



Testimony of Commissioner Jacques Jiha

City Council Hearing Regarding Fiscal Year 2015 Executive Budget Briefing

June 6, 2014

Good afternoon, Chairwoman Ferreras and members of the City Council Committee on Finance. I am Jacques Jiha, Commissioner of the Department of Finance. Thank you for the opportunity to testify before you today on our Fiscal Year 2015 Executive Budget.

I have been at Finance for a little less than a month, and I am quickly immersing myself in all of the agency's processes and programs. Finance is a great institution, with great people. There are, however, areas that need improvement, and I will use my private and public sector experience to make changes. My objective is to align the agency's resources with the Mayor's vision: to make the Department of Finance "a fair, transparent, balanced, efficient, and customer-friendly revenue-collection agency." We will enforce the City's tax and revenue laws in that manner – with integrity. New Yorkers and those who do business in our city should be able to understand the decisions we make. They should also have assistance available to them – if they need it. When people walk away from an interaction with us, they should feel that they were treated fairly and with compassion.

There are a number of areas that we are focusing on to promote equity, efficiency, and transparency. The first of these that I will discuss is the City's property tax system. Next, I will talk about the opportunity to make New York City more business friendly through business tax conformity and utility tax reform.

I will talk about our efforts to update how we administer these taxes to reflect technology advances and new economic realities. I will also discuss two important enforcement tools –

booting and the lien sale. Lastly, I will outline our plans to expand the Senior Citizen Rent Increase Exemption Program, or SCRIE.

Before discussing these topics in detail, I would like to give you a brief overview of Finance's budget: Our Fiscal Year 2015 budget is approximately \$248 million. Our headcount is forecast to be 1,892 employees, with the core function of collecting revenue for the City. We collect more than \$32 billion in revenue each year. Property taxes are the City's largest source of tax revenues. We value over 1 million properties each year. We bill and collect property taxes in excess of \$20 billion. And we administer \$6.2 billion in property tax exemption and abatement programs. In addition, we administer the City's business income and excise taxes, adjudicate and collect parking tickets, and manage the City's Treasury. We also record property-related documents, enforce civil law through our Sheriff's Office, provide citywide payment services, and advise the administration on pension issues through the Mayor's Office of Pensions and Investments.

Given Finance's broad mandate, it is important that we create and improve systems that ensure equity, integrity, and transparency. Let's start with the property tax system: Our goal is to ensure that all City property owners are treated fairly under the law. Last week, we released the final assessment roll for Fiscal Year 2015. I am well aware that there could be inequities in the roll because they are embedded in the current laws that govern the City's property valuation and assessments. The current laws require some changes. I am pleased that the City Council shares this vision as demonstrated by its recent call for the creation of a Property Tax Reform Commission. I embrace the opportunity to engage in a concerted effort to improve our complicated property tax system.

At Finance we are doing our best to minimize these inequities. The Fiscal Year 2015 roll reflects recent improvements to our internal processes as we work toward greater fairness among property owners. For example, we have expanded the use of statistical modeling to standardize the methodologies used to value properties and provide more parity among similar properties. Our property assessors have been trained to review the statistical data and to use this data to enhance the valuation process. We are enhancing our models so that we can make corrections and improvements among like properties early on – before the roll is released. Another improvement is the new property tax administration system we are implementing, which is scheduled to go live in 2016. Our current property databases and IT infrastructure are outdated, yet we rely on these systems to bill, process, and collect taxes. This new system will provide state-of-the-art technology, and will allow us to be more nimble in implementing law and policy changes.

The first property tax bill of Fiscal Year 2015 will be mailed next week. This bill represents the culmination of the assessment process used to determine City property taxes for the upcoming fiscal year. One item of note in the bill is the abatement for properties that have been rebuilt or repaired since being damaged by Hurricane Sandy. The fact an abatement is needed highlights some of the inefficiencies in the property tax laws; the laws do not permit us to provide relief otherwise. We thank you for your leadership as we worked together to enact legislation to provide much needed relief to property owners who were impacted by the storm.

The property tax is one of a number of taxes that we collect. We also bill and collect City business income and excise taxes. While there have been some updates to New York City's business income tax laws, they remain outdated. Certain corporate tax provisions date back to the 1940s; utility tax law dates back to the 1930s, and key provisions of the Unincorporated Business

Tax laws do not reflect the current business environment. We must reform these taxes to have a business-friendly City. A key component of business tax reform, however, is that it must remain revenue neutral.

The State has reformed its business tax laws by merging the State's general and banking corporate taxes. We must do the same. The lack of conformity between the City and the State will create compliance issues for businesses, as well as a burdensome administrative process for taxpayers. Along with business taxes, we must update our utility tax regime, which has not kept pace with regulatory and economic developments. With the advent of telecommunication and energy deregulation in recent years, it is time for us to consider how to restructure the tax regime that affects these sectors.

Finance is consistently looking to use new technologies and processes to improve the way we do business and how we interact with the public. An example of this is our booting program that was launched in 2013. Booting is an enforcement tool to collect outstanding parking debt from vehicle owners who have more than \$350 in parking tickets that are in judgment. The self-release boot we use in this program enables us to enforce the parking laws in a more customer-friendly way, instead of towing vehicles. This program has been very successful, and we will be looking into ways to improve and expand it.

Another successful enforcement tool we use is the lien sale. While 98% of property owners pay their property taxes in full and on time, a small number of owners do not pay their taxes on time. Two weeks ago, we completed our most recent lien sale. I would like to thank you, and all of the City Council and Finance staff who worked hard during the lien sale to provide outreach to properties at risk of being sold so that owners had the choice of paying, entering into payment agreements, or – if qualified – applying for one of the exemptions that

enabled them to be removed from the sale. In this year's sale, we started with approximately 25,000 properties at risk; only 24% had liens sold. The rest either paid their tax bill or entered into a payment plan. The local law that governs the lien sale expires at the end of this year, and I look forward to working with the City Council to strengthen and renew this law for the coming years.

As with the lien sale, we count on your support and outreach for another of our programs, the Senior Citizen Rent Increase Exemption Program, or SCRIE. We share your commitment to SCRIE, and care deeply about this program. We are committed to providing SCRIE to every qualified household in New York City and have set a goal to significantly increase the number of SCRIE recipients over the next four years. We will use data analysis to identify the size of the eligible population and where they live. We are also planning a marketing outreach campaign to target those qualified who are not already enrolled in the program and to clearly communicate SCRIE benefits to the senior community. Last month, Assistant Commissioner for Tax and Parking Program Operations, Sara Meyers, testified in front of the City Council about the recently enacted law that expands the SCRIE program by increasing the qualifying income threshold from \$29,000 to \$50,000. Assistant Commissioner Meyers spoke extensively about the improvements we have made to SCRIE since we took it over in 2009. This fall, we will present to you the specifics of our research and marketing plan.

Of course, our main focus for SCRIE at the moment is gearing up for the expansion of the program. Our approach here is two-fold: making sure that staffing and processes are in place to efficiently manage the increased volume of applications, and reaching the population of households that qualifies for the program. In a few weeks, letters explaining the income increase will be sent to all applicants who were denied the benefit over the last several years because their

income was too high. Included in the mailing will be a SCRIE application. We have new materials prepared to address the increase to the income threshold, which we have shared with elected officials, senior centers, community groups, and advocacy organizations. We look forward to working closely with the City Council as we expand SCRIE. Please contact our Outreach team if you would like to schedule events. The law goes into effect on July 1st, and the summer is a great time to hold events to educate seniors about the program and to help them file their applications.

I hope that my testimony today has given you some insight into my priorities. The New York City Department of Finance will be the most efficient revenue collection agency in the country, and we are developing a solid plan to get there. I also cannot emphasize enough the importance of aligning increased efficiency with solid customer service, fairness, and transparency. We will be making changes to our Business Centers so that they are more clearly focused on customer service. We will also issue strict and transparent guidelines to communicate with taxpayers. Even if taxpayers do not agree with us, they should be clear on why we do what we do, and our responses should always be transparent. People should have positive interactions with us, and walk away feeling satisfied that they were heard, treated fairly and with respect.

Thank you for the opportunity to testify before you today. I look forward to us building a strong relationship and working together to reach our shared goals. At this time, I am happy to take any questions that you may have.