



**NYSAR**

New York State Association  
of REALTORS® , Inc.

TESTIMONY BY THE  
NEW YORK STATE ASSOCIATION OF REALTORS® INC.  
BEFORE THE NYS DIVISION OF THE BUDGET  
ALBANY, NEW YORK - DECEMBER 13, 2007

Good afternoon and thank you for this opportunity to speak. My name is Duncan MacKenzie and I am the incoming chief executive officer for the New York State Association of REALTORS® , Inc. NYSAR is an Albany-based, statewide trade group representing nearly 67,000 real estate professionals.

New York's REALTORS® have been at the forefront of seeking property tax reform for many years. We were unquestionably the leading private sector force behind enactment of the original STAR program for example.

NYSAR's leadership on this issue is derived from the firsthand observations of REALTORS® across New York State. They report to us that high property taxes lead the reasons that make New York State a less attractive place to live compared to many other regions in the nation.

It is frustrating and sad that meaningful property tax reform continues to elude resolution year after year. Government has reacted quickly to the sudden foreclosure crisis dominating the news recently. But lawmakers and school officials continually fail to stem the problem of costly property taxes that has existed for so long.

Certainly the rise in foreclosures is a serious matter. Over time, however, increasing property taxes will undoubtedly drive far more New Yorkers from their homes than predatory mortgage loans.

In spite of the onerous tax burden, the status of New York's housing market is not all bad news. I am pleased to report that the effect of high property taxes has not caused a full blown housing crisis, but instead fostered an ongoing story of what might have been.

Though statewide home sales through the third quarter of this year are down 7.9 percent as compared to the same period last year, 2007 will still be one of the top five years for sales in state history.

Imagine, however, how much better the housing numbers and the state's overall economy might be with lower property taxes.

The housing market must rank near Wall Street and agriculture as a major economic engine for New York.

The state's fiscal picture would undoubtedly be more stable if lower property taxes fueled a more robust housing economy thus lessening our dependence on the stock market.

Increased second and vacation home sales could be an added boost to the economy, but this segment of the housing market continues to be negatively affected by high property taxes.



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In addition to helping lower property taxes, the state could take a number of actions to promote housing and thus the overall economy. For example, one result of the rise in foreclosures is a return to more stringent mortgage lending requirements.

The days of easy to find zero down mortgage loans have passed. Now many lenders appear to be requiring down payments. There is a proposal before state lawmakers to provide first-time homebuyers with the

opportunity to build savings for a home down payment and closing costs, with those savings being deductible from state income taxes. We urge its adoption.

NYSAR and local REALTOR<sup>®</sup> organizations across the state have been involved in government sponsored forums where new ideas for cutting property taxes abound. These include:

- Capping tax increases such as Massachusetts has done.
- Consolidating government services.
- Eliminating unnecessary levels of government.
- Tying increased state school aid to reduced school taxes.

These are just a few of the ideas that have yet to be effectively pursued. The one bond they all share is the absolute need to spend less.

We cannot tell you that any of these will achieve our common goal of lower taxes. But we can say that none have been given a real chance to prove themselves.

School taxes make up the lion's share of most property tax bills. Yet the state's cornerstone property tax relief program, STAR, no longer is of any appreciable benefit. Our members from across the state report that school districts simply use the STAR rebate to mask spending well beyond the rate of inflation.

When first proposed the STAR program included a cap on school spending but that never was included in the final bill. It's time to take another look at tying the STAR benefit to mandated spending restraint.

In our view, New York is not facing a crisis of ideas to solve the high property tax concern. Instead, we have a crisis of repeated inaction.

In the press release announcing this hearing Mr. Francis accurately noted that unexpected revenues from Wall Street have allowed lawmakers to put off tough fiscal choices. Frankly, government and school districts should view all spending as tough regardless of revenues.

When spending is easy it becomes profligate. From a housing affordability standpoint, New Yorkers need property tax reform before the story that might have been escalates to the nightmare we all fear.