

# Aggrieved Taxpayers Have New Hope

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East Hampton homeowners who challenge their assessments will have an advantage this year, thanks to a complaint filed with the state by a computer software designer who represents homeowners in property tax grievances. Paul Henry of Greenport convinced the state that a ratio used in assessment challenges to determine a property's market value should be changed in the taxpayer's favor.

The change — which lowered the "residential assessment ratio" — will not affect the tax rate. It is used only for purposes of checking assessments in grievance procedures. Tax rates are based on how much money the town, the school districts, the county, and other jurisdictions need to raise.

## Help For '80s Buyers

Mr. Henry claimed that the ratio had been kept artificially high by the East Hampton Town Board of Assessors. For their part, the assessors said they had virtually no influence over the ratio and claimed that Mr. Henry's numbers were biased. The ratio is set by the state but adjusted by town assessors.

In dollars, the change could mean, for example, that an owner who could prove his house is worth no more than \$150,000 might get a tax break of about \$175. For the most part, it would only be helpful to property owners who built during the height of the market, and whose assessments reflect the bloated values of those years.

The deadline for challenging assessments has already passed, so this year's adjusted ratio only applies to those people who filed grievances last month. But the battle over the ratio reflects a growing scrutiny by private citizens of the assessment process that may eventually result in the sort of townwide reassessment here that Southampton has just gone through.

## Tax Challengers

Mr. Henry called on his computer ability to join the growing ranks who represent homeowners in assessment challenges, in return for a share of the savings. His company is called Tax Reduction Services.

He said he worked closely with George Hammer, a Montauk appraiser and motel owner who also files grievances on behalf of homeowners. Mr. Hammer recently won a lawsuit against the town insuring his right to represent property owners at grievance hearings.

To understand Mr. Henry's change requires an understanding of the arcane assessment process, and the particular quirks of East Hampton's property tax situation.

For any given property, the taxes are based on an assessment, figured by the Town Board of Assessors. The assessment is supposed to be a percentage of market value. It is about 3 percent in East Hampton.

## Convinced The State

But some old houses have artificially low assessments, while others,

built in the late '80s, are taxed on values well above today's prices.

The state assessment ratio is based on all house sales within a given year in a given municipality. By providing the median ratio of assessment to market value, the state gives homeowners a formula they can use to check their own assessment.

Mr. Henry believes that the residential assessment ratio before he intervened played into assessors' hands at grievance hearings by making assessments seem to be in keeping with market values when they weren't.

He convinced the state to change the median ratio, making it easier for his client, or anyone else filing a grievance, to argue that their assessment is based on an inflated market value.

The assessment ratio is determined by state officials, based on the sales of residential property during the previous year. The information is supplied to the state by attorneys or title companies whenever a real estate deal is closed.

The state compiles the numbers, and sends local assessors quarterly summaries of the transactions, along with the ratios. According to Paul Szvedo, senior real estate appraiser at the State Division of Equalization and Assessment, it is the responsibility of the local assessors to make corrections.

Two common mistakes that need correcting are that vacant land is included in the list, and below-market price transfers between relatives or associates are included. In both cases, the sale price is lower than an "arm's-length" sale of improved property would be, and therefore should not be included for the purpose of computing an average house sale.

## Town Reviewed Numbers

Mr. Henry came up with an average showing assessed value to be 3.02 percent of market value, in contrast with the state number, which was 3.34 percent.

In the case of a house with an assessment of \$5,000, the state's ratio yields a market value of \$150,000, while, according to Mr. Henry's ratio, a \$5,000 assessment would be appropriate for a house worth \$165,000.

After learning of the complaint and the adjustment, Jeanne Nielsen, chairwoman of the Board of Assessors, asked an assistant to review the 328 transactions that had been filed with the state in 1991.

## Manipulation Charged

The assistant, Bonnie Engelhardt, said she came up with yet a different number, 3.28 percent. Ms. Engelhardt said she agreed with many of the changes Mr. Henry had suggested, but that he did not correct mistakes that would have diluted his argument, she said.

For his part, Mr. Henry charged that in making their corrections, the assessors omitted houses for which assessment was a low percentage of market value, and did not correct

houses that were assessed at a high percentage of market value.

Ms. Engelhardt, who is charged with checking the state's compilation of transactions, said the state requires documentation for every change that is made, and would not let any town get away with manipulation.

## Some Common Ground

Mr. Henry responded with a copy of the 1990 changes by East Hampton assessors, in which low ratios were rejected and high ones were allowed to remain. He has written a letter to the state complaining that the pattern suggests manipulation.

When confronted with a high ratio sale that was not arm's-length, and should have been rejected, Ms. Engelhardt said the town probably tried to reject it, but could not collect adequate documentation.

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