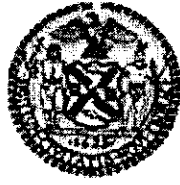


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For Immediate Release

August 01, 2012

MANHATTAN GRAND JURY RECOMMENDS SWEEPING REFORMS TO NYC PROPERTY TAX SYSTEM

Grand Jury Empanelled at the Request of Manhattan DA's Office Finds Systemic Problems with Real Property Tax Filings

Manhattan District Attorney Cyrus R. Vance, Jr., announced that a Grand Jury in New York State Supreme Court has issued a report examining the filing of false documents and information with New York City in connection with the computation of real property tax liability, and calling for legislative, executive, and administrative reforms to protect the integrity of the tax system and maximize tax receipts lawfully due to the City.

Real Property taxes are levied each year on more than one million properties citywide. As part of the assessment process, Real Property Income and Expense (RPIE) Statements are required for properties that have assessed values greater than \$40,000. Entities that are required to file RPIE forms with the NYC Department of Finance generally include rental properties, cooperatives, condominiums, hotels, motels, parking garages and lots, department stores, power plants, and theaters. This year, the deadline for property owners to file RPIE forms with the Department of Finance is September 4, 2012. Protests to the assessed valuations can be filed the following March with the NYC Tax Commission, after tentative assessments are issued in January, which may either reconfirm the original assessment or offer to lower it based on its findings.

The Grand Jury found that current laws, regulations, and systems are not adequate to prevent and deter costly false filings, which occur with unacceptable frequency. For example, in one study examined by the Grand Jury, 60 percent of property owners surveyed who derived income from signs posted on their property failed to report that income to the Tax Commission when they sought to reduce their taxes.

The Grand Jury's report stemmed from investigations by the District Attorney's Office's Money Laundering and Tax Crimes Unit into false filings submitted to the NYC Department of Finance in connection with assessing the value of real property, as well as to the NYC Tax Commission in connection with taxpayers seeking a reduction of that assessment.

"As the City's single largest revenue source, the importance of real property tax to the financial well-being of New York cannot be overstated," said District Attorney Vance. "However, some unscrupulous individuals and entities routinely try to cheat the City out of this valuable revenue stream by filing false information with City agencies. We have to do better if we want to deter these abuses. If adopted, the reforms proposed by this Grand Jury will protect the integrity of the City's tax system and ensure that each taxpayer pays his or her fair share of the tax burden."

NYC Department of Finance Commissioner David M. Frankel said: "The Grand Jury's findings are consistent with the reforms Finance has been working towards, including a bill that was recently introduced at the City Council to move the RPIE filing deadline to June. We will work with the State and City legislatures to ensure appropriate reforms are enacted and that property owners face real penalties for filing fraudulent documents with the City. The vast majority of New Yorkers do the right thing, but the fraudulent conduct cited in the Grand Jury report results in higher taxes and less services for the rest of us. This is not acceptable. We are tremendously appreciative of the work of District Attorney Vance and his staff, as well as the Grand Jury members and the Tax Commission for focusing on this issue, which is vital to the interests of all New Yorkers."

NYC Tax Commission President Glenn Newman said: "I want to thank District Attorney Vance for his office's diligent efforts on this matter. Every taxpayer in the City of New York has an interest in making sure that property tax filings are accurate and complete so that fair assessments can be made. Everyone is hurt when false filings lead to inaccurate assessments, and some property-owners don't pay their fair share of the tax burden. We will continue to be vigilant and make every effort to ensure that false filings are uncovered. The Tax Commission has long suspected that the problem of property tax fraud was significant, and I'm gratified that the District Attorney's work has borne this out, as well as laid the groundwork for reforms that will better protect the City, and honest property owners, including giving the Tax Commission the ability to impose civil financial penalties where false submissions have occurred."

As it currently stands, only minimal consequences flow to property owners who file false information pertaining to real property tax with the City, particularly as compared to the high cost and devotion of resources that these investigations can require of criminal authorities. The Grand Jury concluded that authorities currently lack the power to impose adequate sanctions – particularly, civil administrative sanctions – to deter these false filings.

Among its recommendations, the Grand Jury called for a strengthening of prosecutorial tools used to address the criminal conduct of those who intentionally commit fraud in this area, the dedication of technological resources to detect fraud and false information, and empowering the Department of Finance and the Tax Commission to fine property owners who file false information.

The Grand Jury made the following seven recommendations:

1. Set an Earlier Deadline for Initial Tax-Related Filings

The current deadline in September does not allow the Department of Finance adequate time to evaluate information in the filings, much less to detect fraud. The Grand Jury recommends requiring an earlier annual filing deadline no later than the first of June. The City Council recently introduced legislation, at the request of Mayor Bloomberg, that would implement this recommendation.

2. Require Notarized RPIE Filings

Property owners should be required to make a sworn statement about the validity of the representations made in RPIE filings, which would also serve to expose those who lie on the forms to prosecution for perjury, a felony offense. The City Council recently introduced legislation, at the request of Mayor Bloomberg, that would implement this recommendation.

3. Subject False RPIE Filers to Civil Administrative Sanctions

While the Department of Finance can impose civil sanctions on owners who fail to file RPIEs, it does not have comparable authority to sanction those who file false RPIE's unless it determines that the misrepresentations are so substantial that they render the RPIE tantamount to a non-filing. This is an anomaly, and fairness dictates that the filers of false information should be subject to the same sanctions as non-filers.

4. Subject False Tax Protest Filers to Civil Sanctions

The Tax Commission is authorized to grant a large amount of tax relief to property owners based on its filings. But if those filings are intentionally inaccurate or false, the Commission currently has no power to sanction owners. The Grand Jury recommends authorizing the Tax Commission to raise an assessment value if it discovers that, as part of the protest process, the property was undervalued by the Department of Finance due to inaccurate or incomplete information, and to impose civil financial penalties.

5. Dedicate Technological Resources to Detect Property Tax Fraud

Useful data for real property tax assessors already exists on a variety of City agency websites, such as those maintained by the NYC Department of Buildings, the Landmarks Preservation Commission, the NYC Department of Consumer Affairs, and the NYC Department of Housing Preservation and Development. Although this information is public, it is difficult to access and not easily searchable. A better system could make an enormous difference in the detection of false filings. The Grand Jury recommends having the Mayor's Office of Policy and Strategic Planning devise a system for better sharing existing city records with the Department of Finance and Tax Commission.

6. Mandate Electronic Filings with the Tax Commission

Submissions to the Tax Commission are still in paper form and must be digitized so that they can be better integrated with other City agencies and searched for investigative leads.

7. Amend the City Criminal Tax Fraud Statutes

Although certain crimes in the Administrative Code pertain to the evasion of taxes, no offenses apply to real property tax, due to an apparent legislative oversight. The Grand Jury recommends that the State Legislature create felony-level offenses in the Administrative Code to close this loophole.

District Attorney Vance thanked Assistant District Attorney Gilda Mariani, Chief of the Money Laundering and Tax Crimes Unit, for presenting the investigation to the Grand Jury, under the supervision of Executive Assistant District Attorney Adam S. Kaufmann, Chief of the Investigation Division, and Chief Assistant District Attorney Daniel R. Alonso.

District Attorney Vance also thanked the NYC Department of Finance and its Commissioner, David M. Frankel; the NYC Tax Commission and President Glenn Newman, Special Counsel Leonard Picker, and Hearing Officer David Dunay; and the NYC Department of Investigation and its Commissioner, Rose Gill Hearn.

District Attorney Vance also acknowledged the Mayor's Office of Policy and Strategic Planning, the Mayor's Financial Crimes Task Force, the NYC Department of Investigation, the NYC Landmarks Preservation Commission, and the NYS Department of Taxation and Finance for cooperating with the investigation.