

REPORT: WHO'S RESPONSIBLE FOR NEW YORK CITY'S REGRESSIVE PROPERTY TAX SYSTEM?

March 2026

By: Paul Alexander

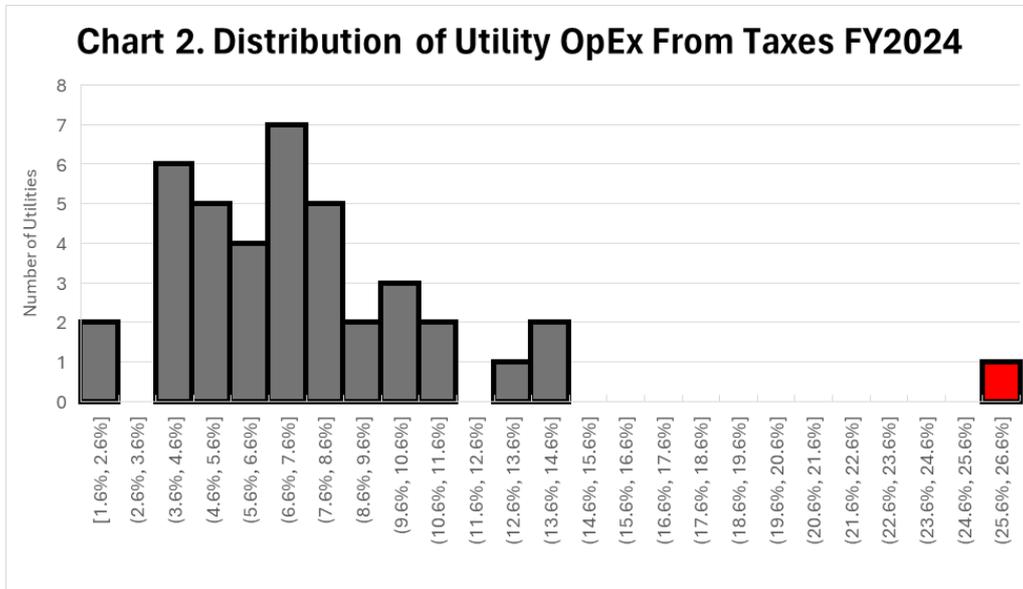
Across the country, rising electricity bills are causing concern among customers and policymakers. While there are many causes for higher energy costs, including data centers in certain service territories, challenges from restructured markets, infrastructure needs, increased electrification, extreme weather events, and other inflationary pressures, property taxes, which are passed through to utility customers, are a sizable and growing portion of electric bills, particularly for some New York utilities.

One data analysis of nationwide utilities shows that New York City's electric utility, Consolidated Edison, is a statistical outlier with customers paying outlandishly high taxes embedded in their electric bills that Con Ed collects on behalf of local governments ([Chart 1](#)).

Chart 1. Percentage of Total Operating Expenses From Taxes FY2024 (\$ in thousands)			
Utility	Taxes Ex-Income	Total Op Ex	Percentage
Consolidated Edison	\$3,280,000	\$12,524,000	26.2%
Dayton Power & Light	\$113,500	\$782,900	14.5%
NorthWestern Energy	\$163,853	\$1,190,577	13.8%
NextEra Energy	\$2,278,000	\$17,626,000	12.9%
FirstEnergy	\$1,212,000	\$11,097,000	10.9%
Eversource	\$997,901	\$9,195,100	10.9%
American Electric Power	\$1,596,300	\$15,275,200	10.5%
Hawaiian Electric	\$301,328	\$2,906,615	10.4%
Eergy	\$452,600	\$4,379,300	10.3%
Puget Sound Energy	\$398,773	\$4,249,019	9.4%
Ameren	\$547,000	\$6,107,000	9.0%
Entergy	\$752,948	\$9,121,429	8.3%
CenterPoint Energy	\$547,000	\$6,653,000	8.2%
Exelon	\$1,504,000	\$18,734,000	8.0%
CMS Energy	\$482,000	\$6,028,000	8.0%
Southern Company	\$1,540,000	\$19,677,000	7.8%
NiSource	\$300,000	\$3,990,600	7.5%
Unitil	\$29,900	\$403,500	7.4%
MDU Resources	\$106,216	\$1,492,336	7.1%
Avista	\$116,000	\$1,632,000	7.1%
Dominion	\$731,000	\$10,613,000	6.9%
Sempra	\$693,000	\$10,223,000	6.8%
TXNM Energy	\$100,580	\$1,505,579	6.7%
Cleco	\$60,743	\$920,229	6.6%
Duke Energy	\$1,466,000	\$22,391,000	6.5%
Portland General	\$175,000	\$2,928,000	6.0%
PPL Corporation	\$374,000	\$6,258,000	6.0%
Xcel Energy	\$624,000	\$11,055,000	5.6%
Pinnacle West	\$227,395	\$4,112,852	5.5%
OGE Energy	\$109,700	\$2,240,000	4.9%
ALLETE	\$65,400	\$1,369,700	4.8%
DTE Energy	\$487,000	\$10,338,000	4.7%
MGE Energy	\$23,986	\$530,682	4.5%
Edison International	\$624,000	\$13,821,000	4.5%
WEC Energy	\$266,500	\$6,435,000	4.1%
Black Hills	\$67,200	\$1,624,600	4.1%
Alliant Energy	\$122,000	\$2,988,000	4.1%
Berkshire Hathaway	\$840,000	\$21,228,000	4.0%
Indianapolis Power & Light	\$27,478	\$1,340,878	2.0%
Otter Tail	\$15,662	\$950,298	1.6%
		Average	7.20%
		Median	7.00%

Sources: Company Filings

In fact, Con Ed’s rate of 26.2 percent is nearly four times the utility average of 7.2 percent and the median rate of 7 percent (See Chart 2). Con Ed officials have publicly testified that approximately 30 percent of its median customer’s monthly bill was comprised of taxes and fees imposed on the utility and simply passed through to the consumer, while about two-thirds of those taxes and fees, 17 percent of the total bill, are municipally levied property taxes.



Sources: Company Filings

This issue is not new. For decades, policymakers in Albany and New York City have recognized the unintended inequalities caused by a set of laws known as the New York State Real Property Tax Law, which has created a regressive shift in tax levies from New York City’s and Nassau County’s homeowners onto all utility customers. The utility tax has the effect of collecting significantly higher tax revenues from rental properties in large multi-family buildings even as it provides tax relief to wealthier homeowners in single-family houses by pushing a greater portion of the real estate tax burden onto less wealthy renters.

Previous efforts by New York lawmakers to reform the utility tax have failed, which should be troubling since Con Ed’s tax rate is both regressive and nearly four times the national average. But New York’s political landscape is changing. Under the leadership of Mayor Zohran Mamdani and Governor Kathy Hochul, is there now an opportunity for elected officials in the city and the state to address this unfair utility tax as part of a political mandate to bring about economic fairness for working class and low-income New Yorkers? Many observers hope the answer is “yes.”

* * * * *

Over the last several years, affordability has become a defining issue in the everyday life for many people. One rising expense for the average family is the monthly electric bill. What costs are associated with a company producing electricity? One is capital expenditures, which is driven by factors such as the rapid expansion of data centers, advanced manufacturing, building electrification, and adoption of electric vehicles. These investments are agreed upon

through a ratemaking process during which utility proposals are scrutinized by a state public utility commission. In the ratemaking process, the commission carefully balances reliability needs with customer affordability while at the same time allowing utilities to earn a fair return on these investments.

There are also general operating expenses. But one of the underappreciated costs is the taxes charged to utilities by their state and local governments that are passed on to the consumer. These costs are a necessary requirement to do business, but neither the utility nor the public utilities regulators have a role in setting the tax rates. That process is primarily controlled by the state legislature. In some jurisdictions, taxes have been rising faster than other costs and, therefore, these taxes have become a growing portion of household electric bills. Con Ed, which in terms of size often ranks among the top three utility companies in the United States, recently estimated that 30 percent of its median customer’s monthly bill was comprised of “pass-through” taxes, taxes imposed on the utility and simply “passed through” to the consumer.

Since they do not have the ability to allocate these charges on financial need, utilities simply charge the taxes based on usage, and the pass-through taxes end up placing a regressive burden on America’s low-income families. According to the U.S. Department of Energy, low-income households spend three times more of their monthly income on energy costs than non-low-income households. In some regions, these energy costs account for more than 30 percent of gross monthly income in the low-income households, which often have less flexibility in reducing energy use when prices rise due to the essential nature of these services and the lower energy efficiency of their homes. Such a reality is especially true for renters. Finally, some jurisdictions have tax codes that continue to shift the tax burden from single-unit homeowners (who are generally wealthier) to utility customers, which only adds to the financial burden of the low-income households.

* * * * *

Con Ed’s rate of operating expenditure due to real estate taxes is more than double the percentage (on average 11 percent) incurred by other electric utilities in New York state (See [Chart 3](#)). One reason for this difference is because utilities in other service territories are not exposed to the unique property tax system that is applied only to New York City and Nassau County.

Chart 3. New York State Utilities Percentage of Total Operating Expenses From Taxes FY2024	
Utility	Percentage
Consolidated Edison	26.2%
Central Hudson Gas and Electric Corporation	9.9%
New York State Electric & Gas Corporation (NYSEG)	8.8%
Rochester Gas and Electric Corporation (RG&E)	16.0%
Niagara Mohawk Power Corporation	9.2%

Sources: Company Filings

Each year, New York City's Department of Finance embarks on a tax-rate-setting process that has gotten increasingly complicated over time. Well-intentioned efforts to shield single-family homeowners from sudden spikes in their annual property tax bills have resulted in a regressive tax system that hurts low-income families. Instead of basing the tax system on actual market value of the properties, a convoluted system of growth caps and exemptions has emerged that often results in expensive properties that have enjoyed increased property values paying lower effective tax rates than other properties. The Independent Budget Office found that from Fiscal Years 1984 to 2007, the net effective tax rates for one-to-three-unit homes decreased 65 percent while net effective tax rates on utilities increased 12 percent. This is a regressive cost shift because utilities pass the growing tax share onto their customers which is particularly burdensome for low-income families.

Con Ed's tax problem has gotten worse in recent years. While the utility has been exposed to the same inflationary pressures that have contributed to the affordability problem facing American households, New York City's tax system has exacerbated the problem. Con Ed's general operating costs have increased, but the taxes facing the utility have increased even faster. From Fiscal Year 2019 to Fiscal Year 2024, Con Ed's total operating expenses increased 27 percent, while its tax burden (ex-income tax) increased by more than 36 percent. As a result, the taxes assessed by New York have become a growing portion of the monthly bill charged to Con Ed customers.

One of the unique drivers of this increased burden for Con Ed's customers is New York City's tax system. How does the system work? Since 1981, New York State Real Property Tax Law Article 18 established a special tax system for New York City and Nassau County that redistributes annual property taxes based on the class of property. There are four categories: Class 1 (one-to-three-unit residences); Class 2 (four-plus unit residences); Class 3 (property owned by utilities); and Class 4 (other commercial and industrial property). Of note, 85 percent of Class 3 assets in New York City are owned by Con Ed.

Annually, as the New York City Department of Finance carries out the process that involves determining individual property market values and setting assessment ratios, it also establishes the percentage levy that will be applied to each class of property. In Fiscal Year 2024, the targeted assessment ratios for each type of property were: Class 1 – 6 percent of market value; Class 2 – 45 percent of market value; Class 3 – 45 percent of market value; and Class 4 – 45 percent of market value. However, in practice, these are not the actual ratios used by the New York City finance department. A variety of caps and adjustments tend to keep residential assessed values low and reduce the actual ratios for Class 1, 2 and 4. Assessed value growth caps on individual properties have resulted in homes that have experienced significant appreciation having lower effective tax rates than new construction and units whose values have remained relatively constant.

To make matters worse, the New York real property tax law statute also limits tax share adjustments between the four property classes through its "share class system." For example, if residential property values increase rapidly in New York, then the percentage of the total taxes paid by Class 1 and Class 2 properties would be expected to increase. Yet the law established an annual 5 percent cap on how much each class's proportion of the total tax

levy can change in any given year. If a property class’s market value increases by more than the 5 percent class share cap, the excess is redistributed across the other property classes on a proportional basis (subject to their own 5 percent caps). The redistribution formula has become a regressive cost shift to low-income Con Ed customers because of the relatively small size and stable values of Class 3 assets. The tangible property of electric utilities (like power plants and gas lines) rarely spikes in value. Therefore, while other New York property classes such as residential or commercial real estate may exceed their 5 percent annual cap, utility assets in Class 3 usually have the most room to absorb any excess tax levy. In other words, the slower market value appreciation of utility assets has resulted in utilities being the pressure valve in the New York City tax system by absorbing a greater share of excess annual property tax increases.

Unfortunately, this regressive cap system may get worse in coming years. A legislative package (S.7980/A.8629) was signed into law in October 2025 that allows the New York City Council to reduce the 5 percent cap on certain property classes at their discretion. This means that, going forward, policymakers may be able to reduce the cap on Class 1 or Class 2 properties to any rate from zero to five percent. Of course, should the caps on these properties be reduced, the amount that will need to be redistributed to Class 3 will increase.

While the significant property value accretion over the past 10 years has exacerbated the issue, the problem has been recognized by New York City officials for a long time. In 2006, the New York City Independent Budget Office issued a report analyzing how property tax burdens shifted in New York City during the 25-year period after the enactment of the New York Real Property Tax Law. [See Chart 4](#), which documents the changes in effective tax rates by property type from Fiscal 1984 to Fiscal Year 2007.

Chart 4. Percentage Change in Net Effective Tax Rates, FY1984-2007						
	1-3 Unit Family	Co-Ops	Condos	Walkups	Class 3	Class 4
% Change	-65%	-29%	-28%	-7%	12%	-18%

Sources: New York City Independent Budget Office

The Independent Budget Office report concludes that the “Class 1 effective tax rate is now much lower than it would be if the levy shares were based directly on market share” and, if actual market values determined the levy share for each property type, the Class 3 levy would drop by 47 percent. Despite this recognized tax shift to utilities in New York City, a comprehensive solution to the inequitable system has, to date, evaded policymakers.

* * * * *

A renewed focus on affordability in New York City should force an examination of ways to fix the city’s regressive property tax system. Given the complexity of the problem, a range of incremental solutions have been considered in recent years.

A New York City Advisory Commission on Property Tax Reform worked during the Covid pandemic to address the issue and delivered Mayor Bill de Blasio with a final set of recommendations in December 2021. The commission proposed an array of fixes, including

the elimination of the class share system which continually pushes the levy burden toward Class 3 assets and locking class tax rates for a five-year period to reduce volatility in tax bills. The commission also recommended shifting to a true sales-based market value assessment for all properties, which would help end suppressed value growth on residential properties. Finally, the report suggested eliminating the assessed value growth caps, which the commission identifies as “one of the primary drivers of inequality.”

The advisory commission did extensive research and community engagement on this issue. Unfortunately, while several bills seeking to codify the commission’s recommendations have been proposed in Albany, none of the bills has yet been signed into law. Recently, one piece of legislation entitled A7061 was re-introduced to establish a temporary state commission on New York City property tax reform. Prior versions of the bill never advanced beyond committee review in the State Assembly.

The Office of the New York City Comptroller has also pushed for the adoption of reforms outlined in the 2021 advisory commission report. The comptroller’s property tax website highlights inequalities with the current system such as how working-class boroughs pay three times the effective tax rate as Manhattan and “brownstone” Brooklyn and rental properties are forced to pay roughly double the median effective tax rate. The comptroller supports several critical reforms to make the property taxes less regressive such as more equitable tax rates across property types and ending the complex system of legacy exemptions and abatements.

A variety of non-governmental organizations have also weighed in on property tax inequalities in New York City. The Citizens Budget Commission, a nonpartisan nonprofit in New York, has suggested a variety of tax code changes such as revaluing all properties based on true market values and removing class growth caps. The CBC published its recommended reforms in recognition that additional property tax revenue might be needed to support Mayor de Blasio’s policy priorities and any adjustments to the system offered an important opportunity to making property taxes more transparent and equitable.

Lawmakers in Albany continue to consider fixes to the New York Real Property Law. However, in the interim, there are some small, but important, changes that can be addressed through the administrative authority of the New York City mayor and his Department of Finance. The finance department can, for instance, update valuation models and improve sales-based inputs. Specifically, the department can make a variety of changes to more accurately value expensive condos and co-ops. Valuations for Class 1 and Class 2 properties that are better aligned with actual market value will reduce the levy burden on Class 3 customers. While the real estate property law requires assessments at a percentage of market value, it does not prescribe specific valuation models or data inputs.

The finance department can also take simple steps toward providing clearer reporting on which classes absorb levy growth. In conjunction with the Mayor’s Office of Management and Budget, the city could disclose additional information on the scope of property tax subsidies. Improved transparency — through disclosures on electric bills, for example — will make the regressive cost shift obvious to New Yorkers and increase pressure to stop using

utility customers as a fiscal backstop. While some reforms can be achieved by incorporating them into the finance department's annual assessment methodologies, what is actually needed is for Albany lawmakers to address the problem with new comprehensive legislation, a remedy that is long overdue.

Paul Alexander is the author of books about John McCain, John Kerry, and Karl Rove. He often writes about politics and public policy for a variety of publications.

###