins
10	0	0	-	-	-	-	Ydanis Rodriguez
11	2	4	-	-	-	-	Andrew Cohen
12	1	1	-	\$3,654	\$19,291	-	Andy King
13	8	5	\$159,584	-	\$848	\$2,808	Mark Gjonaj
14	0	0	-	-	-	-	Fernando Cabrera
15	2	2	-	-	-	-	Ritchie J. Torres
16	0	1	-	-	-	\$3,112	Vanessa Gibson
17	2	4	-	\$5,677	-	\$9,699	Rafael Salamanca Jr.
18	4	3	\$5,098	-	\$31,374	\$14,308	Ruben Diaz, Sr.
19	8	11	\$46,594	\$2,321	\$2,969	\$40,674	Paul Vallone
20	3	5	\$2,864	\$7,711	\$17,444	\$20,732	Peter Koo
21	0	6	-	\$13,866	-	\$31,527	Francisco Moya
22	5	3	\$330	\$909	\$2,745	\$5,209	Costa Constantinides
23	15	11	\$146,748	\$1,522	\$33,261	\$53,960	Barry Grodenchik
24	4	8	\$2,548	\$3,044	-	\$19,994	Rory Lancman
25	6	4	\$383	\$21,589	\$580	-	Daniel Dromm
26	5	4	\$20,662	\$744	\$58,539	\$1,898	Jimmy Van Bramer
27	7	8	\$4,720	\$44,738	\$2,407	\$3,056	I. Daneek Miller
28	4	4	\$4,622	\$2,107	-	\$1,442	Adrienne Adams

⁸ Omitted districts have not had any cases with refunds or abatements through March 31, 2018. As OTA is now tracking its annual report data based on cases closed per tax year, rather than cases opened, figures may vary from those compiled in the first two annual reports. OTA is tracking its open cases separately; data from all cases opened before March 31, 2018, but closed during the next tax year will be included in the 2019 annual report.

District	Number of Cases		Refunds		Abatements		Council Member
	2016-17	2017-18	2016-17	2017-18	2016-17	2017-18	
29	4	6	\$1,413	\$41,950	-	\$23,751	Karen Koslowitz
30	6	6	\$393	\$3,700	\$6,684	-	Robert Holden
31	4	9	-	\$1,348	-	\$22,847	Donovan Richards
32	9	6	\$1,268	\$4,406	\$2,062	\$201,452	Eric Ulrich
33	3	2	-	-	-	\$11,921	Stephen Levin
34	1	3	\$8,499	-	-	\$17,526	Antonio Reynoso
35	4	4	-	\$13,093	-	-	Laurie Cumbo
36	3	4	-	\$334,172	-	\$16,297	Robert Cornegy Jr.
37	0	3	-	-	-	-	Rafael Espinal Jr.
38	0	3	-	\$634	-	\$870	Carlos Menchaca
39	6	7	\$35,134	\$4,170	-	-	Brad Lander
40	2	1	-	-	-	\$2,000	Mathieu Eugene
41	4	1	\$4,932	-	-	-	Alicka Ampry-Samuel
42	5	3	-	-	\$656,850	-	Inez Barron
43	3	1	\$947	-	\$41,355	\$7,000	Justin Brannan
44	7	3	\$52,656	-	\$22,452	\$3,459	Kalman Yeger
45	4	4	\$606	\$3,005	\$108,336	\$13,700	Jumaane Williams
46	6	7	\$10,306	\$6,092	\$5,086	\$3,033	Alan Maisel
47	7	1	-	-	\$8,618	-	Mark Treyger
48	13	6	\$84,013	-	\$3,471	\$6,143	Chaim Deutsch
49	8	3	-	\$18,515	-	-	Deborah Rose
50	10	15	\$251	\$1,027	\$16,009	\$38,009	Steven Matteo
51	9	11	-	\$1,533	\$22,974	\$18,190	Joseph Borelli
N/A	0	1	-	\$12,000	-	-	N/A
Total	265	253	\$680,097	\$703,274	\$1,120,989	\$698,870	

I. *Business and Excise Tax Cases and Inquiries by Subcategories*⁹

Of the 114 business tax cases and inquiries that OTA handled in tax year 2017-18, 73 involved general business taxes—i.e., business corporation tax (BCT) or general corporation tax (GCT) issues¹⁰—including 30 involving refunds and abatements, 17 involving payments, and 14 involving miscellaneous issues.¹¹ Another 24 cases and inquiries handled by OTA involved

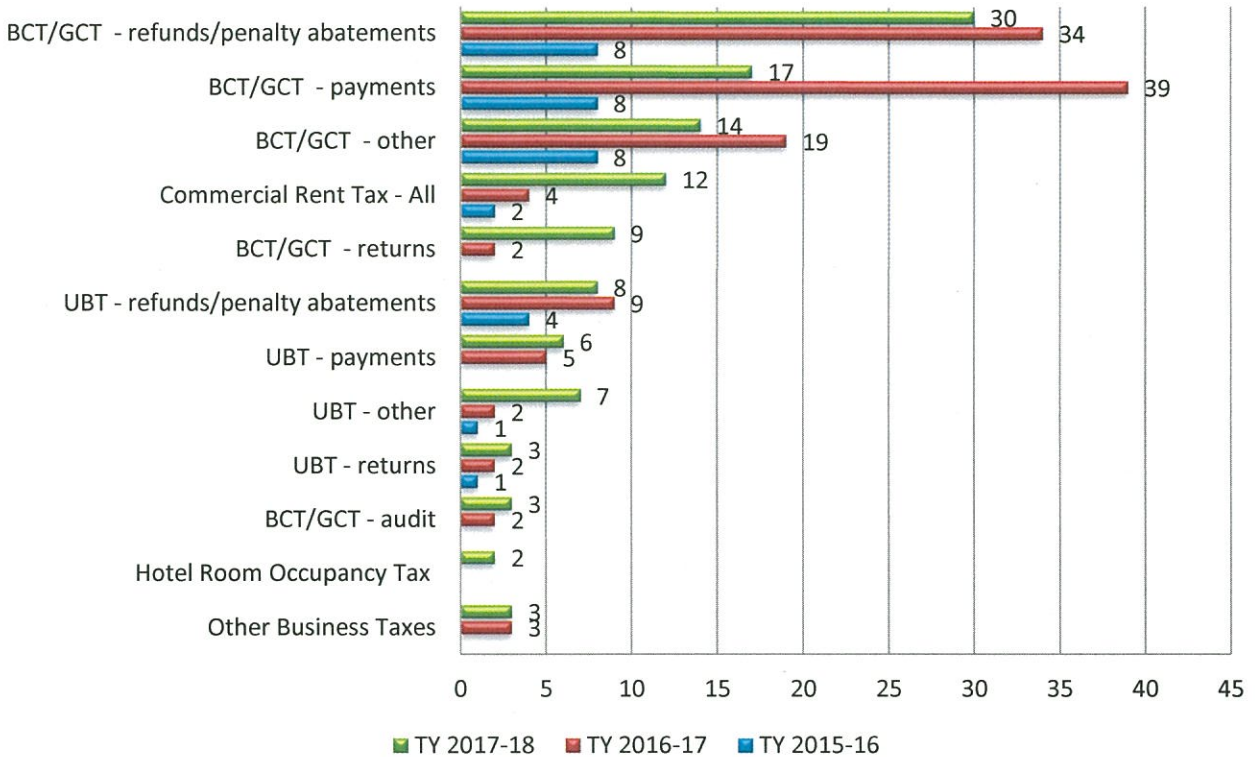
⁹ The subcategories of business and excise tax cases and inquiries are subdivided into particular issue types from four major business tax types: general business tax (business corporation tax or general corporation tax), unincorporated business tax, commercial rent tax, and other taxes.

¹⁰ BCT, the business tax which subchapter C corporations are obligated to pay, was created per statute starting in calendar year 2015. Thus, when OTA was created, BCT issues did not exist yet, as all C-corporations paid GCT prior to 2015. As BCT issues become more prevalent, the categories involving “General Business Tax” may be bifurcated to account for BCT and GCT issues separately in future reports.

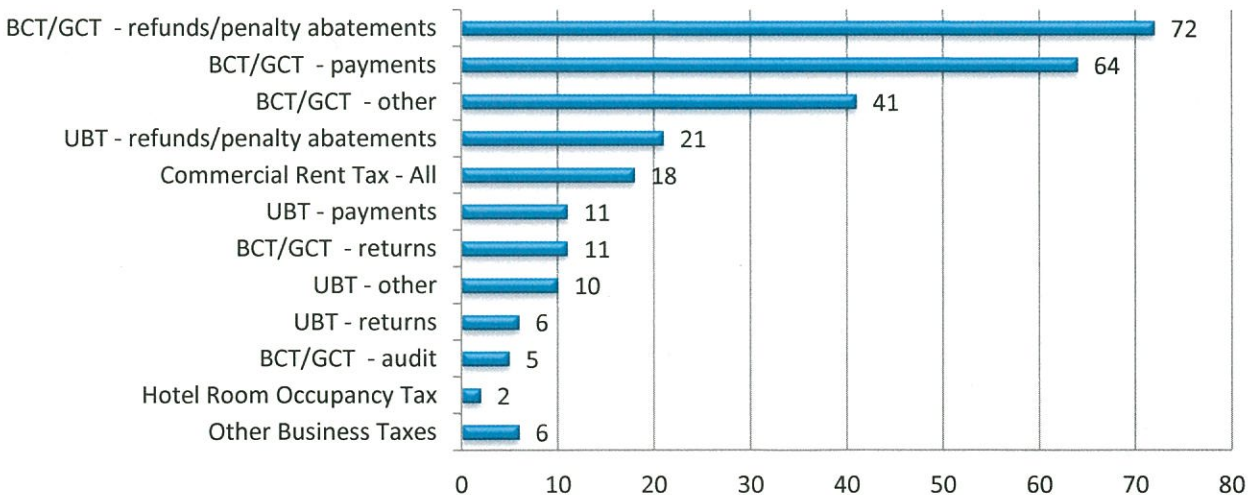
¹¹ Some of these “miscellaneous issues” include outstanding DOF matters related to corporate dissolutions, issues in calculating taxes, and document requests.

unincorporated business tax (UBT) issues. Of the 267 business tax cases OTA has handled since the office opened, 193 involved BCT/GCT and 48 involved UBT issues.

Business Tax Cases and Inquiries by Subcategory, by Tax Year Since OTA Opened



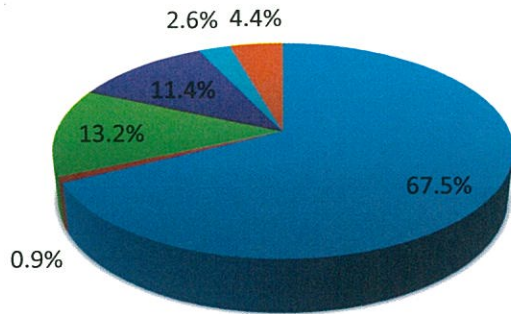
Business Tax Cases and Inquiries by Subcategory Since OTA Opened, Cumulative



J. Business and Excise Tax Cases and Inquiries by Borough

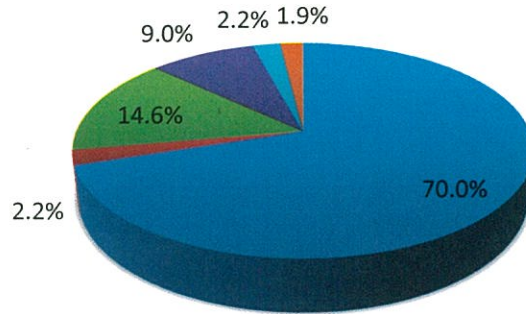
Over two-thirds of business and excise tax cases and inquiries involved businesses with a nexus (or substantial business presence) in Manhattan for tax year 2017-18; since OTA’s inception, the amount was 70%. Queens is the only borough in which the total number of business tax cases increased during tax year 2017-18.

Business Tax Cases and Inquiries by Borough for TY 2017-18



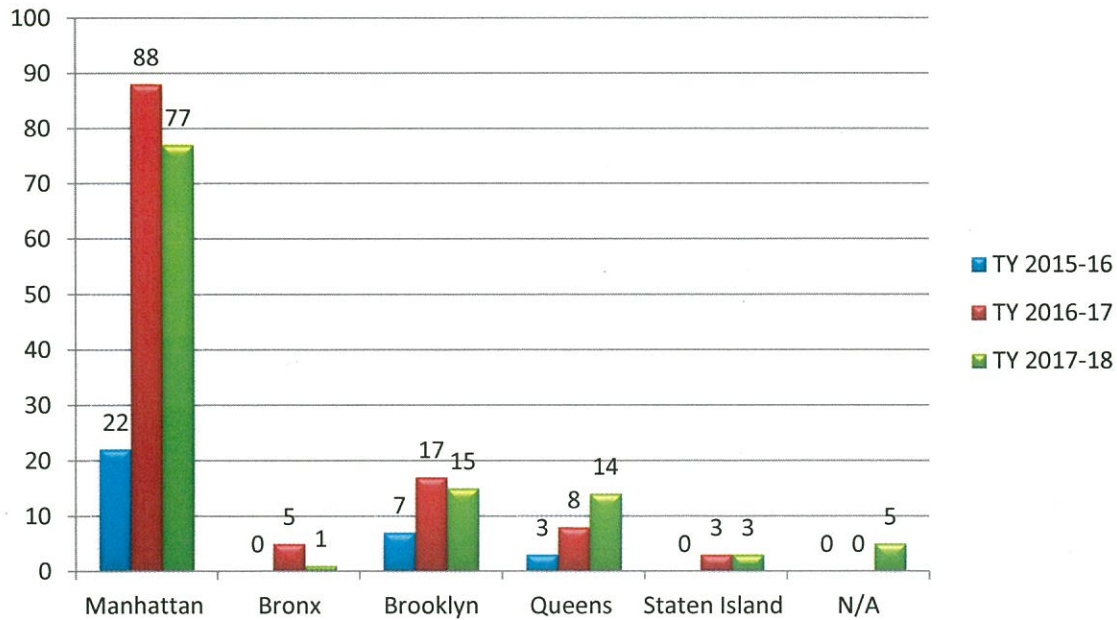
- Manhattan
- Bronx
- Brooklyn
- Queens
- Staten Island
- N/A

Business Tax Cases and Inquiries by Borough Since OTA Opened



- Manhattan
- Bronx
- Brooklyn
- Queens
- Staten Island
- N/A

Business Cases and Inquiries by Borough, by Tax Year



K. Business Tax Cases by City Council District

OTA handled business tax cases resulting in refunds or abatements for business taxpayers in 14 of the city's 51 council districts during tax year 2017-18. Seven cases resulting in abatements could not be attributed to a district (e.g., they involved taxpayers doing business outside the City). The refund and abatement amounts by district are listed below:

**Business Tax Refunds and Abatements by City Council District for
Tax Years 2016-17 and 2017-18**

District	Number of Cases		Refunds		Abatements		Council Member
	2016-17	2017-18	2016-17	2017-18	2016-17	2017-18	
1	6	9	\$6,017	\$1,000	\$149,503	\$7,335	Margaret Chin
2	0	2	\$86,020	-	-	\$2,875	Carlina Rivera
3	1	7	-	\$859	-	\$30,056	Corey Johnson
4	17	18	\$204,493	\$542,615	\$61,546	\$10,973	Keith Powers
5	0	3	-	\$1,582	-	\$964	Ben Kallos
6	1	3	-	-	-	\$792	Helen Rosenthal
8	1	0	-	-	\$28	-	Diana Ayala
9	2	0	-	-	\$291	-	Bill Perkins
10	0	2	-	-	-	-	Ydanis Rodriguez
15	1	0	-	-	\$12,749	-	Ritchie J. Torres
17	1	1	-	-	-	\$9,861	Rafael Salamanca Jr.
19	1	0	-	-	\$28,820	-	Paul Vallone
22	0	1	-	-	-	\$4,378	Costa Constantinides
26	0	3	-	\$916	-	-	Jimmy Van Bramer
29	0	1	-	-	-	-	Karen Koslowitz
31	1	2	-	-	-	-	Donovan Richards
32	1	1	\$10,052	-	-	-	Eric A. Ulrich
33	0	1	-	\$330	-	-	Stephen Levin
34	1	3	\$59,656	-	-	\$3,309	Antonio Reynoso
39	1	0	-	-	\$221	-	Brad Lander
41	0	3	-	\$25,330	-	\$3,346	Alicka Ampry-Samuel
44	1	1	-	-	\$232	\$4,530	Kalman Yeger
45	1	0	-	-	-	-	Jumaane Williams
50	0	1	-	-	-	\$135,018	Steven Matteo
51	0	1	-	-	-	-	Joseph Borelli
N/A	4	7	-	-	\$26	\$35,564	N/A
Total	41	70	\$366,230	\$572,632	\$253,416	\$249,002	

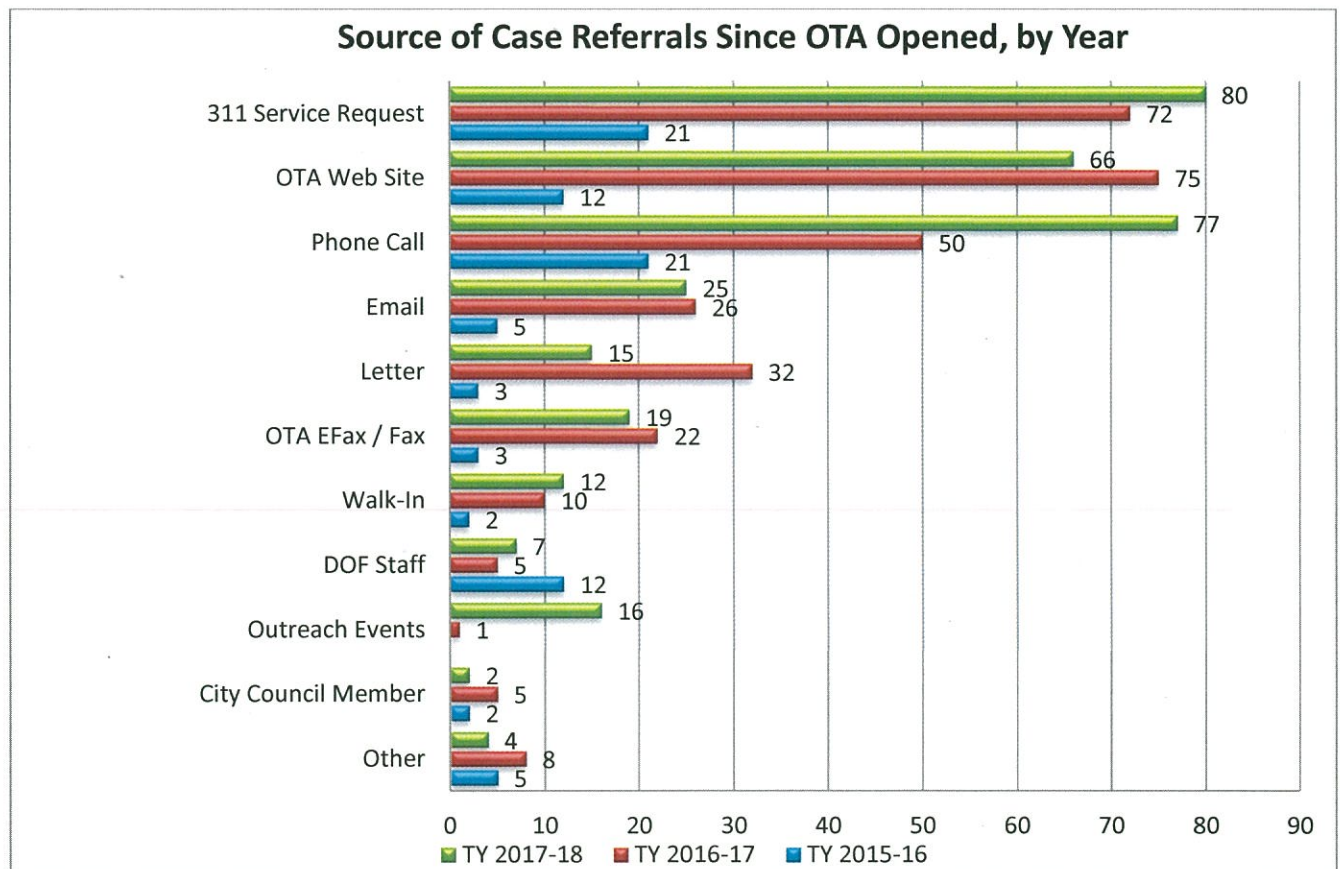
L. Refunds and Abatements by Major Tax Type and Tax Year

In its two full years,¹² OTA has seen a total of \$2,322,234 in refunds and \$2,322,277 in abatements, of which \$1,275,907 in refunds and \$947,872 in abatements can be attributed to tax year 2017-18.

	Refunds		Abatements		Total Refunds	Total Abatements
	Business	Property	Business	Property		
TY 2016-17	\$366,230	\$680,097	\$253,416	\$1,120,989	\$1,046,327	\$1,374,405
TY 2017-18	\$572,632	\$703,274	\$249,002	\$698,870	\$1,275,907	\$947,872
Grand Total	\$938,862	\$1,383,371	\$502,417	\$1,819,859	\$2,322,234	\$2,322,277

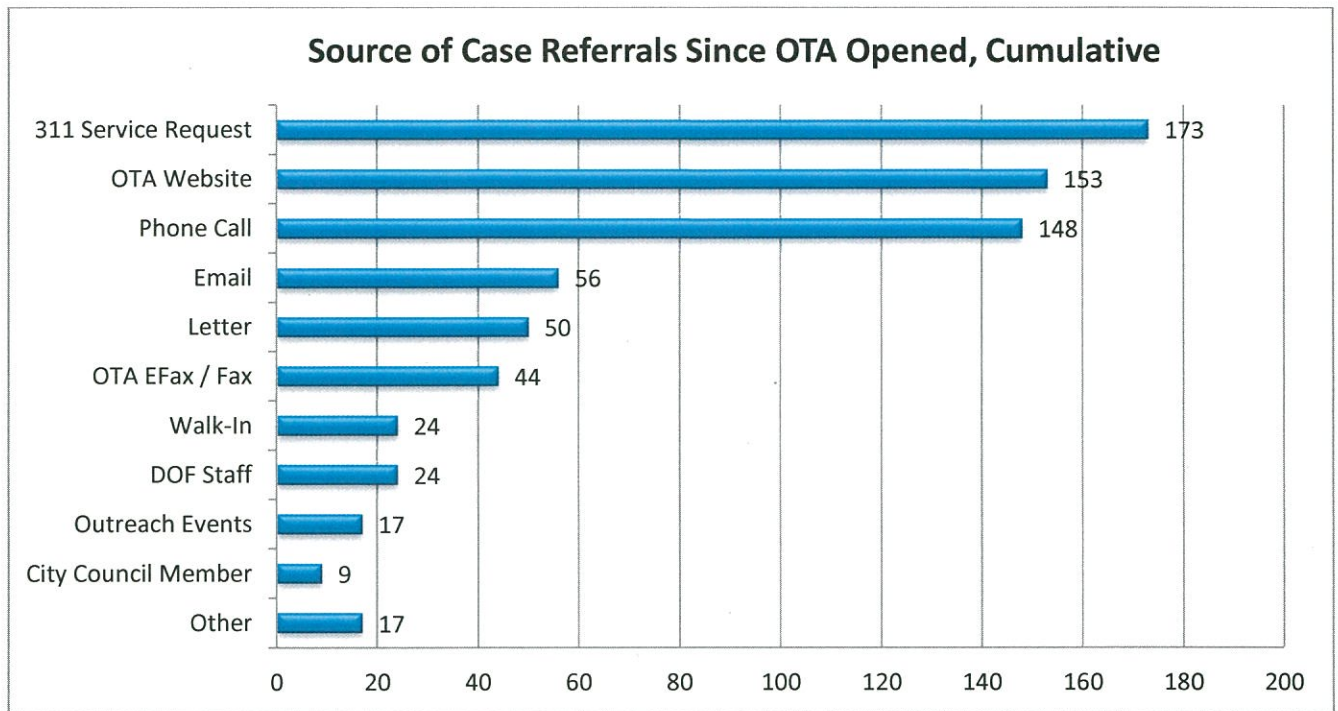
M. Referrals by Source

OTA continues to receive a majority of its requests via 311, both cumulatively (173) and in tax year 2017-18 (80). However, direct phone calls were nearly as prevalent in 2017-18 (77), with requests via the OTA website the third most frequent source (66). Cumulatively, 142 cases have been referred via phone call and the OTA website.¹³



¹² The numbers for TY 2015-16 were omitted here because they did not encompass a complete cycle.

¹³ Note that OTA did not keep track of “outreach” referrals in TY 2015-16.



Part V:

Recommendations for the Current Reporting Period

For the reporting period March 31, 2017, to April 1, 2018, OTA has identified and analyzed new issues and has issued recommendations for corrective measures to mitigate problems encountered by NYC taxpayers and property owners. The issues identified have been categorized into two sections: Property and Business. The Property issues have been broken down further into subsections for (A) Assessment Issues; (B) Rent Freeze Issues; (C) Homeowner Tax Benefit Issues; and (D) Not for Profit Issues.

1. Property Issues

A. Assessment Issues

1) Recommended Enhancements to the Request for Review Process

Property owners can challenge their property assessments with DOF through the Request for Review (RFR) process. The deadline for filing an RFR is March 15 for tax class 1 owners and April 1 for tax classes 2 and 4. Owners filing electronic RFRs receive an e-mail confirming receipt and informing the owner that a property assessor will review the submitted information, and a written decision will be provided. RFRs that are filed on paper are not acknowledged in

writing. DOF's website advises that owners contact the Property Division's borough offices through the DOF website or 311.

In calendar year 2017, DOF processed 3,400 RFRs. Even though nearly 25% (859) have resulted in changes to market value, owners do not understand why there is no corresponding decrease in their property taxes due.

DOF is currently working to standardize RFR decision letters and expects to complete the process by next year. In connection with the standardization of RFR letters, OTA is making the following recommendations.

Recommendations:

- a. DOF should establish a process to provide written confirmation of paper RFRs.
- b. DOF should establish a timeframe within which an RFR will be determined, and communicate the timeframe to all RFR filers.
- c. DOF should provide a clear statement on the RFR forms explaining that a change in market value will not necessarily result in a change in property tax.

2) Creating a Tutorial Regarding Tools on DOF's Property Website

In order to assist property owners in understanding how DOF arrived at their property assessment, DOF should publicize the tools available, such as digital property tax maps and rolling sales data, so property owners can compare the market value of their property to their neighbors', as well as view other pertinent property characteristics, including different valuation models and descriptive features.¹⁴

Recommendation:

- a. DOF should better publicize its digital property maps and create a tutorial on how to use their various features.

The Property Division supports this recommendation and hopes to move forward with it.

3) Assessors at Business Centers

Property owners with assessment questions must either speak with an assessor at one of the scheduled NOPV sessions, or have their issue referred indirectly to the Property Division. As

¹⁴ The property tax maps are at the bottom of the rolling sales data webpage, <http://www1.nyc.gov/site/finance/taxes/property-rolling-sales-data.page>

assessment offices are not open to the public, such referrals may simply result in property owners being asked to complete an RFR, Request to Update (RTU), or Clerical Error Remission (CER) form. Property owners can also communicate with the borough assessor offices through webmail addresses and will receive a response via e-mail, telephone, or a system-generated letter. However, not all property owners are Internet-savvy, and some need more personalized help than simply being told to file a form.

Recommendation:

- a. During NOPV season, as an additional customer service, DOF should have assessors on hand at business centers during business hours to answer property owners' questions regarding assessment issues.

The Property Division agrees with OTA that having assessors at the business centers would be a valuable enhancement to customer service. DOF will move forward with this recommendation.

4) *Estimated Property Taxes on NOPVs*

Currently, NOPVs contain information regarding a property's market value, assessed value, and exemptions, which together are used to calculate the "taxable value." OTA's experience at NOPV sessions and via office inquiries, however, is that property owners are only concerned with such figures as they relate to the amount of *tax* they will pay for the upcoming year, a number absent from the NOPV.

OTA understands that property taxes are subject to change with the tax rate in the middle of the fiscal year. Many property owners, though, are less interested in an exact amount, and more concerned with planning their finances for the upcoming year. Adding a line for estimated taxes would also help property owners understand better how the change in market value or assessed value will ultimately affect their quarterly or semiannual bills.

Recommendation:

- a. DOF should include "estimated" annual taxes due on NOPVs, with the caveat that they are subject to adjustment based on the tax rate or any other relevant factors.

5) *Refund Requests on Revised Assessments*

Property owners may receive a Notice of Revised Property Tax Assessment resulting in a credit or refund. Such notice includes a link at the bottom inviting the owner to apply for a refund, but the notice does not indicate the amount to be refunded. Property owners without easy access to a computer cannot necessarily navigate to the refund application. For these people, only on the

refund application or on their next bill will they learn of the six-year statute of limitations to apply for the refund.

Recommendations:

- a. If an RFR determination will involve a change to an assessment that gives rise to a credit or refund, DOF should include the amount of the credit or refund on the notice, rather than just the valuation change.
- b. DOF should provide the requisite forms to request the credit or refund with the Notice of Revised Property Tax Assessment.

B. Rent Freeze Program

In addition to handling business and property tax issues, OTA also houses the ombudspersons for the Rent Freeze programs—the Senior Citizen Rent Increase Exemption (SCRIE) and the Disability Rent Increase Exemption (DRIE). Although most SCRIE/DRIE issues are covered within the ombudspersons’ annual report, published each October, OTA will briefly address one pertinent issue on which DOF expects to be moving forward.

6) Benefit Takeover Application and Redetermination

When a spouse dies or permanently vacates a property, the remaining spouse must file a benefit takeover (BTO) application if he or she also qualifies for SCRIE/DRIE. Often, the surviving spouse experiences a permanent loss of income greater than 20%, requiring a redetermination to properly adjust the rent. This request for redetermination must be filed within six months of the spouse’s death or vacating of the property, or ninety days after DOF receives such notification, whichever is later. Although both the BTO and redetermination processes can be handled by filing the former application, forcing qualifying spouses to file applications just to retain benefits is tedious and burdensome.

Recommendations:

- a. Qualifying surviving spouses residing at the property, regardless of whether they are on the lease, should automatically assume the SCRIE/DRIE benefit. Additionally, the time to apply for income redetermination should be extended to at least one year.
- b. DOF should consider reviewing state regulations, as changes will likely involve statutory adjustment at the state level.

DOF agrees with OTA’s recommendation and will be drafting rules that would eliminate the need for a qualifying surviving spouse to file a BTO.

C. Homeowner Tax Benefits (HTB) Issues

The vast majority of OTA's inventory this year relates to personal exemptions and abatements, which are handled by DOF's HTB Unit. These recommendations address those issues.

7) SCHE/DHE Automated Income Verification

In 2017, DOF began to allow taxpayers to opt for automated income verification (AIV) upon renewal of their SCHE or DHE benefits. However, some taxpayers who checked the AIV box on the application may still be asked for their tax information. This occurs, largely, for two reasons: (1) The taxpayer is not eligible for AIV by virtue of being a non-filer, or because the property is in a life estate or a trust. (2) The taxpayer's federal tax information has not yet been received from the IRS. In the second instance, the taxpayer's application would otherwise be held indefinitely until that information arrives; instead, DOF sends the taxpayer a notice requesting current tax information. DOF is exploring how to better streamline the AIV process.

Recommendations:

- a. DOF should include clearer information on its SCHE and DHE applications regarding the possible outcomes of checking the AIV box. Such information should include the delay in processing of incomplete applications, particularly for taxpayers who are not eligible for AIV. It should also mention the possibility that DOF may request the taxpayer's return information in the event of a delay from the IRS.

8) DHE "Benefits Letter"

New York state law mandates that applicants for DHE submit an official "award letter" showing they receive Social Security or similar disability benefits as evidence that they are disabled [*see* NY Real Property Tax Law § 459-c(2)(b)]. Applicants who do not submit such a letter are either denied DHE benefits or told their application is incomplete. Not all taxpayers have easy access to such a letter, and obtaining one is often burdensome.

DOF can obtain IRS transcripts via AIV procedures when taxpayers renew their benefits, and IRS wage and income transcripts show whether a taxpayer is receiving disability payments. Such information serves the same function as an "award letter" in providing proof of a disability.

Recommendation:

- a. DOF should consider whether state legislation should be sought to allow other official documents, including IRS transcripts, as proof of a disability for purposes of qualifying for DHE.

9) *Vendor Processing Delays and Errors*

All homeowner tax benefit applications are currently processed through the Personal Exemptions Online Processing System (PEOPS). Property owners mail paper applications and their supporting documents to the address of a third-party vendor, Vanguard, which scans and uploads everything into PEOPS.

Applications are catalogued within PEOPS by submission—e.g., a SCHE application filed for fiscal year 2016-17 receives a different entry than one filed for 2018-19, even though both are filed by the same taxpayer. Additional document submissions are uploaded only to the entry for that particular year. Such a process often leads to duplicate or misfiled submissions, requests for documents already submitted with a previous application that need not be resubmitted—such as a deed to a life estate, or a death certificate—and overall unnecessary delays. DOF has been examining this issue more closely—both recordkeeping and with Vanguard. PTS may partially improve the process by lightening the load of paper applications and automating application procedures, but that does not guarantee applications will be reviewed more thoroughly for erroneous submissions.

Recommendations:

- a. DOF must better train employees and third-party vendors to track, monitor, and correct duplicate filings and process applications by identifying and remedying common problem areas. Such training would include reviewing older entries attributed to the same property owner or BBL for documents that need not be resubmitted, or comparing PEOPS entries to weed out duplicate documents or misprocessed applications.
- b. DOF should designate a particular person or implement a supervisory process to monitor paper submissions that are uploaded to PEOPS, for quality assurance.

10) *Late-Approved Exemptions Causing Hardship*

The recent backlog in the processing of homeowner exemption applications and renewal—due, in part, to the influx of applications resulting from statutory changes raising the qualifying income threshold—has led to a delay in the approval or renewal of benefits. The delay has created hardship among vulnerable populations—senior citizens and disabled individuals—who are often living on a fixed income and have limited means of securing additional funds. These individuals, as they wait for their exemptions to be approved or renewed, are required to pay the full amount of property tax per quarter, rather than the reduced rate, often for several months. Moreover, individuals whose property taxes are paid through their monthly mortgage escrow account will see a non-negotiable rise in their required monthly payments—forcing these property owners to dip into savings they may not have or borrow to stave off delinquency.

Although the benefits are approved retroactive to July 1, with overpayments credited to the account, mortgagees who request a refund often may not receive it right away, if at all. The overpayments are credited back to their bank, which either adjusts the owner's future mortgage payments or provides the owner with a surplus check at the end of the year. Property owners on a tight budget may not have the cash in reserve to wait a full year-plus for the adjustments or credits to equalize their advanced debt, leading potentially to long-term financial harm.

DOF's policy on exemption renewals is to send a pre-populated renewal application to the owner, with notification of the March 15 deadline. The exemption is not supposed to be removed from the owner's property until the owner has adequate time to respond; however, over 10% of OTA's cases related to the correction, denial, revocation, or removal of exemptions during this reporting period were the result of late-processed or late-filed SCHE or DHE renewal applications. Furthermore, of exemptions revoked on 14,012 owners of non-cooperative units¹⁵ who did not respond to DOF's audit of such properties in June 2017, 1,542 have had their benefits restored as of April 2018. DOF has approved approximately 90% of all SCHE or DHE renewal applications processed since January 2017.

Recommendation:

- a. Property owners whose SCHE or DHE renewal applications have been filed but are still in process when the new property tax year begins (July 1) should continue to receive their homeowner benefits as though the application was approved. In the event the application is denied at a later date, those benefits may be removed.

11) *Enumerating Exemptions upon Approval, Revocation, or Reinstatement*

When an exemption is placed on or removed from a property owner's account, DOF currently has no notation system to indicate which exemption(s) they are. For taxpayers whose accounts have become complicated as a result of the credits and revocation shifting around balances, it isn't always clear how their property taxes are being affected. At best, property owners can back-calculate their credits and balances based on old property tax statements, but that has proven challenging even internally. It is in the interest of part of DOF's mission—to administer the tax and revenue laws of the City transparently, as well as providing exceptional customer service—to provide property owners a current and historical picture of the charges on their accounts, including exemptions that have been added or removed.

¹⁵ Including cooperative shareholders, a total of 16,822 nonresponsive property owners had their benefits revoked. Data were not available for cooperative shareholders, whose properties do not have individual BBLs, due to the challenges of linking processing data.

Recommendation:

- a. DOF should indicate specifically which exemptions have affected a property owner's account, be it a revocation leading to a balance, or a remission or reinstatement leading to a credit.

12) *STAR Revocations on New Property Owners*

New owners who do not apply to remove previous owners' Basic or Enhanced STAR ("ESTAR") benefits from their property will be held liable retroactively, with interest, for any years in which they improperly received ESTAR benefits. Retroactive interest is mandated by state statute. However, DOF states on its website that it "automatically" revokes old personal exemptions upon a title change once the new owner records the deed, which sends conflicting messages. Property owners with escrow accounts paying for their property taxes do not receive statements, and the less sophisticated among them may not be aware that they are not entitled to the exemptions listed on the NOPV, particularly if they would otherwise qualify.

Many of these property owners would have been eligible for the smaller Basic STAR exemption had they applied in a timely manner. However, they are not entitled to opt for Basic STAR instead of ESTAR for the retroactive period from which the ESTAR was revoked.

Recommendations:

- a. DOF must better educate property owners and purchasers that it is their responsibility to review their NOPVs and account statements, and to notify DOF if they are receiving a benefit for which they did not apply.
- b. DOF should remove all personal exemptions from a property upon change of title.

13) *Application to Remove Previously Granted Exemption(s) Fee*

DOF's Application to Remove Previously Granted Exemption(s) charges a \$500 filing fee. The fee (mandated by state law) is not intended to apply to innocent purchasers requesting removal. This fact is unclear from the language and placement on the application, and may discourage a taxpayer attempting to comply with DOF rules and regulations from completing it.

Recommendation:

- a. DOF should revise the application to specify that the \$500 charge only applies to property owners who are removing the exemption benefits for which they had knowingly applied in

spite of not being entitled to them, and not to property owners removing the benefits of a previous owner.

D. Not for Profit (NFP) Issues

Not for profit property owners using their property for nonprofit purposes should be exempt from taxation. However, the procedure to receive the benefit is complicated, and many such owners do not understand how to apply for or renew an exemption. This can result in liens being placed on properties that should have been exempt from taxation. Although DOF has made great strides in removing NFP properties from the lien sale rolls before the sale date, a few have fallen through the cracks. During the 2016 lien sale, 91 NFP-owned properties that had not properly received exemptions were affected; that number was reduced to 40 during the 2017 lien sale. These recommendations address how best to assist NFP property owners.

14) NFP Exemptions Outreach

DOF has created a microsite designed to provide more information regarding the NFP exemption. The site, which allows nonprofits to access the exemption renewal application electronically, has been promoted to the public and circulated to the members of the New York City Council. OTA also provided a list of tax class 4 parcels with NFP exemptions over the previous years prior to the 2016-17 tax lien sale season. However, the microsite needs fine-tuning to provide clearer guidance and more expansive information regarding NFP exemptions.

Recommendations:

- a. DOF should expand its microsite to include answers and explanations to commonly encountered problems.
- b. DOF should perform more in-person outreach educating NFP property owners about their entitlement to exemptions.

15) Partial NFP Exemptions

Property owners receiving only a partial NFP exemption—such as not for profit owners who rent a portion of their property to an unaffiliated tenant, or who have vacant or unused space that is not used for NFP purposes—must pay full property taxes on the portion that is not exempt. Because NFPs are strictly regulated regarding how much unrelated business income they can earn per year, any income they earn on the taxable portion may total less than the amount of tax they owe per year. Mandating that NFP owners pay full property tax on the non-NFP portion can thus lead to an inequitable result.

Recommendation:

- a. As part of its outreach, DOF should educate NFP owners about how unrelated business income or using part of their property for nonexempt purposes would affect their NFP exemption. Partial exemptions will leave NFPs with an outstanding tax bill prior to the lien.

16) *NFP Interdepartmental Collaboration*

NFP parcels included in the tax lien sale list cannot be assisted completely by OTA, as NFP entities often must deal with water charges via the Department of Environmental Protection (DEP), and potentially other interdepartmental issues. OTA has a strategic initiative regarding better communication with intragovernmental liaisons, which OTA believes will help with this issue in terms of sharing information.

Recommendations:

- a. DOF should be aware of other agency policies, including those of DEP, as they affect property tax.
- b. Initial tax lien sales notices should contain interdepartmental information and brochures as they pertain to outstanding balances.

2. Business Tax Issues

OTA generally does not handle pre-assessment business issues, as those matters are within the authority of DOF's Tax Audit and Enforcement Division, or DOF's Conciliation Unit. Thus, the majority of OTA's business tax inventory relates to collections issues, which are what the following recommendations target.

17) *Statute of Limitations*

DOF's lack of a statute of limitations on collection allows it to send warrants to taxpayers that are beyond recording in BTS. These outstanding balances have accumulated interest and penalties, the interest alone often more than the principal balance due. DOF has stated that it will not collect on debts that have not been migrated into BTS, but 14% of the business cases OTA has handled this reporting period have dealt with balances that are at least five years old.

Old, uncollectible debts—especially on defunct small business owners—will forever affect a taxpayer's credit and discourage a taxpayer from being compliant in the future. Furthermore, absent a statute of limitations, it is virtually impossible for a taxpayer to receive an offer-in-compromise, as, hypothetically, any tax debts—particularly those of individuals paying the

unincorporated business tax—could become collectible at any time, should the taxpayer’s financial situation unexpectedly change years later.

Recommendation:

- a. DOF should propose City legislation implementing a statute of limitations on collections.

OTA recommends the statute be similar to that of the state, 20 years, to promote consistency. A statute of limitations will ensure that DOF does not expend unnecessary resources trying to collect from a taxpayer who is unlikely ever to pay.

18) *Offer-in-Compromise*

DOF’s offer-in-compromise criteria are stricter than those of the state. In order for a debt to be considered not fully collectible in New York City, the business taxpayer must be either insolvent or discharged in bankruptcy, *and* the compromise amount cannot be “less than the amount the department could collect through legal proceedings.” For the purposes of state taxation, business taxpayers need merely be insolvent or discharged in bankruptcy.

Although DOF has attempted to eliminate the second prong from its offer-in-compromise criteria, proposed legislation was not successful. Yet DOF continues to instruct taxpayers to complete the state forms when applying for an offer-in-compromise with DOF. Those forms detail only the state criteria.

Recommendation:

- a. If DOF cannot revisit legislation to make the criteria consistent, it should create its own offer-in-compromise form to allay any confusion regarding the criteria it uses to determine compromises of debt.

19) *Outside Collection Agencies (OCAs)*

OTA met with DOF regarding its use of OCAs for business tax balances. Although most of OTA’s recommendations were incorporated, a handful were not. OTA wishes to continue the collaborative relationship it has developed with DOF as it crafts an SOP for working with OCAs.

Recommendation:

- a. DOF needs to have SOPs in place prior to the implementation of OCAs. OTA would like to remain involved in the drafting or reviewing process of the SOPs.

20) Commercial Rent Tax (CRT) Filing Requirement

Recent amendments to the NYC Administrative Code raised the threshold for businesses required to pay CRT. Previously, only business taxpayers whose base rent was \$250,000 or less were exempt from paying CRT. The addition of section 11-704.4 to the NYC Administrative Code will also exempt business taxpayers with a total income of \$5 million or less whose base rent is between \$250,000 and \$500,000, as of July 1, 2018. However, the threshold to file CRT returns, as stated in NYC Administrative Code § 11-705(a), has not changed. Businesses paying \$200,000 or more in rent still must file CRT returns even if no tax is due. Filing these forms is burdensome, and many small businesses affected by the change in rent threshold to pay CRT may now find themselves paying unnecessary failure-to-file penalties, in spite of not owing any tax.

Recommendations:

- a. DOF should propose legislation to the New York City Council amending NYC Administrative Code § 11-705(a) to raise the CRT filing threshold to an amount comparable to the rise in the CRT payment threshold (perhaps \$450,000 in rent or \$4.5 million in income).
- b. DOF should also amend the corresponding rule, 19 RCNY § 7-07, where necessary, to conform with any code changes.
- c. In the meantime, DOF should perform outreach to educate business taxpayers about the new law, highlighting the fact that taxpayers may need to file even if they owe no tax. Outreach should also note that the old CRT law is still in effect until July 1, 2018.

21) Reporting Additional Subtenants on Annual CRT (“CR-A”) Form

Page two of the CR-A form allocates space for three premises on which the taxpayer is paying CRT, but only one subtenant per premise. For additional premises, instructions at the top of the page say to “either make copies of this page or use the finance supplemental spreadsheet, available at nyc.gov/crtinfo.” For additional subtenants on any premise, the instructions to the CR-A state that taxpayers should either “make copies of page 2 or attach a schedule giving the same details as required on page 2.” Such instructions are confusing: if a taxpayer opts to include only a second copy of page two, it can lead to DOF confusing additional subtenants for additional premises—and thus charging additional, unnecessary taxes.

Recommendation:

- a. DOF should revise the instructions for the CR-A form to either allow additional lines for subtenants, or to allow only an attachment of a separate schedule to indicate a second subtenant, to differentiate from duplicate forms.

22) Reasonable Cause Penalty Abatements

Although DOF has formal regulations in place regarding penalty abatements, reasonable-cause abatements were not fully granted until changes to the City’s business tax laws and a high volume of calls to DOF’s phone lines necessitated their use around 2015. DOF now commonly offers abatements of certain penalties for reasonable cause. As reasonable cause abatements are discretionary, taxpayers are unaware whether their particular situation will fit one of DOF’s requirements to receive such an abatement.

Recommendation:

- a. DOF should publish policies within the proposed *Internal Finance Manual* establishing parameters for reasonable-cause abatements.

23) Installment Agreements

DOF has rules and policies regarding businesses entering into installment agreements. Businesses with back balances that are registered with BTS E-Services can propose such agreements on their own, and DOF will approve or deny them based on its policies. As DOF’s installment guidelines are not published, businesses do not know whether their request for an installment agreement is appropriate. Furthermore, not all business taxpayers—particularly small business owners, or taxpayers subject to UBT—have registered an E-Services account; those taxpayers may not even be aware that an installment agreement is an option.

Recommendation:

- a. DOF should prominently publish its installment agreement guidelines on the DOF website, or otherwise make them publicly available and easily accessible.

Part VI:

Success Stories

OTA has a success rate of more than 83% in the cases it has assisted in its three years of existence. As OTA is as much involved in helping taxpayers as it is in spotting systemic issues, the office wishes to highlight some of the successes it has had over the past year. These stories illustrate OTA's accomplishments as a new office, as well as its collaborative efforts with other DOF units and divisions.

#1—Property—Assessed Value/Clerical Error Issue

A taxpayer owned a vacant lot in Brooklyn. For tax year 2015-16, it was classified as tax class 4. Owners of class 4 properties are taxed on the lower of their actual assessed value (AV) or transitional AV; in this case, as the transitional AV was about \$75,000 lower than the actual AV, the taxpayer was taxed on the former. For tax year 2016-17, however, the property was erroneously reclassified as tax class 2B due to a nonexistent building. As the tax scheme differs for class 2B properties—in that only the actual AV is computed—the taxpayer's AV skyrocketed over \$100,000. The taxpayer successfully contested that there was no building on the property, but even after the removal of the structure, the property's AV remained about \$80,000 above where it was the previous year. The classification of the property was eventually corrected during tax year 2017-18, when the taxpayer again contested the existence of the building. However, because the transitional AV had been eliminated from the computations when the property was erroneously reclassified, it reset itself when the property was corrected to a class 4—to the same amount as the actual AV, or \$80,000 more than the taxpayer had been paying two years ago.

The issue was that the taxpayer was not sophisticated enough to understand the error that occurred, so when she filed a Request for Administrative Review/Clerical Error Remission (CER) form, she claimed she deserved relief due to the placement of the nonexistent building on the property, which had already been properly adjusted off the market value. Hence, her CER request was denied to the extent that there were any reductions in valuation. A petition to the Tax Commission contesting the assessed value for tax year 2017-18 was also denied; the Tax Commission no longer had authority to review the property's valuation from tax year 2016-17. Confused, the taxpayer contacted OTA, who explained to her the issue was the *tax class*, not the nonexistent building, and helped her file a new CER request with the correct explanation of the problem. The taxpayer's property taxes were abated by over \$17,500.

#2—Business—Real Property Transfer Tax

A taxpayer transferred 50% ownership of his residence to his daughter in 2006, for a nominal fee. There was a \$400,000 mortgage on the property at the time of transfer. A few months ago,

the taxpayer discovered that there was a warrant from 2009 for unpaid real property transfer tax (“RPTT”) resulting from that transaction. The taxpayer promptly paid the balance, but believed it was incorrect. As it was long past the appeal date, the taxpayer reached out to OTA. Initially, DOF Audit informed OTA that because the taxpayer indicated on his return that the transfer was an apartment building, the RPTT transfer was taxed on the outstanding mortgage between family members. OTA cited NYC Administrative Code § 11-2102, that “consideration for such conveyance or transfer shall exclude ... the amount of any mortgage or other lien or encumbrance on the real property or interest therein that existed before the delivery of the deed or the transfer and remains thereon after[ward].” Audit re-reviewed the transaction and eventually agreed with OTA, that the mortgage should not be included within the tax, provided the outstanding mortgage was not substantially altered during or in anticipation of the transfer, which Audit determined it was not. As the transfer was non-taxable, DOF vacated the warrant and issued the taxpayer a refund of over \$5,000.

#3—Property—Condominium Abatement

The board president of a new Manhattan condominium complex contacted OTA concerned that the sponsor had not applied correctly for the condominium abatement. A renewal application was filed for tax year 2017-18, but the sponsor had never sent in the initial application for tax year 2016-17. The rejection of the former arrived too late for the board president to cure it. When OTA inquired of the DOF Exemptions Unit whether the complex could still receive the abatement, DOF discovered that the building was still classified as “elevator apartments,” rather than condominiums. After several months of correspondence between OTA, Exemptions, and the DOF Property Division, the building was properly classified, and exemptions were reinstated for 2017-18 and the last two quarters of 2016-17 for the six units that were eligible to receive benefits. Over \$37,000 in credits and abatements has been recovered for those two years.

#4—Business—Refund Discrepancy

A business taxpayer consisting of multiple entities claimed a refund on its 2015 NYC combined business corporation tax return of over \$870,000, but DOF refunded only about \$550,000. There was a discrepancy between the DOF’s and the taxpayer’s records, likely stemming from the elective combined filing allowed under the new BCT law. The taxpayer contacted OTA for assistance in resolving this issue. OTA identified all of the payments that should have been in the taxpayer’s account and applied them to the taxpayer’s 2015 return. DOF’s records were missing payments for nine entities. With the assistance of the Refunds Unit, all of the misapplied payments were located. The additional refund issued was about \$320,000, plus over \$3,200 in refund interest.

#5—Property—SCHE Application Reconsideration

A taxpayer applied to renew her SCHE benefit and was denied on the basis of her total combined income exceeding the statutory limit. The spike in her income came from a tax-free exchange of life insurance contracts (“1035 exchange”), which, according to IRS Publication 575, is not considered gross income and need not be reported on her tax return. Nevertheless, the taxpayer had reported the \$88,000 exchange on line 16a (“Pensions and Annuities”) of her IRS Form 1040, reporting on line 16b (“Taxable Amount”) that none of this amount was taxable. DOF Exemptions, following current SCHE guidelines, likewise included the amount in line 16a as income. OTA contacted Exemptions and explained the concept of a 1035 exchange, and the amount was removed from her income. The taxpayer’s full SCHE benefit was reinstated.

#6—Business—Commercial Rent Tax/Notice of Levy

The CEO of a real estate corporation visited OTA at 9 a.m. on a Tuesday in January, distraught because DOF had put a hold on two of the corporation’s accounts amounting to about \$500,000. If the holds were not released that day, the corporation would not be able to make payroll and might have to shut down operations. The corporation had a back balance of about \$250,000 in commercial rent tax. A forensic accountant attempting to reduce the balance had worked with OTA in the past to verify records, as the corporation was in the process of assembling a package for an offer-in-compromise application. However, these holds happened seemingly overnight; one of the affected accounts was the corporation’s employee escrow, and the other its operating account, which it used, in part, to hold funds for independent contractors, per state statute. OTA worked with DOF Collections to provide documentation of the corporation’s predicament. By 5 p.m., Collections had planned to recommend that the bank release completely the hold on the escrow account, as well as release the hold on the operating account under the condition that the corporation enter into an installment agreement with 25% of the balance due held from that account as a down payment. The corporation and Collections agreed to enter into an 18-month installment agreement for the balance the next day; OTA’s prompt response had saved the corporation from immediate and irreparable harm.

Part VII:

OTA Outreach Efforts

During tax year 2017-18, OTA participated in 57 outreach events, as well as various NOPV sessions. The outreach events include nine Continuing Legal/Professional Education presentations, as well as seven “Tax Day” events.

“Tax Days” were collaborative events on which OTA worked with DOF, the New York State Office of the Taxpayer Rights Advocate, and the IRS’s regional taxpayer advocates. The events allowed taxpayers in all five boroughs to approach city, state, and federal representatives with tax issues.

Last fall, DOF and OTA worked with the IRS to organize a three-day symposium covering issues experienced by taxpayers with limited English proficiency. The event featured drop-in tables for taxpayers and practitioners with tax questions. The first day featured several panels on state, local, and federal tax issues and was held at the IRS building in downtown Manhattan, while the second and third days were more informal events at Our Lady of Perpetual Help in Brooklyn and Lehman College in the Bronx. OTA also participated in other events focused on the LEP community in collaboration with the Asian American Bar Association of New York, the Korean American Chamber of Commerce, and a private law firm.

OTA has also worked on finding additional resources outside DOF to help taxpayers directly. OTA met with the Center for NYC Neighborhoods, an organization that helps homeowners pay their back property taxes to avoid lien sales, as well as providing funds for other emergency issues. Additionally, OTA met with the Northern Manhattan Improvement Corporation, an organization that supports tenant associations and housing development, to discuss household income and housing issues related to the Rent Freeze Program.

GLOSSARY

Abatements – A reduction in real estate tax liability through credit rather than a reduction in taxable assessed value. The city has several abatements, including the J-51 housing rehabilitation, the Senior Citizens Rent Increase Exemption, the Lower Manhattan Revitalization, the Industrial and Commercial abatements and the Cooperative and Condominium abatements.

ACRIS (Automated City Register Information System) – Database of all property documents filed in the City Register’s Office—deeds, mortgages, etc.

Actual Assessed Value – The assessment established for all tax classes, without regard to the five-year phase-in requirement for most class 2 and all class 4 properties.

Assessed Value (AV) – The value of a property for real property taxation purposes. In New York City, property may have three assessed values: actual assessed value, transitional assessed value, and billable assessed value. The amount each can rise each year is capped at certain percentages for class 1 and class 2A, 2B, and 2C properties.

Assessment Ratio – The ratio of assessed value to market value.

BBL – Borough, block, and lot number. The parcel number system used to identify units of real estate in New York City.

Benefit Take Over (BTO) – These cases refer to tenants seeking to take over benefits from a program participant who has died or permanently vacated the premises.

Billable Assessed Value – The assessed value on which tax liability is based. For properties in classes 2 or 4, the billable assessed value is the lower of the actual or transitional assessed value.

Borough – 1= Manhattan; 2= Bronx; 3= Brooklyn; 4= Queens; 5= Staten Island

Business Tax System (BTS) – Collection and accounting system for all business taxes, which went live in early 2016. GENTAX is the software that runs the BTS system.

Computer Assisted Mass Appraisal (CAMA) – Collects property-related information and performs valuation calculations for residential and commercial properties. It interfaces with DOF’s assessment system (RPAD) through customized applications.

Comparable Sales Method – The process by which a property’s market value is estimated based on the sales price of similar (comparable) properties.

Condominium (“Condo”) – A form of ownership that combines individual ownership of residential or commercial units with joint ownership of common areas such as hallways, etc.

Cooperative (“Co-op”) – A form of corporate ownership of real property whereby shareholders are entitled to use dwelling units or other units of space.

DDC – The New York City Department of Design and Construction, which builds and renovates City-owned structures and delivers roadway, sidewalk, sewer, and water main construction projects in all five boroughs.

Delinquency – The amount of tax liability that remains outstanding after the due date, allowing for any grace period, if applicable.

DEP – The New York City Department of Environmental Protection, whose mission is to protect public health and the environment by supplying clean drinking water, collecting and treating wastewater, and reducing air, noise, and hazardous materials pollution. Among DEP’s duties is to manage and conserve the city’s water supply, including water and sewer bills.

Disability Rent Increase Exemption (DRIE) – A City program begun in 2005 to protect lower-income disabled adult tenants living in rent-regulated properties from future rent increases.

DOF – The New York City Department of Finance, whose mission statement is to administer the tax and revenue laws of the City fairly, efficiently, and transparently to instill public confidence and encourage compliance while providing exceptional customer service.

DOT – The New York City Department of Transportation, whose mission is to provide for the safe, efficient, and environmentally responsible movement of people and goods in the City of New York and to maintain and enhance the transportation infrastructure crucial to the economic vitality and quality of life of city residents.

Due Date – The date by which an obligation must be satisfied.

Effective Market Value (EMV) – A theoretical value used in class 1, and class 2A, 2B, and 2C properties, calculated by dividing the assessed value by the assessment ratio. It is, in effect, what the market value of the property would be were it subject to the same caps as assessed value.

Equalization – Changes in assessed value made by a taxing jurisdiction to ensure that all properties (or all properties within a tax class, is applicable) are assessed at the same percentage of market value.

Exemption – A provision of law that reduces taxable value or income.

Exempt Value – The amount or percentage of assessed value that is not subject to taxation. Property may be fully exempt or partially exempt; in the case of veterans exemptions, the exempt amount is taxable for education purposes.

FAIRTAX – Financial system for business taxes, property taxes, and property-related charges. Currently is only used for property taxes and charges, since business tax data was converted into BTS. Property data is scheduled to be converted later in 2017.

Fiscal Year – A 12-month period used for financial reporting. The City’s fiscal year runs from July 1 to June 30.

FIT – DOF’s Information Technology division is in charge of applications for property collections and accounting; tax policy, audit, and assessment; and parking and payment; as well as systems modernization and network operations.

Grace Period – The period of time, beyond the due date, in which payment may be made without incurring a penalty.

HPD – Established in 1978, the New York City Department of Housing Preservation and Development’s mission is to promote the construction and preservation of affordable, high-quality housing for low- and moderate-income families in thriving and diverse neighborhoods in every borough by enforcing housing quality standards, financing affordable housing development and preservation, and ensuring sound management of the City's affordable housing stock.

Levy – An assessment of tax.

Liability – A debt or financial obligation.

Market Value (MV) – The most probable price that a property should command in a competitive and open market. This definition also requires that the buyer and seller be willing, but not compelled, to act.

Multi-family Housing – A residential structure with more than one dwelling unit.

Notice of Property Value (NOPV) – An annual notice containing information about a property’s market and assessed values. The DOF determines property values every year, according to state law. The City’s property tax rates are applied to the assessed value to calculate property taxes for the next tax year.

Office of the Taxpayer Advocate (OTA) – The OTA is an independent Department of Finance office that helps city taxpayers solve property, business, and excise tax issues after they have exhausted DOF’s normal channels. OTA also recommends policy changes and can request that DOF take action on behalf of taxpayers.

Operations Assistance Request (OAR) – Form OTA-0924. A formal request for assistance from a DOF unit or function to complete an action on a case sent by the Office of the Taxpayer Advocate when the Taxpayer Advocate does not have the authority to take the required actions. The OAR provides a written trail of requests to a unit or function and its responses to OAR.

Parcel – A piece of land under ownership.

Personal Exemptions Operating System (PEOPS) – Vendor-hosted system of all personal exemptions for real property.

Property Tax System (PTS) – The proposed new system to store property tax data, scheduled to go live later in 2017.

Request for Review (RFR) – A form enabling city property owners to provide supporting information to review their estimated market value or building classification. DOF may increase, decrease, or make no change to the property’s market value or classification; RFR decisions may not be appealed.

Request to Update (RTU) – A form enabling city property owners to request an update of the descriptive data contained on the annual NOPV.

RES/PASS – Revenue Enhancement System (RES) is a set of databases used by Audit, OTP, Sherriff, Collections, and Property. The majority of the data pertain to business and property taxes. These databases’ main purpose is to support the Professional Audit Support System (PASS). As of 2017, much of the data contained in these systems have been converted to BTS.

Rent Increase Exemptions (RIE) – Database of all tenants who are in a rent increase exemption program (e.g. SCRIE/DRIE).

Real Property Assessment Data (RPAD) – Property data system. Holds all property related information, including lot size, assessed value, etc.

Real Property Income & Expense (RPIE) – An annual taxpayer-filed statement used by DOF to determine value and property tax for certain income-producing properties.

Senior Citizen Rent Increase Exemption (SCRIE) – A City program begun in 1970 to protect lower-income senior citizens living in rent-regulated properties from future rent increases.

Tax Class – Property in NYC is divided into 4 classes:

- *Class 1* – Most residential property of up to three units (family homes and small stores or offices with one or two apartments attached), and most condominiums that are not more than three stories.
- *Class 2* – All other property that is not class 1 and is primarily residential (rentals, cooperatives, and condominiums). It includes sub-class 2A (4-6 unit rental buildings); sub-class 2B (7-10 unit rental buildings); sub-class 2C (2-10 unit cooperative or condominium buildings); and class 2 (buildings with 11 or more units).
- *Class 3* – Mostly utility property.
- *Class 4* – All commercial and industrial properties, such as office, retail, factory buildings, and all other properties not included in tax classes 1, 2, or 3.

Tax Rate – The amount, usually expressed in dollars per hundred of assessed value, applied to the tax base to determine tax liability. In New York City, a tax rate is established for each tax class.

Taxable Status Date – The date on which the assessed value, taxable status and, if applicable, tax class are fixed for all properties in a taxing jurisdiction.

Taxable Value – Assessed value minus any exemptions. The taxable value is used to calculate a property owner’s annual tax bill.

Taxpayer Assistance Order (TAO) – A means by which the Taxpayer Advocate can recommend proposed action to the commissioner of the Department of Finance in cases where the law provides relief from significant hardship, or where a unit/function to which the Office of the Taxpayer Advocate issued an OAR declined to take the proposed action.

Taxpayer Bill of Rights (TBOR) – Ten rights to which taxpayers are entitled, the violation of which may meet the criteria necessary for assistance from the Taxpayer Advocate. For full text, see http://www1.nyc.gov/site/finance/about/nyc_taxpayer_bill_of_rights.page

Tenant/Tax Abatement Credit (TAC) – A landlord’s reduction in property taxes as a result of housing tenants in the SCRIE or DRIE programs.

Transitional Assessed Value – The assessed value, during the five-year phase-in of equalization changes, of all class 4 properties and all class 2 cooperatives, condominiums, and rental buildings with more than 10 units.