



Testimony of Deputy Commissioner Jeffrey Shear
City Council Hearing on Legislation to Extend the City's Authority to Sell Tax Liens
January 8, 2015

Good morning Chair Ferreras and members of the Finance Committee. My name is Jeffrey Shear, and I am the Deputy Commissioner for Treasury, Payments and Operations at the New York City Department of Finance (DOF). I am joined today by Samara Karasyk, Assistant Commissioner of External Affairs at the Department of Finance. Thank you for the opportunity to testify today in support of Intro. No. 612, legislation extending the City's authority until December 31, 2016 to sell tax liens for property related liabilities owed to the City including property taxes, water and sewer charges, and other charges associated with real property.

The legislation before the Council today authorizes a process the City has conducted annually since 1996: the sale of tax liens. Selling tax liens is an important tool that enables us to collect unpaid property-related taxes and charges, and ensures fairness and equity among all property owners. The sale of tax liens has resulted in the collection of a total of \$1.3 billion since 1996 in delinquent taxes and charges essential to funding the city's vital programs. It has also contributed to the decline in the rate of delinquent property taxes to 1.4 percent in FY14 from a 4.4 percent average in the three years before the first lien sale, resulting in an enhanced collection of \$5.4 billion. We expect the 2015 lien sale to generate approximately \$60 million.

As you know, a lien is a legal claim to property for unpaid property taxes and other charges owed to the city. Through the authority granted in this legislation, the city sells the lien (but not the property itself) to a specially created trust. The trust then has the authority to collect the delinquent balance on the property.

There are over one million properties in New York City. Ninety eight percent of property owners pay their taxes on time. Annually, about 25,000 property owners are

notified that a lien may be sold in relation to their property. These properties are eligible for sale because they meet certain criteria. Properties may be eligible for the lien sale if they have at least \$1,000 in delinquent property taxes that are more than 3 years old. Notification – which includes at least four mailings by the DOF to property owners and interested parties before the sale; full page ads in daily, community and ethnic newspapers; and numerous outreach events by DOF staff – typically results in four out of five properties avoiding the lien sale altogether. These property owners avoid the lien sale by paying their delinquent balance; demonstrating that they qualify for senior citizen, veterans or disability exemptions; telling us that they own a Build it Back property recovering from Hurricane Sandy; or entering into a payment plan with the DOF. Ultimately, the number of liens actually sold is typically reduced to approximately 5,000 properties. This process of ensuring that all property owners and other interested parties are notified and have an opportunity to resolve their delinquencies is what is projected to produce \$60 million this year.

The legislation before the committee today codifies our continued outreach efforts and collaboration with the Council by requiring we issue a quarterly property status report on the lien sale and provide information to the Council regarding our outreach events. Councilmembers may request a lien sale outreach event for their district. It further establishes a ten-person Task Force equally balanced between the Council and the Administration to examine and make recommendations on refining and improving the lien sale process. DOF therefore supports the legislation and looks forward to working with the Council to make the lien sale process as effective and as fair as it can be.

At this time, my colleagues and I would be happy to answer any questions you may have.