

**Testimony of Deputy Commissioner Jeffrey Shear**  
**City Council Finance and Government Operations Committee Hearing**  
**November 19, 2019**

Good afternoon Chair Dromm, Chair Cabrera and members of the City Council Finance Committee and Government Operations Committee. My name is Jeffrey Shear and I am Deputy Commissioner for Treasury and Payment Services at the New York City Department of Finance (DOF). I am here today to testify on three bills related to not for profit (NFP) organizations. They are Intro 245-A, Intro 1776 and Intro 1799. I am joined today by Jennifer Geiling, Deputy Director, Policy and Partnerships from the Mayor's Office of Contract Services to testify on Intro 1784 as well as by Andrew Rettig, Chief of Revenue Protection for the Bureau of Customer Services for the Department of Environmental Protection and Ted Oberman, Director of Commercial Exemptions from DOF's Property Exemption Administration to help me answer your questions.

I'd like to start off by talking about the great work DOF has done in the past few years to engage the NFP community and to ensure more NFPs renew their property exemptions on time. Through DOF's outreach including an NFP portal, letters and follow-up calls, we have achieved a 99% renewal rate for the past two years, which reflects an average of 13,000 renewals per year and an average of 92 non-responders. This means NFPs do not have to file a new application and their exemption has no break in period benefit. While we are pleased that the vast majority of NFPs renew their exemptions through this process, it is also important to point out that many of the non-responders have their exemptions renewed during the tax lien sale process. To further support our service to NFPs, DOF is looking into other mechanisms that could grant an exemption for non-responders that would have been eligible on the taxable status date up to three preceding years.

In addition, in October 2018, DOF launched our NFP Task Force to hear from advocates and NFP representatives about the challenges they face when applying or renewing any city exemption. The Task Force meets about three times a year and we are pleased that the Department of Environmental Protection (DEP), the Mayor's Office of Contract Services (MOCS), the Department of Buildings (DOB), and Council Finance staff have joined us for these meetings. One of the recommendations and concrete outcomes from this task force is a draft NFP brochure for those seeking to apply for a DOF NFP exemption.

### **Intro 245-A**

Intro 245-A relates to NFPs and the DOF tax lien sale process. DOF broadly supports 245-A which aligns with our efforts to improve the customer service and flexibility of the tax lien sale process and codifies existing DOF practices. DOF also is asking the Council to make some minor changes to the bill.

State law exempts NFPs from paying property taxes if they annually confirm their not for profit status and show that they are using their property for an exempt purpose. In recent years, DOF has made great efforts to make the NFP exemption process as easy as possible. DOF realizes that many NFPs are small organizations staffed with part-time and/or volunteer workers that may find the exemption process challenging; especially when there has been turnover in the NFP's leadership. That is why we established the previously described NFP portal, why we sponsor about 100 community outreach events a year, and why we launched our NFP Task Force.

However, DOF recognizes that for the small number of NFPs that fail to renew their exemptions and wind up in the tax lien sale process, special attention is needed. That is why DOF's current practice is to remove an NFP from the tax lien sale at risk pool if it has received a previous exemption and submits an exemption for the current year that is substantially complete.

Intro 245-A creates a not for profit ombudsperson position within DOF, excludes properties from the tax lien sale if their owner has received a not for profit exemption in one of the two previous fiscal years, removes properties from the tax lien sale at-risk pool if they have made a good faith NFP application, and requires information on how to avoid having one's tax lien sold in NFP exemption denial letters. The ombudsperson position is aligned with DOF's creation of the Taxpayer Advocate's Office, which already has been handling the types of issues that 245-A highlights as needing an ombudsperson. DOF already excludes properties from the tax lien sale if the owner has received an NFP exemption in the prior fiscal year and is amenable to also looking at the prior fiscal year in making this determination. DOF also currently removes properties from the tax lien sale at risk pool if the owner has filed a good faith renewal application. And DOF agrees it is a good idea for NFP exemption denial letters to contain comprehensive information relating to the tax lien sale.

DOF is proposing some minor changes to the bill to the Council. These include limiting the good faith application provision to organizations that have previously obtained an NFP exemption, authorizing DOF to include a property with a previous NFP exemption in the tax lien sale if it has information that the organization has ceased to operate, and not delaying the sale of a tax lien that pertains to debt that may have been

incurred prior to the acquisition of the property by the NFP, unless the NFP is pursuing actions to address the lien. Also, DOF finds it challenging to apply the provisions of the bill retroactively for reporting purposes and requests that the Council rely on the already extensive reporting that we perform on properties with previous NFP exemptions that are at risk of having their tax liens sold.

### **Intro 1776**

This legislation requires the Department of Finance to work with the Department of Environmental Protection to develop a single application form that not-for-profit organizations can submit to apply for both the not-for-profit real property tax exemption and the not-for-profit water and sewer tax exemption at the same time. We fully support the Council's goal of making the application process as simple as possible for NFPs. We do not believe that creating one form for two separate processes is the best way to do that. NFP exemptions for DOF and DEP are established by different state laws, which have different information requirements and standards. Some NFPs qualify for DOF exemptions, but not for DEP exemptions. Requiring all applicants to apply for both through a combined application would create more of a burden for NFPs that only qualify for a DOF exemption. This burden would be felt during the initial application process and during the annual renewal processes. Also, the DOF process is run annually whereas the DEP process is conducted every other year. A combined form would likely lead to NFPs submitting information to DEP when it was not required. DEP and DOF are committed to improving the application process. We are happy to work with the Council to do so.

### **Intro 1799**

This legislation requires the Department of Finance to create and publish an informational brochure with information that would be useful to NFPs including information about relevant taxes and exemption. DOF supports this legislation and already has made significant progress in this area. As a part of the DOF NFP Taskforce, DOF has recently completed the final draft of the brochure on NFP exemption. A copy of the draft is attached to this testimony. In addition, DOF has property tax guides that include information about the notice of property value, the assessment process, exemptions and abatements, and how to appeal an assessment. DOF is currently updating these documents and is happy to consider including additional information relating to NFPs that is suggested by the Council. We would like to note that assessments do not change if a property is owned by an NFP; rather the NFP can apply for an exemption from real property taxes or water meter taxes for their property.

### **Intro 1784**

As mentioned earlier, our colleague from the Mayor's Office of Contract Services will testify on this legislation.

Thank you for the opportunity to testify this afternoon. We are happy to answer any questions you may have.