

Contact: John Marafino | Deputy Comptroller
Cell: 516-265-5500 | Email – JMarafino@nassaucountyny.gov
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Office of the Nassau County Comptroller
Jack Schnirman – Comptroller

240 Old Country Road
Mineola, NY 11501
Tel: (516) 571-2386 / Fax: (516) 571-5900

**Comptroller Schnirman Releases Audit of Nassau County
Assessment Review Commission (ARC)**

*Audit Finds That Over a Billion Dollars in Property Tax Burdens Were Shifted
While Firms Made Hundreds of Millions of Dollars Profiting off of a Broken System
Due to the Complexity of the Assessment System and the Unprecedented Amount of
Grievances*

MINEOLA, NY - Nassau County Comptroller Jack Schnirman announced a new audit of the Nassau County Assessment Review Commission (ARC), the agency responsible for reviewing and making determinations on property tax grievances filed by residential and commercial property owners.

The responsibility for the assessment of properties within the county is unique to Nassau relative to other counties in New York State. In other counties, assessment is done by the various municipalities within the county (whether village, town, city or other taxing authority). Also unique to Nassau County is that the County is responsible for the payment of any refund of moneys owed to property taxpayers who receive a reduction to their property assessment subsequent to the Final Assessment Roll, which is referred to as the "County Guarantee."

Originally announced in February 2018, the audit was initiated to review the systemic issues in the Nassau County Assessment and Assessment Review processes that drive this high volume of "grievances" or "appeals" and to review ARC's performance and methodologies utilized to process these reviews.

"This audit was an extraordinary undertaking throughout virtually my entire term because of the uniquely indefensible complexity of our current assessment process. Our audit found several areas in the process that are concerning and point to the current system being deluged with grievances ultimately to the point of it being overwhelmed. Due to this avalanche of grievances, auditors' estimates point to a shift of billions of dollars in property tax burdens while firms made hundreds of millions of dollars profiting off of a broken system," said **Nassau County Comptroller Jack Schnirman**. "Nassau County has some of the highest property taxes in the country, and property owners are entitled to a fair and equitable assessment and a process that is rational, uniform and understandable, and ultimately, transparent. With the County liable for hundreds of millions of dollars

in potential refunds, it is critical that Assessments are done correctly, that we lessen how complicated this process is, and that that we get this right for our taxpayers.”

Among other findings, the report observed:

- **The excessive number of applications (grievances) filed with ARC during the “freeze” impacted the entire Assessment Roll**
 - The Nassau County Assessment Roll was frozen for almost a decade. The “freeze” of the County Assessment Roll affected the Department of Assessment's ability to properly value every property in a fair and equitable manner;
 - Though the 2020/21 Roll was reassessed for the first time in a decade, at current market value and deemed accurate within professional standards, auditors estimate the appeal volume escalated to over 261,000 Applications filed for 2020/21;
 - The national average percentage of properties that appeal in large municipalities is 2.9%, while Nassau County's Applications reached 62% in 2021. At that national average, auditors estimate that Nassau County should only have approximately 12,300 Applications annually. Instead, Nassau County's appeal volume is over 20 times the national average exceeding 261,000 in 2020/21; and
 - In 1993, Nassau County had less than 55,000 grievances. In 2003, the year after the first revaluation in over 65 years, there were just over 100,000 grievances. The County's 2020/21 volume was over 2.5 times that volume, equivalent to over a 160% increase since 2003 and 374% since 1993.
- **Nassau County's lack of cyclical reassessment deteriorated the accuracy of values and the fairness of the final assessment roll**
 - During the nearly 10-year freeze, values were not kept current and as a result there was over a 100% increase in grievances submitted to ARC; and
 - Per New York State Guidelines for Cyclical Reassessment, the benefits of maintaining current market value assessments include *Assessment Equity for Taxpayers, Improved Bond Ratings, Fewer Court Challenges to Assessments, Increased State Land Assessments, and Transparency.*
- **Firms billed residential property owners over half a billion dollars by reducing assessed values as fair market values according to auditors' estimates actually increased by 34%**
 - By leveraging New York State Real Property Tax Laws, Nassau County Laws and the Halpern Agreement, Firms filed increasing volumes of grievances that continually lowered the Tax Base and inversely **increased annual tax rates paid by all taxpayers;**
 - From 2012 to 2019, successful appeals continually reduced the frozen tax base resulting in what auditors estimate to be an **overall tax rate increase of 46% while the average Tax Levy only increased by 12%;**
 - **The large increases in tax rates were primarily a result of the constant reduction in the “frozen” tax base** from the high number of grievances filed and not necessarily due to budget increases. These **higher tax rates were paid by all** property owners, **including those who successfully grieved;**

- While fair market values rose an estimated minimum of 24% and the frozen Department of Assessment assessed values were reduced by an estimated 23%, auditors estimate that:
 - **Nassau County's levy only increased 6% over seven years;**
 - **The total levies for all taxing authorities within the County (including schools and special districts) increased 12%; and**
 - **The estimated Residential tax rate increased 46%.**
- **Firms base fees on “perceived tax savings” and not actual savings**
 - A property's true tax savings depends on whether or not the values of other properties within the taxing district went up or down, more or less, than the subject property;
 - This increase in the tax rate does not have a material effect in other large municipalities as the national average percentage of properties that appeal in large municipalities is only 2.9%. To the contrary, the increase in the tax rate can be material in Nassau County as its appeal rate reached 61% in 2021, the equivalent to 21 times the national average of large municipalities; and
 - As more properties successfully appeal, the actual tax dollar savings of each assessed value reduction decreases because the final tax rate paid by everyone on the Roll continues to increase, including those that appeal.
- **Of 179 active firms, 9 firms negotiated the level of assessment and represented an estimated 54% of the Class 1 Appeals filed in 2020, resulting in tax rate increases for all**
 - Auditors estimate:
 - That this shifted over \$2 billion in taxes **to all taxpayers** including to firms' clients that successfully appealed;
 - This resulted in \$917.5 million in contingent fees (grievances for both Residential and Commercial Department of Assessment values); and
 - This actually saved clients only a portion of these values, \$569.8 million after paying fees and having taxes shifted back to them.
 - There are no limits to how often a property owner can file a grievance and no downsides to filing which drives increased grievances along with the following:
 - **Unlike in other states, such as New Jersey, ARC does not charge processing fees to cover the cost of processing appeals.**
 - ARC is restricted from raising assessed values. ARC can only reduce assessed values or leave them the same, even when ARC determines FMV's should be higher.
 - The use of a Representative Firm only result in a fee if the appeal is successful.
 - If 100% of properties successfully grieved, only the Firms would benefit. Taxpayers using Firms would pay fees of 33% to 50% of the determined individual tax savings but would actually not create taxpayer savings.
- **The County Guarantee resulted in excessive tax refunds and related long-term debt and continues to contribute to tax shifts and destabilization of assessed values exposing the County to further potential liability**

The audit listed several recommendations, which included:

- ARC work with County Officials to develop a strategy to reduce grievance volumes so that they are more in line with the national average and to ensure they reflect the current rules that ARC should follow;
- ARC discourage unauthorized filings and duplicate filings by charging a processing fee for each Application filed by Representative Firms;
- ARC develop and propose regulations to limit the ability to grieve for two tax years following any type of Assessed Value reduction between reassessment years; and
- ARC develop guidelines to regulate non-attorney Representative Firms (including licensing requirements, advertising guidelines, fee limitations, debarment procedures).

Outside of the Comptroller's Office's traditional format of audit findings and recommendations, the audit made a series of policy-oriented observations designed to highlight issues ingrained within assessment and assessment review processes which affect overall fairness and equity. To that end, the audit recommended that the County Executive and the County Legislature, in coordination with the appropriate New York State agencies and representatives (such as the Office of Real Property Tax Services), create a Commission to study and make recommendations, legislative or otherwise, to address the systemic issues noted in this report.

Issues to be reviewed should include:

- The County Guarantee;
- The Special Assessing Unit status of Nassau County;
- The application of Level of Assessment and the use of current Market Value;
- The Halpern Stipulation and Order and the resulting separate Level of Assessment;
- Cyclical reassessment;
- The special exemptions or "Caps" in place under New York State Law;
- The licensing and regulation of Representative Firms; and
- Mitigation of the economic impact to taxpayers of any proposed changes.

To read the full audit, visit <https://www.nassaucountyny.gov/2377/Audits>

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