

SOUTHAMPTON ASSOCIATION

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Update on Tax Assessment Review

In early 2011, the Southampton Association began a review of the tax assessment process in Southampton Town and Southampton Village to help members better understand the methodology. In Southampton Town, assessed values (reflecting fair market value) are regularly updated based on building permits, aerial imaging and physical inspection of properties. In Southampton Village, the assessment process is handled differently. Assessed values were frozen in the early 1990s (previously, they had been provided to the Village by the Town) at 1/100th of the then fair market value. An increase in assessed valuation occurs only when a building permit is submitted and completed. The Building Department forwards the building permit to the Assessors Office, where 4% of the "stated" value of the improvements is added to the assessed value. Conversely, when a structure is removed or improvements are taken out (for example, the removal of a detached garage or swimming pool), the assessed value is reduced. Both the Town and the Village allow for property owners to grieve their assessed values on an annual basis.

During our information gathering process, it was noted that certain properties had significantly higher relative assessed values in the Town than in the Village. Upon further investigation, it appeared that errors or omissions were possibly occurring in the building permit process and/or the tax assessment process in the Village. As a result, the Southampton Association contacted both Village officials and other government agencies for clarification of these potential problems.

Based on our information, the Village conducted an internal review of building permits and assessments. Over 100 permits were subsequently found to have slipped through the cracks, resulting in underpayments of approximately \$690,000 in property taxes. The Village has stated that the errors occurred mainly in 2004 and 2005, and were the result of the "ineptitude" of one clerk. However, our review of the internal reports prepared by the Village indicates that 75% of the missing building permits were completed between 2006 and 2009.

Furthermore, Village officials have yet to address the issue of building permits where the "stated" value of the improvements appears to be significantly below the market value of the work actually performed, or reviewing instances where renovations have been completed without a building permit. We will continue to press for answers to these questions and to help the Village design a more transparent building permit and assessment process.

May 21, 2012