

## PROPERTY TAX

## New York City's Unfair Property Tax

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April 02, 2024

The case of *Tax Equity Now NY LLC v. City of New York* (2024 NY Slip Op 01498), decided on March 19, 2024, presents a critical examination of New York City's property tax system by the New York Court of Appeals. This lawsuit raised fundamental questions about the equity, legality, and methodology of property taxation in New York City, challenging the system's compliance with both statutory and constitutional mandates.

**Background**

Tax Equity Now NY LLC (TENNY) is an association committed to reforming what it perceives as inequities and illegalities in New York City's property tax system. The lawsuit filed by TENNY against the City of New York and the Department of Finance (DOF), along with the State of New York and the State Office of Real Property Tax Services, aimed at addressing these concerns.

TENNY's allegations centered on the argument that New York City's property tax system resulted in significant inequities, imposing unequal tax bills on properties of similar value.

This system, according to TENNY, did not accurately reflect the properties' fair market values, thereby violating the statutory and constitutional requirements for uniformity and fairness in taxation within property classes.



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**Legal Framework and Issues**

The court's analysis began with an overview of the statutory framework governing property tax assessments in New York City, specifically referring to the Real Property Tax Law (RPTL) sections that limit annual increases in tax assessments for certain classes of property. The legislature created these caps to protect certain homeowners from sudden spikes in their property tax obligations due to market fluctuations or reassessment processes. The court also analyzed the RPTL sections that require co-operative and condominium properties to be valued like rental properties.

The lawsuit specifically challenged the methodology used by the DOF to calculate property tax assessments, arguing that it resulted in

a regressive tax structure unfairly burdening owners of less valuable properties in majority-people-of-color areas. TENNY's complaint highlighted systemic inequities and alleged that the current system perpetuated housing segregation, violated equal protection and due process clauses of both State and Federal Constitutions, and contravened the federal Fair Housing Act (FHA).

### **The Court's Decision**

The Court of Appeals reviewed the legal and constitutional underpinnings of the property tax system, acknowledging the inherent com-

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plexities and the legislative intent to balance equity with practical considerations in tax assessment processes.

Significantly, the court concluded that the complaint had sufficiently articulated claims under RPTL 305 (2) and the FHA against the city with respect to class one and two properties, demonstrating potential violations warranting further examination. These findings suggest that certain aspects of the tax system may indeed contravene legal standards for equitable treatment and fair market valuation of properties for taxation purposes. The lower courts will now have to decide.

Conversely, the Court found that other causes of action, including those alleging violations of

equal protection and due process clauses, did not meet the threshold for stating a claim.

### **Dissent**

The dissent argued against the majority's interpretation of the RPTL and FHA claims, asserting that the majority's reading of the statutes and the pleading requirements for a claim were incorrect. They contend the complaint does not meet the legal standards to allege statutory violations effectively, particularly criticizing the majority's understanding of RPTL 305 (2) and its requirements for uniform tax assessments. The dissent emphasizes the importance of legislative processes in addressing tax policy issues rather than judicial intervention, suggesting that the complexities of tax reform should be resolved through political, not legal, means.

### **Implications**

This decision by the New York Court of Appeals does not resolve all questions surrounding New York City's property tax system. By allowing claims under RPTL 305 (2) and the FHA to proceed, the Court opens the door for a more thorough examination of how property taxes are assessed, which may encourage DOF to change its assessment methodologies and legislators to rewrite the property tax laws to make them more fair.

The case of *Tax Equity Now NY LLC v. City of New York* reflects ongoing debates over the fairness, legality, and effectiveness of the property tax system. It highlights the tension between laws designed to ensure tax equity and the practical outcomes of their implementation, setting the stage for future continued legal challenges and potential reforms in property taxation.