



**TESTIMONY OF ACTING COMMISSIONER MICHAEL HYMAN**

**NEW YORK CITY DEPARTMENT OF FINANCE**

**BEFORE THE CITY COUNCIL**

**COMMITTEE ON FINANCE**

**HEARING ON THE FY2010 EXECUTIVE BUDGET**

**JUNE 1, 2009**

Good morning Chairman Weprin and members of the Committee on Finance. I am Acting Finance Commissioner Michael Hyman. Thank you very much for inviting me to testify today on the fiscal year 2010 Executive Budget.

Since this is my first appearance before you in this new role, I just wanted to give you some quick background on myself by way of introduction. While I am obviously new to this position, I have deep experience with the Department of Finance. By training, I am a historian. I earned my PhD in History at the City University of New York Graduate Center. I first joined Finance as a policy analyst in 1988. During my 21 years at Finance, I have served the agency in a number of roles -- most recently as the Deputy Commissioner in charge of Tax Audit, Policy and Enforcement. As the agency's senior voice on tax-policy matters, I have helped to answer many of the questions posed to the agency over the years by members of this Committee as well as by your excellent staff. So it is my great pleasure to be able to testify before you today - and to be able to answer some of those questions directly.

Before I begin, I also want to recognize the people you see here behind me, the senior staff and management at the Department of Finance. I know how highly so many at the City Council regard the responsive and responsible staff Finance has assembled over the years, and with good reason. The agency's many past successes - from easy-to-understand property tax bills to much-appreciated

\$400 rebate checks to shorter wait times for parking hearings, to name just a few -- have been built on the hard work of these very people. For my part, I want to second your appreciation of that work and personally thank each of them for helping me through my first month as Acting Commissioner.

I will do a couple of things in my brief testimony before you this morning. First, I will summarize the assessment roll changes since the tentative roll was released in January. Secondly, I will update you about some legislation we are supporting in Albany as the session ends later this month. Next, I will give an update on our expanded efforts to get the Earned Income Tax Credit to New Yorkers -- an effort that I am happy to report is being emulated in other parts of the country. Finally, I will be very happy to take your questions.

### **Final Assessment Roll**

I want to first turn to the final assessment roll for fiscal year 2010. The market value of all City property is now \$795.6 billion, which is 1.9 percent lower than last year's final roll market value of \$811.1 billion. However, because of assessment rules mandated by state law, the assessment that taxes are based on actually increased 6.7 percent since last year.

The final market value is 0.7 percent lower than the market value of the tentative assessment roll that we released on January 15. There are four main factors that contribute to a change in the assessment roll. First, Finance responds to information that the public provides after they receive our Notice of Value. Second, we implement new exemptions. Since January, as a result of strong outreach and an online form for homebuyers, we have enrolled more than 36,000 homeowners in the School Tax Relief, or STAR, program -- an increase of nearly 50% over the same period last year. We also helped more than 5,000 seniors, 2,000 veterans and 800 people with disabilities receive tax exemptions. Third, the Tax Commission reviews our assessments and reduces assessed value for some properties.

Finally, we are required to value properties under construction on the tentative assessment roll. However, if the property is not ready for occupancy on April 15th and it's the first year of construction, the value is removed. Most commercial properties and residential properties that have applied for 421-a exemption benefits have three years to complete construction. Finance is required to include the value of these properties on the tentative roll in January but we remove the value in May if the property was not ready for occupancy by April 15th.

## **State Legislation**

I also want to quickly update you on our state legislative efforts. As you know, the fiscal downturn has created its own set of challenges for legislators in Albany as well as here at City Hall. Finance has been closely monitoring the progress of several important pieces of legislation, and I have planned a trip to Albany next week to further discuss bills of importance to us.

I will talk about one of those bills today, an important state legislative item that I discussed before Chairman Yassky's Small Business Committee only five weeks ago. That bill has since been introduced as Senate 5519/Assembly 8615, sponsored by State Senator Carl Kruger and Assembly Member Denny Farrell. It would directly address a business-tax issue that has been raised by Speaker Quinn and many other Council Members: namely, the double-taxation of freelancers and sole-proprietors who pay the Unincorporated Business Tax - or UBT.

As I said at that hearing, many small businesses paying the UBT are run by individuals who are also New York City residents, and so they are subject to the New York City Personal Income Tax on the same income. The state legislation we are advancing will provide tax relief to half of the total population of firms paying the UBT by effectively exempting nearly 11,000 of them - those with taxable incomes of \$100,000 or less - from the UBT, while providing partial

tax relief to an additional 6,000 businesses with taxable incomes between \$100,000 and \$150,000. About 80 percent of the 17,000 businesses affected by this legislative proposal are sole-proprietorships.

A final exciting element of the bill is that it will end the requirement that freelancers and sole-proprietors file the UBT form to Finance annually even when they have no liability, which was an added nuisance to some small business-people. If enacted, the reform would take effect during the current tax year - and we hope we can have the Council's active support of the bill in the weeks ahead.

### **Update on EITC Mailing #3**

The final item on which I wanted to update you is the Earned Income Tax Credit (or EITC) Mailing Project.

If you recall, the EITC is a major tax benefit - provided at the Federal, State and City levels -- that goes to the working poor. As part of the efforts of Mayor Bloomberg's Commission on Economic Opportunity, the City decided that we had to do more than just publicize the availability of the EITC - as helpful as those efforts have been. The problem was that unless those who were eligible actually applied for the EITC, they never received the benefit. Finance realized that we had access to all of the basic data necessary to actually identify New Yorkers who were eligible but

had not applied for the EITC, and we could complete tax forms for these New Yorkers to claim their credit: all the taxpayer would have to do was provide a social-security number, date and sign the amended return.

In the two years since we publicly launched the project in January 2007, in two separate annual mailings, we have directly helped low-income New York City residents successfully claim more than 22,000 credits totaling almost \$14 million.

This year, in a new and important development, Finance partnered with our sister agency, the New York State Department of Taxation and Finance, to extend the EITC project statewide. The state's mailing was just completed at the end of last week - and included more than 4,000 NYC residents. Perhaps most gratifying is that with the great publicity we have received - including being a semifinalist for Harvard University's Innovations in Government Award -- other states have reached out to us for details on how they might do this. Just last week, Maryland undertook a similar mailing to directly assist their neediest working taxpayers.

Thank you. I'll stop there and am happy to answer your questions.