**Glossary of Property Assessment Terms**

The following alphabetical listing of terms is provided to help you understand property valuation and tax assessment:

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**Abatements:** Abatements reduce the amount of tax by providing a reduction. The City has several abatement programs: the J-51 housing rehabilitation, the Senior Citizen Rent Increase Exemption, the Lower Manhattan Revitalization and the Cooperative and Condominium abatement. (See also exemptions)

**Actual Assessed Value:** The assessment established for all tax classes without regard to the five year phase-in requirements.

**Assessed Value:** The property value given for tax purposes. Finance determines a property’s assessed value by multiplying its estimated full market value by the assessment ratio for the property’s tax class. In New York City, property may have three assessed values – actual assessed value, transitional assessed value, and billable assessed value.

**Assessment Ratio:** The ratio of assessment value to market value. The assessment ratio is also called the uniform percentage of value and the assessment rate. The assessment ratio for Class 1 is 6 percent and for the other tax classes, the assessment ratio is 45 percent.

**Assessment Roll:** A list of the assessed value of all properties in a jurisdiction. The tentative and final assessments for every property in the City of New York are published by Finance in January and May. The tentative roll lists the same estimated market value, assessed value, and exemption information contained in the annual Notice of Property Value.

**Billable Assessed Value:** The assessed value on which the tax liability for all classes is based. The billable assessed value for Class 2 or 4 properties is the lower of the actual or transitional assessed value.

**Capitalization:** The process by which anticipated future income and benefits are converted to a present value.

**Capitalization Rate:** A rate of return used to produce the capital value of an income stream.

**Comparable Sales Method:** The process of estimating a property’s market value based on the sales prices of similar properties. The Method is also known as market approach.

**Exemptions:** Exemptions provide tax relief by reducing a property’s taxable assessed value, that is, the base amount to
which the tax rate is applied. A property may be fully or partially exempt. *(Also see Abatements)*

**Exempt Value:** The amount or percentage of assessed value that is not subject to tax.

**Fiscal Year:** A 12-month period used for financial reporting. The City’s fiscal year runs from July 1 to June 30.

**Income Capitalization Approach:** A method of valuing property by leaving out the net operating income to arrive at a present worth estimate.

**Market Value:** The likely price a property should command in a competitive and open market.

**Notice of Property Value:** The annual notice mailed to New York City property owners in January that shows how their property’s market value is estimated. It also shows any exemptions that have been granted for the upcoming tax year.

**Operating Expenses:** Includes all expenses necessary to maintain a property and/or its income excluding debt service. Property taxes are omitted for assessment purposes.

**Replacement Cost:** The cost to construct, at current prices, an improvement equivalent in utility to an existing structure, using modern building materials and according to current standards and building requirements.

**Reproduction Cost:** The cost to replicate an existing structure, using the same materials, standards, quality, design, etc. as the original structure.

**Tax Class:** Four groupings (Classes 1, 2, 3, and 4), to which every property in the City is assigned, based on the use and size of the property.

- **Class 1:** Includes most residential property of up to three units (family homes and small stores or offices with one or two apartments attached), vacant land zoned for residential use in boroughs other than Manhattan, and most condominiums that are not more than three stories.
- **Class 2:** Includes all other property that is primarily residential, such as cooperatives and condominiums.
- **Class 3:** Includes property with equipment owned by a gas, telephone or electric company.
- **Class 4:** Includes all commercial and industrial property, such as office, factory buildings and vacant land other than in Tax Class 1.

**Tax Rate:** The amount, usually expressed in dollars per hundred of assessed value, applied to the tax base to determine tax liability. In New York City, the City Council and Mayor set an annual tax rate for each tax class.

**Taxable Assessed Value:** This is the assessed value minus any exemptions and limitations.

**Taxable Status Date:** The date the assessed value, taxable status and, if applicable, tax class are fixed for all properties in a taxing jurisdiction.

**Transitional Value:** Represents the assessed value of a property during the five year phase-in of equalization changes. Applicable to all Class 4 properties and Class 2 cooperatives, condominiums and rental buildings with more than 10 units. Increases in market value for Class 4 properties must be phased in over a period of five years because State law limits assessment increases other than those based on physical changes to the property. For example, on residential properties with ten or fewer units, assessments may not increase more than 6 percent over one year and 20 percent over five years. If market value rises quickly, it must be phased in, and the assessment for a particular year may not accurately reflect true.
assessment for a particular year may not accurately reflect true market value for that year. For this reason, during the years when true value is being phased-in, the assessment is based on "transitional value."