REPORT AT A GLANCE

The New York City Department of Finance's Assessment of Cell Site Revenue in Real Estate Taxes

What questions did the audit look at?

- Does the New York City Department of Finance (DOF) ensure that tax property owners reported revenue earned from leasing cellular equipment sites, and appropriately tax them?

Why does it matter for New Yorkers?

The Department of Finance (DOF) records deeds, maintains documents, and collects taxes on all real estate in the five boroughs. In this capacity, DOF is responsible for collecting revenue statements from owners of income-producing property (e.g., rental units).

One type of income taxed by DOF comes from cell sites—or, telecommunications equipment (such as cellular towers or antennae) that carriers install on building exteriors. Property owners rent this space to carriers and collect leasing fees, which the City considers taxable income. In 2017, the cell site income reported by property owners was $126 million. In 2018, it was $135 million.

The audit found that DOF did not fully capture cell site tax revenue in 2017 and 2018. When we compared real estate tax statements filed by property owners to DOF records of properties which generate cell site income and DOB records of properties with cell site equipment, we found $23.2 million in additional unreported income, with potential losses to the City totaling $9.1 million. Essentially, this is money that DOF left on the table.

As New York City's primary taxation agency, DOF should ensure that all tax revenue—including cell site income—is accurately assessed and collected. It should use all tools at its disposal to achieve this goal.

What changes did the agency commit to make following the audit?

- DOF agreed to earmark properties containing cell sites that are not included in the City's tax rolls.
- DOF agreed to use additional methods (such as airborne photography, Department of Buildings [DOB] data, and field observations) to capture untaxed cell sites, and more frequently review City records.

AUDIT FINDINGS

DOF did not identify unreported cell site income or make adjustments to gross income totaling $23.2 million, resulting in potential tax losses of $9.1 milion.

DOF did not use available data to ensure that all property owners reported cell site income.

	Audit Recommendations	Agency Response
1	Earmark properties that are not valued when DOF performs cell site add backs and review them during the change by notice period.	AGREED
2	Retroactively adjust reported income for all properties on which property owners failed to report cell site income and recoup to the extent possible.	DISAGREED
3	Use available tools—such as the DOB Cellular Antenna Filings Report, Pictometry (airborne photography), and field observations—to identify and verify the existence of cell sites and confirm with telecommunication companies whether those sites are in active use.	PARTIALLY AGREED[1]

[1] DOF said that it put in place some of these methods—such as Pictometry and field observations. The agency agreed that reviewing the DOB Cellular Antenna Filings Report would be "instructive, but not a definitive source for cell site addbacks," but that its resources hindered contacting telecommunications companies about every parcel.