



Revenue-Neutral Compliance: What It Means and What It Does Not

Clarifying the Relationship Between Assessment Reform and City Revenue

Recent discussions have suggested that bringing New York City's property tax system into compliance with uniform assessment requirements would "upend" City finances or require significant revenue reductions. That concern reflects a misunderstanding of how the property tax system functions.

Compliance with assessment law and overall revenue levels are distinct policy decisions.

1. The Levy Determines Revenue

The property tax levy is the total amount of revenue the City chooses to raise.

Once the levy is determined, tax rates are calculated mathematically to produce that amount of revenue based on taxable assessed value within each class.

If the City chooses to maintain a revenue-neutral approach, it can adjust rates so that total collections remain stable even as assessment practices are corrected.

Assessment reform does not require reducing the levy.

2. Assessment Reform Addresses Distribution

Uniform assessment requirements concern how similarly situated properties are valued relative to one another.

If certain properties are currently over-assessed relative to comparable properties, correcting those disparities may reduce their tax burden.

If other properties are under-assessed relative to comparable properties, correcting those disparities may increase their tax burden.

These adjustments change distribution, not necessarily total revenue.



3. Revenue Neutrality Is Administratively Achievable

The City already adjusts tax rates annually based on changes in assessed value.

That same mechanism allows policymakers to:

- maintain current revenue levels,
- phase in adjustments over time, and
- avoid sudden fiscal disruption.

Revenue neutrality is a policy choice. It is not constrained by assessment reform.

4. Compliance and Fiscal Stability Are Compatible

Bringing assessment practices into compliance with State law:

- improves transparency,
- strengthens public trust,
- reduces litigation risk, and
- promotes long-term stability.

It does not require destabilizing the budget.

The decision about how much revenue to raise through the levy remains with elected officials.

Bottom Line

Assessment reform addresses fairness in distribution.

The levy determines revenue.

Correcting inequities under existing law can be structured in a revenue-neutral manner if policymakers choose to do so.